

Some New Initiatives Add to an Overall Stable Group of General Assistance Programs

Funding is steady for main general assistance programs, but the disaster aid law provides new money that will particularly help the upper Midwest and some recent initiatives grow in importance, including Empowerment Zones, Brownfields, and Community Development Financial Institutions, providing special assistance to low-income areas.

General assistance programs offer a variety of assistance, making them flexible enough to assist rural communities facing very diverse economic challenges, ranging from poverty problems to natural disasters. They also support comprehensive development strategies. Among the largest such programs are the extension activities funded by the Department of Agriculture (USDA), the Department of Commerce's economic adjustment assistance, the Department of Housing and Urban Development's (HUD) community development assistance, Federal Emergency Management Agency's (FEMA) disaster assistance, and the Bureau of Indian Affairs assistance programs. Some smaller programs, like the Appalachian Regional Commission's programs, focus on a particular region or type of place with special needs. Most of these programs, both large and small, have maintained stable funding in 1998 (references to years in this article refer to fiscal years). However, some new initiatives have begun that are worth noting.

Little Change in Funding in 1998 for Most Large General Assistance Programs

HUD's community development block grants (CDBG) will provide \$1.25 billion general assistance to fund housing, infrastructure, and business development in small cities, rural areas, and some portions of metro areas in 1998—down only about 3 percent from 1997 (table 1). In addition to these amounts going to the State/small cities CDBG programs, CDBG includes some new set-aside funding for specific places or purposes. One set-aside provides \$25 million for rural economic development. Few details of this set-aside program were specified, although it will provide for grants of up to \$4 million for a variety of developmental activities and must include at least one grant in Iowa and Missouri and one for an Alaska native area. In addition to the \$4.7 billion appropriated for 1998, \$250 million in emergency appropriations will go for CDBG disaster relief financing (the same amount was provided for 1997).

HUD's section 108 loan guarantees, part of the CDBG program, helps communities finance housing rehabilitation, public facilities, and large-scale business development projects in both urban and rural areas. In 1998, the legal limit for these guarantees is about \$1.3 billion; however, it is difficult to estimate how much will actually be obligated. In 1997, \$189 million in loans were guaranteed, only a fraction of the \$1.4-billion legal limit that year. Even so, this program is the largest for this kind of general purpose assistance.

Commerce Department's Economic Development Administration (EDA) provides planning, technical, and adjustment assistance. This is general assistance because it helps with a variety of projects aimed at job generation to adjust for local economic problems, such as persistent unemployment or underemployment. Unlike CDBG, it bypasses the States, going directly to local or regional governments. Funding for these programs remains stable in 1997, with \$24 million for planning grants, \$9 million for technical assistance, and \$119 million for adjustment grants (including \$89 million for defense adjustment). Additional funding goes to communities adjusting to natural disasters, including \$40 million in 1998 for floods in the Midwest.

FEMA's disaster relief grants provide the lion's share of general assistance to places recovering from natural disasters. In 1997, FEMA's disaster relief totaled \$4.3 billion. A good part of this assistance is headed for rural areas affected by the floods in the Midwest last spring. Current estimates for 1998 call for \$3.2 billion, but the total could rise above 1997 levels if El Niño-related disasters require substantial supplemental funding.

The extension activities, funded in part by USDA's Cooperative State Research, Education, and Extension Service (CSREES), provide valuable, research-based technical

Table 1

Main general assistance programs

Funding is relatively steady for most of the large general assistance programs

Program	Funding level by fiscal year ¹			Rural areas most affected by the program
	1997 actual	1998 estimate	Change	
	—Billion dollars—		Percent	
HUD State/small cities community development block grants	1.29	1.25	-3	Small towns and rural areas in farm and poverty States
HUD section 108 loan guarantees	.18	— ²	— ²	Same as above
EDA adjustment assistance, includes economic and defense adjustment, planning, and technical assistance	.15	.15	0	Low-income areas, vary from year to year
FEMA disaster relief ⁴ flood-prone areas	4.34	3.26	-24	Earthquake- and
USDA's extension activities	.43	.42	0 ⁵	Small towns and rural areas
BIA Native American assistance programs	1.64	1.70	4	Indian reservations

¹ Unless otherwise indicated, new budget authority is used for funding levels.

² The amount of section 108 loan guarantees is mostly a function of demand by communities; thus it is impossible to provide accurate estimates for 1998 or for change from 1997 to 1998.

³ In 1995, these programs were concentrated in farming, totally rural, and midwestern counties, but in 1996, they focused on mining- and government-dependent, urban and metro adjacent, and rural West counties.

⁴ FEMA funding amounts shown are for new obligations. The 1998 amount could rise when new national emergencies are declared and supplemental funding is supplied.

⁵ Funding declined by \$2 million.

Source: *Budget of the United States Government, Fiscal Year 1999.*

assistance to rural communities that otherwise lack the trained staff to formulate complex development strategies. Extension activities include agricultural as well as nonagricultural development. Federal funding for extension activities remains roughly constant at \$424 million in 1998 (\$430 million is provided for research related to these activities), down only slightly from \$426 million in 1997.

The Interior Department's Bureau of Indian Affairs (BIA) provides general assistance to Native American tribes. Funding for BIA is increasing from \$1.64 to \$1.70 billion in 1998. The BIA programs provide assistance to Indian reservations, mostly located in rural areas.

Many Small Programs Get More Funding in 1998

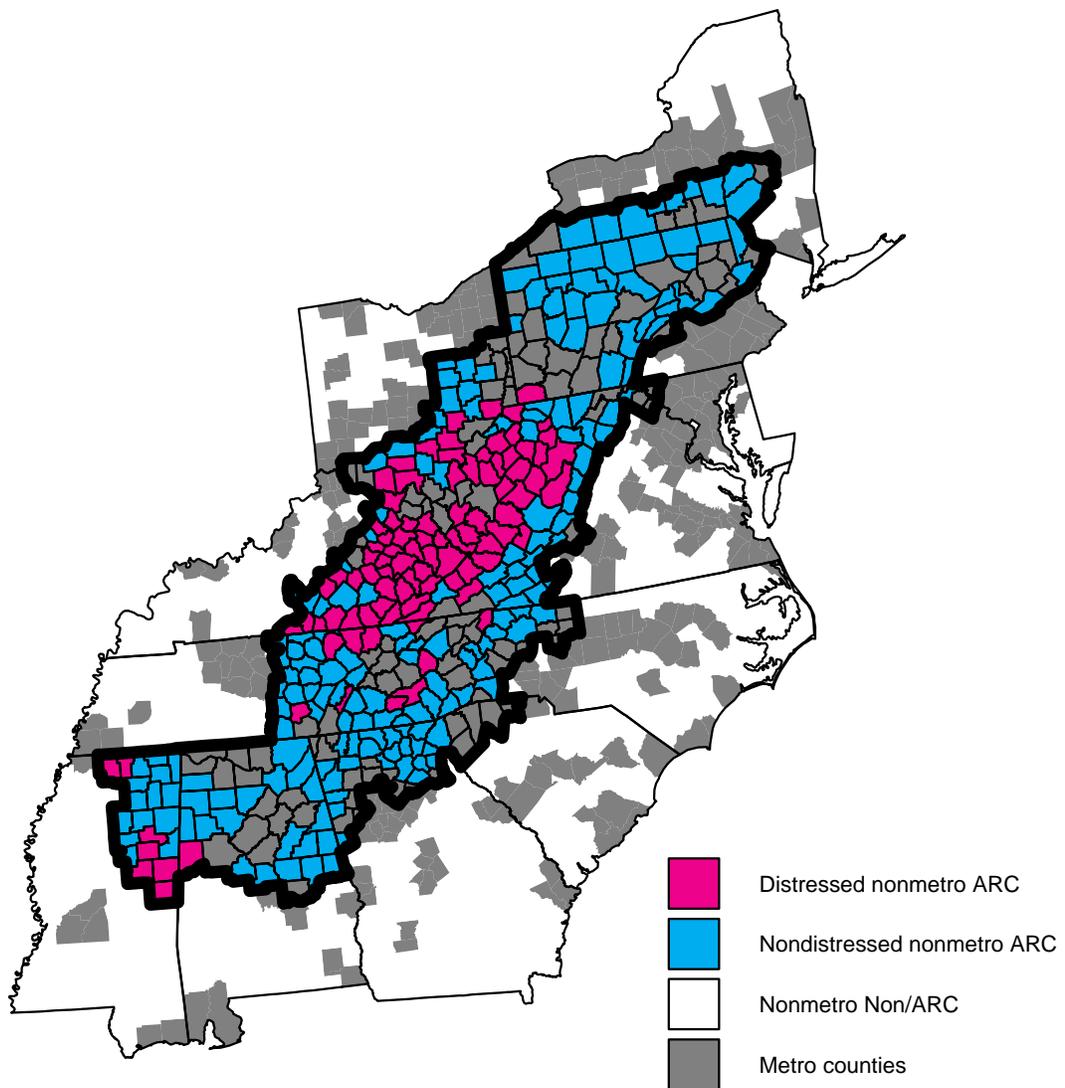
Small general assistance programs tend to help specific regions or places facing long-term economic challenges. Some of these programs are getting more funds this year than last. For example, the Appalachian Regional Commission's (ARC) programs will get \$170 million in 1998, \$10 million more than the year before. Included in the \$170 million

is about \$58 million for area development, \$103 million for highways, and \$6 million for local development districts and technical assistance. The ARC plans to spend \$15 million over 3 years on its new entrepreneurship program to help create home-grown businesses. This program provides financial, technical, managerial, and entrepreneurial training assistance, and helps with technology transfer and the creation and expansion of entrepreneurial networks. The Appalachian region, particularly the more distressed counties that are targeted for particular assistance, benefit from ARC's programs (fig. 1). This region will also benefit from \$300 million in additional highway funds from the Department of Transportation (see Infrastructure Assistance article).

Figure 1

Counties receiving assistance from the Appalachian Regional Commission (ARC)

Distressed counties receive particular assistance



Note: The Appalachian Regional Commission's boundaries are shown in bold black. Distressed counties have at least 150 percent of the U.S. unemployment rate (9.3 percent), 150 percent of the U.S. poverty rate (19.7 percent), and less than 67 percent of the U.S. per capita market income (\$12,074) or 200 percent poverty and one other indicator. Source: ERS calculation using data from the Appalachian Regional Commission.

Interior Department payments in lieu of taxes go to areas that must forego local taxes on Federal lands within their jurisdictions. Funding for this program, which primarily benefits the West with its substantial Federal land holdings, rises from \$114 million to \$120 million.

USDA's Forest Service helps distressed timber-dependent and persistent-poverty communities diversify their economies and build development capacity through its economic recovery and rural development programs. Funding for these programs falls from \$10.5 million to \$8.9 million in 1998. However, USDA's Resource Conservation and Development (RC&D) program, which provides assistance to 315 designated RC&D areas to address local environmental, economic, and social needs, gets an increase in funding, from \$29 million to \$34 million. USDA's rural economic development grants and loans, which cover project feasibility studies and startup costs, incubators, and other rural development activities, also see program funding rise in 1998: loans will rise from \$12 million to \$25 million; grant funding remains constant at \$11 million.

Disaster Relief Legislation Provides Supplemental Funds Benefiting Many Distressed Rural Areas

The Disaster Relief Legislation Act of June 1997 provided \$5.5 billion in supplemental funds for disaster relief. Much of the assistance went to flood-affected areas of the upper Midwest. The act provided the following supplemental funds: \$3.5 billion for FEMA flood relief in the upper plains, the Ohio Valley, and the Pacific Northwest, \$100 million for Community Development Block Grants (CDBG) that HUD is directing to the upper Midwest (and additional CDBG funding for other disaster areas), \$650 million for emergency highway repairs, \$390 million for the U.S. Army Corps of Engineers, \$161 million for USDA's watershed and flood prevention programs, and \$58 million for USDA's Women, Infants, and Children (WIC) nutrition aid. While most of this money went for assistance in 1997, some extends into 1998.

This emergency assistance was paid for out of rescissions (reductions) of other programs. In some cases, this resulted in reduced aid for general assistance programs. For example, USDA's new Fund for Rural America, which got its first \$100 million in funding in January 1997, lost \$20 million through rescission—half of the reduction came from research supporting rural development and half came from rural development project funding. This program will not receive the second of its three originally scheduled \$100-million fund infusions until October 1, 1998. Consequently, for fiscal year 1998, the program has only \$34 million in unobligated carryover funds for CSREES research.

Empowerment Zones and Brownfields Initiatives Expanded

The 1997 tax legislation authorized the creation of a second round of Empowerment Zones (EZ's), including 15 urban EZ's and 5 rural EZ's, to be designated by the end of 1998. Four of the new rural EZ's will go to rural areas with high poverty; communities with population outmigration are eligible for the fifth rural EZ. The new rural EZ's, which will be designated and administered by USDA, will be eligible for the following EZ tax incentives over a 10-year period: (1) up to \$60 million in tax-exempt bonds for each zone, not subject to State volume caps, to be used on development projects, (2) additional section 179 expensing deduction for appreciable tangible property (not land) investments, (3) Brownfields deductions (see below), and (4) qualified zone academy bonds. The empowerment zones would also qualify for work opportunity tax credits covering 40 percent of first year earnings paid to special "target" groups of workers, though these credits are currently set to expire at the end of June 1998. The new zones do not receive the employer wage tax credits that the first round of EZ's got. Still to be decided is whether the new zones will receive social service block grant funds, as the Administration has proposed.

Meanwhile, the Empowerment Zone/Enterprise Community (EZ/EC) program continues to help the first round of rural EZ/EC's, which includes 3 rural EZ's and 30 rural EC's (which get substantially less funding than the EZ's). The new tax legislation liberalized the defini-

tions of zone businesses qualified to receive tax assistance, but otherwise will not affect the operation of this first round of rural EZ/EC's. The 33 rural EZ/EC's began receiving assistance in 1995. By January 1998, they had drawn down \$62 million of their \$208 million in Social Service Block Grants (SSBG) allocated to them as part of the program. These communities are also receiving increasing amounts of other assistance, resulting in an additional \$617 million in public and private investment. For example, rural EZ/EC's got \$55 million in earmarked USDA funds for infrastructure and business assistance in 1996 and \$59 million in 1997. In addition, EZ/EC's qualify for priority points when competing for funds from many other Federal programs.

In 1997, a new multi-agency Brownfields National Partnership was announced, expanding the existing Brownfields initiative. When it began in 1993, this was an EPA initiative aimed at helping clean up polluted development sites so they could be redeveloped. As of 1997, about \$20 million had been spent on this program. The new strategy involves more money—about \$300 million has been proposed over 2 years—and coordinated assistance from other Federal agencies. For example, under the new plan, the Environmental Protection Agency (EPA) will fund assessment and cleanup operations and related training, HUD will provide community development and housing assistance, and EDA and the Small Business Administration (SBA) will provide economic development assistance. In total, 15 Federal agencies are involved in this new Brownfields National Partnership. To fund this initiative in 1998, EPA was authorized to spend about \$85 million; HUD may spend \$25 million from CDBG-set-aside funds and will target section 108 loan guarantee assistance to this effort.

To further the goals of this initiative, a new Brownfields tax incentive was created as part of the 1997 tax legislation. This tax incentive allows businesses to deduct environmental cleanup costs associated with Brownfield sites that are certified by States as having potentially hazardous substances. The tax benefits are limited to sites within EZ/EC's or any census tract with a 20-percent or greater poverty rate. While most Brownfields are located in urban areas, some high-poverty rural areas should benefit from this initiative, which should particularly benefit those places where land available for development is scarce (such as in mountainous areas like the Rockies or the Appalachians).

Other Initiatives Provide New or Additional Assistance

The Community Development Financial Institutions (CDFI) initiative also got an increase in funding, from \$50 million in 1997 to \$90 million in 1998. This initiative, which began providing assistance in 1996, revitalizes distressed urban and rural communities by enhancing the ability of selected financial organizations to extend credit and provide technical assistance to promote community development. CDFI's provide a wide range of financial products and services, including mortgage financing to first-time homebuyers, rental housing rehabilitation, startup business loans, and basic retail/consumer financial services for low-income residents. The 1998 funding includes \$22 million for Bank Enterprise awards extending credit to distressed areas, \$40 million for nonloan assistance to CDFI's, and \$20 million for training and technical assistance.

A new American Heritage River Initiative will help restore and revitalize waterfront areas along outstanding stretches of America's rivers. Communities have nominated sites to be considered for this status. The President will select 10 of these American Heritage Rivers in 1998, the first year of this initiative. Partnerships will be created from the community up, through local, State, tribal, and Federal governments, rather than from the top down. Federal agencies will refocus resources from existing Federal programs to provide particular assistance to these areas.

The Northwest Economic Adjustment Initiative will increase its funding in its last year, 1998. This initiative committed \$1.2 billion over 5 years, beginning in 1994, to assist businesses, workers, tribes, and communities hurt by reduced Federal timber harvests in California, Oregon, and Washington. Rural areas are the primary beneficiaries. Financial and technical assistance comes from various Federal agencies (USDA, Labor, EDA, EPA, HUD, Interior), allowing a comprehensive approach to revitalization, coordinated with

State and local efforts. Funding for the initiative began at \$248 million in 1994, peaked at \$268 million in 1995, dropped to \$260 million in 1996 and \$234 million in 1997. In 1998, the final year of the program, funding is expected to increase to \$278 million. Much of this money comes from existing programs that are giving more priority to these places than before. *[Rick Reeder, 202-694-5360, rreeder@econ.ag.gov]*