

April 29, 2004

The Honorable Henry Bonilla, Chairman
Appropriations Subcommittee for Agriculture,
Rural Development, FDA and Related Agencies
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

In recent years, the federal investment in rural development programs has dwindled. If the FY 2005 budget is approved, the three reduction in budget authority for rural development will total over \$600 million, a 31% reduction. During the same time period, the overall Agriculture Department budget has been cut by \$2.6 billion or 9%. Rural development spending has never totaled 10% of the overall Departmental budget, but it has borne 23.4% of the reductions. If limitations on mandatory spending for rural development are taken into account, the total three year drop exceeds \$1 billion.

These reductions are in the face of economic distress in rural America. According to the Economic Research Service, some 4 million rural families live in 'housing poverty'. According to Environmental Protection Agency, approximately \$61 billion will be needed to address the basic water and wastewater needs of small communities. The 2000 Census indicates that the poverty rate in rural America is 14.6% higher than the national rate and the rate for big cities.

The lead federal agency for providing assistance to our nation's small towns and farming communities is the US Department of Agriculture and its rural development mission area. We are writing to you to indicate our support for the federal rural development programs and to urge you to restore funding for important programs including:

Low-income home ownership – The budget request for Section 502 is \$1.1 billion, a reduction of \$250 million from the current rate. There is unprecedented demand for Section 502 direct loans totaling several billion dollars and exceeding the budget request. The additional requested increase is targeted to improve minority home ownership. Under the FY 04 budget, the cost per unit to finance housing is less than \$10,000, making the Section 502 program the lowest cost direct loan homeownership program in the federal government.

The budget also requests \$34 million for Mutual and Self Help Housing Grants. Under this program, with the assistance of local housing organizations, families eligible for Section 502 loans perform approximately 65 percent of the construction labor on each other's homes under qualified supervision. The importance of self-help housing to the Administration's minority home ownership goals cannot be underestimated, as 60 percent of the self-help families are minorities and all are low-income.

Rural rental housing – The federal government's current investment in rural rental housing is at its lowest level in more than 25 years. In fact, last year and this year the Administration's budget included no funding for rural rental housing production. We believe it is critical to restore rural rental housing funding to at least \$250 million.

As Congress considers future policy for rural housing, it faces two challenges regarding rural rental housing. The first is to maintain the existing Section 515 units. Of the 17,000 developments across the country, close to 10,000 are more than 20 years old.

To maintain those projects, it will take an investment of federal funds for restoration. Over 400,000 low-income families occupy all the units and two-thirds are elderly or families with disabilities. Therefore, it is important to preserve this resource by providing adequate funding to ensure the units are in good repair. It is also important to ensure that these units continue in long-term low-income use. Congress should provide adequate appropriations so incentives are available to owners of Section 515 developments.

The second challenge is to reinvigorate rental housing production. Rural renters, like homeowners, in rural areas live in difficult situations. Thirty-five percent of rural renters are cost-burdened, paying more than 30 percent of their income for housing costs. Almost one million rural renter households suffer from multiple housing problems, 60 percent of who pay more than 70 percent of their income for housing. All these are symptoms of a lack of affordable rental housing in rural America.

For these reasons, we urge Congress to provide at least \$250 million for Section 515 rural rental housing. Of this amount, \$100 million be allocated to maintain and preserve Section 515 and the balance be available for new construction programs. In coordination with this, we urge Congress to appropriate at least \$850 million for rural rental assistance to be used in conjunction with Section 515 and farm labor housing projects.

Farmworker Housing – In recent years, the Appropriations Committee has increased funding for farm labor housing. We appreciate the support of the Committee for this important program. Migrant and seasonal farmworkers are some of the nation's most poorly housed populations. The last documented national study indicated a shortage of some 800,000 units of affordable housing for farmworkers.

Farmworker households are also some of the least assisted households in the nation. Some 52 percent of farmworker households' incomes are below the poverty threshold, four times the national household poverty rate, and 75 percent of migrant farmworkers have incomes below the poverty line. Yet, little more than 20 percent of farmworker households receive public assistance; most commonly food stamps, rarely public or subsidized housing.

Through Sections 514 and 516 the Rural Housing Service (RHS) provides loans and grants to finance housing for migrant and seasonal farmworkers. Non-profit housing organizations and public bodies use the loan and grant funds, along with RHS rural rental assistance, to provide units affordable to eligible farmworkers. These funds are used to plan and develop housing and related facilities for migrant and seasonal farmworkers. Current funding for Sections 514 and 516 totals \$36 million in budget authority. For fiscal year 2005, we support an appropriation of \$50 million in budget authority.

Rural Water and Waste Water – 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.

Many projects that the Rural Utilities Service funds are under consent order from the state EPA office for immediate action. The problems that the agency deals with range from communities and systems that are out of compliance with health and pollution standards, to communities without sewer systems where raw sewage runs in ditches after a heavy rainfall.

The issue of affordability moves to the forefront with waste disposal systems, which are generally more expensive than water systems. Low-income communities often already pay as much as they can afford for water service alone and are unable to manage the combined user fees for water and waste. According to EPA data, ratepayers of small rural systems are charged up to four times as much per household as ratepayers of larger systems. In some extreme situations, some households are being forced out of homeownership because they cannot afford rising user costs.

Rural communities have limited access to much-needed debt and equity capital, and small water and wastewater systems lack the economies of scale needed to reduce costs on their own. In order for communities to cut back on project costs and have affordable rates, operation and maintenance are typically underestimated in the budgets for many new systems. This often results in limited or no capital improvement accounts for future upgrades and expansions needed for community development, including stabilization of local small business, affordable housing development, and other needed industrial development.

Congress should restore appropriations for rural water and wastewater to FY 03 level of \$723 million in budget authority. This is an increase of \$70 million above the current rate and \$118 million above the budget request.

Support for rural community development organizations – The Rural Community Development Initiative (RCDI) enhances the capacity of rural organizations to develop and manage low-income housing, community facilities, and economic development projects. The Section 525 program provides assistance for packaging loan applications, pre and post purchase counseling and related activities. The budget does not include an appropriation for RCDI. For fiscal year 2005, we recommend \$6 million for the Rural Community Development Initiative and \$2.5 million for Section 525.

Restore Appropriations for Intermediary Re-lending Program – The Intermediary Re-lending program (IRP) provides low interest, long-term loans to non-profit intermediary organizations that provide loans and technical assistance to private business enterprises in rural areas. Since USDA assumed responsibility for the program in 1985, well over \$300 million in loans have been made to intermediary organizations and there has not been a single default. There are currently 349 intermediaries operating IRP funds around the country and more than \$460 million in IRP loans have been closed to date. In addition to providing small businesses with much

needed loan capital, IRP intermediaries have contributed to the preservation and creation of jobs and the leveraging of private and public funds to support rural business development. The principal problem facing the IRP program is inadequate funding. Every year demand for IRP loan capital outweighs the funding available. USDA started off fiscal 2004 with qualified funding requests pending from fiscal 2003 that were not funded due to a lack of funds. USDA received \$40 million in 2004. The budget proposes a reduction to \$34 million. We are requesting that \$40 million be provided in 2005.

We appreciate your past support of federal rural development programs and your attention to this matter.

Sincerely,

Organization

City, State

Aberdeen NHS-NeighborWorks®

Aberdeen, WA

AFGE Local 3354

Washington, DC

AHEAD Inc.

Littleton, NH

Akwesasne Indian Housing Authority

Hogansburg, NY

Appalbanc Inc.

Berea, KY

Appoquinimink Development, Inc

Middletown, DE

Aquinnah Wampanoag Tribal Housing Authority

Aquinnah, MA

Beattyville Housing & Development Corporation, Inc.

Beattyville, KY

Better Homes of Seaford, Inc.,

Seaford, DE

Bishop Sheen Ecumenical Housing Foundation, Inc.

Rochester, NY

Blackfeet Housing

Browning, MT

California Coalition for Rural Housing

Sacramento, CA

Canon De Carnue Land Grant

Albuquerque, NM

Carnuel Mutual Domestic Water & Wastewater Consumers Assoc.

Carnuel, NM

CASA of Oregon

Newberg, OR

Cascades West Council of Governments

Albany, OR

Center for Community Services

Everett, PA

Centro Campesino Farmworker Center

Florida City, FL

Citizens for Affordable Homes, Inc

Carson City, NV

City of Casa Grande	Casa Grande, AZ
Ciudad Soil & Water Conservation Districts	Albuquerque, NM
Coachella Valley Housing Coalition	Indio, CA
Color Country Community Housing, Inc.	St. George, UT
Colville Indian Housing Authority	Nespelem, WA
Comite de Bien Estar, Inc	San Luis, AZ
Community Action Human Resources Agency	Eloy, AZ
Community Housing Improvement Program	Chico, CA
Community Housing, Inc.	Winchester, KY
Copper River Basin Regional Housing Authority	Glennallen, AK
Corporation for Ohio Appalachian Development	Athens, Ohio
Delaware Housing Coalition	Dover, DE
Delaware Rural Housing Consortium	Dover, DE
Delmarva Rural Ministries, Inc.,	Dover, DE
Department of Commerce, Bureau of Housing	Madison, WI
Eastern Eight Community Development Corporation	Johnson City, TN
Fairbrook Homes	London, OH
Finney Consulting Group	Pagosa Springs, CO
Florida Non-Profit Housing, Inc.	Sebring, FL
Franklin County Housing & Redevelopment Authority	Turners Falls, MA
Franklin Foundation, Inc.	Columbus, OH
Friends Committee on National Legislation	Washington, DC
Frontier Housing, Inc	Morehead, KY
Grand Ronde Tribal Housing Authority	Grand Ronde, OR
Great Northern Corporation/HUD Housing Authority	Siskiyou County, CA
Greater North Louisiana CDC	Jonesboro, LA
Guadalupe Community Development Corp.	Guadalupe AZ
Habitat for Humanity of Madison Parish	Tallulah, LA

Harold Wilson	Chester, MD
Homes In Partnership, Inc.	Apopka, FL
Housing America Corp	Somerton, AZ
Housing Assistance Council	Grayson, GA
Housing Assistance Council	Washington, DC
Idaho Migrant Council	Caldwell, ID
Indigenous Community Enterprises	Flagstaff, AZ
Interfaith Housing Alliance Inc.	Frederick, MD
Interfaith Mission Sussex County	Ocean View, DE
International Sonoran Desert Alliance	Ajo, AZ
Kathleen Tyler	Austin, TX
Kentucky Mountain Housing Development	Manchester, KY
Kno-Ho-Co-Ashland CAC	Coshocton, OH
Laconia Area Community Land Trust, Inc.	Laconia, NH
Lake Champlain Housing Development Corporation	St. Albans, VT
Lane County Economic Development Standing Committee	Eugene, OR
Law Office of Mark Berry	Littleton, CO
Lower Brule Sioux Tribe	Lower Brule, SD
Mercy Housing	Denver CO
Mercy Housing California	West Sacramento, CA
Michael Carroll	Sacramento, CA
Midwest Assistance Program, Inc.	New Prague, MN
Midwest Minnesota Community Development Corp.	Detroit Lakes, MN
Milford Housing Development Corp	Milford, DE
Millsboro Housing for progress	Millsbor, DE
Mountainlands Community Housing Trust	Park City, UT
National American Indian Housing Council	Washington, DC
National Rural Housing Coalition	Washington, DC

Navajo Housing Authority	Window Rock, AZ
NCALL Research, Inc	Dover, DE
Neighborhood Development Services, Inc.	Ravenna, OH
Neighborhood Housing Services of Dimmit County, Inc.	Carrizo Springs, TX
Neighborhood Housing Services of Great Falls	Great Falls, MT
Neighborhood Housing Services of the Black Hills	Deadwood, SD
Neighborhood Nonprofit Housing Corporation	Logan, UT
NHS of Richland County	Richland Center, WI
Northwest Montan Human Resources	Kalispell, MT
Northwest Regional Facilitators	Bremerton, WA
Northwestern Regional Housing Authority	Boone, NC
Oregon Rural Community Assistance Program, Inc.	Albany, OR
Pathfinder Services, Inc	Huntington, IN
People's Self-Help Housing, Inc.	Vanceburg, KY
Plumas County Community Development Commission	Plumas County, CA
Port Gamble S'Klallam Housing Authority	Kingston, WA
PPEP Microbusiness & Housing Development Corporation	Tucson, AZ
Public Policy Committee Episcopal Diocese	Rochester, NY
Reno-Sparks Indian Colony	Reno, Nevada
Robert D. Smith	Newberg, OR
Rural California Housing Corporation	West Sacramento, CA
Rural Community Assistance Corporation	Albuquerque, NM
Rural Community Assistance Corporation	West Sacramento, CA
Rural Community Assistance Program (RCAP), Inc.	Washington, DC
Rural Community School Partnerships	Salem, OR
Rural Development Inc.	Turners Falls, MA
Rural Housing Development Corporation	Provo, Utah
Rural LISC	Washington, DC

Rural Opportunities, Inc.	Rochester, NY
Salish & Kootenai Housing Authority	Pablo, MT
San Luis Cabezon Mutual Domestic Water Association	Bernalillo, NM
Santee-Lynches CDC	Sumter, SC
Sault Ste. Marie Tribe of Chippewa Indians Housing Authority	Sault Ste. Marie, MI
Self-Help Enterprises	Visalia CA
Self-Help Home Improvement Project	Redding, CA
Self-Help Housing Corporation of Hawaii	Honolulu, HI
Seventh District Pavilion, Inc.	Crowley, LA
Shelburne Housing Authority	Shelburne Falls, MA
Six County Association of Governments	Richfield, UT
South County Housing	Gilroy, CA
Southern Maryland Tri-County Community Action Committee, Inc	Hughesville, MD
Steuben Church people Against Poverty, Inc.,	Bath, NY
Tierra del Sol Housing Corporation	Las Cruces, NM
Torres Martinez Tribal Housing	Thermal, CA
Two Plus Four Construction Co.	East Syracuse, NY
Umpqua Community Development Corporation	Roseburg, OR
Universal Housing Development Corporation	Russellville, AK
WASHED, Inc.	Madison, WI
Washington County Community Action Council	Hagerstown, MD
Whatcom-Skagit Housing	Bellingham, WA
Willow Non Profit Housing	Hayneville, AL
WNC & Associates, Inc.	Irvine, CA
WSOS Community Action Commission, Inc.	Fremont, OH
Yamhill Community Development Corp.	McMinnville, OR

***Identical letter was sent to the Senate Appropriations Subcommittee for Agriculture, Rural Development, FDA and Related Agencies.