

21. COMMUNITY AND REGIONAL DEVELOPMENT

Table 21-1. FEDERAL RESOURCES IN SUPPORT OF COMMUNITY AND REGIONAL DEVELOPMENT

(In millions of dollars)

Function 450	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	10,263	8,884	8,902	8,902	8,902	8,902	8,902
Mandatory Outlays:							
Existing law	-407	-477	-602	-701	-734	-761	-815
Proposed legislation .....	.....	.....	29	116	194	223	231
Credit Activity:							
Direct loan disbursements	1,502	2,402	2,085	N/A	N/A	N/A	N/A
Guaranteed loans	1,427	2,165	3,144	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,150	1,275	1,365	1,290	1,210	1,090	1,080
Proposed legislation .....	.....	.....	12	195	376	465	543

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 \$10 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.

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 950 central cities and urban counties, and the remaining 30 percent go to States to award to smaller localities. The Indian CDBG program focuses mainly on public infrastructure, community facilities, and economic development.

HUD's HOME program (which is described in the Income Security function) supports construction of new housing, rehabilitation of existing homes, acquisition of standard housing, assistance to home buyers, and assistance for tenant-based rental.

The 2000 goals for the CDBG and HOME programs include:

- Increasing the number of CDBG grantees who incorporate milestones with time-tables 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;
- Assisting 108,000 households and assisting 95,000 newly constructed units of affordable housing through HOME, helping to increase to 72 percent the number of worst case housing need households receiving Federal assistance;
- Providing housing assistance to almost 210,000 households through the CDBG program.

By the end of 2000, HUD will establish baseline measures against which to judge 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 EZs, two Supplemental EZs (which were designated full EZs in 1998) and 95 Empowerment Communities (ECs). These original EZs and related ECs have begun leveraging private investment, expanding affordable housing and homeownership opportunities, and helping create jobs. In December 1998, the Administration selected 15 new urban Zones and five new rural Zones (administered by the Agriculture Department) from more than 268 distressed areas that applied for new designations. These Zones, along with the 20 new rural ECs were selected in January 1999, and will begin implementing their comprehensive strategies to redevelop their areas.

The 2000 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 bench-

marks, as measured by the tracking system.

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. EDA, working with State and local governments and the private sector, has completed a total of 8,570 projects, creating or retaining over 783,000 private sector jobs, invested over \$4.9 billion in grants, and generated over \$49.5 billion in private investment. Between 1992 and 1998, EDA awarded 1,208 public works grants, totaling \$1.2 billion, to economically distressed communities to build these types of infrastructure projects.

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 550 local RLFs.

These funds have made more than 7,200 loans to private businesses and have leveraged more than \$1.9 billion in private capital that upon repayment has tended to stay in the community for re-lending and further economic development activity.

The 2000 goals for EDA include:

- Creation or retention of a total of 66,753 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 2000 goals for the CDFI Fund include:

- Increasing the diversity of CDFIs that receive assistance so that all 50 States have at least one CDFI awardee; and
- Increasing the number of CDFIs that receive assistance to 135 from an estimated 125 in 1999.

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 that, in turn, provides funds for economic and community development projects in rural areas.

The 2000 goals for these USDA programs include:

- Creating 100,000 new jobs, compared to 82,000 in 1998, through the Business and Industry loans, IRP, and community facilities programs.

Department of the Interior

The Interior Department's Bureau of Indian Affairs (BIA) helps Tribes manage and generate revenues from mineral, agricultural and forestry resources. BIA also promotes Tribal and individual self-sufficiency by developing Tribal resources and obtaining capital investments. The Department of the Interior (DOI) is partnering with the Department of Commerce, the Small Business Administration and Tribal governments to fulfill the Administration's directive to develop a strategic plan and coordinate existing public and private sector economic development initiatives. BIA and the Department of Justice seek to lower crime rates on the 56 million acres of Indian lands that are held in trust for tribes by

DOI, 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 Transportation Department and State and local governments) about 50,000 miles of roads and 745 bridges. Finally the Department will strengthen its trust services program by facilitating more prudent land management and maintaining about 150 Tribal resource management plans, projects, co-management programs, and fishing access sites; supporting 15 irrigation projects; managing 46 million acres for farming and grazing; completing the first phase of a comprehensive environmental audit; and funding 20 water rights negotiation teams.

The 2000 goals for DOI include:

- Generating nearly \$60 million in federally-guaranteed commercial loans on reservations. These loans, supported by a \$5 million appropriation, will foster growth and development in Indian country;
- Reducing crime rates on Indian lands by increasing the number of police officers from 1.3 per 1,000 citizens, which is currently just over half the national average;
- Replacing at least two of BIA's oldest, most dilapidated schools, making major improvements and repairs to additional schools (including a joint demonstration project with the Department of Energy utilizing energy-efficient construction materials), and about 430 minor improvement projects. In addition, BIA will provide financial assistance to Tribes for participating in the Administration's school modernization initiative; and
- Obtaining about \$250 million in timber sales revenue by helping Tribes manage 16 million acres of forest land.

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. In 2000, TVA plans to pay for most of these programs in a new way,

using proceeds from the agency's \$6.8 billion power program, user fees and sources other than appropriations. The budget proposes appropriations of \$7 million for TVA to manage the Land Between The Lakes National Recreation Area.

The 2000 goals for TVA include:

- Maximizing the number of days the Tennessee River is open to commercial navigation from Knoxville, Tennessee to Paducah, Kentucky, with a 2000 performance target of full availability 93 percent of the time; and
- Minimizing flood damage by operating the river system with flood control as a priority, and maintaining a 2000 target of 80 percent of flood storage availability.

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 2000 goals for ARC include:

- 5,000 people will retain or get jobs;
- 18,000 households will have access to new or improved water, sewerage and waste management systems;
- 7,000 people will benefit from business development services; and
- 140 physicians will be placed in the region's health professional shortage areas to provide another 700,000 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. Over the last five years, 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 \$24.9 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 post disaster response activities, FEMA is working to establish 100 "disaster resistant communities" in each State by the end of 1999. In exchange for offering the only source of flood insurance available to property owners, participating communities 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 floodplain maps, and will be taking measures to mitigate properties experiencing repetitive flood damages.

The 2000 goals for FEMA include:

- Processing disaster declarations 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 determination within an average of 180 days, and closing 90 percent of disasters in the Public Assistance Program within two years of the declaration date; and
- increasing the number of flood insurance policies in force by five percent per year, on average.

The 2000 goals for the SBA Disaster Loan Program include:

- Increasing the number of disaster loan applications processed within 21 days of receipt from 77 percent in 1998 to 80 percent; and
- Establishing an effective field presence (being able to accept disaster loan applications) 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 \$3.6 billion from 2000 to 2004); (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 the District (costing \$1.9 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 \$150 million over the five years); (4) tax exemptions for qualifying mutual and cooperative telephone and electric companies (costing \$135 million over the five years); and (5) up-front deductions of environmental remediation costs at qualified sites (costing \$135 million over the five years).