

Democrats are Fighting for Rural America

The Republican Budget Neglects Rural America



A Report by the Democratic Rural Working Group

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Rural communities form the bedrock of America, and are the home of forty-nine million Americans. Families in these rural communities face poverty, unemployment, and housing problems at rates similar to the nation's big cities, and face many unique challenges relating to economic development, health care and education.

While the Bush Administration has made a number of promises to rural communities, time and again their actions have undercut their words. This year's budget proposal goes even further as it disproportionately hurts rural communities and the families living in those communities. According to the **Center for Rural Affairs**, "the President's budget would doom many rural Americans and many rural communities at permanent status as members of America's underclass." [press release, 2/7/05] The **National Farmers Union** said regarding the President's budget, "it is wrong to try and balance the budget on the backs of rural Americans." [press release, 2/7/05] A coalition of the **American Farm Bureau Federation** and more than 100 organizations noted that "reductions to farm programs would come at precisely the time that these supports are most needed in rural America."

As Democrats, we believe that the policies we pursue must be consistent with the values we cherish and the promises we have made, particularly to families in rural America. But the Administration's 2006 budget fails on that score. It is fiscally reckless, adding trillions to the deficit over the next 10 years while failing to address the cost of war in Iraq. It is morally irresponsible, making deep cuts to rural health care and education programs, breaking our promises to America's veterans and failing to account for the impact of the Social Security privatization plan.

The following report details the problems in the President's budget for rural communities, noting that the proposed budget:

- **Fails to stand for common sense spending**
- **Fails to live up to the promises of the Farm Bill**
- **Fails to create jobs in rural America**
- **Attempts to hide the Social Security privatization plan**
- **Shortchanges building roads, airports, information and infrastructure**
- **Fails to strengthen education, health care and housing for our families and communities**
- **Fails to defend America and honor our veterans**

Democrats will continue fighting to restore fiscal responsibility and hold those in power responsible for their actions. We are committed to upholding the key values that are the foundation of a strong and secure rural middle class: national security, prosperity, community, fairness, accountability and opportunity.

Fails to Stand for Common Sense Spending

The Republican budget is fiscally irresponsible, creating trillions of dollars in new deficits. The Administration's fiscal recklessness continues, with record deficits for the past three years and a deficit that is likely to top \$400 billion in 2006. And the Administration has failed to offer a credible plan to cut the deficit in half, as the budget fails to account for the ongoing war in Iraq or for the President's Social Security privatization proposal. All told, the Republican budget creates more than \$4 trillion in new deficits over the next 10 years; imposing a debt tax on families that climbs to more than \$10,000 per family of four in 10 years just to pay the interest on the debt, while mortgaging the future of our children and grandchildren.

Rural America is singled out for deep cuts. The President's budget cuts agriculture funding by nearly 10 percent next year. Rural communities face poverty, unemployment, and housing problems at rates similar to the nation's big cities. Despite this, the President's budget strips critical assistance for rural economic development; slashes rural housing loans; cuts rural health and education; and cuts farm programs including farm conservation and farm-based renewable energy.

Fails to Live Up to the Promise of the Farm Bill

Agriculture funding takes one of the biggest hits. This budget unfairly targets agriculture and makes disproportionate and draconian cuts to the safety net established by the 2002 Farm bill. The budget include a net cut of \$5.7 billion over 10 years from farm programs through restrictions on marketing loans, a 5 percent reduction in farm program payments, assessments on sugar, and modifications to the dairy program. The cuts proposed to commodity programs will impact all producers, no matter how small or big. These cuts to the 2002 Farm Bill in the middle of the authorization cause uncertainty for producers, their bankers, and rural communities as a whole. With prices for many major commodities falling sharply from last year, reductions to farm programs would come at precisely the time that these supports are most needed in rural America. Already, the 2002 Farm Bill has spent \$15 billion less than projected when the bill passed, but family farmers and ranchers are expected to absorb a disproportionate share of President's cuts.

Cuts crop insurance, loan deficiency payments. The proposed budget also cuts \$1.3 billion from the federal crop insurance program, which protects farmers against risks caused by natural disasters and price fluctuations. The President's budget proposes to limit loan deficiency payments by more than \$1 billion, which could drop deficiency payments for as much as 48 percent of corn in Iowa, for example. The budget raises another \$1.9 billion through increased user fees for inspections that will further reduce farm income. It also cuts by more than 60 percent the value-added grants to farmer-owned businesses to develop new markets for crops, food processing or meat products, and to build businesses, such as ethanol plants.

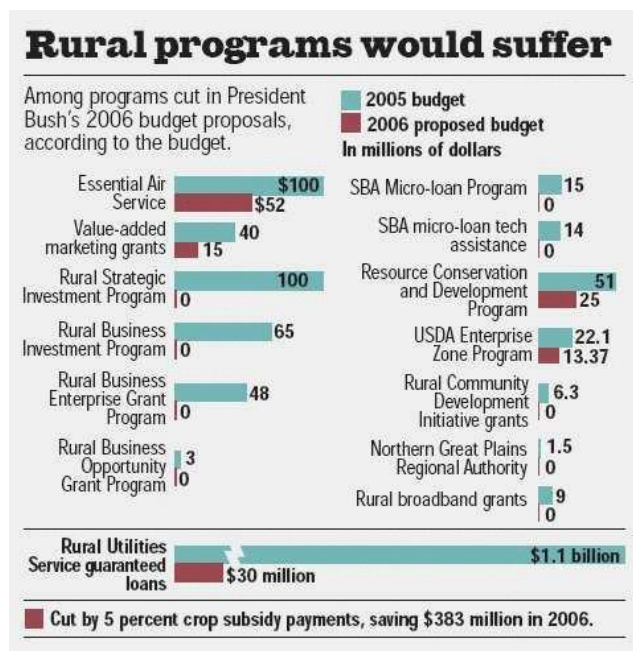
Cuts Conservation Programs. The President once again cuts vital Farm Bill programs that would help farmers and ranchers protect and enhance natural resources by well over \$450 million for 2006 alone. The Administration cuts \$40 million from the Conservation Security Program, thereby

endangering the promise of the Farm bill of a national program that provides payments to all farmers to protect their land, air, and water, and public benefits for generations to come. It also cuts the Environmental Quality Incentives Program, which helps livestock producers control pollution from manure and farm runoff, by \$200 million, eliminates the Watershed Rehabilitation Program, and cuts off funding for the Resource Conservation and Development Councils, which work to increase conservation of natural resources, support economic development and enhance the standard of living in local communities. The President's budget also cuts the Wetland Reserve Program by more than 25 percent, despite the President's pledge in 2004 on wetland restoration and protection. Cutting these important conservation programs while we're facing a \$3.9 billion backlog of producers waiting to participate in these programs is unacceptable. It breaks promises we've made to America's family farmers and ranchers.

Cuts bioenergy and energy efficiency programs. The 2002 Farm Bill authorized \$150 million in 2006 for a bioenergy incentive program, to expand the production of ethanol and biodiesel through incentive payments, but the President's budget limits this spending to \$60 million. Further, the President's budget eliminates the high energy cost grants and cuts fund for renewable energy loans, at the same time that farmers are facing record fuel and fertilizer prices. In the heartland, we know that ethanol and biodiesel will create jobs, protect the environment, and reduce our dependency on foreign oil. The President's lack of a commitment to homegrown renewable energy is disheartening.

Slashes agriculture research. The Bush Administration has proposed to phase out the \$200 million in funding for agriculture, forestry and animal health research programs over two years, and replacing it with about \$70 million in competitive grants. This would affect 75 land-grant colleges and universities across the country, resulting in an estimated 2,000 job losses and fewer agriculture research projects. Not only would students lose expertise from professors, but this would also impact local farmers and ranchers, who would miss out on important research that helps them improve productivity.

Fails to Create Jobs for a Thriving Economy in Rural America



Cuts rural small business assistance. The President's budget eliminates funding for the Small Business Administration Microloan Program and for microloan technical assistance, which provides very small loans and technical assistance to start-up small businesses. More than one in five private, non-farm jobs in the most rural states are attributable to microenterprises. The President's budget eliminates all of Farm bill funding for rural business investment, which is used to leverage venture capital in rural areas and is crucial for the creation of mid-sized businesses. It also targets other rural small business programs for consolidation and severe cuts in their "community initiative," including rural business opportunity grants and rural business enterprise grant program.

Eliminates vocational education, and slashes job training. The Bush budget completely eliminates the \$1.3 billion vocational education program and cuts job training services by about \$280 million. Good job training leads to good jobs, and this elimination will jeopardize critical training resources and cut off a pipeline to job opportunities in emerging fields. Once again, the budget hits rural economies particularly hard.

Slashes core rural job creation programs. The President's budget consolidates and cuts funding for 17 different community and economic development programs that provide housing, employment counseling, water and sewer improvements, and small business loans. It slashes funding for these programs by \$2 billion – or more than 30 percent cut in funding, and will particularly affect rural communities as it targets economic development and housing programs crucial to rural communities, including the Community Development Block Grant, Rural Housing and Economic Development, Rural Empowerment Zones, Rural Business Opportunity Grant program, Rural Business Enterprise Grant, rural business opportunity grants, Rural Community Facilities (HHS), and the Economic Development Administration. These programs form the heart of rural economic development assistance, and these cuts will make tough economic challenges in rural America even more difficult to overcome.

Slashes assistance to small manufacturers. The Bush budget cuts the Manufacturing Extension Partnership (MEP), which helps small U.S. manufacturers with everything from plant modernization to employee training, by nearly 60 percent. It also proposes to eliminate the Advanced Technology Program, which spurs cutting-edge research to solve manufacturing problems. Overall, 2.8 million manufacturing jobs have been lost over the past four years, and this has harmed job prospects in rural communities. And yet the President's budget fails to help manufacturing while the Administration had pushed for tax breaks for companies that move American jobs overseas.

Attempts to Hide Social Security Privatization

Demonstrates a failure to lead on Social Security. Despite the fact that the President has called his proposal to privatize Social Security his top domestic priority this year, his budget includes no details on his plan. His plan would add nearly \$5 trillion dollars to the debt over 20 years -- forcing us to borrow even more from foreign countries, like China and Japan -- while cutting Social benefits for future retirees by more than 40 percent. And while the substance of the policy will continue to be debated, his failure to provide a clear and honest accounting of the difficult trade-offs between increases in the debt, benefit cuts, and tax increases necessary for the White House's privatization proposal is fiscally irresponsible.

Budget continues the raid on the Social Security Trust Fund. In 2001, Republicans promised to save every dollar of the Social Security surplus. But the new budget continues the raid on Social Security, borrowing and spending all of the money from the Trust Fund over the next 10 years. This is on top of the more than \$600 billion of the Social Security surplus that Republicans have used to help finance deficits and pay for tax cuts over the last four years.

Social Security privatization would hit rural communities especially hard, since rural Americans are older, and more likely to depend on Social Security. Rural communities account for more than 90 percent of the counties with higher senior populations (20 percent or more). Protecting guaranteed

Social Security benefits is critical to maintaining rural America's way of life. Social Security is crucial to economic independence of seniors who have worked hard and paid taxes all of their life – providing a progressive benefit that guarantees retirement security. Democrats stand ready to address the challenges facing Social Security, but the President must put forward a proposal that is fiscally responsible, fair, and does not slash the guaranteed benefits of Social Security while irresponsibly taking on massive debt.

Shortchanges Building Roads, Airports, Information and Infrastructure

Cuts water and sewer assistance grants by \$77 million. Smaller cities and towns in rural America that need assistance to provide rural residents with safe water and sewer service would see a 17 percent cut in funding, even though more than 3 million households in the rural U.S. continue to have inadequate or no water or sewer service. Rural Americans deserve the same access to clean, safe, reliable drinking water as their counterparts in the city, and these cuts make that challenge even more difficult.

Cuts \$52 million in funding for the Essential Air Service Program – a 50 percent cut. The President's budget slashes funding from the Essential Air Service program, which is designed to keep air service available to 125 remote communities. This will force some remote airports to pay part of the costs of commuter flights to hubs, and others to pick up the entire tab. In addition, the President eliminates funds for the Small Community Air Service Program, which helps 40 communities struggling with from infrequent service and high airfares.

Shortchanges highways that are needed to connect rural America and create good-paying jobs. The Administration is proposing only \$284 billion for the six-year highway bill, \$34 billion less than the compromise bill passed by the Senate in 2004. The Administration's refusal to adequately fund the highway bill last year resulted in the Republican failure to pass a six-year highway bill – a missed opportunity to create good-paying jobs and spur economic growth that has cost us jobs every month that the bill is delayed. Every \$1 billion invested in federal highway and transit spending creates 47,500 jobs.

Cuts broadband assistance by more than 33 percent. Under the President's budget, broadband assistance guaranteed loans would be slashed by about \$190 million, with broadband telecommunications grants eliminated entirely. Broadband high-speed telecommunications service helps link rural America to the digital economy, and yet less than five percent of towns of 10,000 or less have access to either broadband or cable technology, compared to 56 percent of cities with populations over 100,000. The Rural Working Group is committed to ensuring that all Americans have access to broadband.

Fails to Strengthen Education Health Care and Housing for our Families and Communities

Slashes rural health activities. Even though rural areas face tremendous challenges in health care, the budget slashes rural health activities by \$114 million below this year's enacted level – or by 64 percent.

This cut includes eliminating the \$39 million rural health flexibility grant program for critical access hospitals and drastically cutting back rural health outreach grants, used to expand clinical services in rural areas, by 70 percent. For far too many rural Americans, even basic health care services are not available. This budget makes solving that problem even more difficult.

Deep Medicaid cuts hurt rural seniors and kids. The Bush budget includes a net cut in Medicaid of \$45 billion, which will result in a shift in costs to states and beneficiaries, a cut in payments to providers, and an increase in the number of the uninsured. These large Medicaid cuts are particularly damaging to rural areas, as folks in rural areas are more likely to receive Medicaid and to be uninsured. Specifically, 30 percent of children in rural areas have Medicaid or S-CHIP coverage, compared to 19 percent of children in urban areas. Nearly a quarter of residents of rural counties are uninsured – compared to 15 percent of the overall population who are uninsured. Hence, slashing Medicaid by a total of \$45 billion over 10 years will hit rural communities particularly hard -- leading to the loss of health care coverage for tens of thousands of children and elderly and causing the rate of uninsured in rural communities to skyrocket even higher.

Eliminates distance learning and slashes telemedicine grants and loans. The Bush budget eliminates distance learning and telemedicine guaranteed loans, and cuts grants for distance learning and telemedicine by nearly 30 percent. These programs would have expanded the availability of health care in 190 rural medical service facilities and educational resources in 556 rural schools.

Shortchanges education reform, and cuts education investment below this year's level.

President Bush shortchanges education – this year even cutting education funding below the current-year level. The Bush budget is cutting education funding despite the challenging academic requirements under the No Child Left Behind Act. These cuts will hit smaller, rural districts particularly hard. President Bush provides \$12 billion less for education than was promised in the No Child Left Behind Act this year, and has underfunded the law by about 25 percent since enactment, even as rural schools face many difficulties, such as recruiting qualified teachers.

Shortchanges rural education. The President's budget proposes to freeze funding for rural education, even though one-third of children attend public schools in towns or cities with less than 25,000 people.

Slashes funding for rural housing loans. There is a shortage of affordable, decent housing in rural communities, with 25 percent of these households overburdened by housing costs. And yet the President's budget slashes funding for Section 515 multi-family housing the core affordable housing program by 73 percent, and cuts rural housing direct loans loan volume by \$141 million. It also eliminates the Rural Housing and Economic Development program that has been instrumental in helping rural families realize the dream of home ownership – consolidating it with 17 other programs in the Commerce Department.

Cuts Community Facility Loans. The President's budget cuts the community facilities grant programs by \$59 million, including a 30 percent cut in the grant program to fund childcare centers, fire trucks and community buildings.

Makes Cuts in Defending America and Honoring Veterans

Significantly cuts funding available to police, firefighters, and medics. Police departments nationwide do not have the protective gear to safely secure a site after the detonation of a weapon of mass destruction and fire departments have only enough radios for half the firefighters on a shift. And yet the Bush budget includes a net cut in first responder funding within the Department of Homeland Security of \$302 million, or 7 percent. This net cut is the result of slashing first responder formula-based grants by \$480 million, or 32 percent, and slashing the separate Firefighter Grant program by \$215 million, or 30 percent – somewhat offset by an increase in the first responder urban-areas grant program.

Slashes aid to state and local law enforcement and first responders. The budget slashes aid to state and local law enforcement in the Justice Department, including the Justice Assistance Grant program and the COPS program. President Bush proposes completely eliminating the newly-created \$626 million Justice Assistance Grant program (which consolidated the Byrne Grant program with the Local Law Enforcement Block Grant). In addition, the Bush budget proposes slashing the COPS program by \$477 million or by 96 percent.

Slashes Funding for Fighting the Meth Epidemic and for Meth Clean-ups. The budget would also eliminate drug task forces and slash by more than 50 percent the very successful High Intensity Drug Trafficking Areas program, which has been helpful in fighting the meth epidemic that is plaguing our rural communities. Methamphetamine is a highly addictive substance, which sparks erratic, violent, paranoid and hyperactive behavior, and has become a drug of choice for many children and teens in rural and mid-size city America. Children in eighth grade in America's rural areas are 104 percent more likely than those in urban centers to use amphetamines, which include methamphetamine. In 1998 state and local police seized 4,132 illegal drug labs, almost all of them producing meth, largely centered in rural and mid-size city America. Further, the President's budget also slashes resources for cleaning up meth labs by more than 60 percent.

Leaves our veterans behind. As America continues to welcome a new generation of veterans home from Iraq and Afghanistan and rural communities suffer disproportionate losses in the war, the President's budget shortchanges veterans' health care programs and fails to live up to our promises to our troops. The budget imposes a \$2 billion 'health care tax' on 2.2 million veterans through increased co-payments on prescription drugs and new enrollment fees, while providing \$3.5 billion less than veterans service organizations note is needed for veterans' health care.

Fails to adequately support our troops. The budget fails to include funding for the promised increase in death benefits for the families of the servicemen and women who are killed in action, even though more than 42 percent of the service members killed in action during Operation Iraqi Freedom and Operation Enduring Freedom hail from rural cities and towns with populations below 20,000. It also fails to adequately equip our Army -- cutting operations and maintenance funds for the Army by \$124 million from last year. And finally, there is no funding in the Republican budget for America's military operations overseas, even though there are more than 150,000 men and women in uniform fighting in Iraq and Afghanistan. The Republican attempt to hide the cost of this war is a failure of leadership.