

RURAL ACTION BRIEF

VOLUME 1, ISSUE 2 FEBRUARY 2005

CONGRESSIONAL FUNDING OF RURAL DEVELOPMENT AND RURAL ASSET BUILDING PROGRAMS

On November 20, 2004, Congress approved a \$388.4 billion omnibus spending bill (HR 4818) to conclude action on Fiscal Year 2005 spending bills. Technical changes to the bill were adopted by Congress on December 6, 2004 and President Bush signed the bill into law on December 8, 2004 (Public Law 108-447).

The Congressional budget resolution adopted earlier in 2004 called for a 7% increase for defense spending and a 9% increase for homeland security programs. The remainder of the federal budget was limited to a 1% increase. The omnibus bill adopted in November further reduced non-defense, non-security discretionary spending by an .83% across-the-board cut.

This issue of the Rural Action Brief concentrates on the funding of certain rural development programs and programs with a mission to build assets in rural communities (housing and small business development, for example).

Overview

Since 2002, nearly every federal program that funds economic development and asset-building in rural communities has been cut, some by as much as 60 percent. With the notable exception of rural single-family housing loan programs, most rural development and rural asset-building programs witnessed significant reduction in Fiscal Years 2004 and 2005 after spending increases from 2002 to 2003. As rural populations continue to decline in many parts of the nation and as most economic indicators show a widening gap between rural and urban, the federal government is in the process of defunding rural economic and community development programs. And it could get worse – six of the programs outlined in the following pages were targeted for no funding in the President's proposed Fiscal Year 2005 budget.

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

- VALUE-ADDED PRODUCER GRANT PROGRAM
- RURAL COMMUNITY ADVANCEMENT PROGRAM
- RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM
- RURAL SMALL BUSINESS DEVELOPMENT
- SMALL BUSINESS DEVELOPMENT
- COMMUNITY DEVELOPMENT AND HOUSING

VALUE-ADDED PRODUCER GRANT PROGRAM

The *Value Added Producer Grant Program* (VAPG) Program was authorized by the 2002 Farm Bill. Grants may be used for planning and capital for value-added agricultural products and for farm-based renewable energy. The VAPG Program has as goals the creation of jobs and self-employment opportunities in rural areas and the enhancement of the farm/ranch share of food system profit.

The VAPG Program was authorized at a funding level of \$40 million in the 2002 Farm Bill. Since then, funding for the VAPG Program decreased by over 61%.

NOTE: All numbers in the following charts are in millions of dollars. FY 2005 figures do not reflect the 0.83 percent across-the-board reduction.

Authorized	FY 02	FY 03	FY 04	FY 05	% Change
\$40.0	\$40.0	\$27.7	\$15.0	\$15.5	(61.2%)

RURAL COMMUNITY ADVANCEMENT PROGRAM

The 1996 Farm Bill established the *Rural Community Advancement Program* (RCAP). RCAP features strategic planning assistance, grants, loans, loan guarantees, and other assistance to meet the development needs of rural communities. Special emphasis is placed on the smallest communities with the lowest per capita income. The vast majority of RCAP funds go to community infrastructure and facility projects. However, some RCAP funds go to establish businesses and housing in low-income and distressed rural communities. In Fiscal Year 2005, \$102.64 million will go to RCAP business and cooperative development, the *Enterprise Zone and Enterprise Community* programs (EZ/EC), the *Rural Economic Area Partnership Program* (REAP), and the *Rural Community Development Initiative* (RCDI); this represents a 14.5% decline since 2002.

Program	FY 2002	FY 2003	FY 2004	FY 2005	% Change
RCAP	\$76.5	\$87.72	\$76.5	\$74.18	(3.0%)
Business Cooperative					
EZ/EC/REAP	\$37.62	\$37.62	\$22.13	\$22.16	(41.0%)
RCDI	\$6.0	\$7.0	\$6.0	\$6.3	5.0%
Total	\$120.12	\$132.34	\$104.63	\$102.64	(14.5%)

RESOURCE CONSERVATION AND DEVELOPMENT PROGRAM

Another USDA program focusing on rural economic and community development is the *Resource Conservation and Development* (RC&D) program. The RC&D program focuses on natural resources conservation and community development which leads to sustainable communities in designated areas. RC&D areas are locally sponsored areas designated by the Secretary of Agriculture for RC&D technical and financial assistance program funds. RC&D funding has increased by over 7% since 2002 with the addition of RC&D areas. In Fiscal Year 2005, the RC&D program appropriation decreased .6% from 2004.

FY 2002	FY 2003	FY 2004	FY 2005	% Change
\$48.05	\$51.0	\$51.95	\$51.64	7.5%

RURAL SMALL BUSINESS DEVELOPMENT

USDA provides funding and assistance to create small businesses in rural areas through four programs. The *Rural Business Enterprise Grants Program* (RBEG) finances and facilitates the development of small and emerging private business enterprises in rural areas. The *Rural Business Opportunity Grants Program* (RBOG) promotes sustainable economic development in rural communities with exceptional needs through economic planning, grants, technical assistance for rural businesses, or training for rural entrepreneurs or economic development officials. The *Intermediary Relending Program* (IRP) finances business facilities and community development projects. Intermediaries relend funds to recipients and establish revolving loan funds. Finally, the *Rural Enterprise Zone/Enterprise Community Round II Grants Program* seeks to create long-term economic and community development and self-sufficiency in economically depressed rural areas and communities through enhanced economic opportunities and sustainable community development.

In Fiscal Year 2002, these four programs combined received \$99.24 million; in Fiscal Year 2005, the four will receive \$89.39 million, a 9.9% decrease.

Program	FY 2002	FY 2003	FY 2004	FY 2005	% Change
RBEG	\$41.0	\$46.68	\$48.0	\$39.68	(3.2%)
RBOG	\$5.1	\$2.98	\$3.0	\$3.0	(41.2%)
Rural EZ/EC/ Round II	\$14.97	\$14.96	\$12.67	\$12.50	(16.5%)
IRP	\$38.17	\$40.0	\$40.0	\$34.21	(10.4%)
Total	\$99.24	\$104.62	\$103.67	\$89.39	(9.9%)

SMALL BUSINESS DEVELOPMENT

The *Small Business Administration* (SBA) has several programs providing capital and technical assistance to new and growing small businesses. While not exclusively used in rural areas, several SBA programs concentrate on capital and assistance for microbusinesses – those businesses with five or fewer employees. The businesses and jobs from this type of business are generally much greater in rural areas than in urban areas, and microenterprise development has been proven to be a very effective and viable rural development strategy. SBA programs that foster this type of development are the *Small Business Development Centers* (SBDC), the *Microloan Technical Assistance Program*, the *Microloan Program*, and the *Program for Investment in Microentrepreneurs* (PRIME).

In Fiscal Year 2002, the funding for these programs totaled \$140.26 million; in Fiscal Year 2005, the funding for these programs totaled \$123 million, a 12.3% decrease.

Program	FY 2002	FY 2003	FY 2004	FY 2005	% Change
SBDC	\$90.01	\$89.0	\$89.0	\$89.0	(1.1%)
Microloan TA	\$17.75	\$15.0	\$15.0	\$14.0	(21.1%)
Microloan	\$27.50	\$29.0	\$20.0	\$15.0	(45.4%)
PRIME	\$5.0	\$5.0	\$5.0	\$5.0	0%
Total	\$140.26	\$138.0	\$129.0	\$123.0	(12.3%)

COMMUNITY DEVELOPMENT AND HOUSING

The U.S. Department of Housing and Urban Development (HUD) provides one of the largest programs for rural community and economic development – the *Community Development Block Grant* (CDBG) program. Most rural areas are non-entitlement CDBG areas; states administer the CDBG funds for which they are eligible on a competitive basis. CDBG's primary purpose is to develop viable communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low- and moderate-income.

In Fiscal Year 2004, 29.7% of all appropriated CDBG funds went to non-entitlement communities. Using the same rate for other recent years, the CDBG funds available for rural areas decreased by over 4 percent since 2002.

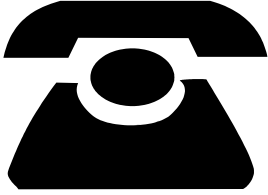
FY 2002	FY 2003	FY 2004	FY 2005	% Change
\$1,289.277	\$1,296.999	\$1,295.972	\$1,232.559	(4.4%)

HUD also administers the *Rural Housing and Economic Development Program*. This program provides for capacity building at the state and local level for rural housing and economic development and to support innovative housing and economic development activities in rural areas. Funding for this program decreased 4 percent since 2002.

FY 2002	FY 2003	FY 2004	FY 2005	% Change
\$25.0	\$25.0	\$25.0	\$24.0	(4.0%)

HUD administers a variety of rural housing programs providing both loans and grants. These programs provide funding for single and multi family housing, rental housing, home repairs, and assistance for home buying and rental payments in rural areas.

Program	FY 2002	FY 2003	FY 2004	FY 2005	% Change
§502 Single Family Loans	\$4,217.81	\$5572.0	\$4091.63	\$4459.3	5.7%
§504 Repair Loans	\$32.32	\$35	\$35.0	\$35.0	0%
§515 Rental Loans	\$114.06	\$115.8	\$116.55	\$100.0	(12.3%)
§523 Land Development Loans	\$5.0	\$4.98	\$2.4	\$10.0	100%
§524 Site Loans	\$5.09	\$5.01	\$5.04	\$5.05	(0.8%)
§538 Multi-Family Loans	\$99.77	\$100.0	\$100.0	\$100.0	0.2%
Rental Assistance	\$701.0	\$726.0	\$584.0	\$592.0	(15.5%)
Mutual and Self-Help Grants	\$35.0	\$35.0	\$34.0	\$34.0	(2.9%)
Rural Housing Assistance Grants	\$38.91	\$42.49	\$46.22	\$44.0	13.1%
Total Loans	\$4,474.05	\$5,832.79	\$4350.63	\$4,709.35	5.2%
Total Grants	\$774.91	\$803.49	\$664.22	\$670.0	(13.5%)



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

WHAT CAN I DO?

President Bush will introduce his budget for Fiscal Year 2006 on February 7, 2005. The Congressional Appropriations and Budget Committees will begin action soon after.

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 support increased 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 support increased funding for federal rural development and asset-building programs and to communicate that support to Congress.
- **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.

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

CENTER FOR RURAL AFFAIRS

PO Box 136
145 Main Street
Lyons NE 68038

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

Return Service Requested

February 2005

WE'RE ON THE WEB!
www.cfra.org

CENTER *for* RURAL AFFAIRS



Non-Profit Org.
US Postage
PAID
Permit #3
Lyons NE 68038

The *Rural Action Brief* is a publication of the Rural Research and Analysis Program of the Center for Rural Affairs. The *Rural Action 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 Action Brief* is made possible by the support of the Ford Foundation.

If you or anyone you know wish to receive the *Rural Action Brief*, please contact **Jon Bailey** at jonb@cfra.org or **Kim Preston** at 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/>

This publication is available both electronically and in print. If you'd prefer to receive it online, please let us know by calling the Center at 402-687-2100 or email at info@cfra.org. You can correct your mailing address above by calling or sending an email.

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.