

# RURAL ACTION BRIEF

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## STRENGTHENING AMERICA'S COMMUNITIES INITIATIVE: WEAKENING RURAL COMMUNITIES

### Summary of the Strengthening America's Communities Initiative

The major economic and community development policy initiative in the President's FY2006 budget is the Strengthening America's Communities Initiative (SACI). The SACI proposal would eliminate 18 economic and community programs and consolidate their activities into the new SACI program. The President's proposal also would also cut funding from \$5.6 billion for the 18 programs to \$3.7 billion for SACI, 65 percent of the current funding for the programs targeted for elimination and consolidation.

The largest program eliminated by SACI would be the Community Development Block Grant (CDBG) program. Other rural programs that would be eliminated include Rural Business Enterprise Grants, Rural Business Opportunity Grants, Rural Empowerment Zones, Economic Development Administration, and Rural Housing and Economic Development. Several other programs to be eliminated have a strong rural component.

### Summary Findings and Analysis

- Only 0.3 percent of the population in a six-state Great Plains/Midwest region live in areas that may qualify for SACI funding.
- SACI may provide funding to only 2 percent of municipalities in the Great Plains/Midwest region and 1 percent of the region's counties.
- Low unemployment is the reason for the lack of SACI-qualifying municipalities and counties in the region. Nearly 23 percent of the region's municipalities have income low enough to meet the definition of "distress."
- All municipalities and counties meeting the definition of "distress" and the income criterion for "distress" are rural (except for one metropolitan county in Kansas that meets the income criterion).
- South Dakota may receive the most benefit from SACI, with 2.2 percent of its population residing in areas that meet the "distress" definition. Iowa, Kansas, and Minnesota may receive the least SACI funding relative to population.

**The SACI criteria of low-income, poverty, unemployment and job loss will not work for most rural municipalities and counties because of low unemployment rates and the lack of significant job loss (due to a lack of large employers).**

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SACI WILL REPLACE  
THE FOLLOWING USDA  
PROGRAMS:

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*CDBG FORMULA GRANTS*

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*NATIONAL COMMUNITY  
DEVELOPMENT  
INITIATIVE*

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*CDBG SET ASIDES*

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*BROWNFIELDS  
ECONOMIC DEVELOP-  
MENT INITIATIVE*

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*RURAL HOUSING AND  
ECONOMIC  
DEVELOPMENT*

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*URBAN EMPOWERMENT  
ZONES ROUND II GRANTS*

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*COMMUNITY  
DEVELOPMENT LOAN  
GUARANTEES*

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*ECONOMIC  
DEVELOPMENT  
ADMINISTRATION*

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*RURAL BUSINESS  
ENTERPRISE GRANTS*

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*RURAL BUSINESS  
OPPORTUNITY GRANTS*

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*ECONOMIC IMPACT  
GRANTS*

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*RURAL EMPOWERMENT  
ZONES (EZ)/ENTERPRISE  
COMMUNITIES (EC)*

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*COMMUNITY  
DEVELOPMENT  
FINANCIAL INSTITUTIONS  
(CDFI)*

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*BANK ENTERPRISE  
AWARD (BEA)*

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*CDFI NATIVE INITIATIVES*

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*COMMUNITY SERVICES  
BLOCK GRANT*

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*URBAN AND RURAL  
COMMUNITY AND  
ECONOMIC  
DEVELOPMENT*

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*RURAL COMMUNITY  
FACILITIES*

## Who Qualifies for Strengthening America's Communities Initiative?

According to the administration, SACI is intended to target assistance to "economically-distressed areas." Eligibility criteria for SACI will include job loss, unemployment levels, and poverty. Beyond these general statements, specific criteria and measurements have not been established. (*Strengthening America's Rural Communities Initiative: An Overview*, February 2005, U.S. Department of Commerce. *President Bush Proposes Strengthening America's Communities Initiative*, February 2, 2005, White House Office of Management and Budget).

The federal government, however, has already established a definition of "economic distress" for other economic and community development programs, including the Community Development Financial Institutions (CDFI) program (one of the programs being eliminated by SACI). According to statements from economic development experts and federal officials, any SACI definition of "economic distress" will likely be similar to the CDFI definition.

The existing federal definition of "economic distress" for any geographic unit is: (*Federal Register*, Vol. 68, No. 23, page 5711, February 4, 2003)

- 20 percent of the population living in poverty (as determined by the most recent census);
- Median Family Income at or below 80 percent of the Metropolitan Area median family income, the national Metropolitan Area family median income, the statewide non-Metropolitan Area median family income or the national non-Metropolitan median family income, whichever is greater and whichever applies (as determined by the most recent census); and
- An unemployment rate at least 1.5 times the national average.

With that definition, we will examine how many counties and municipalities in the rural Great Plains and Midwest would qualify for SACI funding.

## Qualifying Municipalities and Counties

Using data from the 2000 Census (and the current national unemployment rate), we found that very few municipalities or counties in the Great Plains and Midwest will qualify for the SACI program if the income, poverty and unemployment measures discussed above are used.

### QUALIFYING MUNICIPALITIES

<i>State</i>	<i>Total Municipalities</i>	<i>Qualifying by Income</i>	<i>Qualifying by Income and Poverty</i>	<i>Qualifying by Income and Unemployment</i>	<i>Qualifying by Income, Poverty, and Unemployment</i>	<i>Total Population of Qualifying Municipalities</i>
<i>IA</i>	953	193	40	5	5	811
<i>KS</i>	630	129	33	5	5	994
<i>MN</i>	853	161	25	22	7	2,506
<i>NE</i>	539	137	15	27	15	5,047
<i>ND</i>	370	99	48	16	16	6,347
<i>SD</i>	343	111	60	24	24	17,033
<i>Total</i>	3,688	830	221	99	72	32,738

Of the qualifying municipalities, 27 are "CDPs" or "Census Designated Places," unincorporated population centers (1 in Nebraska, 3 in Minnesota, 7 in North Dakota and 16 in South Dakota). It is not known if CDPs would qualify for SACI, but if they do not the number of qualifying municipalities is further reduced.

Of the 13.6 million population of these states (based on the 2000 Census), only 0.3 percent of the region's residents reside in municipalities or counties that may qualify for SACI funding. While only about 2 percent of the region's municipalities may qualify for SACI funding, nearly 23 percent of the region's municipalities have income levels low enough to qualify.

<i>State</i>	<i>Total Counties</i>	<i>Qualifying by Income</i>	<i>Qualifying by Income and Poverty</i>	<i>Qualifying by Income and Unemployment</i>	<i>Qualifying by Income, Poverty, and Unemployment</i>	<i>Total Population Of Qualifying Counties</i>
<b>IA</b>	99	4	0	0	0	0
<b>KS</b>	105	2*	0	0	0	0
<b>MN</b>	87	0	0	0	0	0
<b>NE</b>	93	13	4	0	0	0
<b>ND</b>	53	1	1	1	1	4,044
<b>SD</b>	66	6	6	6	6	34,969
<b>Total</b>	503	26	11	7	7	39,013

\*One qualifying county by income – Wyandotte County – is a metropolitan county

### Congressional Action on SACI

Both the House and Senate adopted their budget resolutions on March 17, 2005. The House Budget Resolution includes language that would provide an additional \$1.1 billion “to accommodate higher appropriations for programs such as the Community Development Block Grant. The resolution makes no assumption regarding implementation of the President’s Strengthening America’s Communities Block Grant.”

The Senate Budget Resolution includes an amendment that would restore \$2 billion in funding for CDBG and related programs that would be eliminated under the President’s proposal. The House and Senate will need to reconcile their budget resolutions. Then House and Senate Appropriations Committees will consider appropriation levels for programs, including SACI and the 18 programs it would replace.

### SACI’s Implications for the Rural Great Plains and Midwest

- Unless the qualifying criteria are changed, SACI will not work for rural areas of the Great Plains and Midwest because of low unemployment and a lack of large job losses.
- The number of low-income municipalities and counties demonstrates that low-incomes and low-paying work are the real issues facing the rural Great Plains and Midwest; SACI-qualifying criteria should recognize this.
- Many low-income municipalities and counties may lose crucial funding to assist in modernizing community infrastructure, developing small businesses and creating jobs; this loss of funding will make these communities less economically viable.
- Rural towns and counties – generally without full-scale economic development departments – will compete with fully-staffed economic development departments serving qualifying metropolitan areas, and the competition will be over fewer funds.
- Funds would also be lost to non-governmental organizations that provide community and economic development services to rural areas.
- Economic development, community development and infrastructure investments for the vast majority of the region’s residents will have to come from increasingly strapped municipal, county, and state governments, often necessitating increased property taxes.

### What Can I Do?

**Contact your U.S. Senators, U.S. Representative, Governor, and state Legislator** and educate them about SACI and its potential impact on your community and the rural areas of your state.

**Write letters to your local newspaper** about SACI and its potential impact on your community and the rural areas of your state.

**Speak to local Chambers of Commerce and business associations, local service clubs, and other local groups** about SACI and its potential impact in your community.

**In all your efforts use local examples** of how the Community Development Block Grant Program and other programs that SACI will replace have benefited your community, and individuals, families and businesses in your community.

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

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