

20. COMMUNITY AND REGIONAL DEVELOPMENT

Table 20-1. FEDERAL RESOURCES IN SUPPORT OF COMMUNITY AND REGIONAL DEVELOPMENT

(In millions of dollars)

Function 450	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	13,034	8,660	9,204	8,011	7,805	7,675	7,816
Mandatory Outlays:							
Existing law	312	-119	-418	-411	-52	-222	-455
Proposed legislation			3	61	139	162	168
Credit Activity:							
Direct loan disbursements	2,192	2,153	1,984	2,278	2,392	2,273	2,299
Guaranteed loans	896	1,828	1,976	2,005	2,229	2,322	2,320
Tax Expenditures:							
Existing law	1,365	1,715	1,870	2,030	1,990	1,885	1,730
Proposed legislation			44	19	133	205	196

Federal support for community and regional development helps build the Nation's economy, and helps economically distressed urban and rural communities earn a larger share of America's prosperity. The Federal Government spends over \$10 billion a year, and offers about \$1.7 billion in tax incentives, to help States and localities create jobs and economic opportunity, and build infrastructure to support commercial and industrial development.

The needs of States and localities are varied and hard to measure. Still, Federal programs have helped create stable, healthy communities that offer greater economic opportunity. Communities hard hit by natural disasters receive Federal assistance to rebuild infrastructure, businesses, and homes. States and localities also use these Federal funds to leverage private resources for their community revitalization strategies.

As general goals:

- the Government will help create viable communities and economic empowerment through job creation, provide affordable

housing, and promote economic opportunity; and

- the Government will help protect lives and prevent the loss of property from disaster hazards; and minimize suffering and hasten recovery when disasters occur.

Department of Housing and Urban Development (HUD)

HUD provides communities with flexible funds to promote commercial and industrial development; enhance infrastructure; clean up abandoned industrial sites, or Brownfields; and develop strategies for providing affordable housing close to jobs.

Community Development Block Grant (CDBG): CDBG, for which the budget proposes \$4.7 billion, provides flexible funds for activities that meet one of three national objectives: (1) benefit low- and moderate-income persons, (2) help prevent or eliminate slums or blight, or (3) meet other urgent community needs that pose immediate threats to public health. CDBG funds go to improving housing, public works and services, economic develop-

ment, and acquiring or clearing land. Seventy percent of CDBG funds go to over 950 central cities and urban counties, the remaining 30 percent to States to award to smaller localities. CDBG's Section 108 Loan Guarantee Program, along with Economic Development Initiative Grants, gives Federal guarantees to private investors who buy debt obligations issued by local governments, thus giving communities efficient financing for housing rehabilitation, economic development, and large-scale physical development projects. The Indian CDBG program focuses mainly on public infrastructure, community facilities, and economic development. In 1997, 131 Tribes received a total of \$67 million in CDBG grants through competition.

HOME: The budget proposes \$1.5 billion in flexible grants to States and communities to address their most severe housing needs. Eligible activities of this program (which is classified in the Income Security function) include new construction, rehabilitation, acquisition of standard housing, assistance to home buyers, and tenant-based rental assistance. From its inception in 1992 through June 1997, the program's recipients have committed or used HOME funds to build or rehabilitate 262,000 housing units and to help 37,000 families pay their rent.

The 1999 goals for the CDBG and HOME programs include:

- Increasing the number of CDBG grantees who incorporate milestones with timetables in Consolidated Plans that can help demonstrate progress in improving locally defined conditions in their neighborhoods and communities.
- Developing a standardized HUD assessment of Consolidated Plans.
- Ensuring that communities keep HOME rental housing affordable to low-income families during the affordability period that the program requires.

Also by the end of 1999, HUD will establish baseline measures against which to judge the contributions these programs make to community development and affordable housing.

Empowerment Zones (EZs) and Empowerment Communities (ECs): The EZ program provides tax incentives and grants to carry out 10-year, community-wide strategic plans to revitalize designated areas. In December 1994, six urban areas and three rural areas were designated as EZs. Two supplemental urban Zones were designated to receive a combination of Economic Development Initiative grants, grants, and new tax-exempt bond financing. In addition, 65 urban and 30 rural communities were designated as ECs. These EZs and ECs have begun to leverage resources to attract private investment, generate job growth, stimulate business openings and expansions, construct new housing, expand homeownership opportunities, and stabilize neighborhoods.

- In 1999, practically all EZs and ECs will show satisfactory progress toward locally defined benchmarks consistent with national policy goals (e.g., increasing employment, improving safety, improving education levels).

Department of Agriculture

The Agriculture Department (USDA) gives financial assistance to rural communities and businesses to boost employment and further diversify the rural economy, and the budget proposes \$1.5 billion in such assistance. The Rural Community Advancement Program's grants, loans, and loan guarantees help build rural community facilities, such as health clinics and day care centers, and create or expand rural businesses. USDA also provides loans through the Intermediary Relending Program (IRP), which provides funds to an intermediary such as a State or local government that, in turn, provides funds for economic and community development projects in rural areas.

- In 1999, USDA will provide 49,000 new jobs, compared to 37,000 in 1997, through the IRP and community facilities programs.

Department of the Interior

The Interior Department's Bureau of Indian Affairs (BIA) helps Tribes manage and generate significant revenues from mineral, agricultural and forestry resources; a recent inde-

pendent study estimates that timber harvests, reforestation, pest management, and fire control activities provided 49,000 jobs on or near reservations. BIA also promotes Tribal and individual self-sufficiency by developing Tribal resources and obtaining capital investments. Finally, BIA maintains housing for needy Tribal members; over 7,000 other buildings, including 185 schools and 3,000 housing units for BIA and Tribal staff; over 100 high-hazard dams, and (with the Transportation Department and State and local governments) about 50,000 miles of roads and 745 bridges.

- BIA will measure the success of its economic development program by guaranteeing about \$35 million in loans to establish, expand, and refinance businesses and boosting their success rate to 91 percent.
- BIA will measure the success of its facilities programs by providing a 60-percent increase in high-priority school repairs and new school construction; its roads program by implementing a maintenance management system and inspections of at least half of all bridges and 80 percent of roads; and its dam safety program by repairing or planning repairs on seven dams and inspecting at least 25 dams.
- BIA will measure the success of its trust programs by implementing or maintaining about 150 Tribal resource management plans, projects, co-management programs, and fishing access sites; supporting 15 irrigation projects; developing 46 million acres for farming and grazing; completing the first phase of a comprehensive environmental audit; funding 20 water rights negotiation teams; and reducing probate and land title backlogs by at least 20 percent.

Tennessee Valley Authority (TVA)

TVA operates an important set of integrated navigation, flood control, water supply, and recreation programs that, with TVA's electric power program, contributes to the prosperity of the seven-State region it serves. The budget provides \$77 million for the agency's non-power programs, ensuring that they retain funding as the Administration and Congress consider alternatives for the agency in both the power and non-power areas.

- TVA will maximize the number of days the Tennessee River is open to commercial navigation from Knoxville, Tennessee to Paducah, Kentucky, with a 1999 performance target of full availability 93 percent of the time.
- TVA will minimize flood damage by operating the river system with flood control as a priority, maintaining a 1999 target of 79 percent of flood storage availability.

Commerce Department's Economic Development Administration (EDA)

EDA creates jobs and stimulates commercial and industrial growth in economically distressed areas—rural and urban areas with high unemployment, high poverty rates, or sudden and severe distress. EDA's public works grants help build or expand public facilities to stimulate and foster industrial and commercial growth, such as industrial parks, business incubators, access roads, water and sewer lines, and port and terminal developments. EDA, working with State and local governments and the private sector, has completed over 40,000 projects, creating or retaining over three million private sector jobs. EDA has invested over \$16 billion in grants and generated over \$36 billion in private investment. From 1992 to 1997, EDA awarded 1,006 public works grants, totaling \$975 million, to economically distressed communities to build these types of infrastructure projects.

EDA works with State and local governments, businesses, economic development districts, and non-profit organizations to identify and fund high-priority projects in the neediest communities. The grants also provide technical assistance to communities and firms on problems that stifle economic growth. In addition, EDA's economic adjustment assistance grants help communities solve severe adjustment problems, such as those resulting from natural disasters and industry relocations or major downsizings. To date, EDA has provided almost \$500 million in disaster recovery grants to help speed the recovery of disaster-impacted communities Nation-wide.

- In 1999, EDA projects that it will create or retain 22,500 jobs directly and 7,500 jobs indirectly, for a total of 30,000 jobs.

Disaster Relief and Insurance

The Federal Government provides financial help to cover a large share of the Nation's losses from natural hazards. In recent years, spending from the two major Federal disaster assistance programs—the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund and the Small Business Administration's (SBA) Disaster Loan program—has risen significantly, largely because demographic and economic growth has been great in hurricane- and earthquake-prone areas. The Federal Government shares the costs with States for infrastructure rebuilding; makes disaster loans to individuals and businesses; and provides grants for emergency needs and housing assistance, unemployment assistance, and crisis counseling. In addition, the National Flood Insurance Program enables property owners to purchase flood insurance that the commercial market does not offer. To mitigate future losses, and in exchange for flood insurance, communities must adopt and enforce floodplain management measures that protect lives and new construction from flooding.

In 1997, FEMA began Project Impact, a national effort to shift the focus of emergency management from post-disaster response to pre-disaster activities that reduce potential future damage. FEMA is expanding the program in 1998, and will strive for at least one "disaster resistant community" in each State by the end of 1999. In 1999, SBA proposes to support FEMA's mitigation project by making available disaster loans for small businesses in the targeted communities to finance mitigation improvements for permanent or fixed business properties.

FEMA's 1999 goals include:

- Decreasing, by 10 percent, the average time from disaster declaration to Hazard Mitigation Grant Program grant obligation, using the average grant delivery time through 1997 as a baseline;
- Completing 12 hurricane evacuation studies and achieving 60 percent of the mandated review of community flood map needs; and
- Answering 95 percent of claimant questions on the first call and cutting, in half,

disaster claimant transcription time and costs billable to the disaster relief fund.

SBA's 1999 goals include:

- Increasing the number of disaster loans processed within 21 days from 85 percent to 90 percent of applications.
- Increasing the percentage of disasters in which effective field presence is established within three days of a declaration from 85 percent to 90 percent.

Appalachian Regional Commission (ARC)

Established in 1965, ARC targets its resources to highly distressed areas, focusing on critical development issues on a regional scale, and making strategic investments that encourage other Federal, State, local and private participation and dollars. When compared with "twin counties" outside the 13-State region, ARC counties have grown 17 times faster in private sector employment, seven times faster in population, and 34 times faster in per capita income. From 1950 to 1960, before the ARC was in place, employment fell 1.5 percent in Appalachia but grew 15 percent Nation-wide. During the most recent reporting period, 1988 to 1996, Appalachian employment grew at the national rate of 10.6 percent.

In 1999:

- As a result of ARC training, 7,500 people will retain or get jobs; and
- ARC will place 100 physicians in the region's health professional shortage areas, to serve another 50,000 patients a year.

The Administration proposes to apply the proven ARC model to the Mississippi Delta Region, an adjoining section with tremendous and wide-ranging needs, in order to: (1) target the Nation's truly poor; (2) provide economic development opportunities in a regional, multi-State context; (3) provide flexible assistance to address local economic development decision-making; (4) create a partnership that links communities, States, and the Federal Government in a coordinated response to economic distress; and (5) leverage other resources to foster self-sustaining economies. The budget proposes a Delta Region Development Program, under the auspices of the

ARC that would establish the Delta Regional Commission to assist in the Region's economic development.

Tax Expenditures

The Federal Government provides several tax incentives to encourage community and regional development activities: (1) tax-exempt bonds for airports, docks, high-speed rail facilities, and sports and convention facilities (costing \$5.6 billion from 1999 to 2003); (2) tax incentives for qualifying businesses in economically distressed areas that qualify as Empowerment Zones—including an employer wage credit, higher up-front deductions for investments in equipment, tax-exempt

financing, and accelerated depreciation—as well as capital gains preferences for certain investments in the District of Columbia and incentives for first-time buyers of a principal residence in D.C. (costing \$3 billion over the five years); (3) a 10-percent investment tax credit for rehabilitating buildings that were built before 1936 for non-residential purposes (costing \$335 million over the five years); (4) tax exemptions for qualifying mutual and cooperative telephone and electric companies (costing \$335 million over the five years); and (5) up-front deductions of environmental remediation costs at qualified sites (costing \$305 million over the five years).