

United States Senate
WASHINGTON, DC 20510

Ohio's Rural Report:

Bush Budget Fails to Address the Needs of Rural Ohioans

President Bush's FY09 budget proposes severe cuts to programs that have a direct effect on the quality of life in rural Ohio. The administration's budget would have serious, negative consequences for middle-class families, farmers, small businesses, and local economies throughout rural America. An analysis of the proposed budget reveals that cuts in domestic funding are disproportionately weighted toward rural America.

ECONOMIC DEVELOPMENT

Income disparity between rural and urban areas of Ohio emphasizes the needs of rural communities. In 2005, the per-capita income in rural Ohio was \$25,733 compared to \$33,339 in urban Ohio. Unemployment in rural Ohio is well above the state average of 5.5 percent. Rural communities rely on the federal government to assist with economic development efforts.

Top 10 Rural Counties – Highest Unemployment

Monroe County	11.3%
Morgan County	9.1%
Pike County	8.8%
Meigs County	8.5%
Vinton County	7.9%
Adams County	7.6%
Scioto County	7.6%
Jackson County	7.5%
Huron County	7.4%
Perry County	7.4%

Community Development Block Grants. The Bush budget would gut funding for the Community Development Block Grant (CDBG) program by \$659 million below FY08 levels. The budget would also eliminate funding for rural Empowerment Zones and Enterprise Communities. CDBG provides eligible areas with grants that can be used to revitalize neighborhoods, expand affordable housing and economic opportunities, and improve community facilities and services. Ohio's CDBG funding would decrease by \$29 million (nearly 20 percent) if the President's budget prevails.

Water & Sewer Grants. Rural water and sewer grants would be reduced by \$249 million from the 2008 levels. This funding helps smaller cities and municipalities in rural areas provide residents with safe water and sewer service. The Environmental Protection Agency (EPA) has estimated that over the next 20 years there needs to be an investment of more than \$22 billion in Ohio to address drinking water and wastewater infrastructure needs.

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 FY09. The budget proposes flat funding for broadband assistance loans at \$298 million.

Economic Development Administration. The Bush budget would cut funding for the Economic Development Administration (EDA) by \$141 million (59%). This crucial federal agency 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 Manufacturing Extension Partnership (MEP) program. The budget would cut funding for the program by \$87 million, providing only \$4 million for shutdown costs. MEP administers a network of centers that provide business support and technical assistance to improve the productivity and competitiveness of small manufacturers. More than 1,300 Ohio manufacturers have been helped by MEP over the last five years.

Small Business Administration. The Bush budget proposes to terminate funding for the microloan and microloan technical assistance programs. Last year, the President proposed \$25 million for Microloans; this year's budget would eliminate the program. Last year, 2,437 small businesses received more than \$31 million in microloans nationwide. The Bush budget would also eliminate Microloan Technical Assistance, which is essential to help micro-entrepreneurs succeed and repay their loans.

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 FY08.

Farm Based Renewable 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 make energy efficiency improvements. High energy costs can disproportionately affect farmers and ranchers through increased costs for gasoline, diesel, irrigation, and fertilizer.

LIHEAP. The President's budget requests a \$2 billion appropriation for the Low-Income Home Energy Assistance Program (LIHEAP), a \$400 million cut from what is needed to maintain LIHEAP funding at the FY08 enacted levels adjusted for inflation. Last year, the LIHEAP program helped more than 359,000 Ohioans. 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 increased by 90 percent, annual electricity costs for an average home increased from \$972 in 2001 to \$1,148 in 2006, and home heating oil increased from \$1.53 per gallon in January 2001 to approximately \$3.30 today.

Nutrition. The Bush budget for food and nutrition programs would eliminate food stamp eligibility for those receiving TANF-funded work support services and make other changes to curtail access to crucial nutrition programs. The budget proposes terminating the Commodity Supplemental Food Program for low-income children and senior citizens, eliminating modest monthly food packages for almost half a million Americans. In 2006, Ohio received more than \$2.6 million through the Commodity Supplemental Food Program.

HEALTH CARE

Rural Health Care Programs. The President's budget would cut rural health programs dramatically. A total of \$25 million is included for rural health programs at the Health Resources and Services Administration (HRSA), which is a cut of \$150 million or 86 percent. Programs proposed for elimination include Rural Outreach grants (\$48 million), Rural Hospital Flexibility Grants (\$38 million), and the Rural and Community AED program (\$1.5 million). In 2005, Ohio received nearly \$1.2 million in grants from HRSA. Last year, rural outreach health care programs in Chillicothe, Cincinnati, Lima, Middletown, and Muskingum received federal dollars from HRSA. In addition, the budget includes a decrease in funding for Community Health Centers (CHCs) of \$265 million. There are 26 CHCs in rural Ohio. His budget also eliminates the Area Health Education Center (AHEC) program, which plays a crucial role in ensuring rural communities have access to the health providers they need. There are 15 AHEC programs in Ohio.

Ambulance Services. The Bush budget proposes decreasing Medicare payments to ambulance services by \$60 million in 2009 and nearly \$1.3 billion over five years. A May 2007 Government Accountability Office (GAO) report determined that Medicare reimburses ambulance service providers on average 6 percent below their costs, 17 percent for providers in super 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 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 health care providers to limit the number of Medicare patients they see or drop out of the program altogether. As a result, beneficiaries could lose access to health care providers that are already scarce in many rural areas. Only 5.6 percent of rural persons were enrolled in Medicare Advantage plans in November 2006, compared to 17.5 percent of urban persons. This means that cuts to traditional fee-for-service Medicare place rural seniors at particular risk.

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 would continue paying private insurers 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 – and two million Ohioans 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 by shifting costs to states. The below chart details the ten rural counties with the most residents who are eligible for Medicaid. For comparison, the overall average in Ohio is 16.5 percent.

Top 10 Rural Counties – Residents Eligible For Medicaid

Vinton County	33.9%
Pike County	32.8%
Scioto County	32.0%
Adams County	31.0%
Meigs County	30.4%
Gallia County	28.7%
Jackson County	28.3%
Morgan County	26.9%
Guernsey County	26.5%
Perry County	24.5%

LAW ENFORCEMENT

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. In 2007, 242 fire departments in Ohio received more than \$23.8 million in Firefighter Assistance Grants. The Bush budget would eliminate 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. The President’s budget would eliminate 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 help state and local governments improve the functioning of the criminal justice system, with an emphasis on violent crime and serious offenders. Last year, Ohio received \$3.1 million in JAG funding.

Community Oriented Policing Services (COPS). The Bush budget would eliminate 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. Last year, Ohio received \$6.8 million in COPS funding.

Juvenile Justice Programs. The President’s budget would consolidate the Department of Justice’s juvenile justice programs into a general justice assistance program and cut these programs by approximately \$200 million from FY08 levels. The budget proposes the elimination of Juvenile Accountability Block Grants, which support state and local efforts to prevent juvenile delinquency and crime. The President’s budget also would reduce funding for rural domestic violence and child abuse enforcement grants.

EDUCATION

While 17 percent of students in Ohio do not complete high school, even more students in rural counties do not receive a basic education. Furthermore, according to the U.S. Department of Agriculture, in Ohio’s rural counties, only 12 percent of students graduated from college in 2000. Creating a better-trained workforce is important for economic development in rural areas.

Top 10 Rural Counties – Residents Who Did Not Complete High School

Holmes County	48.5%
Adams County	31.4%
Pike County	29.9%
Vinton County	29.3%
Meigs County	26.8%
Jackson County	26.5%
Gallia County	26.3%
Scioto County	25.9%
Ross County	23.9%
Highland County	23.7%

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 would keep funding for these programs flat at \$171.8 million, despite increased need and the impact of inflation on these programs.

Career and Technical Education. The President's budget would eliminate the entire Federal contribution to career and technical education, even though Congress reauthorized and strengthened these programs in 2006 and the President signed the reauthorization bill into law. These funds are used to serve students in traditional high schools, vocational-technical high schools, and in post-secondary institutions providing technical programs such as community colleges, technical institutes, and other public and private two-and four-year colleges.

After-School Programs. 21st Century Learning Centers provide enrichment in a safe, supervised environment for students after the school day ends. The President’s budget would slash funding for this program by nearly \$300 million or more than one quarter, and would restructure 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 FY08 level of \$1.08 billion to \$800 million.

Special Education. The President’s budget proposes that 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 FY09 budget proposal would be the lowest level of support since FY02. In addition, the administration seeks to reduce Medicaid-based reimbursements related to services for special education students, even further reducing federal support for schools serving students with disabilities.

APPENDIX

County	Unemployment Rate 2006	Medicaid Eligible 2004	Completed Less Than High School 2000
Adams County	7.6%	31.0%	31.4%
Ashland County	5.5%	12.7%	16.7%
Ashtabula County	6.6%	20.5%	20.1%
Athens County	5.9%	19.3%	17.1%
Auglaize County	4.2%	10.7%	14.3%
Champaign County	5.1%	13.7%	17.7%
Clinton County	4.8%	15.6%	16.9%
Columbiana County	6.5%	20.0%	19.4%
Coshocton County	6.9%	19.4%	21.3%
Crawford County	6.5%	18.9%	19.8%
Darke County	5.7%	11.9%	17.2%
Defiance County	5.6%	14.1%	15.3%
Fayette County	5.0%	21.2%	21.3%
Gallia County	6.1%	28.7%	26.3%
Guernsey County	6.5%	26.5%	21.6%
Hancock County	4.4%	10.7%	11.6%
Hardin County	5.6%	15.6%	19.4%
Harrison County	6.0%	21.0%	20.4%
Henry County	6.0%	11.9%	16.5%
Highland County	5.6%	22.6%	23.7%
Hocking County	6.2%	23.1%	22.0%
Holmes County	3.8%	9.2%	48.5%
Huron County	7.4%	16.7%	19.0%
Jackson County	7.5%	28.3%	26.5%
Knox County	5.1%	15.2%	18.2%
Logan County	4.7%	15.0%	16.4%
Marion County	5.4%	18.1%	19.7%
Meigs County	8.5%	30.4%	26.8%
Mercer County	3.8%	9.7%	16.0%
Monroe County	11.3%	20.9%	21.2%
Morgan County	9.1%	26.9%	19.4%
Muskingum County	7.2%	23.1%	19.4%
Noble County	7.2%	17.5%	21.4%
Paulding County	4.9%	14.6%	18.4%
Perry County	7.4%	24.5%	21.1%
Pike County	8.8%	32.8%	29.9%
Putnam County	4.7%	9.0%	13.9%
Ross County	6.2%	22.1%	23.9%
Sandusky County	5.7%	15.7%	17.9%
Scioto County	7.6%	32.0%	25.9%
Seneca County	5.3%	15.5%	16.9%
Shelby County	4.3%	12.5%	18.5%
Tuscarawas County	5.1%	15.8%	19.7%
Van Wert County	4.8%	13.0%	13.4%
Vinton County	7.9%	33.9%	29.3%
Wayne County	4.6%	12.3%	20.0%
Williams County	6.0%	14.6%	16.9%
Wyandot County	5.9%	11.4%	17.5%
Ohio	5.5%	16.5%	17.0%

*** Sources: U.S. Department of Agriculture and Ohio Department of Development ***