Several New Initiatives Provide General Assistance

The main general assistance programs have changed little, though last year saw the creation of one new USDA program (the Rural Community Development Initiative program) and the revival of another (the Fund For Rural America). In addition, several new initiatives are adding to the resources available to rural communities for economic and community development activities.

General assistance programs provide for a range of economic development activities, rather than focusing on a particular function. One program may cover multiple functions. Alternatively, a series of related programs covering different functions may fall under the auspices of a larger general-purpose program offered by a single agency. General assistance programs may provide for planning and feasibility studies that link one function with others, or they may contribute to a comprehensive, local economic development plan. Programs providing comprehensive assistance are often targeted to distressed areas. These programs also often focus on regions and make use of regional planning organizations.

Major General Assistance Programs Change Little

The Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program funds a variety of activities in both urban and rural areas, including housing, infrastructure, and business assistance. New budget authority for this program rose slightly, from $4.75 billion in 1999 to $4.8 billion in 2000 (all years in this article are fiscal years, unless otherwise indicated). However, the amount provided to small towns and rural areas remains essentially unchanged at $1.27 billion (table 1). In 2000, rural localities in New York will begin getting their funding directly from the State. This leaves Hawaii as the only State in which rural localities get CDBG funds directly from the HUD's Small Cities Program. Elsewhere, States allocate CDBG funds to rural localities through HUD's State CDBG program.

HUD's section 108 program guarantees loans for a variety of community development purposes, such as for housing rehabilitation, public facilities, and large-scale business development projects. This is a largely demand-driven program that seldom approaches the legal limit of $1.3 billion per year, and no accurate estimate is possible at this time for the year 2000 guarantee level. However, the level of section 108 loan guarantees has been growing rapidly in recent years, rising from $189 million in 1997 to $432 million in 1999.

The Department of Agriculture (USDA) provides general development assistance through a variety of programs, including the extension activities of USDA's Cooperative State Research, Education, and Extension Service (CSREES). This agency provides research-based technical assistance that helps rural communities adopt a wide range of farm and nonfarm development strategies. Funding grew slightly from $418 million in 1999 to $424 million in 2000 for CSREES extension activities. CSREES receives another $486 million for research and education activities, plus $40 million for integrated (multifunctional) activities.

USDA's Rural Community Advancement Program (RCAP), with a total of $2.7 billion in program obligations (grants, loans, guarantees), is clearly one of the largest general assistance programs. RCAP was created in 1996 mainly as a tool to enhance the performance of many of USDA's established categorical rural development programs, including water and waste disposal loans and grants; solid waste management grants; community facility loans, guarantees, and grants; business and industry loans and guarantees; rural business opportunity grants; and rural business enterprise grants (fig. 1). RCAP defines some common rules for these programs, including guidelines for State-local input into fund allocation decisions, strategic planning, and better performance measurement, and it allows limited flexibility for transferring funds among established categorical programs. Since its 1994 reorganization, USDA has brought together its field staff for these programs into consolidated service centers. Since RCAP's individual program components are particularly important for rural development, this report examines them separately,

Table 1

Federal funding for selected general assistance programs by fiscal year[1]

Little change in funding for main general assistance programs

Program	1999 actual	2000 estimate	Change	Rural areas most affected by the program[2]
	Billion dollars		Percent	
HUD State/small cities community development block grants	1.27	1.27	0	Small towns and rural areas in farm and poverty States
HUD section 108 loan guarantees	.43	—-[3]	—-[3]	Same as above
EDA adjustment assistance, includes economic and defense adjustment, planning, and technical assistance	.15	.14	-5[4]	Low-income areas, varies from year to year[5]
FEMA disaster relief[6]	4.40	—-[3]	—-[3]	Earthquake, storm, flood-prone areas
USDA extension activities	.42	.42	1	Small towns and rural areas
BIA Native American assistance programs	1.74	1.82	5	Indian reservations[7]

Note: HUD = U.S. Department of Housing and Urban Development; EDA = Economic Development Administration, U.S. Department of Commerce; FEMA = Federal Emergency Management Agency; USDA = U.S. Department of Agriculture; BIA = Bureau of Indian Affairs.

[1]Unless otherwise indicated, new budget authority is used for funding levels.

[2]See appendix for definitions of rural areas and States.

[3]The fiscal year 2000 amounts are impossible to estimate with any accuracy.

[4]Funding declined by $7 million in 2000; all of the decline was for defense adjustment.

[5]In fiscal year 1998, these programs provided the most assistance, per capita, to the most highly rural counties and those not adjacent to metro areas. Nonmetro areas got higher per capita payments in the South than in other regions, though per capita planning funds were highest in the nonmetro Midwest.

[6]FEMA funding amounts are for new obligations.

[7]See figure 2 for map showing where Bureau of Indian Affairs payments were highest in 1998.

Source: *Budget of the United States Government, Fiscal Year 2001*.

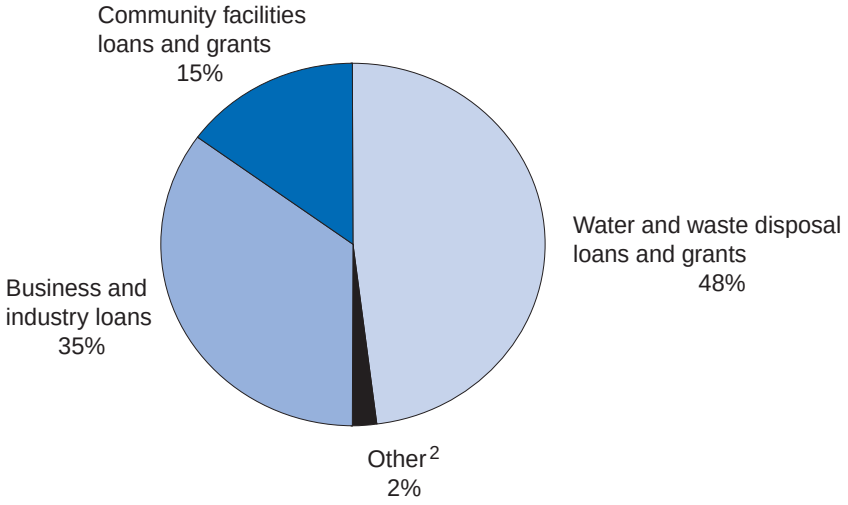
according to each program's function. Hence, most of RCAP's individual programs are covered elsewhere in this report.

The Department of Commerce's Economic Development Administration (EDA) provides comprehensive economic development assistance targeted to economically distressed areas, urban and rural. Three types of EDA assistance may be considered as general assistance: planning, technical assistance, and economic adjustment/defense conversion assistance. EDA also provides trade adjustment assistance (discussed in the Trade article) and public works assistance (discussed in the Infrastructure article). Funding for EDA planning grants and technical assistance is unchanged from 1999, at $24 million and $9 million, respectively. Funding for economic adjustment is also unchanged at $35 million. However, defense adjustment funding declines by about $7 million to $77 million in 2000. Thus, EDA's total funding for general assistance declines slightly, from $152 million to $145 million. Although both urban and rural areas benefit from this program, in 1998, rural areas received more than twice as much in per capita amounts, with highly rural areas and rural areas not adjacent to metro areas benefiting the most.

Figure 1

Rural Community Advancement Program by major components, fiscal year 2000[1]

Three programs account for 98 percent of the $2.7 billion in program activity



[1]Percentage shares are based on total of loans, loan guarantees, and grants (program level). Does not include amounts from Fund For Rural America.

[2]Other includes solid waste management grants, North American Development (NAD) bank loans, rural business opportunity grants, and rural business enterprise grants.

Source: USDA, FY2001 Budget Summary.

The Federal Emergency Management Agency (FEMA) disaster assistance program provides much of the aid to victims of Presidentially declared natural disasters, such as floods, earthquakes, and storms. This program offers three main types of assistance: individual and family assistance; public assistance, including repair and reconstruction of infrastructure; and hazard mitigation. In 1999, the program received $2.1 billion in new budget authority and obligated $4.4 billion in assistance. In May 1999, FEMA also received $1.6 billion in special supplemental funding for Hurricanes Mitch and Georges and for tornadoes in Oklahoma and Kansas. In 2000, the budget authority rises to $2.7 billion. So far, FEMA estimates that obligations will exceed $1.3 billion in 2000, but this figure will rise as disasters occur throughout the year.

The largest increase in general assistance funding in 2000 is for programs benefiting Native Americans. Funding for the Interior Department's Bureau of Indian Affairs (BIA) programs increases by about 5 percent, from $1.74 billion to $1.80 billion in 2000. This assistance tends to be focused where major Indian reservations are located, such as in the West and Great Plains States (fig. 2). Native Americans also benefit from a general assistance program operated by HUD—the Indian Community Block Grant program—funded at $67 million in 2000, up $2 million from 1999.

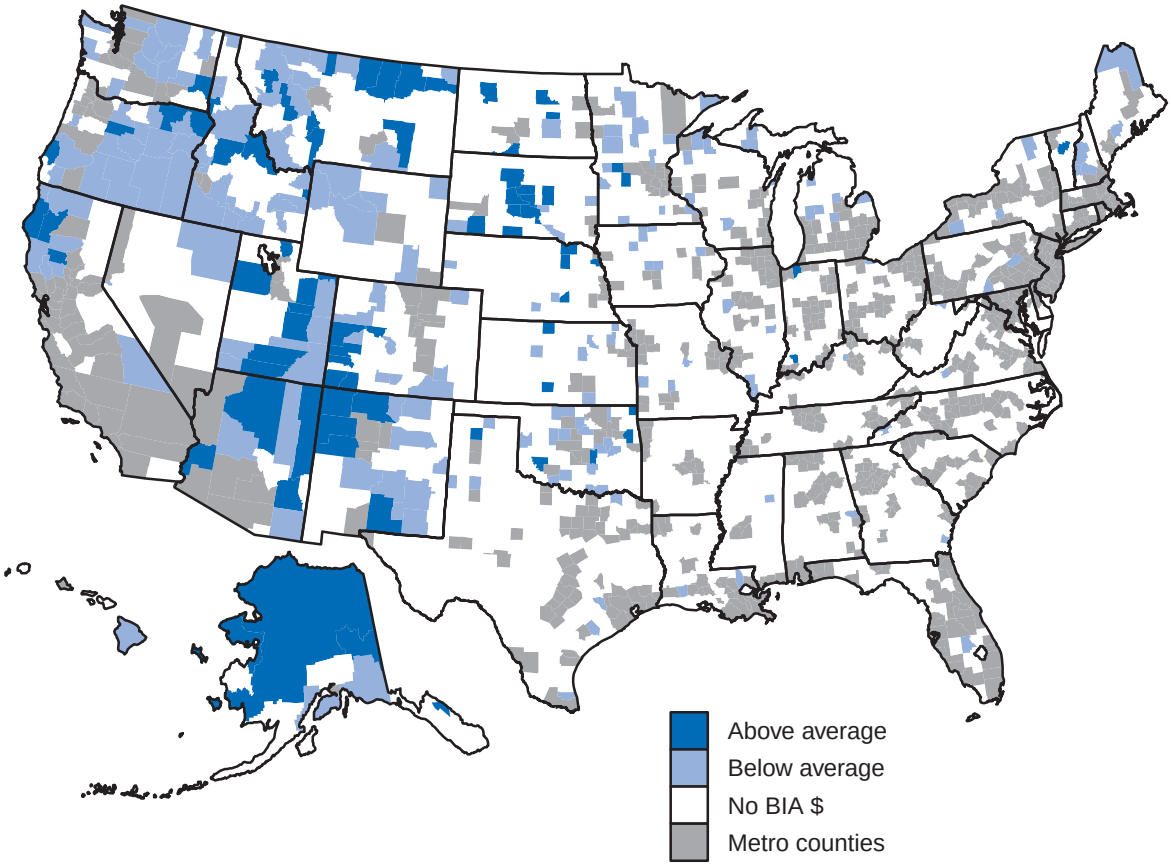
Most Smaller General Assistance Programs Also Continue Unabated

USDA has several small programs that provide general assistance. USDA's Forest Service helps natural-resource-dependent and persistent-poverty counties increase skills and capacity to manage change, including efforts to diversify economies, strengthen social infrastructure, and increase community participation in land stewardship activities. The Economic Recovery, Rural Development, and Forest Products Conservation and Recycling programs provide direct technical and financial assistance. Funding for these

Figure 2

Bureau of Indian Affairs programs, fiscal year 1998[1]

Per capita BIA assistance to Native Americans is highest in the West



[1]Excludes programs for which no accurate county data were available: most of these excluded programs involved law enforcement and conservation activities.

Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

programs has increased from $9.9 million in 1999 to $12.8 million in 2000. In 2000, $5.1 million was directed to regional initiatives.

USDA's Natural Resources Conservation Service administers the Resource Conservation and Development (RC&D) program, which provides assistance to 315 designated RC&D areas to address local environmental, economic, and social needs. The RC&D funding is unchanged, at $35 million in 2000.

USDA's Rural Business-Cooperative Service operates two small general assistance programs. Rural Economic Development Grants and Loans pay for feasibility studies, startup costs, business incubators, and other activities tied to USDA-Rural Development sponsored projects. Loans from this program are expected to remain at $15 million in 2000, though grants will drop from $11 million to $4 million. Meanwhile, the Rural Business Opportunity Grant program, enacted in 1996, finally received appropriations from Congress and is scheduled to provide its first $4 million in grants in 2000. This program provides for local planning and technical assistance for community economic development.

Several independent regional development authorities provide general economic development assistance. The Appalachian Regional Commission (ARC) provides a variety of assistance programs targeted to distressed areas in Appalachia. Federal funding for these

ARC nonhighway programs remains unchanged at $64 million in 2000. The Denali Commission, which began operating in 1999, will receive $20 million—the same as in 1999—to provide development assistance mostly to rural areas of Alaska. (Alaska also receives $16 million in 2000 from a separate category of EDA assistance.) Congress provided no funding for the Tennessee Valley Authority (TVA) nonpower programs, whereas these programs received $50 million in 1999. However, TVA will be allowed to use previously appropriated funds for its Land Between the Lakes project.

The Interior Department's payments in lieu of taxes, which increased last year by $5 million, will increase another $10 million in 2000, totaling $135 million. These payments go to areas (primarily in the West) that forgo local taxes on Federal lands within their jurisdictions.

HUD's Rural Housing and Economic Development grant program, created in 1999, received $25 million for 2000, the same as in 1999. This program supports innovative housing and economic development through grants to rural nonprofits, community development corporations, State development agencies, and Native American tribes. This is a highly competitive program. Last year, HUD received 750 applications and awarded only 91 grants.

RCDI: A New USDA Rural Development Program

New this year is the Rural Community Development Initiative (RCDI), which received $6 million in funding for 2000 under the Rural Community Advancement Program. RCDI, which in some ways parallels HUD's recently created Rural Housing and Economic Development program, provides grants for capacity-building among private, nonprofit community development organizations and low-income rural communities in the areas of housing, community facilities, and community and economic development. Only qualified intermediary organizations, private and public, including Indian tribes, are eligible for the technical assistance grants. Such organizations must supply matching funds from non-Federal sources to receive the grants.

USDA's Fund For Rural America Is Revived

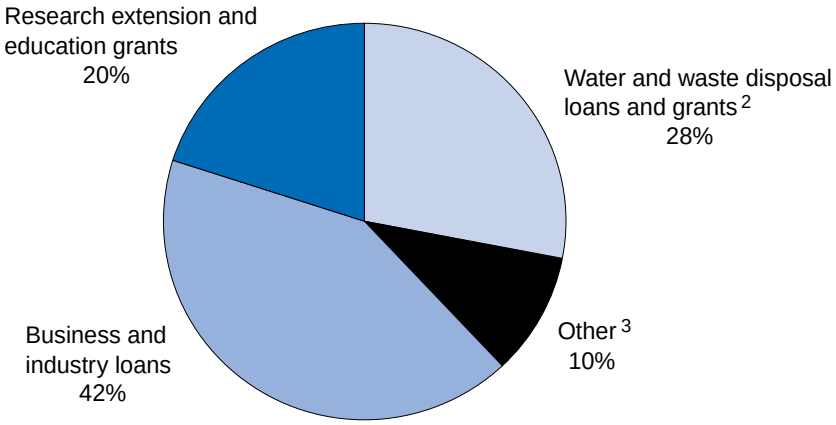
Although Congress prohibited it from using its funding authority in 1999, except to continue previously funded projects, USDA's Fund For Rural America was allowed to obligate $60 million of its 1999 money in 2000. Two-thirds of this money goes to rural development activities, while one-third goes to research, education, and extension grants. The Rural Utility Service's water and waste disposal grants receive $28 million of the $40 million in rural development funds (fig. 3). The remaining $12 million in rural development funds is allocated as follows: the Rural Housing Service receives $4.5 million, the Rural Business-Cooperative Service receives $2.3 million (including $1.3 million for the Business and Industry program), and Outreach for Socially Disadvantaged Farmers receives $5.2 million. However, the $1.3 million in funding for the Business and Industry program is projected to fund about $42 million in guaranteed loans—thus the total amount of assistance for rural development is about $100 million. These funds are in addition to the base funding amounts indicated elsewhere in this report.

The $20 million in new research, education, and extension grants has been allocated on a competitive basis to support five research centers: the Center for Minority Land and Community Security (Tuskeegee University), the Northeast Center for Food Entrepreneurship (Cornell University), the National Center for Manure and Animal Waste Management (led by North Carolina State University), the Consortium for Site-Specific Resource Management (led by the University of Minnesota), and the National Resource Center for Rural People in Forest Communities (led by the Forest Trust of Santa Fe, New Mexico).

Figure 3

Fund For Rural America by major components, fiscal year 2000[1]

Three programs account for 90 percent of the $100 million in program activity



[1] Percentages shown are based on total of loans, loan guarantees, and grants.

[2] Assumes all $28 million is used to provide grants. If some of this money is used for loans or guaranteed loans, the percentage share would be higher.

[3] Other includes Farm Labor Housing grants, Community Facilities grants, Rural Business Enterprise grants, and Outreach for Socially Disadvantaged Farmers.

Source: USDA, FY2001 Budget Summary.

Regional Initiatives

USDA's Office of Community Development (OCD) has contributed funding to several regional initiatives to help rural communities with common regionwide problems. Among the OCD's regional initiatives are the Mississippi delta, the Southwest Border, upper New York State, and an area in rural Vermont. OCD contributed to the recently published Department of Transportation (DOT) report, *The Mississippi Delta: Beyond 2000*, which describes the Delta region's needs and recommends changes. OCD also contributed to the Southwest Border Partnership, created in 1997, which resulted in an October 1998 Treasury Department report, *The Southwest Border Region: A Profile of the Regional Economy*. OCD has since participated in a working group developing options for the region, culminating in the Interagency Task Force on the Economic Development of the Southwest Border, which began public forums in the fall of 1999 to address that border's most pressing concerns.

Upper New York State has recently benefited from OCD's Rural Economic Area Partnership (REAP) pilot program, which assists rural communities suffering from outmigration, economic upheaval, and geographic isolation. USDA's agreements with the first two REAP zones—multicounty areas in North Dakota—will complete their 5-year designations in September 2000, but they expect to be extended beyond this date. Meanwhile, two new REAP zones in New York's Tioga and Sullivan Counties (and the town of Wawarsing) were established. REAP zones receive modest financial and technical assistance from USDA and other Federal agencies, as well as special consideration and preferences under regular Rural Development programs. Like EZ/EC's, they must conduct community-based, comprehensive, long-term strategic planning and report on their progress using OCD's performance benchmark and reporting system.

Other Initiatives

Related to the New Markets initiative (discussed later in this report) aimed at stimulating the economies of distressed, underserved areas, USDA's Empowerment Zone/Enterprise

Community (EZ/EC) program helps revitalize designated high-poverty rural areas through Federal tax incentives, grants, loans, and other forms of assistance. In 2000, USDA received additional grant funding ($15 million) for the second-round EZ's. From this new funding, each of the five second-round rural EZ's will receive $2 million for 2000, and each of the 20 second-round EC's will receive $250,000—the same amounts received in 1999. In addition to the EZ/EC grants, EZ/EC's draw on a variety of existing Federal and State programs for assistance. As of March 31, 2000, the first round of rural EZ/EC's had invested more than $950 million in community revitalization projects, and the first two rounds invested more than $1 billion combined. Only 12 percent of the money was derived from the grants received directly as a part of the EZ/EC program. Some of the EZ/EC's also qualify for tax incentives, and one of these incentives—the qualified zone academy bond—was enhanced by 1999 tax legislation, increasing the annual amount of such bonds to $400 million for 2000 and 2001. Champion Communities—those that applied and performed strategic planning but were not designated as first round EZ/EC's—also benefited from about $340 million in assistance from USDA's Rural Development programs. To continue to qualify for these benefits, many of these Champions recently had to meet new, tougher standards required for recertification.

The Community Development Financial Institution Fund (administered by the Treasury Department) also ties into the New Markets initiative, since it targets assistance to low-income areas. This program, which provides both technical and financial assistance through selected financial intermediaries, is funded at $96 million in 2000, about the same as in 1999. Legislation for this program, however, directed the CDFI to make a greater effort to assist rural States and report on its progress in the future.

USDA and other Federal agencies are also contributing to the Livable Communities initiative (discussed later in this report) through coordinated efforts to assist several pilot communities in planning strategies for sustainable development. Tioga County, New York, one of OCD's new REAP zones, is one of these pilot communities. Another is Owsley County, Kentucky.

Other relatively recent initiatives provide general development assistance that is consistent with objectives of the Livable Communities. For example, FEMA has joined with EDA to create a Hazard Mitigation Partnership to help communities avoid or minimize problems arising from natural disasters. Using existing resources and personnel, this initiative improves education, training, and outreach activities to help communities to plan for future disasters.

USDA continues to be the lead agency providing guidance and support for the National Rural Development Partnership, which coordinates the efforts of public (Federal, State, and local), private, and nonprofit groups interested in rural development. State Rural Development Councils, which currently exist in 36 States, are the principal agents in the Partnership. To enhance their efforts, a new national nonprofit organization, Partners for Rural America, Inc., was created in 1999. It recently announced a new rural entrepreneurship initiative, which will competitively select up to three organizations from different States to receive intensive assistance in developing entrepreneurship strategies.

The Brownfields National Partnership, which helps assess and clean up polluted land so that it may be suitable for development, is now in its third year. This partnership includes 15 Federal agencies. Among those providing the most assistance are HUD, SBA, EDA, and EPA (Environmental Protection Agency). HUD received $25 million in funding for this program in 2000—the same as in the previous 2 years. Other agencies will use existing programs to help clean up brownfields. In its first 2 years, this initiative has resulted in a total public sector investment of $385 million, leveraging another $1.8 billion in private investment to help clean up contaminated property. A special Brownfields tax incentive was enacted in 1997 and has been extended each year since.

The Department of Transportation's (DOT) new Transportation and Community and System Preservation program provides for research and grants to help communities solve problems linking economic development, transportation, land development, environmental

protection, and public safety. In 1999, this highly competitive program funded its first 35 projects selected from 524 applicants. It is authorized to spend about $20 million annually through 2003.

In May 1999, DOT announced a new Rural Transportation initiative to help rural America benefit more from economic growth and transportation improvements. The initiative covers railroad improvements, transportation safety, planning, intercity transportation (including air and bus service), tourism in national parks, and a new "Serving Rural America" guide to DOT programs and contacts designed for rural officials and residents. Complementing this effort is the new USDA-DOT joint effort involving research and data collaboration, and combined efforts to address freight transportation and rural development issues. The USDA-DOT Rural Transportation Task Force first met in January 1999, and working groups are meeting in 2000 to develop action strategies. *[Rick Reeder, 202-694-5360, rreeder@ers.usda.gov]*