

RURAL BRIEF

VOLUME 5 , ISSUE 1 MARCH 2008

PRESIDENT BUSH'S 2009 BUDGET PROPOSAL AND RURAL DEVELOPMENT AND RURAL ASSET BUILDING PROGRAMS

President Bush released his Fiscal Year 2009 budget on February 3, 2008. While this \$3.1 trillion budget for the entire federal government sets the parameters for future debate and deliberations in Congress, it is primarily a recommendation and the first step in the annual appropriations process.

As with previous budgets, the FY09 budget recommends termination of numerous federal rural development and rural asset-building programs. Of the 40 programs highlighted in this issue of the *Rural Brief*, President Bush recommends termination and zero funding for 20 of them. Only seven programs highlighted here – all but one housing program and four of the loan programs – would see funding increases under the President's FY09 budget. One non-loan housing program that has a significant proposed increase in the President's budget is the Rental Assistance Grant program. However, even this proposed increase is not all it appears to be – it proposes a funding increase to renew one year rental contracts, which corresponds to a Congressional reduction in FY08 of rental assistance contracts to one year (from five years), and proposes a \$100 million set aside for a "pilot voucher program" for eligible tenants.

The President's FY09 budget continues a trend of significant reductions in rural development funding since 2003. If the Administration's FY09 budget were approved, since FY03:

- Programs for rural water and sewer would have been reduced by 62 percent
- Programs for rural business and cooperatives would have been reduced by 50 percent
- Programs for rural community facilities would have been reduced by 76 percent
- Programs for rural housing would have been reduced by 95 percent

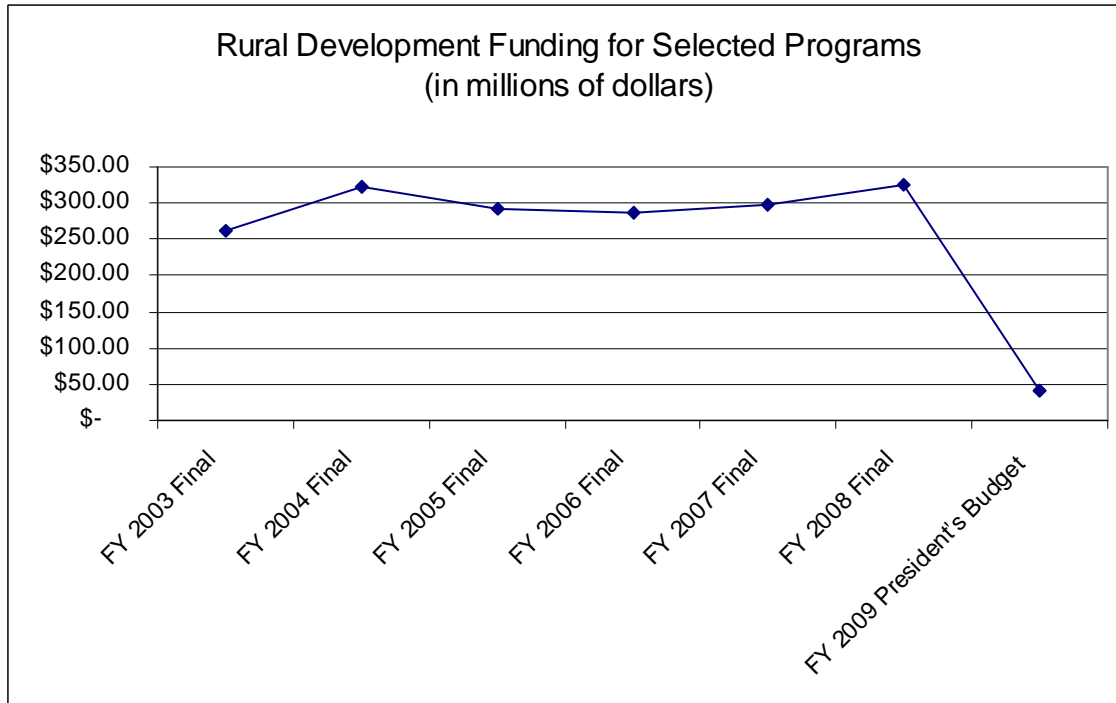
If one removes the one-time FY09 increase in rental assistance, adoption of the Administration's FY09 budget would cause total rural development funding to be 72 percent less than its FY03 level.

The chart on Page 2 demonstrates what has happened over time to rural development funding and what could happen if the Administration's FY09 budget were adopted. This chart outlines funding since FY03 for the major USDA telemedicine, distance learning, economic development, water and sewer, community facility, business, renewable energy, and value-added agriculture grant programs. Funding for these selected programs would decline by over 87 percent from their FY04 high point if the Administration's FY09 budget were adopted.

INCLUDED IN THIS ISSUE:

PROGRAMS WITH A MISSION TO BUILD ASSETS IN RURAL COMMUNITIES

- VALUE-ADDED
PRODUCER
PRODUCT
GRANTS
PROGRAM
- RESOURCE
CONSERVATION
AND
DEVELOPMENT
PROGRAM
- RURAL SMALL
BUSINESS
DEVELOPMENT
- COMMUNITY
DEVELOPMENT
AND HOUSING
- RECENT
HISTORY OF
RURAL
DEVELOPMENT
FUNDING



UNITED STATES DEPARTMENT OF AGRICULTURE

Program	FY 07 FINAL	FY 08 FINAL	FY 09 President's Request	Percent Change (FY 07-FY 09 President's Request)
<i>Rural Utilities Service</i>				
Distance Learning & Telemedicine Grants	\$30.0	\$35.0	\$20.0	(33.3%)
Broadband Grants	\$9.0	\$13.5	\$0.0	(100%)
<i>Former RCAP Set-Asides</i>				
Economic Impact Initiative Grants	\$18.0	\$14.0	\$0.0	(100%)
Water & Sewer Technical Assistance	\$18.25	\$18.5	\$10.0	(45.2%)
EZ/EC and REAP Zones	\$0.0	\$21.7	\$6.0	600%
Rural Community Development Initiative (RCDI)	\$6.35	\$6.3	\$0.0	(100%)
<i>Rural Housing Service</i>				
§502—Single Family Housing Loans	\$4,821.83	\$5,349.0	\$4,849.0	0.6%
§504—Housing Repair Loans	\$35.0	\$34.0	\$17.7	(49.4%)
§515—Rental Housing Loans	\$100.0	\$70.0	\$0.0	(100%)
§523—Self-Help Housing Land Development	\$5.04	\$5.0	\$0.0	(100%)
§524—Site Loans	\$5.0	\$5.0	\$5.05	0.1%

UNITED STATES DEPARTMENT OF AGRICULTURE, CONTINUED

Program	FY 07 FINAL	FY 08 FINAL	FY 09 President's Request	Percent Change (FY 07-FY 09 President's Request)
§538—Multi-Family Housing Loans	\$100.0	\$130.0	\$300.0	300%
Rental Assistance Grants	\$616.02	\$482.0	\$997.0	61.8%
Mutual and Self-Help Housing Grants	\$34.0	\$39.0	\$0.0	(100%)
Rural Housing Assistance Grants	\$43.98	\$39.0	\$43.5	(1.1%)
Rural Housing Vouchers	\$16.0	\$5.0	\$0.0	(100%)
Community Facility Program (Direct Loans)	\$333.0	\$294.0	\$302.0	(9.3%)
Community Facility Program (Guaranteed Loans)	\$228.0	\$206.0	\$210.0	(7.9%)
Community Facility Program (Grants)	\$48.0	\$45.0	\$0.0	(100%)
<i>Business Cooperative Service</i>				
Intermediary Relending Program (IRP)	\$34.21	\$33.78	\$33.78	(1.2%)
Business and Industry Loans	\$923.0	\$1,043.0	\$700.0	(24.2%)
Rural Economic Development Loan Account	\$25.03	\$33.1	\$0.0	(100%)
Rural Business Enterprise Grants (RBEG)	\$40.0	\$39.0	\$0.0	(100%)
Rural Cooperative Development Grants	\$26.72	\$28.02	\$4.46	(83.3%)
Rural Business Opportunity Grants (RBOG)	\$3.0	\$2.5	\$0.0	(100%)
Rural EZ/EC Round II Grants	\$11.2	\$8.2	\$0.0	(100%)
Renewable Energy Grants	\$23.0	\$36.0	\$0.0	(100%)
Value-Added Product Market Grants	\$23.0	\$19.0	\$0.0	(100%)
<i>Natural Resource Conservation Service</i>				
Resource Conservation and Development	\$51.3	\$51.09	\$0.0	(100%)

DEPARTMENT OF COMMERCE

Program	FY 07 FINAL	FY 08 FINAL	FY 09 President's Request	Percent Change (FY 07-FY 09 President's Request)
<i>Economic Development Administration</i>				
Planning Grants	\$27.0	\$25.38	\$27.0	0%
Public Works	\$160.38	\$148.05	\$7.0	(95.6%)
Economic Adjustment Grants	\$44.79	\$42.3	\$40.0	(10.7%)

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

	FY 07 FINAL	FY 08 FINAL	FY 09 President's Request	Percent Change (FY 07-FY 09 President's Request)
<i>Community Development Financial Institutions (CDFI)</i>	\$55.0	\$94.0	\$28.62	(48%)

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Program	FY 07 FINAL	FY 08 FINAL	FY 09 President's Request	Percent Change (FY 07-FY 09 President's Request)
Assets for Independence Act	\$24.0	\$24.0	\$24.0	0%
Rural Community Facilities	\$7.0	\$8.0	\$0.0	(100%)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Program	FY 07 FINAL	FY 08 FINAL	FY 09 President's Request	Percent Change (FY 07-FY 09 President's Request)
CDBG (formula)	\$3,710.91	\$3,600.0	\$2,930.0	(21%)
Rural Housing and Economic Development	\$17.0	\$17.0	\$0.0	(100%)

SMALL BUSINESS ADMINISTRATION

Program	FY 07 FINAL	FY 08 FINAL	FY 09 President's Request	Percent Change (FY 07-FY 09 President's Request)
Small Business Development Centers (SBDC)	\$89.0	\$97.12	\$87.0	(2.2%)
Micro Loan Technical Assistance	\$13.0	\$15.0	\$0.0	(100%)
Micro Loan Program	\$22.0	\$17.0	\$0.0	(100%)
Program for Investment in Micro Entrepreneurs (PRIME)	\$2.0	\$3.0	\$0.0	(100%)

The FY09 Budget Proposal would eliminate the MicroLoan technical assistance grants. The FY09 Budget Proposal also proposes making the SBA MicroLoan program a "zero subsidy" program with a goal toward making the program self-funding through an increase of interest rates charged to program intermediaries. This has the result of making the cost of serving rural entrepreneurs more expensive and likely less attractive, eventually resulting in fewer intermediaries interested in providing services to rural entrepreneurs, thus decreasing the number of rural people interested in beginning small businesses.

RURAL DEVELOPMENT AND RURAL ASSET-BUILDING VIRTUAL LIBRARY

Be sure to check out our Rural Development and Rural Asset-Building Library at http://www.cfra.org/publications/virtual_library. The library contains over 35 publications on a variety of rural development issues. Publication topics include:

- Rural development in the 2007 Farm Bill
- Evaluation of USDA Rural Development Programs
- Rural Health Care
- Rural Broadband
- Innovative community development initiatives
- Rural development strategies that work
- Rural demographics
- Rural poverty
- Rural small business networks
- Natural resource amenities and rural development

2007 FARM BILL REPORTS

Two of the newest inclusions on the Rural Development and Rural Asset-Building Library are reports that evaluate current federal rural development funding and a proposed Farm Bill rural development initiative (and rural development policy options available to states).

Oversubsidizing and Underinvesting: An Analysis of USDA Farm Program Payments and Rural Development Funding in Low Population Growth Rural Counties finds that the 20 largest farms in 13 Midwest, Great Plains and Intermountain West states collectively received more in farm subsidies than was invested by USDA rural development programs for the 3 million people and 1,400 communities in the 20 counties suffering the worst population loss or slowest population growth in those 13 states. The full report may be found at <http://www.cfra.org/node/603>.

Economic Outcomes of Rural Microenterprise Development in the 2007 Farm Bill: An Analysis of the Rural Entrepreneur and Microenterprise Assistance Program found that adoption of this program would provide significant economic outcomes for rural communities, including potential economic outcomes in rural communities of \$216 million to \$526 million over five years. The full report may be found at <http://www.cfra.org/node/698>.

PROMISING OPPORTUNITIES

Promising Opportunities: A Fresh Look at Opportunities for Rural Communities is intended to address issues that the 2007 Farm Bill could and should address. We include proposals that could easily be modified for use at the state level and identify potential legislation that is necessary for these economic opportunities to be replicated in other communities, regions, and states. The full report may be found at <http://www.cfra.org/node/974>.

If you are receiving duplicate copies or have changed your address, please call *Kim Kaup* at the Center, 402.687.2100

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March 2008

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The *Rural Brief* is a publication of the Rural Research and Analysis Program of the Center for Rural Affairs. The *Rural Brief* will be published quarterly and on special occasions, and will analyze Federal Executive, Legislative and Administrative action concerning rural development and asset-building programs and initiatives.

The *Rural Brief* is made possible by the support of the Ford Foundation.

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Established in 1973, the Center for Rural Affairs is a private, non-profit organization working to strengthen rural communities through action oriented programs addressing social, economic, and environmental issues.