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### **The 2003 Rural Housing Service Budget**

The second in our series on 2003 Budgets focuses on RHS, which is still known to most of us by its earlier name, Farmers Home. The total USDA budget proposed for 2003 is just over \$72 Billion, of which \$19.3 Billion is on the Discretionary side of the ledger. In reviewing this year's budget materials RHS is just about invisible in the main USDA budget. All of RHS operations merited one paragraph in the fourteen page summary of the 2003 budget. As was the case with the HUD budget the Administration again went after earmarks (pork). The tone of the objection was muted in comparison to HUD's presentation.

The most significant change proposed in the 2003 budget is closing down all new Section 515 activity for a year. Quoting directly from page 143 of the Budget Appendix, "*For 2003, funds for section 515 rural rental housing loans will be limited to repair and rehabilitation only and \$60 million is included for this purpose. This is a change from the 2002 budget; it emphasizes the need for repair and rehabilitation of existing rural rental housing. During the hiatus of providing new construction, RHS will study its multifamily housing portfolio and determine ways to operate and manage the portfolio more efficiently so that new construction may be provided in future years at less cost to the taxpayers.*" Killing 515 new construction cuts off one of the best ways of delivering affordable housing in rural areas. In our discussions this week with people inside USDA and on the Hill everyone is both surprised and disappointed by this development. Last year 515's were budgeted at \$114 Million.

The Rural Rental Assistance program is proposed at \$712 Million in 2003, this is a slight increase from the \$701 Million budgeted this year. It will allow all expiring contracts to be renewed.

*George's Spin - The best way to describe this budget is bleak. It is ironic that HUD based its decision to kill its Rural Housing program on the programs that USDA has, at the same time USDA is killing 515 at least for a year. To add to the mystery, Secretary Martinez wants to channel some \$16 million of money from other HUD programs to the Colonias on the US-Mexico Border. Most of the Colonias are in areas that meet the definition of rural and are most in need of utilities. USDA already has a well established rural utilities program that is funded, one can fairly conclude that Secretaries Martinez and Veneman don't talk policy very regularly. This is the worst Rural Housing budget in some time, and we will work to get it improved, killing 515 is not acceptable.*