

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

RURAL HOUSING AND ECONOMIC DEVELOPMENT

PROGRAM HIGHLIGHTS

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
(Dollars in Thousands)				
Program Level: (Obligations)	\$31,186	\$50,759	...	-\$50,759
Appropriations: (Enacted or Proposed)	\$25,000	\$25,000	...	-\$25,000
Rescission	-\$55	...	+\$55
Budget Outlays	\$7,706	\$24,000	\$25,130	+\$1,130

SUMMARY OF BUDGET ESTIMATES

No funding is proposed for the Rural Housing and Economic Development program in fiscal year 2002.

EXPLANATION OF INCREASES AND DECREASES

The Rural Housing and Economic Development program is terminated because it duplicates several programs, including Community Development Block Grants (CDBG) and those of the Department of Agriculture. Outlays are expected to increase by \$1 million over 2001, reflecting the spend-out of previous years' funding.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. Funding was included in the fiscal years 1998, 1999, 2000, and 2001 Appropriations Acts.

2. Program Area Organization. The Office of Rural Housing and Economic Development is located in the Office of Community Planning and Development. This Office focuses on issues related to rural housing and economic development needs, and works with other HUD offices, the Department of Agriculture and other Federal agencies with related programs on such matters. In addition, HUD has designated a number of Economic Specialists to provide coordination and cross-State solutions to the problems facing residents of rural areas, including people living in Colonias, Native Americans, migrant farm workers and others. Other Community Planning Specialists in HUD field offices help coordinate rural housing and economic development activities and assist rural communities' efforts to access available resources.

- a. Eligible Recipients. Eligible recipients include local rural non-profit organizations, community development corporations, Indian tribes, State housing finance agencies, and State economic development or community development agencies.
- b. Allocation of Funds. Grants are made on a competitive basis in accordance with the HUD Reform Act..
- c. Eligible Activities. For fiscal year 2001, there are 2 funding categories. Eligible housing and economic development activities include: (1) Capacity Building activities, including "up front" money for acquiring space and support facilities, hiring qualified staff, supporting and training existing staff, providing software and other tools to provide networking and research capability, obtaining expertise from outside sources, and technical support and development. Capacity building funds can also be used to improve management capability, including the development of Management Information

Systems (MIS) support, apprenticeship programs and related activities; and (2) support of innovative housing and economic development activities, is intended to support, but not be limited to other costs including the preparation of plans, architectural and engineering drawings, financial assistance for acquisition of land and buildings, demolition, purchase of materials, construction, the use of local labor markets, and the provision of infrastructure. Funds can also be used to establish private community development financial institutions, lines of credit, revolving loan funds, micro-enterprises, and small business incubators.

- d. Other RHED program initiatives. To facilitate informational services, technical assistance, training and identification of resources for investment capital in rural areas, with priority focus on the Colonias and other underserved areas, the Office of RHED has contracted services to create a rural clearinghouse. Legislation from fiscal year 2000 authorized a set-aside for the creation of the clearinghouse. This clearinghouse will assist local rural organizations in rebuilding and preserving healthy and productive communities by providing information and services linked to rural housing and economic development activities.

The previous rounds of funding recognizes that rural communities face different socio-economic challenges than do cities. According to the U.S. Department of Commerce, while poverty levels in metropolitan areas have been slowly decreasing over the last several years, they have remained constant in non-metropolitan areas. In addition, while the population is growing in some rural regions, especially those focused on retirement or recreation, the population continues to decline in the majority of rural America. This is due in part to the limited capacity to attract industry and jobs to rural areas. Many rural areas have been by-passed by the Nation's strong economy, and suffer from extremely high unemployment rates, endemic under-employment, and low, stagnating wages. It is imperative that rural regions have greater access to community and economic development funds that would foster investment in economic opportunities.

- one grant in the Colonias of New Mexico to specifically create 100 jobs and training for women to more effectively enter the workplace;
- four grants totaling approximately \$1.1 million to assist Colonias in Arizona, New Mexico and Texas, with activities that include housing construction and rehabilitation, housing financing and job training;
- \$600,000 to develop and operate a farmworker and migrant housing village serving 330 permanent farmworkers and their families in Thermal County, California;
- the creation of 25 new jobs in the Native Village of Kotezebue, Alaska by establishing a company to manufacture structural insulated panels for residential and commercial use;
- conversion of an old high school into an affordable intermediate-care facility for the elderly population in 6 rural counties in Georgia;
- three grants totaling \$460,000 to assist Native American tribes in Oklahoma;
- \$50,000 to create jobs and build affordable housing in the Mississippi Delta Empowerment Zone; and
- in addition to the above grants, approximately \$192 million in private and other public funds will be leveraged with the RHED grant funds.

HUD continues to work closely with the U.S. Department of Agriculture (USDA) and other Federal agencies (Economic Development Administration, Appalachian Regional Commission and Department of the Interior) to structure a more effective response to the housing and economic development needs of the Nation's rural areas. This includes determining whether legislative and/or regulatory changes may be necessary to make programs more responsive to rural needs.

STATUS OF FUNDS

Rural Housing and Economic Development

Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year.

	ACTUAL <u>2000</u>	ENACTED <u>2001</u>	ESTIMATE <u>2002</u>
	(Dollars in Thousands)		
Unobligated balance, start of year .	\$32,000	\$25,814	...
Appropriation	<u>25,000</u>	<u>24,945</u>	...
Total Available	57,000	50,759	...
Obligations	<u>-31,186</u>	<u>-50,759</u>	...
Unobligated balance, end of year ...	25,814

	ACTUAL <u>2000</u>	ESTIMATE <u>2001</u>	ESTIMATE <u>2002</u>
	(Dollars in Thousands)		
Obligated balance, start of year	\$23,480	\$50,239
Obligations incurred	<u>\$31,186</u>	<u>50,759</u>	...
Subtotal	31,186	74,239	50,239
Outlays	<u>-7,706</u>	<u>-24,000</u>	<u>-25,130</u>
Obligated balance, end of year	23,480	50,239	25,109

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

RHED contributes to meeting the Department's Strategic Goal #1 of increasing the availability of decent, safe, and affordable housing in American communities, as described in the Annual Performance Plan by supporting indicator 1.2.d. "The number of households receiving housing assistance with CDBG, HOME, HOPWA, RHED, and NAHASDA increases." The Rural Housing and Economic Development Program also supports Strategic Goals #3: Promote Self-Sufficiency and Asset Development By Families and Individuals and Goal 4: Improve Community Quality of Life and Economic Vitality.

SELECTED PERFORMANCE MEASURES

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002
Strategic Goal 1: Increase the availability of decent, safe and affordable housing in American communities.			
Discretionary BA (Dollars in Thousands)	25,000	24,945	0
FTE	18	18	18
Strategic Objective 1.2: Affordable rental housing is available for low-income households.			
Output Indicator 1.2.d: The number of households receiving housing assistance with CDBG, HOME, HOPWA and NAHASDA increases.	Not Available	600	Not Applicable