
Author: "Jason S. Goldberg" <GOLDBERG_JS@a1.eop.gov> at INTERNET
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BCC: William Kincaid at WDCT01
TO: ;@a1.eop.gov at INTERNET
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THE REPUBLICAN BUDGET TARGETS RURAL AMERICA AND
HITS IT HARD
October 11, 1995

The Republican Budget Targets Rural Medicare Beneficiaries and
Hospitals:

Cuts Medicare for rural Americans by \$58 billion -- a 20% cut in
2002 -- just to pay for a huge tax cut for the wealthy:

Higher out-of-pocket costs and a second class Medicare program
for the 9.4 million older and disabled Americans in rural areas.

Many rural hospitals will be forced to close -- sometimes the only
hospital for miles, leaving rural Americans with nowhere to turn for
the health care they need.

The Republican Budget Targets Rural Medicaid:

Eliminates coverage for as many as 2.2 million rural Americans
including:

- Over 1 million children
- 230,000 older Americans
- 350,000 people with disabilities

77,000 rural older and disabled Americans could be denied
nursing home coverage.

55,000 rural older and disabled Americans could be denied home
care benefits.

Cuts will force rural families to choose between nursing home
coverage for their parents and education for their children.

The Republican Budgets Targets Farmers:

25% bite out of farm programs -- jeopardizing the rural way of life
in America.

Cuts come right out of the pockets of farmers -- net farm income
for target price crops and soybeans is expected to decline by \$9 billion
over seven years.

The Republican Budget Raises Taxes on Rural Working Families:

Raises taxes on 4 million rural working families by an average of

The Republican Budget Targets Rural Education:

Cuts will deny 113,000 rural children basic and advanced skills education -- at a time when many small-town and rural schools are already having trouble making ends meet.

IMPACT OF REPUBLICAN BUDGET CUTS ON RURAL AMERICA

October 11, 1995

Health Care in Rural America

The Republican MEDICARE Cuts Will Force 9.6 Million Older And Disabled Americans In Rural America To Pay Higher Premiums and Higher Deductibles For A Weakened Second Class Medicare Program.

Medicare Spending For People In Rural Areas Of America Will Be Cut By \$58 billion Over Seven Years -- A 20% Percent Cut In 2002 Alone.

The Republican Cuts Will Increase The Severe Financial Pressure On Rural Hospitals In America And Force Some Rural Hospitals To Close. Today, rural hospitals lose money on Medicare patients while urban hospitals make a small profit. Medicare accounts for almost 40% of net patient revenue in the average rural hospital, and as much as 80% in some rural hospitals.

According to the American Hospital Association, under the Republican cuts, the typical rural hospital will lose \$5 million in Medicare funding over seven years.

Rural Medicare Recipients Would Lose Much-Needed Doctors. America's rural Medicare recipients would need 5,084 more primary care physicians to have the same doctor to population ratio as the nation

as a whole. Yet the American Medical Association has stated that the cuts in Medicare are so severe that they "will unquestionably cause some physicians to leave Medicare." [New York Times, October 10, 1995.]

The Republican MEDICAID Cuts Will Further Hurt Rural Hospitals And Eliminate Coverage For Millions Of Rural Americans.

Rural Hospitals Will Suffer Additional Revenue Losses From The \$45 Billion Republican Medicaid Cuts. In addition to the average of \$5 million rural hospitals will lose from Medicare cuts, rural hospitals will also face revenue shortages due to the severe Republican Medicaid cut.

As Many As 2.2 Million Rural Americans Will Be Denied Medicaid Coverage, Including:

1 Million Children
230,000 Older Americans
350,000 People With Disabilities

Over 77,000 Rural Older And Disabled Persons In America Could Be Denied Nursing Home Coverage in 2002. Most of the 350,000 people living in nursing homes in rural America are covered by Medicaid.

Under the Republican Medicaid plan, approximately 77,000 rural nursing home residents (22%) could be denied coverage.

Over 55,000 Rural Older And Disabled Persons In America Could Be Denied Home Care Benefits in 2002. Most of the 365,600 poor elderly in rural America who need home care are covered by Medicaid. Under the Republican Medicaid plan, approximately 55,000 (17%) rural poor elderly who need home care will lose coverage.

Farming in Rural America

The Republican Budget Slashes Farm Spending By 25% over seven years. Farm spending in America will be reduced by \$13 billion -- drastically reducing support for commodity programs.

The Republican Budget Will Reduce Farm Income Nationwide. As a result of the Republican cuts, net farm income for target price crops and soybeans is expected to decline by \$9 billion over seven years -- a 4% reduction in earnings.

Taxes on Working Families in Rural America

The Republican Budget Raises Taxes On 4 Million Working Families In Rural America By An Average Of \$352 in 2002. Republican cuts to the Earned Income Tax

Credit will impose a \$59.2 million tax increase on working families and their children in rural America.

Education in Rural America

The Republican Education Cuts Will Deny 113,000 Children Basic And Advanced Skills In Rural America in 1996. Title I funds in rural areas will be cut by \$113 million -- more than 17% -- denying crucial assistance at a time when many small-town and rural schools are already having trouble making ends meet.

Public Health and The Environment in Rural America

The Republican Budget Will Reduce The Amount Of Money That States Can Spend To Keep Water Clean In Small Communities And Rural Areas By 20% Compared To The President's Balanced Budget. These cuts will derail initiatives that are working to fight water pollution and protect public health.

The Republican Budget Proposal Will Stop Or Slow The Clean-up Of At Least 115 Toxic Waste Sites In Rural America. Nationwide, the Republican Budget reduces spending on toxic waste cleanups by 36% -- or \$560 million -- below the President's balanced budget. These cuts will restrict or stop clean-ups of sites nationwide that pose a threat to public health and the environment.

Transportation in Rural America

The Republican Budget Will Cut Transportation Grants For Rural Areas By 20%. Republican proposals cut \$57.4 million for rural transportation in America. These funds are essential for giving residents access to medical services, supermarkets and grocery stores, and job training.

Nutrition in Rural America

Republican Cuts Will Slash Up To 15% From Food Assistance To Rural America. Republican budget cuts will fall particularly hard on the rural poor, cutting as much as \$46.7 billion in food assistance from rural areas over seven years.

Republican Nutrition Cuts Will Eliminate Jobs In America. These cuts will reduce farm prices and incomes, and result in the loss of as many as 328,900 jobs nationwide -- including up to 57,800 rural jobs.

Housing in Rural America

The Republican Housing Cuts Will Reduce Spending On Public Housing Capital In Rural America 46% Below The President's Request in 1996. Cuts to public housing capital assistance in rural areas will total \$460 million in 1996, severely hindering efforts by rural housing agencies to rehabilitate run down public housing projects and provide much needed security and anti-crime programs.

The Republican Budget Will Cut 40% From Assistance To Homeless Persons in Rural Areas in 1996. The Republican plan will cut \$108 million in homeless assistance to rural areas. The reduction will mean 4.9 million fewer nights of shelter for America's rural homeless.

I

Investing in the People of Rural America

UNDERSTANDING THE PEOPLE

"We know ... unfortunately, that rural areas are not doing as well as urban areas, but we know that ... there are a lot of things that rural areas have that urban areas would like to have ..."

*President Bill Clinton
National Rural Conference*

Introduction

Driving down a two-lane highway, you see nothing but wheat fields and open space. The smell of hay permeates the air. You and your family are spending a perfect weekend together -- fishing, shopping, and golfing. The whole family enjoys the escape from everyday life.

Many citizens who live in the cities and suburbs of this great nation think rural America has relatively few problems. They imagine a serene place with little impact on the fate of the rest of the nation.

In reality, however, rural America faces many challenges. The ability of rural America to meet these challenges affects the rest of the nation.

The well-being of the America's rural people and places is critical to our nation's continued prosperity. After all, rural America contains 83 percent of the nation's land and is home to 21 percent of its people. Rural America provides urban areas with goods and services it needs, and also provides markets for urban products.

Unless this nation invests in rural America, people will suffer -- and the nation will suffer. As the debate over national priorities continues, we must ask ourselves what would happen to rural America if we stopped investing in rural people? And, secondly, how would giving up on rural America affect our nation?

A Profile of Rural America

The future of rural America depends on many factors -- the ability to sustain vibrant communities; the availability of good paying jobs; access to credit and essential services; a strong agricultural and manufacturing industry; and healthy natural resources.

In order to understand the need to invest in rural America, we must know the facts about its people and communities.

- Rural counties supplied 18 percent of the nation's jobs and generated 14 percent of its earnings in 1992.
- Rural communities have experienced an outmigration of people moving to urban areas for jobs and education. For the first 140 years of our nation's history, most people lived in open country and small towns. By 1990, only 25 percent of the population lived in rural America.
- While some rural areas, such as amenity and retirement areas and those near urban areas, have grown, the populations of many rural areas continue to decline.
- Real earnings per job remain lower in rural areas than in urban areas, declining by 6.5 percent from 1979 to 1989.
- Because of a prevalence of low-skill, low-wage jobs, rural America is home to a large number of the working poor. Although 25 percent of the nation's poor live in rural areas, about 30 percent of the poor who are full-time, full-year workers live in rural areas.

- The number of jobs created by farming is declining. Over the last 20 years, the percentage of the rural workforce employed in farming has decreased from 14 percent to about eight percent. At least 80 percent of rural residents are supported by non-farm employment.
- Today, farm income is not as likely to fully support a farming family. More than 40 percent of farmers work off the farm over 100 days during the year.

"We know that income in rural America is less than in other parts of the nations ... Our families frequently have three and four incomes, jobs, and are still eligible for government programs. Something is wrong."

***Joan Blundall
Spencer, Iowa***

- The largest and growing share of rural jobs comes from the service sector, which employs about half of all rural workers. Manufacturing provides jobs for nearly 17 percent of the rural workforce (and a quarter of all earnings).
- Rural America contains 535 counties with persistent poverty rates. In these counties, 20 percent or more of the population were below the poverty level each of the years in 1960, 1970, 1980, and 1990.

II

Investing in the People of Rural America

RECOGNIZING THE PEOPLE

"It seems to me that we need a much more serious national effort to focus on what our responsibilities are in the area of rural development in general."

*President Bill Clinton
National Rural Conference
April, 1995*

Why Invest in the People of Rural America?

It has been another tough day at work. You smile at the thought of moving and retiring to a small community, maybe your childhood home, in ten years. You want to go to a place away from the hustle and bustle of the city, where people greet you on the street, and where you can take a walk at night.

As the proportion of citizens living in rural areas decline, it is important to explain to people living in the cities and suburbs of America about the importance of investing in rural America.

This nation is an inter-connected web of citizens; what affects one group of citizens affects another. In some way, every American is affected by the people who live in rural America. Urban and suburban communities are inextricably linked to rural communities through social relations, the economy, and our history.

A strong rural America, and a strong America, requires an investment in people and communities for the future. It requires efforts toward self-sufficiency and competitiveness in the global economy. It means investing in people by improving the physical infrastructure, quality of life, and job opportunities in rural America.

The following pages describe many of the reasons why investing in rural America is important to the country as a whole.

A Strong Economy

Society benefits from having a more productive population. In an increasingly competitive global economy, this country cannot afford to ignore the value of human, natural, and capital resources in rural areas.

Rural America already adds billions of dollars to our nation's economy, and can add billions more. Agriculture, for example, has led to a record \$22 billion international trade surplus. About one-third of farm-related employment is in metropolitan areas.

Rural areas also provide the rest of the nation with a source of manufactured goods, and natural resources. For many businesses, rural areas offer relatively low land and labor costs, small-town environments, and a hard-working, stable group of employees.

In turn, rural areas provide markets for goods and services produced elsewhere, fostering economic opportunity for people in urban and suburban areas.

Without stable public investment in rural America, communities would not have the tools to sustain vibrant communities, creating a drag on the economy. The market alone fails to solve the problems of rural America because it is sparsely populated.

Public investment is needed to ensure adequate transportation, utilities, and telecommunications facilities for a smooth flow of commerce. The same kind of investment is needed for services like education or health care so that rural people moving into the national work-force are equipped to compete in the economy.

Fairness and Opportunity

Two of the guiding principles of America are fairness and opportunity. Basic goods and services should be accessible to rural workers with the same degree of reliability and quality as the rest of the nation.

An individual living in sparsely populated area contributes to the well-being of the nation in the same way that an urban person does.

"Here's a man whose beard is coated with ice. He's telling me he has to work harder, and he's so exhausted that I had to pull his boots off. Now don't you tell me the American farmer has it easy..."

***Olive Valdez
Conejos, Colorado***

Today, a variety of economic and social disparities exist between rural and urban areas. Gaps in earnings, college-completion rates, access to advanced technologies, and the availability of capital resources inhibit the success of rural America. It is unfair to push rural Americans into second-class status.

If this nation holds true to the principle of equity, then public investment is needed to prepare rural Americans for the future. This requires a commitment to improving rural education, training, and job opportunities. In addition, access to capital resources and the Information Superhighway is needed.

Migration and Urbanization

Over the last few decades, the number of individuals moving out of some rural areas has reached alarming levels.

In rural areas, outmigration causes a "brain-drain" as younger and more educated people leave. This causes a downward spiral for the area's economy as the population falls below the critical mass needed to maintain essential services and keep businesses open.

"We hope that as the pendulum swings and budget cuts are made, that you keep in mind that if we swing on the pendulum too far, that we'll create more economic ghost towns in rural America."

***Mitchell Harris
Abilene, Texas***

Outmigration also creates problems outside rural America by exporting rural problems into metropolitan areas, frustrating existing problems by adding workers who need jobs and increasing congestion. The constant stream of new people requires additional infrastructure, jobs, and social services -- all at a cost to metropolitan areas.

Without investment in rural America, this trend will worsen. As an analogy, think about a house whose owner refuses to take care of it. The house loses value and eventually becomes uninhabitable. In the same way, unless we invest in rural areas, rural America will become uninhabitable.

Cost of Rural Dependency

Lower wages and levels of education, coupled with limited infrastructure and social services is a formula for long-term poverty. If rural America is to break this cycle of poverty, and to sustain itself, public policy must foster new opportunities and community involvement..

Persistent rural poverty remains a long-term problem. According to the 1990 U.S. Census, there are 535 persistent rural poverty counties where 20 percent or more of the population have been below the poverty level since 1960.

Wise investment in education, training, infrastructure, and economic development helps people rise above poverty and become more productive members of society.

In addition to areas with persistent poverty, many rural economies are struggling with the economic transition created by a decline of a resource-based industries. These communities require intervention to help them get back on their feet.

Only through a concerted national effort will these areas rebound, seize new opportunities, and become self-sufficient. In the long-run the failure to invest in rural America threatens to transfer the cost of rural dependency onto non-rural populations.

Preserving a Way of Life

In addition to providing economic value, rural America provides an important part of our nation's history and values.

This nation's history began with early settlement in rural isolated areas providing the raw and natural product used to establish an economic base for all of Americans.

As the country becomes increasingly urbanized, people long for relief from whatever they see as the ills of urban society.

"I grew up with a fundamental belief that you owed back to your community for all that you had benefited from ..."

***Dianne Byrum
Onondaga, Michigan***

Rural America has a proud tradition of neighborliness, an appreciation of the land, and a strong work ethic. The social and aesthetic value of rural America is important to all Americans, as expressed in literature, art, and popular opinion.

If this nation halted its investment in rural America, it would lose an important way of life.

Recreation and Retirement

Americans increasingly enjoy rural America as a vacation and retirement destination because it is removed from the commotion, crime, and pollution associated with metropolitan areas.

More Americans are turning to rural America as a great place to enjoy nature, shop at town stores, and spend time with the family. People traveling through or visiting rural areas need access to services like as food, lodging, auto repairs, health care, and law enforcement.

In addition, recreation areas need the resources to husband these resources throughout the year and to pass on to future generations.

Americans are also increasingly retiring in rural America. Rural counties that had at least a 15 percent growth of older people through in movement during the 1980s averaged a 10.7 percent increase in total population from 1990 to 1994, 3.7 times the growth rate of nonmetro areas.

This growth requires the presence of services like health care, housing, and other supportive services. These services are costly to provide to rural economies, especially those with relatively fixed income levels.

As recreation and retirement areas are essentially public good that benefit Americans across the nation, it is sensible and fair to to invest in the people and communities that provide this benefit.

Conserving Natural Resources

All Americans benefit from the pristine landscapes and wildlife habitats found in rural America. Rural America is facing enormous conservation challenges as we enter the twenty first century.

Public investment in forest and open spaces -- and the surrounding towns and areas -- is important so that people can husband these natural amenities and resources for future generations.

It is important to protect and conserve valuable natural resources, like water, forests, and farmland, because they are public goods used by all Americans. Failing to protect these resources would have irreversible consequences on the entire nation.

III

Investing in the People of Rural America

RESPONDING TO THE PEOPLE

“What is our strategy to make rural America stronger economically, to reward good values that reside there, to make it an important part of America’s life in the 21st century ...?”

*President Bill Clinton
National Rural Conference*

The Clinton Administration’s Approach to Rural America

Seeing the leaves change color, you prepare for the new season. You weatherize the house and car. The kids are excited about Halloween. As always, you take them to a local farm to pick a pumpkin and some apples. When you reach the usual location, however, you discover the farm has been replaced by a prison.

The climate in rural America is changing, as quickly as a thunder storm across the plains. Shifts in population, community needs, voter expectations, and budgetary resources demand a new approach to rural America. That is why the President convened the National Rural Conference in Ames, Iowa, in April, 1995.

Federal policy must respond to these changes. For too long, federal policy has been fragmented, confusing, and even contradictory. Rural communities have been forced to jump through a series of hoops unrelated to their own needs.

If rural communities are to survive, federal policy toward rural communities must become more consistent and flexible. The needs of communities should have priority over program requirements and red tape.

The federal government still has a very vital role in rural America -- one of financial and technical support. Local residents should be the driving force in the strategic planning and decision making efforts that plot their community’s future.

Empowering Rural People

All too often, past policies have put communities in the position of responding to the rigid requirements of federal programs and Washington-based planning. Empowerment provides a bottom-up approach so that communities and local people determine their own needs and future under more flexible program requirements. One of the goals of empowering people is to ensure that federal investments are targeted to people and communities with the most need.

- The Administration's Empowerment Zones and Enterprise Communities (EZ/EC) initiative is creating jobs and help communities rebuild themselves through planning and investment. The initiative offers federal grants, technical assistance, and funding priority, as well as tax-exempt bond financing authority, to three rural Empowerment Zones and 30 rural Enterprise Communities.
- In North Dakota, USDA has worked with two multi-county areas and several Native American Reservations to form Rural Economic Area Partnerships. The intent of this initiative is to empower communities to develop strategic plans for solving the problem of long-term outmigration. This will serve as a model for other economically challenged communities
- AmeriCorps volunteers are promoting rural development in 35 states by helping communities determine their needs and creating new opportunities, while developing leadership for the future.

Promoting Regional Solutions

The challenges facing rural America are not limited by state boundaries. Many rural problems are regional, requiring regional responses that coordinate the efforts of the whole span of public and private sectors.

- The Administration's Pacific Northwest Initiative is helping timber-impacted areas in Oregon, Washington, and Northern California respond to economic transition. This initiative brings together federal agencies, state agencies, communities, and private industries to break down government barriers and revitalize the economy.

"Government must create opportunity and demand responsibility. We must equip our people while we continue our efforts to restore the economy, create jobs, and reduce the deficit ... The most important thing we are doing for people is to equip them with the skills they need to compete and win in today's economy."

President Bill Clinton

- Other areas, like the Mississippi Delta and the unincorporated settlements along the Mexican border, require long term investment to alleviate endemic poverty. The Administration has targeted federal investments to communities like these in dire need.

Forming Partnerships

One of the most efficient ways to invest in rural America is to create partnerships between public, non-profit, and private entities. As federal resources decline, these partnerships have become effective ways to stretch scarce resources in rural America.

- Homeownership 2000 is a partnership between public and private entities, including USDA and the Department of Housing and Urban Development, is designed to expand homeownership by eight million new families. The goal of this partnership is to cut the cost of homes and open the market to new areas and people.

“Our long-term goal is to change the very culture of the federal government ... A government that puts people first, puts its employees first, too ...”

Vice President Al Gore

- Resources provided through the federal government can create a powerful incentive for state and local governments and the private sector to invest in rural America. For example, in Fiscal Year 1994, with a subsidy level of \$12 million, USDA's Rural Utilities Service generated a \$528 million loan level -- leveraging an additional 2.27 billion of private investment for telecommunications infrastructure, like the Information Superhighway.

Reinventing Government

As the needs of rural communities -- and the rest of the nation -- change, government should change, too. The Clinton Administration is working to reinvent government so that it works better and costs less. This effort is committed to creating a more effective, efficient, and responsive government of the people.

- President Clinton's reorganization of USDA will achieve a savings of \$4.1 billion by 1999. The reorganization reduces staff by 13,000 and cuts the number of agencies from 43 to 29.
- Under the reorganization, over 1,000 field offices are scheduled for consolidation or closure. The field offices will be restructured into one-stop service centers to provide more efficient service making them easier for rural Americans to use.
- The Administration has proposed the Rural Partnership Performance Initiative to consolidate 14 rural development programs into three funding streams. This proposal would empower state employees to work with states, localities, and other organizations to jointly determine needs and set priorities, while consolidating overlapping programs and saving money.
- In addition to these changes, USDA is implementing other reinvention efforts that will benefit rural America, such as centralizing the single family housing loan servicing system and improving the food stamp program.

Expanding Trade

Exports of U.S. agricultural products are skyrocketing. USDA is projecting a record \$53 billion in agricultural exports for 1995 - \$10 billion higher than when President Clinton took office.

- President Clinton has championed trade liberalization through the Uruguay Round GATT Agreement and the North American Free Trade Agreement that has opened critical markets for American goods produced farmers, ranchers, and food industry workers.

“Trade is a top priority, both expanding world trade opportunities and making sure that we operate on a level playing field ...”

***Secretary Dan Glickman
National Rural Conference***

- America’s farmers are exporting at record levels. The U.S. is now a net-exporter of pork for the first time and cotton exports are at record levels. Record exports are expected for many other products, including fresh and processed fruits and vegetables, red meats, poultry, non-soy vegetable oils, wine and beer, pet foods, and plywood.
- America is now exporting far more agricultural products than it imports: American agriculture now contributes a record \$24 billion trade surplus.

Conclusion

The economic and cultural contributions of rural America represent a public good that strengthens the nation as a whole. If this country is to respond to the challenges facing rural America, it must invest in the people of rural America.

Investing in rural America helps assure a more productive nation with greater equity. It also limits the negative effects of outmigration on our nation, reduces the cost of dependency to non-rural areas, helps preserve an important way of life, protects the well-being of recreation and retirement areas, and helps conserve natural resources.

While federal investment in rural America is needed, rural communities have the responsibility to shape their own destiny. The role of the federal government is to pool financial resources and technical assistance to respond to economic transition and build sustainable communities

Wise federal investment looks toward the future -- towards creating new economic opportunities and empowering people -- and creating a stronger America. As part of this, wise investment finds regional solutions to regional problems and fosters coordination between all levels of government, the private sector, and communities. A one-size-fits-all approach is not acceptable.

As the debate continues over national priorities, we must not lose sight of the importance of rural America to the fate of our nation.

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Understanding Rural America

