



# Special Report

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## Rural Report Card: The Bush Budget Fails to Address the Needs of Rural America

President Bush's Fiscal Year 2009 budget proposes severe cuts to programs that have a direct impact on the quality of life of rural Americans. The President's budget would have serious, negative consequences for middle-class families, farmers, small businesses, and local economies throughout rural America. An analysis of the budget reveals that the President's budget cuts in funding for law enforcement, health care, education, economic development, and agriculture are disproportionately weighted toward rural America.

### ***Rural Law Enforcement***

Since 2001, President Bush--with the help of Congressional Republicans--has cut funding for state and local law enforcement programs by more than fifty percent. This year's budget would slash funding by \$1.6 billion (or 63 percent) for all state and local law enforcement programs in the Department of Justice (DOJ) by consolidating these programs into four new competitive grant programs that would under-fund the law enforcement needs of our nation, especially in small and rural communities.

**Firefighter assistance grants.** The Bush budget includes a \$925 million cut in Firefighter Assistance Grants relative to the level appropriated in 2008. This program provides direct assistance for local fire departments to better protect firefighters and the public. The Bush budget also eliminates funding for the rural fire assistance program in the Department of the Interior, which helps reduce the risk of damage resulting from catastrophic wildfires and provides training assistance for rural fire departments.

**Edward Byrne Memorial Justice Assistance Grant Program.** President Bush's budget eliminates funding for the Byrne/JAG formula grant program and restructures the program, which received \$170 million in 2008, into a competitive grant program. This vital program provides grants to assist state and local governments to improve the

functioning of the criminal justice system, with an emphasis on violent crime and serious offenders.

**Community Oriented Policing Services (COPS).** The Bush budget eliminates funding for the COPS program. This program provides much-needed grants, training, and technical assistance to state and local law enforcement. In 2008, Congress funded COPS at \$587 million, including funds for COPS hiring. This funding is particularly important for rural and small communities, which have fewer resources to combat violent and drug-related crime, like methamphetamine abuse.

**Office of Violence Against Women (VAWA) programs.** The Bush budget woefully under-funds VAWA, cutting it by over \$120 million (43 percent). In Fiscal Year 2008, the office received \$400 million to support its programs, which combat domestic violence, dating violence, sexual assault, and stalking.

**Juvenile justice programs.** The President's budget consolidates the Department of Justice's juvenile justice programs into a general justice assistance program and cuts these programs by approximately \$200 million from Fiscal Year 2008 levels. The Bush budget proposes the elimination of Juvenile Accountability Block Grants, which support state and local efforts to prevent juvenile delinquency and crime. Last year, the program received \$50 million in funding. The President's budget also reduces funding for rural domestic violence and child abuse enforcement grants.

## ***Rural Health Care***

The Bush budget slashes programs designed to help rural communities address their unique health care challenges. The President proposes cutting rural health programs by \$154 million, or approximately 86 percent, from the Fiscal Year 2008 funding level adjusted for inflation. The President would also terminate rural outreach grants, rural hospital flexibility grants, the rural and community access to emergency devices program, and area health education centers, which provide vital health and health education services to rural areas.

**Medicare.** Medicare is a crucial source of health coverage for rural America. Approximately one-fourth of Medicare's 44 million beneficiaries live in rural areas, and the great majority of these rural beneficiaries participate in the traditional Medicare fee-for-service program. The President's budget calls for \$186 billion in legislative and regulatory Medicare cuts over five years, proposing deep cuts in payments to hospitals, nursing homes, and other health care providers participating in the traditional Medicare program. These huge cuts could prompt some health care providers to limit the number of Medicare patients they see, or to drop out of the program altogether. As a result, beneficiaries could lose access to health care providers that are already often scarce in rural areas.

At the same time, the President has ignored the recommendation of MedPAC, Congress's expert advisory commission regarding Medicare payments, to eliminate tens of billions of dollars in overpayments to private insurance companies that treat some Medicare beneficiaries through the private Medicare Advantage program. While slashing reimbursement to providers, the President's budget continues to pay private insurance companies 13 percent more, on average, than it costs to treat the same beneficiaries under traditional Medicare--overpayments that will cost taxpayers about \$150 billion over ten years according to the Congressional Budget Office.

**Medicaid.** More than 50 million low-income people--about one out of six Americans--depend on Medicaid for their health care. The President's budget, through legislative proposals and regulatory changes, proposes \$18.2 billion in Medicaid cuts over five years. These cuts, touted by the Administration as "savings," would be primarily achieved not by lowering health care costs, but by shifting costs to states.

## ***Education***

The President's budget freezes overall Department of Education discretionary funding at the Fiscal Year 2008 level of \$59.2 billion which is \$826 million, or 1.4 percent, less than what is needed just to keep up with inflation. Funding for the *No Child Left Behind Act* is \$179 million below 2008 adjusted for inflation. In addition, the President's budget proposes eliminating 48 programs, including career and technical education state grants, educational opportunity grants, education technology state grants, arts in education, LEAP, elementary school counseling, and Reading Is Fundamental, and making large cuts to numerous other programs, including safe and drug-free schools state grants and after school programs.

**School improvement programs for rural education.** The President's budget would freeze funding for two vital programs that help rural schools address their unique challenges: the Small, Rural Schools Achievement program, which helps fund rural school districts, and the Rural and Low-Income Schools program, which supports rural school districts that serve poor students. The President's budget keeps funding for these programs flat at \$171.8 million, which is \$3.4 million or 2 percent less.

**After-school programs.** 21<sup>st</sup> Century Learning Centers provide enrichment and a safe and supervised environment for students after the school day ends. But the President's budget slashes funding for this program by nearly \$300 million or more than one quarter, and restructures it as a vaguely-defined after-school and summer "scholarship program." According to Department of Education estimates, anywhere from 635,000 to 1.1 million students would lose services. Funding would drop from the Fiscal Year 2008 level of \$1.08 billion to \$800 million.

**Special Education.** The President's budget proposes that, for the fourth year in a row, the federal government provide a smaller share of states' total costs for special

education. Although funding for the *Individuals with Disabilities in Education Act* (IDEA) Part B State Grants would increase by \$337 million, to a total of \$11.3 billion, this amount would provide just 17 percent of the national average per-pupil expenditure for educating students with disabilities--less than half of the 40 percent of "full funding" level to which Congress committed when IDEA was first enacted 33 years ago. The president's Fiscal Year 2009 budget proposal would be the lowest level of support since Fiscal Year 2002. In addition, the Administration seeks to reduce Medicaid-based reimbursements related to services for special education students, even further reducing federal support for schools to serve students with disabilities.

## ***Economic Development***

President Bush proposes to terminate 19 established Rural Development programs, in part to offset a needed \$500 million increase in rental assistance for rural multi-family housing tenants. These terminations include housing programs supporting construction, purchase, and rehabilitation of single family homes; construction, rehabilitation, and voucher assistance for affordable rural rental housing; grants for provision of essential community facilities; loans and grants to encourage rural business expansion and job creation; loans and grants to promote renewable energy utilization; grants for energy projects in areas with exceptionally high home heating costs; grants to expand broadband access across rural America; and grants to Empowerment Zones and Enterprise Communities, and the Delta Regional Authority.

**Community Development Block Grants.** The Bush budget guts funding for the Community Development Block Grant (CDBG) program by \$659 million below Fiscal Year 2008 levels. The budget would also eliminate funding for rural empowerment zones. The CDBG program provides eligible areas with annual direct grants that can be used to revitalize neighborhoods, expand affordable housing and economic opportunities, and improve community facilities and services.

**Economic Development Administration.** The Bush budget would cut funding for the Economic Development Administration (EDA) by \$141 million. EDA provides grants for economic development projects in economically-distressed communities and regions.

**Manufacturing Extension Partnership.** The Bush budget would phase out federal funding for the Hollings Manufacturing Extension Partnership (MEP) program. The budget would cut funding for the program by \$87 million, providing only \$4 million for shutdown costs. The MEP program administers a network of centers around the country that provide business support and technical assistance to improve the productivity and competitiveness of small manufacturers.

**Small Business Administration.** The Bush budget once again proposes to terminate funding for the microloan and microloan technical assistance programs. While this year's proposed budget reflects slight increases for the microloan program from \$21

million to \$25 million, the budget does not fund this program. The Bush budget also eliminates Microloan Technical Assistance, which is essential to help micro-entrepreneurs succeed and repay their loans. Last year, 2,437 small businesses received more than \$31 million in microloans nationwide.

**Rural housing.** The Bush budget would eliminate funding for Rural Housing and Economic Development programs (RHED). The Administration argues that the needs of rural communities are addressed by CDBG--a program that would be cut by more than 18 percent in the President's budget.

**Rural businesses.** The Bush budget would eliminate Rural Business Enterprise grants, Economic Impact Initiative Grants, and Rural Business Opportunity grants. These programs provided \$55.4 million toward economic development in rural communities in Fiscal Year 2008.

**Water and sewer grants.** Rural water and sewer grants would be substantially reduced by \$249 million from the 2008 levels. This funding helps smaller cities and municipalities in rural America provide residents with safe water and sewer service. Hundreds of thousands of people in the United States continue to have inadequate or no water or sewer service, many of whom live in rural areas.

**Rural utilities.** The President's budget would cut grants and loans for rural utilities by \$2.47 billion (27 percent), from \$9.17 billion appropriated in 2008 to \$6.70 billion in Fiscal Year 2009. The budget proposes flat funding for broadband assistance loans at \$298 million.

**Energy.** The Bush budget would eliminate funding for the grant and loan program for farmers, ranchers, and rural small businesses to buy renewable energy systems and making energy efficiency improvements. High energy costs can disproportionately impact farmers and ranchers through increased costs for gasoline, diesel, irrigation, and fertilizer.

**LIHEAP.** The President's budget requests a \$2 billion block appropriation for the Low Income Home Energy Assistance Program (LIHEAP), a \$400 million cut from what is needed to maintain LIHEAP funding at the Fiscal Year 2008 enacted levels (excluding emergencies) adjusted for inflation. Since 2001, natural gas, electricity, and home heating oil prices have strained the pocketbooks of middle-class Americans. Since President Bush took office, the cost of heating a home with natural gas during the winter has increased by 90 percent (from \$465 to \$884), annual electricity costs for an average American home have increased from \$972 in 2001 to \$1,148 in 2006, and home heating oil has increased from \$1.53 per gallon in January 2001 to approximately \$3.30 per gallon today.

**Payment in Lieu of Taxes.** The President's budget would cut funding for Payment in Lieu of Taxes (PILT) for the fifth year in a row, from \$229 million in Fiscal Year 2008 to \$195 million in Fiscal Year 2009, a cut of \$34 million. PILT payments help local governments carry out such vital services as firefighting and police protection, construction of public schools and roads, and search-and-rescue operations.

## ***Agriculture***

The President's budget for the Department of Agriculture (USDA) proposes severe cuts for many programs critical to agriculture and nutrition. While the President has proposed an increase of \$38 million for USDA, he has proposed major reductions or terminations of renewable energy, disaster assistance, conservation, and water and sewer programs.

**Crop safety net.** When considered together, the Bush budget would cut the crop safety net and insurance programs by close to \$7.6 billion over ten years (as scored by the Congressional Budget Office) and redistribute these funds to other USDA programs. Even when accounting for the increase in direct payments, the Bush proposal would cut the crop safety net by \$900 million.

**Disaster assistance.** The President's budget would not provide disaster assistance for farmers. Agriculture producers across the nation suffered from a series of natural disasters during the 2005, 2006, and 2007 production years, ranging from excessive rainfall to drought and wildfires. It took nearly three years to enact emergency ad hoc disaster assistance. Significant agricultural losses also resulted from heavy snowfall and unexpected freezes. The availability of predictable disaster assistance is critical for many farmers to meet the financial strain that natural disasters can place on farmers and ranchers.

**Nutrition.** The Bush budget for food and nutrition programs contains several proposals that would eliminate nutrition program eligibility or otherwise have a negative impact on nutrition programs for low-income individuals. First, the budget for Fiscal Year 2009 would eliminate categorical eligibility for food stamp recipients who receive TANF-funded work support services. The budget also proposes eliminating the Commodity Supplemental Food Program for low-income children and senior citizens, eliminating modest monthly food packages for almost half a million Americans, the vast majority of whom are senior citizens.

**Forest Service.** The Bush budget would cut funds to the Forest Service by \$379 million, which would harm critical programs that are essential to preserving the nation's parks, fish and wildlife, and outdoor heritage. The President's budget calls for cuts in funding for maintenance, restoration, and improvement projects in National Forests and reduce funding for research and wildfire management.

