

# RURAL ACTION BRIEF

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## RURAL DEVELOPMENT AND RURAL ASSET-BUILDING PROGRAMS PRESIDENT BUSH'S FY 2006 BUDGET

### Less Rural Economic and Community Development

**Rural America will lose more than one-third of its federal resources for rural economic and community development.** The proposed new "Strengthening America's Communities Initiative" would consolidate 18 economic and community development programs into one and provide one-third less funding (from \$5.61 billion in FY05 for the 18 programs to \$3.71 billion proposed in FY06 for the new initiative). Extrapolating to the new initiative the 29.7 percent non-entitlement community share of the FY05 Community Development Block Grant (CDBG) program, rural America stands to lose at least one-third of its federal economic and community development resources in the new initiative through the elimination of the CDBG program and other rural development programs (and significant spending cuts in other community and economic development programs). The **result** would be 1) a **shifting of rural economic and community development costs to state and local resources**, including an increased property tax burden in many places, and/or 2) **rural communities left without the resources for vital projects modernizing their infrastructure, developing their economies for the 21<sup>st</sup> century, and enhancing their quality-of-life.** The ultimate impact of the President's FY06 budget proposal is to make rural communities less attractive places to live with fewer economic opportunities and potentially higher taxes.

### Fewer Jobs and Businesses

**The President's budget proposes to eliminate programs that create jobs and businesses for rural America.** The Small Business Administration programs that provide capital and technical assistance for microbusinesses are a major source of businesses and jobs in rural communities. Nearly 17 percent of all private, non-farm jobs in the United States come from microenterprise, and over one in five private, non-farm jobs are attributable to microenterprises in the most rural states in the nation.

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WE WILL FOCUS ON PROGRAMS WITH A MISSION TO BUILD ASSETS IN RURAL COMMUNITIES

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In addition, several of the economic and community development programs being targeted for elimination or significant cuts create business and job opportunities in rural America (the Rural Business Enterprise Grant program, the Rural Business Opportunity Grant program, the Economic Development Administration, and the Resource Conservation and Development program, for example). **The President's budget would result in fewer resources and fewer opportunities to create jobs and businesses in rural communities.**

### Less Participatory Community Development in Rural America

One hallmark of the CDBG program was the requirement for public hearings and public input on community and economic development projects for which funding was sought. That may be lost under the proposed "Strengthening America's Communities Initiative," which would provide funding only to communities meeting specified criteria with no apparent requirement for public involvement. One such measure is unemployment, which would hurt many rural areas that have low unemployment rates but high rates of multiple jobholding, high poverty rates and low income. Programs such as the Resource Conservation and Development program (with half its funding proposed for elimination) also directly involves communities and community members in community and economic development projects, with community members participating in governing boards and project committees. The proposed budget also seeks to eliminate programs such as the Northern Great Plains Regional Authority, planning grants from the Economic Development Administration and the Rural Strategic Investment Program based on a community participation model that many are recommending as a democratic method for rural development on both the community and regional level.

### Less Asset-Building in Rural Communities

The President's budget provides for greater resources for several rural housing programs within USDA, particularly loan programs. However, what the budget gives with one hand, it takes with the other – it proposes to eliminate other rural housing programs and programs that provide resources for rural community-based organizations that develop and construct housing. As discussed above, the budget also decreases opportunities for rural people – particularly low- and moderate-income rural residents – to own their own businesses and provide jobs. Asset-building – those investments in one's life or family that will serve to build long-term wealth – is an important strategy for the future of rural America. Assets like businesses and houses bond one to a place and help to build strong, more sustainable communities. Commitment to a place is what makes asset-building development an important and viable model for rural people and rural communities.

## FISCAL YEAR 2006 BUDGET PROPOSAL

Below is an examination of the impact of President Bush's Fiscal Year 2006 budget on funding of certain rural development programs and programs with a mission to build assets in rural communities and for rural people (housing and small business development primarily).

NOTE: All figures in the following charts are in millions of dollars.

#### Value-Added Producer Grant Program

<i>Authorized</i>	<i>FY 05 Appropriation</i>	<i>FY 06 Proposal</i>	<i>Pct. Change</i>
\$40.0	\$15.5	\$15.5	(61.2)

\* In the following tables, the asterisk indicates these are among 18 programs in the Departments of Housing and Urban Development, Commerce, Agriculture, Treasury and Health and Human Service being consolidated in the proposed *Strengthening America's Communities Initiative*. In FY 2005, those 18 programs received combined funding of \$5.61 billion; the FY 2006 budget proposes \$3.71 billion for the *Strengthening America's Communities Initiative*, a 33 percent reduction.

**SBA Microenterprise Development Programs**

<i>Program</i>	<i>FY05 Appropriation</i>	<i>FY06 Proposed</i>	<i>Pct. Change</i>
Microloan Technical Assistance	\$14.0	\$0	(100)
Microloan Program	\$15.0	\$0	(100)
Program for Investment in Micro-entrepreneurs (PRIME)	\$5.0	\$0	(100)

**USDA Rural Development (programs from various USDA agencies)**

<i>Program</i>	<i>FY05 Appropriation</i>	<i>FY06 Proposed</i>	<i>Pct. Change</i>
Rural Community Advancement Program: Business-Cooperative	\$74.18	\$44.22	(40.4)
Rural Cooperative Dev. Grants	\$24.0	\$21.0	(12.5)
Appropriate Technology Transfer for Rural Areas (ATTRA)	\$2.0	\$0	(100)
Rural Eco. Dev. Grants	\$10.0	\$10.0	0
Rural Strategic Investment Pro-	\$100.0	\$0	(100)
Enterprise Zone/Enterprise Community/Rural Economic Area Partnership Program (EZ/EC/	\$22.16	\$13.37	(39.7)
Rural Community Development Initiative Grants (RCDI)	\$6.3	\$0	(100)
Resource Conservation and Development Program (RC&D)	\$51.64	\$25.6	(50.4)
Rural Bus. Enterprise Grant Pro-	\$39.68	\$0*	(100)
Rural Bus. Opportunity Grant Program (RBOG)	\$3.0	\$0*	(100)
Rural Enterprise Zone/Enterprise Community Round II	\$12.50	\$0*	(100)
Intermediate Re-Lending Program	\$34.21	\$34.0	(0.6)
Northern Great Plains Regional Authority	\$1.49	\$0	(100)

**Community and Social Services**

<i>Program</i>	<i>FY05 Appropriation</i>	<i>FY06 Proposed</i>	<i>Pct. Change</i>
Community Services Block Grants	\$631.0	\$0*	100
Rural Community Facilities (HHS)	\$7.0	\$0*	100
Individual Development Accounts (HHS)	\$25.0	\$25	0

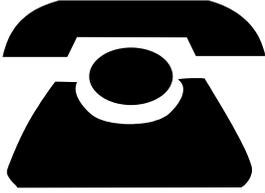
The President's budget contains a tax credit to defray costs of administering Individual Development Account (IDA) programs, account matching fund contributions and account holder financial education. This credit would be available to IDA program sponsors – generally, financial institutions and nonprofit organizations. The credit would apply to the first 900,000 IDA accounts opened after December 31, 2006, and before January 1, 2012 (or before January 1, 2014, with respect to credits for matching funds). It is estimated this credit would have a \$134 million revenue impact in Fiscal Year 2007 and a total fiscal impact of \$1.763 billion by 2015.

### Community Development and Housing Programs

<i>Program</i>	<i>FY05 Appropriation</i>	<i>FY06 Proposed</i>	<i>Pct. Change</i>
Community Development Block Grant (CDBG – 29.7% non-entitlement share)	\$1,2332.559	\$0*	(100)
Rural Housing and Economic Development Program (HUD)	\$24.0	\$0*	(100)
Economic Development Administration (Commerce)	\$257.42	\$26.58 (salaries and expenses only)*	(89.7)
§ 502 Single Family Loans	\$4,459.3	\$4,681.03	5.0
§ 504 Repair Loans (USDA)	\$35.0	\$36.0	2.9
§ 515 Rental Loans (USDA)	\$100.0	\$27.0	(73)
§ 523 Land Development Loans	\$10.0	\$5.0	(50)
§ 524 Site Loans (USDA)	\$5.05	\$5.0	(0.9)
§ 538 Multi-Family Loans (USDA)	\$100.0	\$200.0	100
Rental Assistance Grants (USDA)	\$592.0	\$650.0	9.8
§ 523 Mutual and Self-Help Grants (USDA)	\$34.0	\$34.0	0
Rural Housing Assistance Grants (USDA)	\$44.0	\$41.0	(6.8)
§ 504 Repair Grants and Payments (USDA)	\$31.0	\$30.0	(3.2)

### The Bottom Line

The combination of public resources to modernize and enhance rural community infrastructure and quality-of-life and asset-building strategies can lead to rural community revitalization in the United States and full inclusion of rural Americans in the “ownership society.” Unfortunately, President Bush's FY06 budget neither recognizes this possibility nor makes it a priority.



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NOT TO  
UNDERESTIMATE  
THE EFFECTIVENESS  
OF CALLING  
ELECTED OFFICIALS.  
YOUR CALL CAN  
MAKE ALL THE  
DIFFERENCE!

## WHAT CAN I DO?

The Congressional Appropriations and Budget Committees will begin action soon, and the President's budget will be the starting point for their deliberations.

You can do the following to make the case for funding rural development and rural asset-building programs.

◦ **Contact your U.S. Senators and U.S. Representative** and educate them on the benefits of federal rural development and rural asset-building programs for your community and your state.

◦ **Write letters to your local newspapers** about federal rural development and rural asset-building programs and their benefits to your community and all rural communities.

◦ **Speak to local Chambers of Commerce and business associations, local service clubs, and other local groups** about federal rural development and rural asset-building programs and their benefits to your community and all rural communities.

◦ **Contact local economic development and community development groups and organizations** and ask them to oppose decreased funding for federal rural development and rural asset-building programs and communicate that support to your U.S. Senators and Representative.

◦ **Contact your Governor** and ask him or her to oppose decreased funding for federal rural development and asset-building programs and to communicate that support to Congress.

◦ **If you live in a metro area**, contact rural people you know for examples of how federal rural development and rural asset-building programs benefit rural communities and then **contact your U.S. Senators and U.S. Representatives**.

◦ **In all your efforts use local examples** of how federal rural development and rural asset-building programs have benefited individuals, families and communities in your area.

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## CENTER FOR RURAL AFFAIRS

PO Box 136  
145 Main Street  
Lyons NE 68038

Phone: 402-687-2100  
Fax: 402-687-2200  
www.cfra.org

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If you or anyone you know wish to receive the *Rural Action Brief*, please contact **Jon Bailey** at [jonb@cfra.org](mailto:jonb@cfra.org) or **Kim Preston** at [kimp@cfra.org](mailto:kimp@cfra.org), or the Center for Rural Affairs at the phone number or address above. There is no charge for a subscription to the *Rural Action Brief*. Past copies of *The Rural Action Brief* are available on our website, <http://www.cfra.org/>

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