

NATIONAL RURAL HOUSING COALITION

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The Shrinking of Rural Development Programs

If the Administration FY 05 budget is approved, the three year reduction in federal rural development spending, as measured by budget authority in the Rural Community Advancement Program (RCAP) and the Rural Housing Insurance Fund will total \$607 million or 31%. During this time period, the overall USDA discretionary budget will drop by \$2.6 billion or 9.7%.

In FY 03, rural development spending totaled \$1.938 billion or 8.9% of the total USDA discretionary spending. With the approval of the FY 05 submission rural development will drop to \$1.331 billion or 6.97%. Rural Development spending which has never totaled more than 10% during the period, contributed 23.4% of the reductions in discretionary spending for the Department as a whole.

If one takes into account limitations on spending on mandatory rural development programs authorized and financed in the last farm bill, the picture is worse. Including the budget request, the three year total for saving gained by limiting implementation of rural development programs is over \$480 million. If the budget request is approved the reduction rural development in spending will total over \$1 billion.

Further, the FY 04 appropriations bill reduced the term on rural rental assistance contracts from 5 to 4 years. The reduction totaled over \$200 million. The FY 05 budget adopted this approach which of course pushes future renewals to the out years and masks the long term costs of the program.

Low interest rates and associated lower subsidy rates have made it possible to stretch rural housing programs levels, particularly for single family program and the administration deserves credit for expanding low income and minority home ownership through the direct section 502 program.

However, as rates rise and subsidy rates climb, the restoration of reduction in budget authority will be necessary for an entire range of housing and rural development programs.

USDA Discretionary Budget Authority by Fiscal Year

FY03	FY04	FY 05	Total +/-	
\$21.7	\$20.7	\$19.1	\$-2.6	- 9.6%

\$ in billions

Rural Housing and Community Development Budget Authority by Year FY03, FY04 Final, FY05 Proposed

PROGRAM	FY03	FY04	FY05 BUDGET	3 YEAR CHANGE	
<i>Rural Community Advancement Program</i>	\$907.7	\$757.4	\$541.9	\$-336	-37%
- Water/Sewer	723.2	605	448	-275	37.5%
-Business	87.7	76.5	73.1	-14.6	16.6%
-Community Facilities	96.8	75.9	29.3	-67.5	69.7%
<i>Rural Housing Insurance Fund</i>	305.5	232.3	198	-107.5	35.1%
502 direct	202.3	126.1	127	-75.3	37.7%
Unsub 502	32.6	46	37	+4.4	13%
515	54	50.1	28	-26	-48.1%
538	4.5	5.9	4	+.5	+11%
504	10.9	9.6	10	N/A	
Others	1.2	.7	.7		
Rental Assistance	726	580.5*	592**	-134	-18.4%
Total -- Rural Development	1,938	1,574	1,331	\$-607	-31.3%

\$ in millions

*5 year contracts

** 4 year contracts

**Mandatory Offsets for Rural Development Programs
By Fiscal Year**

	FY03	FY04	FY05	Total
Rural Strategic Investment	\$100	\$100	\$100	\$300
Cable TV			44	44
Rural Business Investment		96	65	151
Renewal energy			23	
Firefighters	10	20	10	0
				\$482

\$ in millions