

HOUSE DEMOCRATIC RURAL WORKING GROUP REPORT

PRESIDENT'S BUDGET ON RURAL COMMUNITIES: MORE OF THE SAME MISPLACED PRIORITIES

Democrats believe that on every issue our nation faces, we must pursue policies that take our country in a new direction. The Bush Administration's FY 2008 budget fails on that score; it continues with more of the same wrong priorities of the past six years that have failed the American people. It is fiscally reckless, adding trillions to the deficit over the next 10 years, and morally irresponsible, slashing funding for key priorities, such as health care, education, and law enforcement, that are critical to rural America. The following analyzes some of the problems in the President's budget. It time for a change so that our federal budget is consistent with the values we cherish and the promises we have made, particularly to families in rural America.

Jobs, Economy and Infrastructure

Is fiscally irresponsible, creating trillions of dollars in new debt that threaten our economy and jeopardize the future of our children. The national debt has increased to \$9 trillion. President Bush has now borrowed more money from foreign nations than the previous 42 U.S. presidents combined. Republicans have already taken a projected 10-year surplus of \$5.6 trillion, and turned it into a \$2.8 trillion deficit, and this budget continues this path with deficits totaling \$3.2 trillion over the next 10 years under honest and realistic accounting.

Cuts rural small business assistance and aid to small manufacturers. The President's budget targets a number of rural small business and economic development programs for severe cuts or consolidation – for a cut of \$144 million below the amount needed to maintain 2007 purchasing power. The budget also cuts Rural Empowerment Zone and Enterprise Community grants. As part of the overall reduction, the budget terminates the Rural Business Enterprise Program and the Rural Business Opportunity grant program, which the Administration estimates will result in 19,405 fewer jobs in rural areas in 2008, as well as Economic Impact Grants. It also cuts the Manufacturing Extension Partnership (MEP), which helps small U.S. manufacturers become more competitive, by 57 percent.

President's budget shortchanges renewable energy programs for rural areas. To reach the President's goal of reducing gasoline consumption by 20 percent, big advances in cellulosic ethanol and other biofuel technologies would be required. The President's budget and farm bill provide increases for renewable energy programs for rural areas. Democrats welcome these increases, but remain concerned that they are not sufficient to meet the challenge of developing a range of biofuel technologies and continuing to grow our domestic biodiesel industry. In fact, a number of experts, including those involved in the fuel industry, agree that these increases are not sufficient to meet these energy goals. For example, the farm bill proposal leaves out biodiesel, and the budget slashes value-added grants, which can be used to fund energy start-up companies, by 25 percent, and cuts renewable energy grants from FY 2006. Further, we are concerned that the President's budget does not address putting in place necessary infrastructure –pumps for ethanol and biodiesel, railcars and barges needed for transporting fuel, or the flex-fuel cars needed to ensure that there is a market for these fuels.

Shortchanges rural airports, information, and infrastructure. The President's budget cuts water and sewer assistance grants for smaller cities and towns by \$117 million, even though millions in rural areas continue to have inadequate water or sewer service. Even though much of rural America still lacks the internet access that could spur economic growth, the budget slashes broadband loans by about 40 percent and eliminates broadband grants entirely. The budget also slashes the Essential Air Service program by 50 percent and eliminates the Small Communities Air Service program.

Slashes rural housing by \$175 million. The budget eliminates direct lending for single-family home purchases under Section 502 and for multifamily housing development under Section 515. It also eliminates Rural Housing and Economic Development grants.

Agriculture

Cuts the crop safety net. The Bush budget and Farm Bill proposal would cut the crop safety net and insurance programs, which protect farmers against risks caused by natural disasters and price fluctuations, by about \$14 billion over ten years and redistribute these funds to other USDA programs. Even taking into account the increase in direct payments to farmers, the Bush proposal would cut the crop safety net by \$6 billion.

Fails to include much needed disaster assistance. Neither the President's budget nor its Farm Bill proposal would provide disaster assistance for farmers, who have suffered losses due to disasters that have ranged from excessive rainfall to drought and wildfires. More than 70 percent of all U.S. counties have been declared disaster areas by the Agriculture Department in 2006, and nearly 80 percent of counties were declared disasters in 2005. This emergency must be addressed expeditiously so that farmers can secure needed financing for their operations during the current crop year and to ensure thousands of farm families are not forced from the land due to events beyond their control.

Cuts farm conservation programs. While the budget provides expanded conservation funding in the new farm bill, it also substantially cuts 2008 farm bill conservation funding by \$396 million for program such as the Conservation Security Program (CSP) (cut \$135 million below the level needed to maintain current services) and the Environmental Quality Incentives Program (EQIP) (\$251 million below the level needed to maintain current services).

Health Care, Education and Social Security

Cuts Medicare and Medicaid hurting rural seniors. The President's budget slashes Medicare and Medicaid by more than \$300 billion over the next ten years – with legislative and regulatory Medicaid cuts totaling \$59 billion and Medicare cuts totaling \$252 billion. The Medicare cuts include increases in premiums for millions of beneficiaries, totaling \$38 billion over the next 10 years. These large cuts are damaging to rural areas, as rural communities have more Medicare and Medicaid beneficiaries because their populations are older and more likely to be uninsured. Many of the federal Medicaid cuts will simply increase state costs or lead to further restrictions in Medicaid benefits. Thus, instead of assisting state efforts to reduce the number of uninsured, the Bush budget will impede these efforts. At the same time that the budget slashes health care, it protects special interests – leaving untouched the massive overpayments by Medicare to HMOs under the GOP 2003 “Medicare Modernization Act.”

Slashes rural health care by 89 percent. The President's budget eliminates the rural health flexibility grant program and rural health outreach grants. It also eliminates distance learning and telemedicine loans, which expand health care and educational resources in rural communities. Nearly one in five rural American did not have health insurance in 2001, and that number has likely increased as it has nationally.

Shortchanges rural educational opportunity. For the third year in a row, the Bush budget cuts funding for education – this time by \$1.5 billion -- hitting smaller, rural areas particularly hard. The budget provides about \$15 billion less for education than promised by the No Child Left Behind Act, while cutting rural education from FY 2007 (adjusted for inflation), even as rural schools face many difficulties, such as recruiting qualified teachers.

Social Security privatization. Despite the American public's clear opposition to his flawed privatization plan, the President' budget still turns Social Security's guaranteed benefit into a guaranteed gamble in 2012. The Republican plan to privatize Social Security would undermine workers' retirement security by cutting benefits for the middle class and adding trillions to the national debt. More than 8 million rural Americans receive Social Security checks each month – including 5.5 million seniors.

Defending America -- Honoring Veterans.

Cuts law enforcement, first responders, & firefighters. The President has proposed cuts to state and local law enforcement, including first responder grants (by 64 percent), firefighter grants (55 percent), the community policing (COPS) program (94 percent) and Byrne state and local law enforcement grants (33 percent). This comes at a time when rural communities are fighting to improve their homeland security efforts and to crack down on the meth epidemic that is plaguing rural communities.

Leaves our veterans behind and fails to adequately support our troops, as America welcomes a new generation of veterans home from Iraq and Afghanistan and rural communities suffer losses in the war. The President's budget imposes a \$1 billion 'health care tax' on more than 1 million veterans through increased drug co-payments and new enrollment fees, while cutting veterans health care in FY 2009 and 2010 (below the proposed FY 2008 level) and freezing funding for VA health care thereafter. Further, the President's budget calls for only about 6 percent more for mental health services for veterans' than last year, even as the lack of adequate psychiatric care is striking western and rural start hard as they have supplied a disproportionate share of the soldiers in Iraq and Afghanistan. [Fort Worth Star-Telegram, 2/11/07]