



A Snapshot of the President's Budget FY 2010

What's In It For Rural America?

Brian Dabson, May 12, 2009

President Obama transmitted his *Budget of the United States Government for Fiscal Year 2010* on May 7, 2009. The budget documents provide programmatic details and proposed appropriations language to put into effect the plans outlined in the President's budget overview, *A New Era of Responsibility: Renewing America's Promise* released on February 26th. Total outlays are projected at nearly \$3.6 trillion with a deficit of \$1.26 trillion or 8.5 percent of Gross Domestic Product. The budget focuses on the President's priorities for health care, energy, and education, but also contains funding for a broad range of programs across the spectrum of Federal government activities. Americans will be impacted by many of the proposals wherever they may live, but there are several that have been specifically targeted at rural people and places. There are also some proposals that could benefit rural people if the formulas or regulations are appropriately constructed.

It will be important for those engaged in rural policy to be watchful as Congress gets down to reviewing the budget in detail through the appropriations process – some of the proposed spending will no doubt be eliminated or changed, some of the proposed cuts will be reinstated. The future prosperity of the nation will be dependent upon the active participation of rural economies, which in turn need investments of the kind described in the budget.

One of the budget documents released by the Office of Management and Budget is *Terminations, Reductions, and Savings*. This itemizes 121 programs to be cut or reduced in order to save some \$17 billion. Appendix A lists those cuts and reductions that have an identifiable rural impact. \$147 million of cuts have been made in non-agricultural programs, the largest of which are \$51 million from the termination of the Resource & Conservation District program, \$29 million from the Denali Commission, and \$26 million from the Delta Health Initiative. In addition, some \$82 million for Congressional earmarks in USDA budget, which support a wide range of rural projects and programs, has been eliminated from the budget for FY 2010.

This brief is structured in much the same way as the previous one (March 2, 2009) and provides a snapshot of some of the main rural-specific proposals as well as some of those that could have important spatial implications, and organizes these proposals into eight broad categories. Programs that do not have explicit spatial implications as presented in the budget, such as education and nutrition, are not included in this summary. It should also be noted that the budget makes several references to the **American Recovery & Reinvestment Act of 2009 (ARRA)** – otherwise known as the Stimulus – particularly where programs funded under that Act are integral to the budget proposals for future years.

The reader is advised to go to www.whitehouse.gov/omb/budget to read the full text of the President's budget, which is grouped by Federal department. There is also a key issues fact sheet, *Standing with Rural America*, at www.whitehouse.gov/omb/fy2010_key_ruralamerica.



Regional and Rural Economic Development

- Provides \$50 million in regional planning and matching grants within the Economic Development Administration (EDA) to support the creation of regional innovation clusters that leverage regions' existing competitive strengths to boost job creation and economic growth. (DOC)
- Launches a \$50 million initiative in EDA that will create a nationwide network of public-private business incubators to encourage entrepreneurial activity in economically distressed areas. (DOC)
- ARRA provides EDA \$150 million to distribute as economic adjustment assistance and infrastructure funding, with priority for areas experiencing severe job losses. (DOC)
- Provides \$61 million for five Rural Development programs: the rural micro-entrepreneur assistance program, rural cooperative development grants, value-added producer grants, grants to minority producers, and cooperative research agreements. (DA)
- Expands lending in underserved neighborhoods by doubling funding for the Community Development Financial Institutions (CDFI) Fund. Through merit-based grant programs, the CDFI Fund helps locally based financial institutions offer small business, consumer and home loans in communities and populations that lack access to affordable credit. (USDT)
- Provides small business financing through:
 - \$17.5 billion in guarantees under the Section 7(a) Guaranteed Loan program
 - \$7.5 billion in guaranteed debentures in the Section 504 Guaranteed Loan Program
 - \$3 billion in authority for the Small Business Investment Company debenture program
 - \$25 million in Microloan volume, allowing intermediaries to provide small loans and technical assistance to entrepreneurs and other start-up businesses. (SBA)
- Expands small business credit availability and affordability by unfreezing the secondary markets for small business loans—as part of the larger plan to revive the flow of credit in the Nation's economy. (SBA)
- ARRA provides SBA authority to:
 - Increase guarantee percentages on new 7(a) loans to 90 percent, to help encourage lenders to make these loans; provide funding to enable SBA to temporarily lower fees on both 7(a) and 504 loans; Expand funding for the Microloan program; Increase the size of bonds available under SBA's surety bond program. (SBA)
- Supports resources for non-credit technical assistance programs, providing entrepreneurs access to counseling and business development expertise, including improvements to existing programs such as Small Business Development Centers, Women's Business Centers, SCORE, and microloan technical assistance. (SBA)
- Supports small business access to Federal prime and subcontracting opportunities, improvements to small business procurement data, and continued reviews of small business size standards. (SBA)

Broadband Deployment

- Provides \$1.3 billion in loans and grants to increase broadband capacity and improve telecommunication service and education and health opportunities in rural areas. (DA)
- The National Telecommunications and Information Administration (NTIA) will be focused on administering the \$4.7 billion provided by ARRA for programs to expand broadband deployment, adoption, and data collection. (DOC)

Health Care

- Establishes a reserve fund of more than \$635 billion over 10 years to finance fundamental reform of the health care system aimed at bringing down costs and expanding coverage. The reserve is funded half by new revenue and half by savings proposals that promote efficiency and accountability, align incentives toward quality, and encourage shared responsibility. ARRA included \$19 billion for health information technology, \$1 billion for comparative effectiveness research, and subsidies for the newly unemployed to maintain their health insurance. (DHHS)
- Building on the \$19 billion investment in ARRA, the Administration will continue efforts to further the adoption and implementation of Health IT. ARRA offers:
 - Physicians and hospitals participating in the Medicare program temporary incentive payments starting in 2011 for using a certified electronic health record (EHR), followed by financial penalties starting in 2015 for failure to use such a system.
 - Incentive payments to Medicaid providers, including physicians and children's hospitals, to assist with the purchase, implementation, and use of certified EHR technology. (DHHS)
- Invests \$330 million to address the shortage of health care providers in certain areas. (DHHS)
- Expands loan repayment programs for physicians, nurses, and dentists who agree to practice in medically underserved areas. (DHHS)
- Includes over \$4.7 billion for the Indian Health Service (IHS) to support and expand the provision of health care services and public health programs for American Indians and Alaska Natives. (DHHS)
- Includes \$73 million to improve both access to and quality of health care in rural areas. This funding will strengthen regional and local partnerships among rural health care providers, expand community-based prevention interventions, and promote the modernization of the health care infrastructure in rural areas. (DHHS)
- Expands the mental health screening and treatment services offered by VA and focuses on reaching veterans in rural areas. VA will increase the number of Vet Centers and mobile health clinics to expand access to mental health screening and treatment in rural areas. (VA)
- Includes new funding to help veterans and their families stay informed of these resources and encourage them to pursue needed care. (VA)

Renewable Energy

- Ensures that rural areas continue their leadership in renewable energy by supporting an additional \$250 million in loans and grants for bio-fuels and wind-power. (DA)
- Provides support for accelerating research, development, demonstration, deployment, and commercialization of clean energy technologies, including bio-fuels, renewable energy, and energy efficiency projects. (DOE)
- Build on efforts in ARRA to create a new, smarter electric grid for the integration and use of greater amounts of renewable energy. (DOE) ARRA includes funds for regional transmission planning and interconnection based transmission planning, and a \$100 million workforce training program. (DOE)
- Includes over \$50 million in increases to conduct the environmental evaluations and technical studies needed to spur development of renewable energy projects, assess available alternative resources, and mitigate the impacts of development on public lands. (DOI)
- Improving upon the \$12 billion annually received from fees, royalties, and other Federal payments related to oil, gas, coal, and other mineral development by closing loopholes, charging appropriate fees, and reforming how royalties are set. (DOI)

Infrastructure

- ARRA provided funding for rural water and wastewater grants and loans to support a \$3.8 billion program level for the repair, upgrade, and construction of 2,000 rural water and sewer systems, providing new or improved service to 3 million people. (DA)
- Provides a \$52 million increase over the 2009 level to \$175 million to the Department of Transportation to fulfill current program requirements as demand for subsidized commercial air service increases. (DOT)
- Intends to work with the Congress to develop a more sustainable program model for rural aviation support that will fulfill its commitment while enhancing convenience for travelers and improving cost effectiveness. (DOT)

Conservation & Natural Resources

- Provides a \$68 million increase for national forest operations to protect natural resources and maintain facilities, including those that are restored with ARRA investments. (DA)
- Funds the 10-year average suppression costs, establishes a discretionary funding reserve, and ensures fire management resources are used in a cost-effective manner in high-priority areas. The \$282 million discretionary contingent reserve provides funding for firefighting when the \$1.1 billion appropriated 10-year average is exhausted. (DA/DOI)
- Includes \$120 million, a \$34 million increase, in Forest Service funding through the Land and Water Conservation Fund to acquire easements on forested lands under significant development pressures. (DA)
- Supports several vital conservation programs including the Conservation Stewardship Program (\$447 million), the Conservation Reserve Program (\$1.9 billion), and the Environmental Quality Incentives Program (\$1.2 billion) and conservation tax incentives that were provided in the 2008 Farm Bill. (DA)
- Provides a \$100 million increase in National Park operations (plus inflation) to protect the investments made through ARRA and maintain facilities and natural resources. (DOI)
- Provides an additional \$25 million for matching funds to leverage private donations in preparation for the 100th anniversary of the National Park Service. (DOI)
- Conserves new Federal and State lands and protects endangered species with appropriations of about \$420 million from the Land and Water Conservation Fund, with annual increases to reach full funding of \$900 million by 2014. (DOI)
- Assists State and Federal land management agencies with over \$130 million in additional funding to monitor, adaptively manage and assess the impacts of climate change on the Nation's lands, fish and wildlife. (DOI)
- Creates educational and job opportunities for young people through expanded environmental education activities and new programs to encourage them to hunt and fish responsibly. (DOI)
- Anticipates future costs for catastrophic wildfires with a new contingent funding reserve of \$75 million for the Department of the Interior. (DOI)
- Includes increases of more than \$130 million, of which \$40 million is shared with the States for wildlife adaptation to climate change. (DOI)



- Increases funds by \$10 million for North American Wetlands Conservation Act (NAWCA) activities to acquire, restore, or protect wetlands used by migratory waterfowl and other birds. This is the first step in fully funding NAWCA at \$75 million by 2012. (DOI)
- Provides funding in 2010 for a Western Water Conservation initiative, which includes the Bureau of Reclamation's water reuse and recycling (Title XVI) program. The goal is to assist local communities' availability of water by encouraging voluntary water banks, wastewater treatment, and other market-based conservation measures. (DOI)

Community Development

- Provides full funding for the Community Development Block Grant program at \$4.5 billion and reforms the program's formula to better target economically distressed communities. Includes \$25 million for the HUD Rural Innovation Fund through a competitive process to promote new approaches to improving rural housing conditions. (HUD)
- Includes \$161 million in increased funding to the Bureau of Indian Affairs for law enforcement and education. Additional funding is also available through the Departments of Justice and Education. (DOI)
- Provides an additional \$70 million for rural areas, for competitive research grants that provide incentives for teachers working in rural areas to pursue professional development, and to enhance existing rural research and extension programs at land grant and minority-serving institutions. This includes \$28 million in grants to improve rural quality of life. (DA)

DA: US Department of Agriculture; DOC: US Department of Commerce; DOE: US Department of Energy; DHHS: US Department of Health & Human Services; HUD: US Department of Housing & Urban Development; DOI: US Department of the Interior; DOT: US Department of Transportation; USDT: US Department of the Treasury; VA: US Department of Veteran Affairs; SBA: US Small Business Administration.



Appendix A Terminations, Reductions, and Savings – Rural America

Terminations

Program	Dept	2010 \$m	2010-2014 \$m
Delta Health Initiative	DHHS	-26	
Denali Access	DOT	-6	
Denali Commission	DHHS	-20	
Denali Job Training	DOL	-3	
Economic Action Program	DA	-5	
High Energy Cost Grant	DA	-18	
Resource Conservation & Development Program	DA	-51	
Rural Community Facilities	DHHS	-10	
Rural Empowerment Zones/Enterprise Communities	DA	-8	
Total		-147	
Agriculture-Related			
Conservation Reserve Program Set Aside for Public Access	DA	-5	-65
Cotton Storage Payments	DA	-52	-279
Total		-57	-344

Reductions

Program	Dept	2010 \$m	2010-2014 \$m
Targeted Funding for Alaskan Native Village Infrastructure	EPA	-9	
<i>Special Research Grants (Congressional earmarks)</i>	DA	-82	
Agriculture-Related			
Crop Insurance Premiums, Underwriting & Fees	DA	0	-2,050
Market Access Program	DA	-4	-158
Payments to High Income Farmers	DA	-58	-108
Phase Out Direct Payments to Farmers (Sales >\$500K)	DA	-85	-3,670
Total		-147	-5,986