



RURAL REPORT CARD:

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THE NEEDS OF RURAL AMERICA

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President Bush's budget for Fiscal Year 2008 would severely cut programs that directly affect the quality of life of rural Americans. The following "Rural Report Card" is an assessment of the President's annual spending plan and the negative impact it would have on working families, farmers, small businesses, and local economies across the heartland.

As this analysis demonstrates, the President's reductions in funding for law enforcement, health care, education, economic development, and agriculture are disproportionately weighted toward rural America. At the same time, the budget would put affordable health care further out of reach for many working Americans. Democrats believe these are the wrong priorities not just for those who live in rural America, but for all Americans.

Rural Law Enforcement

Since 2001, President Bush, with the help of Congressional Republicans, has cut funding for state and local law enforcement programs by more than fifty percent. This year's budget would cut \$1.4 billion (or 54 percent) in funding for all state and local law enforcement programs in the Department of Justice (DOJ), including programs specifically designed to assist rural communities. Once again, the Bush budget will inhibit the ability of first responders to prepare for new threats and law enforcement to combat the growing methamphetamine problem.

Firefighter Assistance Grants. The Bush budget includes a \$375 million cut in Firefighter Assistance Grants relative to the level in H.J. Res. 20, the funding resolution for Fiscal Year 2007 passed by the House of Representatives on January 31, adjusted for inflation. This program, which provides direct assistance for local fire departments to better protect firefighters and the public. The Bush budget eliminates funding for the rural fire assistance program in the Department of the Interior which helps reduce the risk of damage resulting from catastrophic wildfires and supports rural fire departments. President Bush would also eliminate the state and local fire assistance program, which supports cost-shared grants to local and rural fire protection districts that protect small communities.

Edward Byrne Memorial Justice Assistance Grant Program. Funding for the Byrne/JAG formula grant program is restructured into a competitive grant program under the President's budget. Proposed funding in 2008 is \$350 million. This represents a cut of \$180 million, or 34 percent, from the H.J. Res. 20 level adjusted for

inflation. This program provides grants to assist state and local governments to improve the functioning of the criminal justice system – with an emphasis on violent crime and serious offenders.

Community Oriented Policing Services (COPS). The Bush budget proposes only \$32 million for this important program, which is \$510 million below the level in H.J. Res. 20. This program assists state and local law enforcement agencies by providing grants, training, and technical assistance. In particular, the COPS Program has helped cities and counties procure equipment and technology, advance community policing, and combat methamphetamine use and distribution. The Bush budget would provide only \$32 million for the COPS program, which supports only programs that currently exist and provides no funding for the hiring of new police officers.

Juvenile Justice Programs. The Bush budget proposes elimination of the Juvenile Accountability Block Grants, which support state and local efforts to prevent juvenile delinquency and crime. Under H.J. Res. 20, the program is slated to receive \$50 million in funding. The Bush budget also reduces funding for rural domestic violence and child abuse enforcement grants.

Rural Health Care

The Bush budget proposal slashes programs designed to help rural communities address their unique health care challenges. It proposes cutting rural health programs by \$146 million, or 89.6 percent, from the H.J. Res. 20 level. The President proposes terminating outreach grants, rural hospital flexibility grants, the rural and community access to emergency devices program, and area health education centers, which provide vital health and health education services to rural areas.

Medicare. Medicare is a crucial source of health coverage for rural America. Approximately one-fourth of Medicare's 43 million beneficiaries live in rural areas. The President proposes \$76 billion in legislative and regulatory Medicare cuts over five years and \$252 billion in legislative cuts over ten years. His budget would reduce payment updates to hospitals and other health care providers participating in the traditional fee-for-service Medicare program.

Medicaid. More than 50 million low-income people—about one out of six Americans—depend on Medicaid for their health care. Just last year, the Republican-controlled Congress enacted \$6.9 billion in Medicaid cuts over five years. Now the President is looking for more. The President's budget, through legislative proposals and regulatory changes, proposes \$25 billion in Medicaid cuts over five years.

Education

The President has proposed cutting Department of Education discretionary funding by \$2.3 billion, for a total of \$56 billion. This represents a 3.9 percent cut from the H.J.

Res. 20 level adjusted for inflation. In addition, the President's budget proposes eliminating 44 programs, including Federal Supplemental Educational Opportunity Grants, education technology state grants, arts in education, LEAP, and school counseling, and making large cuts to numerous other programs including career and technical education, and safe and drug-free schools state grants.

School Improvement Programs for Rural Education. The President's budget cuts funding for two vital programs that help rural schools address their unique challenges: the Small, Rural Schools Achievement program which helps fund rural local educational agencies, and the Rural and Low-Income Schools program, which targets rural local education agencies that serve poor students. The President's budget provides \$168.9 million, the lowest level since 2004 and \$3.3 million below H.J. Res. 20 adjusted for inflation.

After-School Programs. 21st Century Learning Centers provide enrichment and a safe and supervised environment for students after the school day ends. But the President proposes keeping funding for this program flat, at \$981 million, which is \$19 million less than is needed to provide the same level of services provided in 2007.

Special Education. The President's budget proposes that, for the third year in a row, the federal government provide a smaller share of States' total costs for special education. Funding for the Individuals with Disabilities in Education Act (IDEA) Part B State Grants would decrease by \$393 million, to a total of \$10.5 billion. This would provide just 16.5 percent of the national average per-pupil expenditure for educating students with disabilities – down from 17.2 percent in Fiscal Year 2007. In addition, the Administration plans to reduce Medicaid-based reimbursements related to services for special education students by \$615 million in Fiscal Year 2008 and \$3.645 billion over the next five years. Together with the proposed cut in IDEA State Grants, this amounts to more than \$1 billion less in 2008 for schools to serve students with disabilities.

Economic Development

Rural businesses face a changing global economy and increasing costs, and economic development programs provide them with skills and tools to help them compete. The Bush budget would drastically cut economic initiatives relied on by rural communities. The economic development initiatives specifically benefit communities of 3,000 or fewer residents. These cuts will be detrimental to rural America.

Community Development Block Grants. The Bush budget proposes to cut funding for the Community Development Block Grant (CDBG) program by \$736 million below the H.J. Res. 20 level. The budget would also eliminate funding for rural empowerment zones. The CDBG program provides eligible metropolitan areas with annual direct grants that can be used to revitalize neighborhoods, expand affordable housing and economic opportunities, and improve community facilities and services.

Economic Development Administration. The Bush budget would cut funding for the Economic Development Administration (EDA) by nearly \$80 million. Funding for EDA's traditional economic development assistance programs – public works, economic adjustment and technical assistance – would be eliminated.

Manufacturing Extension Partnership. The Bush budget proposes a \$58 million cut to the Hollings Manufacturing Extension Partnership (MEP) program, which provides business support and technical assistance services to small manufacturers. The MEP helps American small businesses improve productivity and compete in the global marketplace.

Small Business Administration. The Bush budget once again proposes the elimination of funding for the microloan and microloan technical assistance programs, which were funded at \$22 million and \$13 million respectively in 2007.

Rural Housing. The Bush budget would eliminate funding for Rural Housing and Economic Development programs (RHED) and Direct Rental Housing Loans, and would provide \$24 million for the Homeless Veterans Reintegration program, which helps homeless veterans become employed in urban and rural areas.

Water and Sewer Assistance. Water and sewer grants would be cut by \$117 million from 2006 appropriated levels to \$349 million in Fiscal Year 2008. These grants assist smaller cities and towns in rural America to provide their residents with safe water and sewer service. Hundreds of thousands of people in the United States continue to have inadequate or no water or sewer service.

Rural Businesses. The Bush budget would eliminate Economic Impact grants, Rural Business Enterprise grants, Rural Business Opportunity grants, Rural Community Facility grants, and Rural Empowerment Zone and Enterprise Community grants. These programs provided \$80 million toward economic development in rural communities in Fiscal Year 2006.

Rural Utilities. Grants and loans to rural utilities would be cut by \$1.361 billion, from \$7.98 billion appropriated in 2006 to \$6.619 billion in Fiscal Year 2008. The budget proposes cutting mandatory broadband assistance loans by \$203 million, from \$503 million in Fiscal Year 2007 to \$300 million in Fiscal Year 2008.

Energy. The Administration would increase funding for the grant and loan program for farmers, ranchers, and rural small businesses to buy renewable energy systems and making energy efficiency improvements to \$34 million, including \$15 million in grants and \$19 million in loans. Funding for this program was blocked for the last two fiscal years. In addition, the budget proposes to eliminate high energy cost grants when farmers are struggling to cover skyrocketing energy costs.

LIHEAP. The Bush budget requests \$1.782 billion for the Low Income Home Energy Assistance Program (LIHEAP), a \$420 million cut from what is needed to maintain LIHEAP funding at the H.J. Res. 20 level adjusted for inflation. Since 2001, home heating costs have increased by 59 percent while the Bush budget requests have not kept pace.

Payment in Lieu of Taxes. The President's budget would cut funding for Payment in Lieu of Taxes (PILT) for the fourth year in a row, from \$233 million in H.J. Res. 20 to \$190 million in Fiscal Year 2008, a cut of \$43 million. PILT payments help local governments carry out such vital services as firefighting and police protection, construction of public schools and roads, and search-and-rescue operations.

Agriculture

The President's budget includes funding for its proposal for the new Farm Bill, due to be reauthorized this year. The proposal would add \$500 million in 2008 and \$5 billion over the 2008 to 2017 period for agriculture and nutrition programs, but it is not yet clear how those funds would be distributed.

Crop safety net. The Bush budget and Farm Bill proposal would cut the crop safety net and insurance programs by close to \$14 billion over ten years and redistribute these funds to other USDA programs. Even when accounting for the increase in direct payments, the Bush proposal would cut the crop safety net by \$7 billion.

Disaster assistance. Neither the President's budget nor its Farm Bill proposal would provide disaster assistance for farmers. Agriculture producers across the nation suffered from a series of natural disasters during the 2005 and 2006 production years, ranging from excessive rainfall to drought and wildfires. Significant agricultural losses from heavy snowfall and unexpected freezes have also occurred in several Western states thus far in 2007. The Secretary of Agriculture designated nearly 80 percent of all U.S. counties as agriculture disaster areas last year. This is an emergency that must be addressed as expeditiously as possible in order for many farmers to secure needed financing for their operations during the current crop year and ensure thousands of farm families are not forced from the land due to events beyond their control.

Nutrition. The Bush budget for food and nutrition programs contains several proposals that would eliminate nutrition program eligibility or otherwise have a negative impact on federal nutrition programs for low-income individuals. First, the Bush budget for Fiscal Year 2008 proposes eliminating categorical eligibility for food stamp recipients who receive TANF-funded work support services. This proposal would eliminate food stamp eligibility for 329,000 individuals by 2009 and cut almost \$1.4 billion from federal nutrition programs. The budget also proposes eliminating the Commodity Supplemental Food Program for low-income children and senior citizens, eliminating modest monthly food packages for almost half a million individuals, the vast majority of them senior citizens. In addition, the budget proposes to cut funding for nutrition services and

education in the WIC program for mothers and children, restricting the WIC Program's ability to provide critical nutrition support and health referral services.

Conservation. The Bush budget and Farm Bill proposal would consolidate and restructure conservation programs. The budget contains a \$157 million placeholder for conservation programs in 2008 pending reauthorization of the Farm Bill, a cut of \$45 million. These programs will receive \$202 million in H.J. Res. 20.