

CENTER FOR RURAL AFFAIRS

# RURAL ACTION BRIEF

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## SENATE PROTECTS RURAL DEVELOPMENT AND RURAL ASSET- BUILDING PROGRAMS (FOR NOW) AND REJECTS SACI



Though the 2006 federal fiscal year began on October 1, 2005, Congressional work remains on annual appropriations bills. The U.S. Senate is now considering appropriations bills adopted by Appropriations Committee sub-committees. To date, the Senate has adopted the appropriations bill for the Department of Agriculture. Bills for the Departments of Commerce, Housing and Urban Development and Health and Human Services have been adopted by their respective appropriations sub-committees and are awaiting action by the full Senate.

After appropriations bills have been adopted by both the House and Senate, a conference committee will meet to work out any differences between the two bills.

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### STRENGTHENING AMERICA'S COMMUNITIES INITIATIVE

The major economic and community development policy initiative in the President's FY2006 budget proposal is the Strengthening America's Communities Initiative (SACI). SACI would eliminate 18 economic and community programs – including many rural development programs and the Community Development Block Grant (CDBG) program – 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 combined to \$3.7 billion for SACI.

As happened in the House, Appropriations sub-committees in the Senate rejected the SACI proposal. The Transportation, Treasury, Judiciary and Housing and Urban Development sub-committee (which has jurisdiction over the Department of Housing and Urban Development and CDBG) rejected the "entire (SACI) proposal since it would undermine HUD's mission and essentially strip HUD's scope of activities to almost only housing programs." (Senate Report 109-109, page 153)

The sub-committee was also troubled by the SACI proposal because of a 2004 agreement between HUD, the Office of Management and Budget and groups interested in the CDBG program to address weakness in the CDBG program through the implementation of new measurement systems; those measurements are just now being implemented in HUD. The Senate Commerce, Justice and Science sub-committee also specifically stated that the sub-committee's recommendation does not adopt the SACI program. (Senate Report 109-88, page 54)

In addition, programs placed on the SACI chopping-block were fully funded by the Agriculture and Labor, Health and Human Services and Education sub-committees; such programs funded by the Agriculture sub-committee were subsequently agreed to by the entire Senate.

### FISCAL YEAR 2006 APPROPRIATIONS

Below is an examination of program appropriations to date in the U.S. Senate. USDA programs listed are final funding levels approved by the entire Senate and awaiting conference committee action. Other programs are funding levels recommended by appropriation sub-committees.

The "FY06 Proposed" is the amount proposed by President Bush. All figures are in millions of dollars unless noted otherwise. Programs designated with \* in the FY06 Proposed column are those programs included in SACI.

#### Value-Added Producer Grant Program

<i>Authorized</i>	<i>FY 05 Appropriation</i>	<i>FY 06 Proposed</i>	<i>House</i>	<i>Senate</i>
\$40.0	\$15.5	\$15.5	\$55.5	\$15.5

#### SBA Microenterprise Development Programs

<i>Program</i>	<i>FY 05 Appropriation</i>	<i>FY 06 Proposed</i>	<i>House</i>	<i>Senate</i>
Microloan Technical Assistance	\$14.0	\$0	\$10.0	\$15.0
Microloan Program	\$15.0	\$0	\$9.7	\$20.0
Program for Investment in Microenterprise (PRIME)	\$5.0	\$0	\$0	\$5.0

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

<i>Program</i>	<i>FY 05</i>	<i>FY 06</i>	<i>House</i>	<i>Senate</i>
Rural Community Advancement Program: Business	\$74.18	\$44.22	\$88.2	\$90.2
Rural Community Advancement Program:	\$89.18	\$27.8	\$38.0	\$86.7
Rural Cooperative Development Grants	\$24.0	\$21.0	\$24.0	\$24.9
Appropriate Technology Transfer for Rural Areas (ATTRA)	\$2.0	\$0	\$2.5	\$2.5
Rural Economic Development Grants	\$10.0	\$10.0	\$10.0	\$10.0
Enterprise Zone/Enterprise Community/Rural Economic Area Partnership	\$22.16	\$13.37	\$21.36	\$22.16

<sup>1</sup>Includes the Rural Business Enterprise Grant and Rural Business Opportunity Grant programs that are also listed separately.

<sup>2</sup>Includes the Rural Community Development Initiative (RCDI) program that is also listed separately.

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

<i>Program</i>	<i>FY 05</i>	<i>FY 06</i>	<i>House</i>	<i>Senate</i>
Rural Community Development Initiative	\$6.3	\$0	\$6.2	\$6.5
Resource Conservation and Development Program	\$51.64	\$25.6	\$51.36	\$51.2
Rural Business Enterprise	\$39.68	\$0*	\$40.0	\$40.0
Rural Business Opportunity	\$3.0	\$0*	\$3.0	\$3.0
Rural Enterprise Zone/ Enterprise Community	\$12.50	\$0*	\$10.0	\$12.4
Intermediate Re-Lending Program (IRP)	\$34.21	\$34.0	\$34.0	\$34.2
Northern Great Plains	\$1.49	\$0	\$0	\$0

**Community and Social Services**

<i>Program</i>	<i>FY 05</i>	<i>FY 06</i>	<i>House</i>	<i>Senate</i>
Community Services Block Grants (HHS)	\$631.0	\$0*	\$320.0	\$636.8
Rural Community	\$7.0	\$0*	\$7.24	\$7.49
Individual Development	\$25.0	\$25.0	\$24.7	\$24.7
Community Economic Development (HHS)	\$32.73	\$0	\$32.73	\$32.73

**Community Development and Housing Programs**

<i>Program</i>	<i>FY 05</i>	<i>FY 06</i>	<i>House</i>	<i>Senate</i>
Community Development Block Grant (CDBG— 29.7% non-entitlement)	\$1,2332.559 (\$1.23 billion)	\$0*	\$1,1462.0 (\$1.14 billion)	\$1,1189 (\$1.11 billion)
Rural Housing and Economic Development Program (HUD)	\$24.0	\$0*	\$10.0	\$23.8
Economic Development	\$257.42	\$26.58 (Salaries and	\$227.6	\$314.9

**Community Development and Housing Programs, continued**

<i>Program</i>	<i>FY 05</i>	<i>FY 06</i>	<i>House</i>	<i>Senate</i>
§502 Single Family Loans	\$4,459.3	\$4,681.03	\$4,821.80	\$4,681.03
§504 Repair Loans (USDA)	\$35.0	\$36.0	\$35.9	\$35.0
§515 Rental Loans (USDA)	\$100.0	\$27.0	\$100.0	\$90.0
§523 Land Development	\$10.0	\$5.0	\$5.0	\$5.0
§524 Site Loans (USDA)	\$5.05	\$5.0	\$5.0	\$5.0
§538 Multi-Family Loans	\$100.0	\$200.0	\$100.0	\$100.0
Rental Assistance Grants	\$592.0	\$650.0	\$650.0	\$653.1
§523 Mutual and Self-Help	\$34.0	\$34.0	\$34.0	\$34.0
Rural Housing Assistance	\$44.0	\$41.0	\$41.0	\$43.97
§504 Repair Grants and	\$31.0	\$30.0	\$31.0	\$30.0

**ANALYSIS**

President Bush's effort to reverse the federal government's economic and community development policy appears to have fallen on deaf ears in the U.S. Senate (as well as the House of Representatives). To date, all appropriations bills in both chambers that have considered the "Strengthening America's Communities Initiative" have rejected it, and instead have continued funding for the programs that SACI would have eliminated.

This is particularly welcome for rural economic and community development programs. SACI would have ended the unique rural niche that many programs occupy. Rural economic and community development is different from urban development, and the current programs recognize that. SACI does not recognize that fact, instead proposing to lump rural and urban together in a competition for fewer resources. While rural development programs could likely be streamlined, a proposal like SACI ultimately eliminates rural development rather than improving it.

This, however, is not the end of the SACI proposal. Department of Commerce officials recently announced that a new legislative proposal to implement SACI is being prepared for review by members of Congress. The major unknown of that proposal is the eligibility criteria for communities to receive federal funds. In addition, SACI provisions are finding their way into proposed rules and regulations for programs targeted for elimination by SACI, most notably regulations for the reauthorization of the Economic Development Administration. So it appears 2006 will bring further consideration of SACI.

To date, the Senate has treated fairly most rural development and rural asset-building programs. The Senate provided stable or slightly increased funding to most programs. The ability of these programs to meet the demand of rural people and rural communities will be determined in either future House-Senate conference committee negotiations or future congressional budget actions.

## BUDGET RECONCILIATION

Despite the efforts of House and Senate appropriations committees and possible future actions by House-Senate conference committees, the future funding of rural development and rural asset-building programs may be determined in budget reconciliation debates over the next few weeks. Congress is facing the task of reconciling their appropriations with the Congressional Budget resolution adopted in March 2005. The Budget Resolution provides instructions to each authorizing committee as to the amount of budget savings each committee must adopt. For example, the Agriculture Committees must come up with nearly \$3 billion in savings or budget cuts.

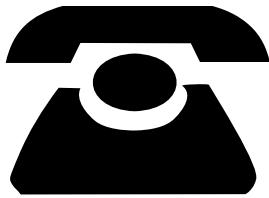
On October 6, the Senate Agriculture Committee was scheduled to vote on a plan offered by committee chair Sen. Saxby Chambliss (R-GA) to meet its reconciliation instruction. That plan contained no cuts to rural development programs, instead focusing on commodity, conservation and nutrition programs. However, no vote took place due to considerable disagreement over cuts to nutrition programs and concern over reauthorization of a dairy price-support program when cuts were being proposed to other commodity programs.

How and where these spending reductions are made remains unknown at this time. Sen. Chambliss stated that the committee must still make a decision on how to meet their reconciliation instructions or lose that prerogative to the Senate Budget Committee (who may not be as kind to some agricultural programs as the Agriculture Committee), and the House Agriculture Committee has yet to announce their plan.

While rural development and rural asset-building programs have fared well in budget actions so far, they are by no means safe. Budget reconciliation, conference committees, spending cuts to fund hurricane relief and an omnibus spending bill that may be necessary to keep the federal government operating can all impact the programs that provide needed resources to rural people and rural communities.

## WHAT CAN I DO?

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



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

- **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 to 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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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.

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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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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.