

19. COMMUNITY AND REGIONAL DEVELOPMENT

Table 19-1. Federal Resources in Support of Community and Regional Development
(In millions of dollars)

Function 450	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	11,027	11,493	12,327	12,327	12,472	12,781	13,062
Mandatory Outlays:							
Existing law	-18	-523	-637	-774	-851	-942	-1,086
Proposed legislation			-54	44	125	151	157
Credit Activity:							
Direct loan disbursements	1,715	2,064	2,762	N/A	N/A	N/A	N/A
Guaranteed loans	1,606	2,439	2,946	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,260	1,415	1,505	1,370	1,150	1,125	1,100
Proposed legislation			66	487	1,000	1,341	1,648

N/A = Not available.

Federal support for community and regional development helps build the Nation's economy, and helps economically distressed urban and rural communities secure a larger share of America's prosperity. The Federal Government spends over \$11 billion a year, and offers about \$1.4 billion in tax incentives to help States and localities create jobs and economic opportunity, and build infrastructure to support commercial and industrial development.

Federal programs have stabilized and revitalized many of these communities allowing them to expand their economic base and support their citizens, particularly those in need. 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.

Department of Housing and Urban Development (HUD)

HUD provides communities with funds to promote commercial and industrial develop-

ment, enhance infrastructure, and develop strategies for providing affordable housing close to jobs. HUD also provides grants and sponsors research to reduce the hazards created by lead-based paint in housing.

Community Development Block Grants (CDBG) provide funds for various community development activities directed primarily at low- and moderate-income persons. CDBG funds go to improving housing, public works and services, promoting economic development, and acquiring or clearing land. Seventy percent of CDBG funds go to over 980 central cities and urban counties, and the remaining 30 percent go to States to award to smaller localities. The Section 107 set-aside within CDBG, the University Partnerships Program, provides grants to academic institutions including Historically Black Colleges and Universities, Hispanic Serving Institutions, New Magnets University Partnerships, and Tribal Colleges. The Indian CDBG, also a set-aside within the CDBG program, focuses mainly on public infrastructure, community facilities, and economic development on res-

ervations. The 2001 Budget establishes a new information hotline for Government-wide Native American programs funded out of the Indian CDBG program.

HUD's HOME Investment Partnership Program supports construction of new housing, rehabilitation of existing homes, acquisition of standard housing, assistance to home buyers, and tenant-based rental assistance.

The 2001 goals for the CDBG, HOME and Lead Hazard programs include:

- Increasing the number of CDBG grantees who incorporate milestones with timetables in Consolidated Plans that demonstrates progress in improving locally defined conditions in their neighborhoods and communities;
- Decreasing unemployment rates among young entry-level job seekers in central cities by 0.5 percent annually to 17.5 percent by 2001 through the creation of jobs through investment in entitlement communities and Youthbuild;
- Assisting 102,947 households, supporting construction of 22,258 new units of affordable housing, rehabilitating 44,924 units, and acquiring 24,884 units through HOME, helping to increase by eight percent the number of households receiving assistance through the HOME program;
- Increasing the homeownership rate of first time minority homeowners in inner city areas by .5 percent in 2001 through the HOME program and other HUD programs;
- Providing housing assistance to over 210,000 households through the CDBG program in 2001 and at least 241,000 by 2003; and,
- Assuring that at least 92 percent of entitlement community funding and at least 98 percent of funds for the State portion of CDBG are used for activities that benefit low to moderate income persons.

By 2010, HUD, in cooperation with other Federal agencies, will eliminate elevated lead blood levels and lead poisoning in children.

By the end of 2001, HUD will establish baseline measures that will help evaluate the contributions these programs make to

community development and affordable housing.

Empowerment Zones (EZs) provide tax incentives and grants to carry out 10-year, community-wide strategic plans to revitalize designated areas. In 1994, the Administration designated nine Round I EZs, two Supplemental EZs (which were designated full EZs in 1998) and 95 Enterprise Communities (ECs). These Round I EZs and related ECs leverage private investment, expand affordable housing and homeownership opportunities, and help create jobs. In January 1999, the Administration designated 15 new urban EZs and five new rural EZs (administered by the Department of Agriculture) from more than 268 distressed areas that applied for new designations. These EZs, along with the 20 new rural ECs have begun initial implementation of their comprehensive strategies to redevelop their areas.

In the budget, the Administration proposes a series of tax measures to extend and improve economic growth in the 31 existing Round I and Round II EZs and also proposes to create a Third Round of 10 new EZs. To encourage employment and growth, the Budget proposes to extend until 2009 the wage credit currently available only for Round I Zones through 2004, and to make the wage credit also available in Round II and Round III EZs through 2009. To lower the cost of investment for small businesses in EZs, the budget proposes to allow them to deduct an additional \$35,000 in investments above the normal small business investment deductions. The proposal also will allow local governments to issue tax-exempt bonds on behalf of EZ businesses. Finally, the President's proposal would permanently extend the Brownfields Tax Incentive in EZs.

The 2001 goals for the EZ and EC program include:

- Increase to 95 percent the share of urban EZs and ECs that show satisfactory progress toward locally defined benchmarks. Examples of benchmarks include: In Baltimore, MD, in the 2000–2001 period, reduce crime by an additional two percent and increase the homeownership rate in that EZ of 39.6 percent by 0.5 percent. In Chicago, IL, complete 100 of the

300 low-income housing units remaining to be constructed. In Los Angeles, CA, increase from 41 percent to 46 percent the number of youths obtaining jobs through the Youth Opportunities Program. In Detroit, MI, increase the number of permanent housing units constructed for the disabled by 10 from 20 units to 30.

Department of Commerce

The Economic Development Administration (EDA) provides assistance to communities to help build capacity and address long-term economic challenges through its nationwide program delivery network. EDA's public works grants help build or expand public facilities to stimulate industrial and commercial growth, such as industrial parks, business incubators, access roads, water and sewer lines, and port and terminal developments. Between 1992 and 1999, EDA awarded 1,456 public works grants, totaling \$1.4 billion, to economically distressed communities for infrastructure projects. In 2001, there will be two new initiatives at EDA, an E-commerce program and a Community Economic Adjustment program. These programs will create equitable access to new technologies and the broadband networks necessary to support full access to E-commerce in all communities and help distressed communities recover from sudden and/or severe economic downturns.

EDA's revolving loan fund (RLF) program enhances communities' capacity to invest in locally identified commercial development that creates jobs. Since 1976, when the RLF program was implemented, EDA has provided initial capital for over 800 local RLFs.

These RLF funds have made more than 17,000 loans to private businesses and have leveraged more than \$1.5 billion in private capital that upon repayment has tended to stay in the community for re-lending and further economic development activity.

The 2001 goals for EDA include:

- Creating or retaining of a total of 56,789 jobs.

Department of the Treasury

The Community Development Financial Institutions (CDFI) Fund seeks to promote

economic revitalization and community development in distressed areas by increasing the availability of capital and leveraging private sector funds. The CDFI Fund provides financial and technical assistance to a diverse set of specialized, private, for-profit and non-profit financial institutions known as community development financial institutions. CDFIs have a primary mission of community development and include community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds.

The 2001 goals for the CDFI Fund include:

- Increasing the number of States with at least one CDFI Fund awardee from 46 in 1999 to 49 in 2001; and
- Increasing the number of awards to CDFIs from 158 in 1999 to 160 in 2001.

Department of Agriculture (USDA)

USDA gives financial assistance to rural communities and businesses to boost employment and further diversify the rural economy. 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 agency that, in turn, provides funds for economic and community development projects in rural areas.

The 2001 goals for these USDA programs include:

- Retaining and creating 115,000 new jobs, compared to 82,000 in 1999, through the Business and Industry loans, IRP, and community facilities programs.

Department of the Interior (DOI)

The Interior Department's Bureau of Indian Affairs (BIA), for which the budget proposes \$2.2 billion in 2001, helps Tribes and Native American individuals develop resources to improve their communities and economies through various programs and technical assistance. BIA assists Tribes in such areas as agricultural and rangeland resource management to manage and generate revenues from

mineral, agricultural and forestry resources. The Department will strengthen its Tribal resource management programs by facilitating more prudent land management and maintaining approximately 150 Tribal management plans, projects, co-management programs and fishing access sites; supporting 18 major irrigation projects; managing lands for farming and grazing; and, funding 18 water rights negotiations teams. In addition, the budget will enable BIA to continue and to expand efforts to improve trust services activities, reduce crime, and expand community development activities. The budget includes \$630 million, a substantial increase (\$20 million) over 2000, to improve trust service activity within BIA—in support of the Administration's efforts to improve Tribal trust management. BIA and the Department of Justice seek to lower crime rates on the 56 million acres of Indian lands, through the expansion of its joint law enforcement initiative begun in 1998. BIA maintains over 7,000 buildings, including 185 schools and 3,000 housing units; over 100 high-hazard dams; and, (with the Departments of Transportation and State and local governments) about 50,000 miles of roads and 770 bridges.

The 2001 goals for DOI include:

- Generating nearly \$82 million in federally-guaranteed commercial loans on reservations. These loans, supported by a \$5.5 million appropriation, will foster growth and development in Indian Country;
- Obtaining about \$328 million in timber sales revenue by helping Tribes manage 16.2 million acres of forest land;
- Reducing crime rates on Indian lands by increasing the number of police officers per 1,000 citizens; and,
- Replacing the final three schools on BIA's existing replacement priority list and at least three schools from a new list. These schools are BIA's oldest, most dilapidated schools. In addition, BIA will complete major improvement and repair projects (including a joint demonstration project with the Department of Energy utilizing energy-efficient construction materials). As part of the Administration's commitment to renovating schools across the Nation,

the budget proposes \$300 million (\$167 million over 2000) to replace, repair, and improve educational facilities; up to \$30 million may be used by Tribes and tribal consortia to defease the principal on school construction bonds.

Tennessee Valley Authority (TVA)

TVA operates integrated navigation, flood control, water supply, and recreation programs. Along with TVA's electric power program, these programs contribute to the economic prosperity of the seven-State region it serves. TVA plans to pay for most of these programs in 2001 as it did in 2000, using proceeds from the agency's \$6.8 billion power program, user fees and sources other than appropriations.

The 2001 goals for TVA include:

- Maximizing the percentage of time the Tennessee River is open to commercial navigation from Knoxville, Tennessee to Paducah, Kentucky. In 1999, TVA kept the river open 82 percent of the time. TVA's target is 93 percent in 2000 and 95 percent in 2001.
- Minimizing flood damage by operating the river system with flood control as a priority. In 1999, TVA's actual performance for "flood storage availability" was 94 percent. TVA's target is 80 percent in 2000 and 2001.

Appalachian Regional Commission (ARC)

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. From 1988 to 1996, Appalachian employment grew at the national rate of 10.6 percent.

The 2001 goals for ARC include:

- 22,000 people will retain or get jobs, compared to 8,700 in 1999;
- 25,000 households will have access to new or improved water, sewerage and waste management systems, compared to 20,000 in 2000;

- 7,000 people will benefit from business development services; and,
- 100 physicians will be placed in the region's health professional shortage areas to provide another 460,000 patient office visits a year.

Disaster Relief and Insurance

The Federal Government provides financial help to cover a large share of the Nation's losses from natural disasters. Since 1993, 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—have provided over \$31.4 billion in emergency assistance. The Federal Government shares the costs with States for infrastructure rebuilding; makes disaster loans on uninsured losses to individuals and businesses; and provides grants for emergency needs and housing assistance, unemployment assistance, and crisis counseling.

In addition to its disaster response activities, FEMA is working with 118 "disaster resistant communities" across the country as of the end of 1999 and plans to add up to 47 more during 2000. Participating communities assess their risks from earthquakes, floods, hurricanes and other disasters, and adopt prioritized mitigation plans.

Communities participating in FEMA's flood insurance program, which provides the only source of affordable flood insurance to property owners, must mitigate future losses by adopting and enforcing floodplain management measures that protect lives and new construction from flooding. FEMA is also modernizing its inventory of flood plain maps, and will be taking measures to mitigate properties experiencing repetitive flood damages.

The 2001 goals for FEMA include:

- Providing incentives and support to the public sector to increase the disaster resistance of communities;
- Improving disaster response and customer satisfaction by processing disaster declara-

tions within eight days, making 50 percent of funding for emergency work projects available to States within 30 days of application approval, making 80 percent of public assistance funding determinations, on average, within 180 days, and processing disaster housing applications from individuals within five to eight days of receipt; and,

- Increasing the number of flood insurance policies in force by five percent to a total of 4,600,000 in 2001.

The 2001 goals for the SBA Disaster Loan Program include:

- Increasing the number of disaster loan applications processed within 21 days of receipt from 65 percent in 1999 to 70 percent in 2001; and,
- Establishing an effective field presence at the disaster site within three days of a disaster, for 98 percent of declared events.

Tax Expenditures

The Federal Government provides tax incentives to encourage community and regional development activities, including: (1) tax-exempt bonds for airports, docks, high-speed rail facilities, and sports and convention facilities (costing \$3.8 billion from 2000 to 2004); (2) tax incentives for qualifying businesses in economically distressed areas that qualify as EZs—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 the District; (3) a 10-percent investment tax credit for rehabilitating buildings that were built before 1936 for non-residential purposes (costing \$150 million over the five years); (4) tax exemptions for qualifying mutual and cooperative telephone and electric companies (costing \$325 million over the five years); and, (5) up-front deductions of environmental remediation costs at qualified sites (costing \$140 million over the five years).