

Legislative Update

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Enjoy It While It Lasts

There is no shortage of facts about rural housing need.

- According to the 2002 Millennial Housing Commission Report, rural communities largely missed out on the good times and now face poverty rates, unemployment rates, and housing problems at levels similar to the nation's big cities;
- According to the 2000 Census, there are 106 million housing units in the United States, of which 23 million, or 23 percent, are located in non-metro areas. Many non-metro households lack the income to attain decent, affordable housing. The Census found that 7.8 million non-metro households are poor; 5.5 million -- one of every four -- are overburdened by housing costs; and 1.6 million non-metro housing units are either moderately or severely substandard; and
- According to USDA's Economic Research Service, 4 million non-metro households - or 17 percent of the total -- are housing-impooverished.

Therefore, it is disappointing when the rural housing budget request proposes to spend \$50 million below the FY 04 rate, shorts rental assistance and provides several hundred millions below the lending levels in currently in effect.

Less than two weeks ago, the President signed the Consolidated Appropriations Act for Fiscal Year 2004. Tucked away in that legislation was the first major increase in sec. 502 direct loans in a decade. The Fiscal Year 2004 budget included \$1.367 billion for rural homeownership loans. True, the administration, and Congress, took advantage of low interest rates to float this number for relatively cost. In the FY 04 budget, subsidy rates for rural housing were historic lows. However, past administration have take advantage of such savings and use the money elsewhere. At least this administration used some of the savings to float a higher number.

Given the overall budget scheme, its not surprising that there are a number of reductions in the rural housing and community development budget: Section 502 loans fall from \$1367 to 1.1 billion; Sec. 515 loans are cut to \$60 million from \$115 million; water waste grants fall to \$351 million from \$566 million;. Never one to shy away form a bad idea, the Administration follows the FY 04 appropriations bill and sets rental assistance contracts for 4 years.

In all of this, the important number for budget wonks is the budget authority estimate.

Program	FY 04	FY05 (proposed)	Change
502 direct	\$146	\$124	\$-22
502 guarantee	40	34	-6
515	50	28	-22
538	4	4	

Budget Authority in \$ millions

With subsidy rates climbing, the Administration cut \$50 million out of budget authority for lending. Beyond this, the Administration proposes to raise fees for guaranteed loans and limit spending for certain rural development initiatives funded by mandatory spending provided in the farm bill.

Continuing past practice, the Administration ignores rural rental housing needs. The \$60 million requested is inadequate to service the existing portfolio, let alone address preservation needs. The shorting of rental assistance, by going to 4-year contracts, puts off the problem and only adds to future budget burdens. There is no hope of adding new rental units to rural areas under this budget.

The Administration cuts rural water grants by \$200 million. Hundreds of rural communities nationwide do not have access to clean drinking water and safe waste disposal systems. A 1995 USDA needs assessment of rural areas showed that more than one million households had no indoor plumbing, and 2.4 million households had critical drinking water needs. In its 1997 Drinking Water Infrastructure Needs Survey, the Environmental Protection Agency estimated that over the next 20 years, water systems serving communities of less than 10,000 people would require \$37.2 billion in funding for water systems improvements and upgrades. In addition, regarding wastewater, a 1996 EPA Survey demonstrated that small communities with up to 10,000 residents would need 21,000 wastewater treatment facilities by 2016 at a cost of approximately \$14 billion. According to EPA's numbers, approximately \$51.2 billion is needed to address the basic water and wastewater needs of small communities.

In percentage terms, the Agriculture Department budget took the second largest hit, behind EPA, 8.1%. Over the last three years, the USDA budget has gone from \$21.7 billion in 2003, to 20.7 billion in 2004 to \$19.1 billion in the proposed 2005 budget.

Over the budget deficit is an historic \$521 billion in deficit. The entire discretionary budget, including defense and homeland security is \$818.4 billion. Leaving out those two agencies, the total remaining is \$379 billion.

This budget is based on a grand assumption: President Bush will win a 2nd term. Congressional leaders have already admitted that only the Defense and Homeland Security Bills will be finish prior to the election. The Appropriations Committees in the House and Senate will try to mark up bills in the spring and summer but the cuts, more drastic than in rural development, make the bills impossible to pass in an election. Congress will bid its time, return in December or January 2005, and pass whatever the President wants.

Federal Rural Housing and Community Development Appropriations					
RHS Programs	FY 04* Final	FY 05 Proposed	House 05	Senate 05	FY 05 Conference Report
Section 502 direct	\$1,366	\$1,110			
Section 502 guaranteed	2,725	2500			
Section 504 Loans	35	35			
Sections 504 Grants	32	31			
Section 515	116.5	60			
Section 514	43	42			
Section 516	18.7	17			
Section 523	34	34			
Section 538	100	100			
Rural Rental Assistance	584**	592**			
Housing Preservation Grants	10	10			
Supervisory TA Grants	2	1			
Community Facility Loans	250	300			
Community Facility Grants	17	17			
Community Facility Guarantee	210	210			
Water-Waste Loans	1055	1000			
Water-Waste Grants	566	351			
Solid Waste	3.5	4			
Rural Business Grants	48	40			
Intermediary Re-lending	40	34			
RCDI	8	0			

High energy cost grants	28				
Economic Impact Grants	22	0			
Ag. Process Worker Assisted Housing	5	0			

(\$ in millions)

Housing and Urban Development, EPA, Related Agencies

Program	FY 04* Enacted	FY 05 Proposed	House 05	Senate 05	FY 05 Conference Report
HUD/Independent Agencies					
HOME Down payment	\$2000 (87.5)	1884 (200)			
Housing Counseling	(48)	(40)			
CDBG Formula funding	4,950 (4,368)	4618 (4330)			
SHOP	(27)	(65)			
Youthbuild	(65)	(64.7)			
Rural Housing and Economic Development	25	0			
Independent Agencies					
Neighborhood Reinvestment Corporation	115	115			
CDFI Fund	61	48			
EPA: SDWA-SRF	850	840			
Clean Water -SRF	1350	850			

(\$ in millions)

* All program cut across the board by .59%

** four year contracts

National Rural Housing Coalition

1250 EYE Street NW Suite 902

Washington, DC 20005

202-393-5229 202-393-3034 (fax)

www.nrhweb.org