New Assistance for Low-Income Areas and Infrastructure

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In December 2000, taking advantage of growing Federal surpluses, Congress passed the Consolidated Appropriations Act of 2001 (PL 106-554), establishing several significant new programs and tax incentives for rural (and urban) development. This legislation included the Community Renewal/New Markets provisions that particularly benefit economically distressed areas, plus a new multi-State regional development authority for the Mississippi Delta area. Other noteworthy changes for 2001 include increased funding for infrastructure programs, including transportation, water and waste systems, community facilities, schools, and public works. Some other programs important for rural development, such as housing and business assistance, will also receive additional funds in 2001. These changes should help bolster the economies of many rural areas at a time when national economic growth has faltered.

Meanwhile, regulatory actions continue to affect transportation, natural resources, and environmental policy, and the decision to revise Metropolitan Statistical Area definitions, including a new category called Micropolitan Statistical Areas, could have far-reaching implications for development in many rural areas.

This article describes some of the key changes in Federal policy affecting rural development in 2001. Tables cover most of the major programs of importance to rural development, along with recent changes in funding and an indication of the types of places affected most by these programs, based on recent geographic allocations.

Community Renewal/ New Markets Initiatives

This effort to stimulate the economies of distressed communities arose from a bipartisan agreement between former President Clinton and House Speaker Dennis Hastert. Among the New Markets provisions are:

- Nine new empowerment zones, two rural and seven urban, which will receive tax incentives and grants;
- Enhanced tax benefits and a time extension to 2009 for existing empowerment zones;
- The New Markets tax credit for equity investments in certified businesses or partnerships serving low-income communities or individuals; and
- Small business loan and technical assistance targeted to underserved/low-income areas.

The Community Renewal provisions will establish 40 renewal communities—12 rural and 28 urban—that will receive a variety of tax incentives (see "Empowerment Zones and Renewal Communities," p. 33, for more details).

The addition of 9 new empowerment zones will make a total of 40 empowerment zones (10 rural, 30 urban), which matches the total number of new renewal communities. Tax benefits were extended for existing empowerment zones until December 31, 2009, when the tax benefits for the new empowerment zones and renewal communities expire. This may be viewed as an interesting social experiment to determine which approach is best for local revitalization in distressed areas. On the one hand are the 40 empowerment zones with their strategic plans for comprehensive, sustainable community and economic development. On the other hand are the 40 renewal communities, whose plans are to focus more on reducing taxes, regulations, crime, and governmental inefficiency. Another interesting comparison is between empowerment zones (which receive substantial funding) and enterprise communities (which receive much less funding). Perhaps with a mind toward judging which of these approaches is most effective, Congress instructed the General Accounting Office to audit and report on the progress of

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each of these programs (and on the new markets tax credit) in the years 2004, 2007, and 2010.

The new markets tax credit represents a more expansive approach, since the tax credit is available not just to businesses in 80 designated places, but to businesses that serve any census tract that qualifies as a "low-income community," defined as having at least 20 percent poverty or median family income no more than 80 percent of the State median (State nonmetro median for nonmetro areas; overall State median or State metro median for metro areas). Allowing eligibility based on incomes lower than the State median family income makes it easier for at least some places to qualify in every State, even in States with relatively high median incomes and relatively little poverty.

Businesses in distressed areas also will receive new forms of credit and technical assistance. The Small Business Administration (SBA), which was reauthorized as part of this same legislation, has several new programs targeted to distressed areas. SBA's New Markets Venture Capital program is authorized for $30 million in technical assistance grants and $175 million in debenture guarantees to companies investing in low-income areas. BusinessLINC (Learning, Investment, Networking, and Collaboration) is authorized at about $7 million per year to provide mentoring and other such forms of assistance via partnering small firms with larger firms. Also new is PRIME (the Program for Investment in Microentrepreneurs), funded at $15 million. This legislation also targets some other SBA programs to distressed areas, including One Stop Capital Shops and HUBZones. Distressed areas should also benefit from Community Development Financial Institutions (administered by the Treasury), whose authorized funding was increased by about one-fourth, to $118 million.

Delta Regional Authority Established

The end-of-year omnibus legislation also established a new regional development organization, the Delta Regional Authority (DRA), which should help spur development in 235 counties covering 8 States (Alabama, Arkansas, Illinois, Kentucky, Louisiana, Missouri, Mississippi, and Tennessee). Patterned after the Appalachian Regional Commission (ARC), this new authority will operate as an independent agency, run by a committee consisting of the governors of the eight States and cochaired by a Federal and a State-nominated representative. The authority was authorized for 2 years at $30 million per year, but it was only appropriated $20 million for fiscal year 2001.

As with the ARC, the DRA is to focus on the most distressed areas within the region, and improving infrastructure is the favored approach, at least initially. The legislation requires that 75 percent of the appropriated funds (net of administrative expenses) will go to distressed counties and pockets of isolated poverty (as defined by DRA), and 50 percent of the appropriated funds must be used for basic infrastructure, including transportation. Business development and training also are to receive priority. Before the DRA can advance development in the region, however, the cochairs of the DRA must be named, and DRA must define its distressed areas.

The creation of the DRA culminates a longstanding effort on the part of the region's representatives. It is the second new regional development authority established in as many years (the Denali Commission assisting rural Alaska began operating in 1999). The DRA includes 16 counties in Alabama's Black Belt plus one county in Louisiana that were not in the original plan for the Delta authority. Consequently, the DRA territory is not contiguous and it overlaps slightly with the ARC in portions of Alabama and Mississippi (fig. 1).

An Emphasis on Infrastructure

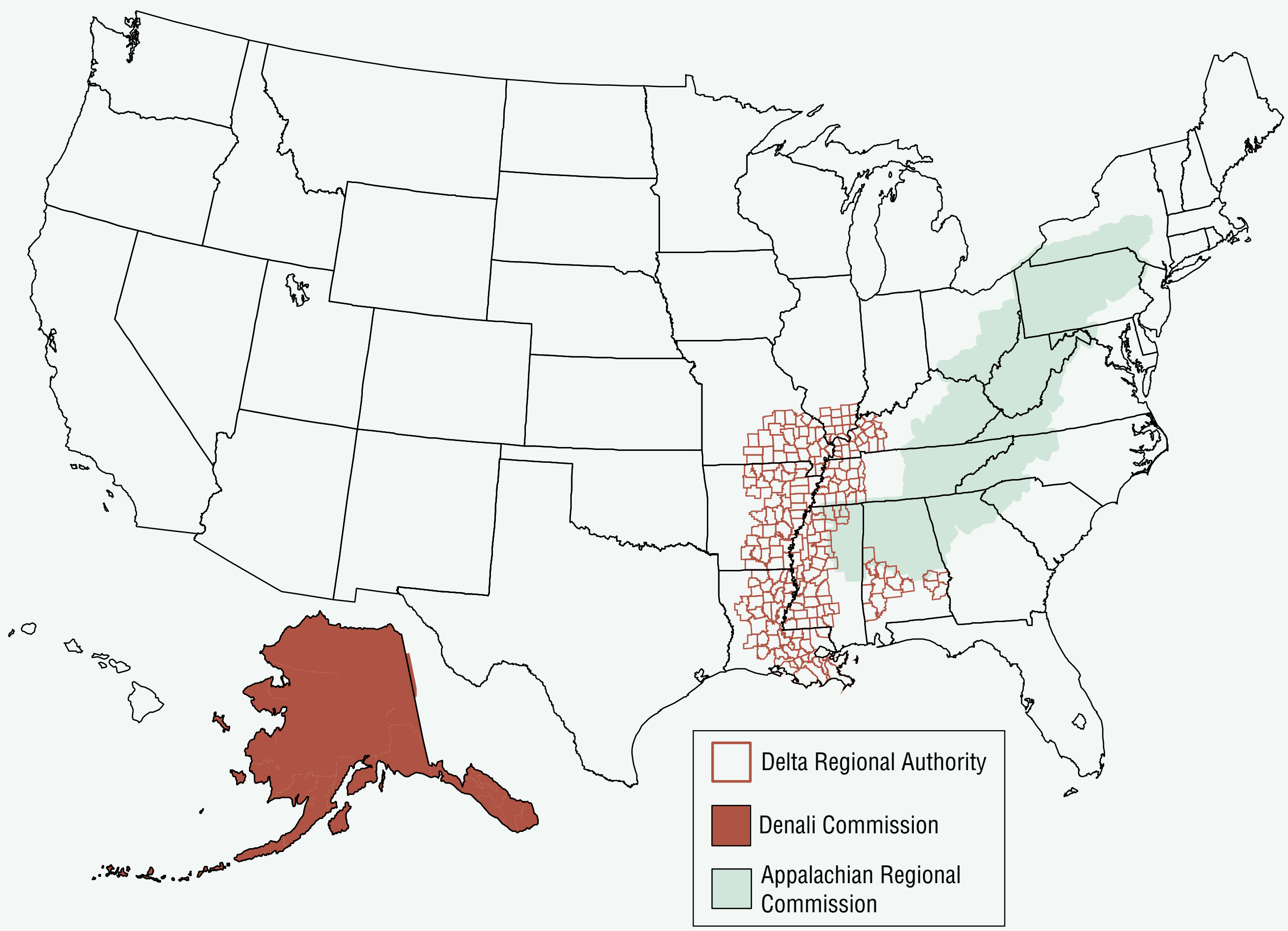
Recently, Congress has provided substantial increases in infrastructure funding, which made sense at a time when the economy was growing rapidly and placing strains on existing infrastructure. This emphasis can be seen in the directions given to the new Denali and Delta authorities, both required to focus on infrastructure. In addition, the ARC was authorized to spend an additional $641 million in 2001 on its Appalachian highway system, including $100 million on each of its two high-priority corridors: Corridor D in West Virginia and Corridor X in Alabama.

Transportation infrastructure, in general, continues to receive substantial funding increases, consistent with the June 1998 Transportation Equity Act for the 21st Century (TEA-21), which reauthorized surface transportation programs through fiscal 2003 (*Rural Conditions and Trends,* vol. 10, no. 1). Highway construction funding will rise in fiscal 2001 by over $2 billion (including the $252-million increase for the Appalachian Development Highway System), and rural transit funding will increase $12 million in the form of nonurbanized area formula grants. In May 2000, the Aviation Investment and Reform Act for the 21st Century reauthorized the aviation programs, with a 68-percent funding increase for airport improvement grants (from $1.9 billion in 2000 to $3.2 billion in 2001).

Funding for the Economic Development Administration's (EDA) public works grants program grew by $82 million, totaling $287 million in 2001 (table 1). This program provides funding for miscellaneous infrastructure (such as industrial parks) to help boost economies in distressed areas, with many rural areas benefiting.

Although overall funding for rural telecommunications has not changed markedly in the last year, some of the smaller programs that finance advanced telecommunications received modest increases. For example, funding for the Commerce Department's Technology Opportunity Grant (TOPS) program (formerly the Telecommunications and Information Infrastructure Assistance program) increased $30 million to $45 million for 2001. The appropriation for USDA's distance learning and telemedicine program grew from $21 million to $27 million in 2001. In addition, USDA's Rural Utilities Service (RUS) is making funds available to provide up to $100 million in loans to finance the construction and instal-

Figure 1
Major regional development authorities
The Delta Regional Authority joins those already in Alaska and Appalachia



Source: Economic Research Service, U.S. Department of Agriculture.

About the Federal Funding Tables

These tables contain budgetary information from the Budget of the United States and the Budget Appendix for fiscal year 2002, and from summary information obtained directly from USDA and other Federal agencies. Unless otherwise indicated, the amounts cited refer to the budget authority. Unless otherwise indicated, the amounts for credit programs are for the total loans or loan guarantees supported by this budget authority. The amount for fiscal year 2000 is the actual amount, while the amount for fiscal year 2001 is estimated. These 2001 estimates can be inaccurate at times, particularly for credit programs. The last column, indicating the types of areas most affected by the program, is based on our analysis of the geographic distribution funds in fiscal year 1998, using the Consolidated Federal Funds data from the Census Bureau. Note, however, that this distribution can change from year to year.

lation of broadband telecommunications services in fiscal 2001. While this is a small amount relative to what is needed to bring broadband services to all rural areas, RUS is nevertheless sending a signal to its loan recipients that this form of advanced telecommunications is a top priority.

A similar emphasis on infrastructure occurred for USDA's Rural Community Advancement Program (RCAP), which supports rural water

Table 1

Federal funding for selected infrastructure programs by fiscal year

Funding has increased or remained unchanged for most infrastructure programs in 2001

Program	2000 actual	2001 estimate	Change[1]	Rural areas most affected by the program[2]
	Billion dollars		*Percent*	
DOT Highway Planning and Construction Program	27.70	30.32	9	Counties in the West
DOT Nonurbanized Area Formula Transit Grants Program	0.19	0.21	6	Counties in the Northeast
DOT Airport Improvement Program	1.90	3.20	68	Federal land counties
EPA Drinking Water SRF	0.82	0.82	0	Disadvantaged communities with small water systems
EPA Clean Water SRF	1.35	1.35	0	Government counties in the West
USDA Water and Waste Disposal Programs[3]	1.34	1.55	16	Transfer-dependent counties in the South and West
USDA Community Facility Loan and Grant Program	0.30	0.76[4]	153	Totally rural counties in the West
EDA public works grants	0.21	0.29	40	Transfer-dependent counties
USDA telecommunication loans[5]	0.50	0.50	0	Rural areas in general
USDA Distance Learning and Telemedicine Program	0.03	[6]	[6]	Rural areas in general
USDA Electric Loan Program	2.12	2.61	24	Rural areas in general

Note: DOT = U.S. Department of Transportation; EPA = U.S. Environmental Protection Agency; SRF = State Revolving Fund; USDA = U.S. Department of Agriculture; EDA = Economic Development Administration, U.S. Department of Commerce.

[1]Change is computed using actual amounts in millions of dollars, rather than rounded amounts shown in table.

[2]County types are defined in the appendix of *Rural Conditions and Trends*, Vol. 11, No. 1, 2000.

[3]Includes both grants and loans, plus emergency community water assistance grants and solid waste management grants. Excludes funding from the Fund For Rural America.

[4]Includes emergency supplemental funding.

[5]Excludes Rural Telephone Bank loans.

[6]Loan levels are expected to increase, but they cannot be estimated reliably.

Source: Budget of the United States Government, Fiscal Year 2002.

Table 2

Federal funding for selected business assistance programs by fiscal year[1]

Most business loan guarantee programs are expected to increase their loan activity in 2001

Program	2000 actual	2001 estimate	Change	Rural areas most affected by the program[2]
	Billion dollars		*Percent*[3]	
SBA 7(a) business loan guarantees	9.70	9.82	1	Service and retirement counties and counties in the West
SBA Certified Development Company guarantee (section 504)	1.81	[4]	[4]	Service counties and counties in the West
SBA disaster loans	0.78	0.83	6	Places experiencing disasters
SBA New Markets Venture Capital (NMVC)	0	0.15	---	High-poverty and low-income areas
Treasury Department Community Development Financial Institutions (CDFI)	0.09	0.12	24	Low-income and minority areas
RBS Business and Industry loan guarantees (B&I)	0.94	2.70[5]	184	Government counties and counties in the West
RBS Intermediary Relending Program	0.04	0.04	0	Poverty and transfer counties and counties in the West
RBS Rural Business Enterprise grants (RBEG)	0.04[5]	0.05	18	Poverty and transfer counties and counties in the South
EDA Economic Adjustment Grants	0.04	0.05	43	Service and commuting counties and counties in the South

Note: SBA = Small Business Administration; RBS = Rural Business-Cooperative Service, U.S. Department of Agriculture; EDA = Economic Development Administration, U.S. Department of Commerce.

[1]Budget authority used for grant programs; projected loan levels (obligations or program level) used for loan programs. In some cases, budget authority may be falling at the same time that projected loan obligations are rising. This can happen for any number of reasons, including making use of greater efficiencies, reducing subsidies, charging fees and using unobligated balances of funds from prior years.

[2]County types are defined in the appendix of *Rural Conditions and Trends*, Vol. 11, No. 1, 2000.

[3]Calculated on actual expenditures and estimated expenditures. Does not correspond to table entries due to rounding.

[4]The fiscal 2001 amounts are impossible to estimate with any degree of reliability.

[5]Includes emergency supplementary funds.

Source: Budget of the United States, Fiscal Year 2002.

and sewer systems, community facilities, and businesses and cooperatives. RCAP's funding rose from $694 million in 2000 to $762 million in 2001, with the increase occurring in the two infrastructure components (water and sewer up $39 million; community facilities up $30 million). The total value of RCAP loans and grants provided by this funding is estimated to rise from $2.7 billion to $5.1 billion in 2001.

Rural schools should get a boost from two new programs. First, in March 2000, USDA announced its new Rural Community Schools Rebuilding Program, a partnership that will provide rural schools with access to as much as $1.2 billion to repair school buildings, acquire new equipment, develop course materials, and train school personnel. This joint effort between USDA's Rural Housing Service and a private-nonprofit coalition, Organizations Concerned About Rural Education, will be implemented on a pilot basis in Mississippi, North Carolina, North Dakota, and Texas. The second program, created by the Secure Rural Schools and Community Self Determination Act, guarantees $1 billion in payments to rural timber counties over the next several years. This helps to offset declines in timber revenues for these counties.

Other Notable Federal Program Developments

Aside from the new SBA programs, several additional changes in Federal business assistance programs are worth mentioning. EDA's defense conversion program was cut by $46 million to $31 million in 2001, but EDA's economic adjustment grants, which are targeted to distressed areas, rose $15 million to about $50 million. USDA's business assistance programs, operated by the Rural Business-Cooperative Service (RBS), are expected to increase program activity in 2001. Rural Business Enterprise grants will increase from $39 million to $46 million, and the total for Business and Industry loan guarantees is expected to more than double, rising to $2.7 billion with the help of emergency supplementary funds (table 2).

In addition, SBA's Rural Initiative contains a pilot program called Rural Express, a small business loan program tailored to rural business needs, initially aimed at 11 SBA districts across the country (Alaska; Fresno, CA; Kentucky; Illinois; Michigan; Mississippi; St. Louis, MO; North Carolina; North Dakota; San Antonio, TX; and Richmond, VA). If successful, this pilot program might be continued and expanded beyond January 2002.

With regard to housing programs, most major programs were funded at no less than fiscal 2000 levels, and many had funding increases (table 3). Funding for HUD's Housing for the Elderly program increased from $710 million to $779 million. Funding for HUD's YouthBuild program, which supplies resources, training, and stipends to disadvantaged youths to build and rehabilitate low-income housing, increased from $43 million to $60 million in 2001. Funding for USDA's Rural Rental Assistance increased $40 million, totaling $680 million in 2001—much of this increase is required to offset higher costs in low-income housing projects. The Federal Housing Administration (FHA)

Table 3

Federal funding for selected housing programs by fiscal year

The largest percentage increase is expected for USDA's single-family guaranteed loan program

Program	2000 actual	2001 estimate	Change	Rural areas most affected by the program[1]
	Billion dollars		*Percent* [2]	
USDA/RHS:				
Single family (sec. 502)				
Direct loans	1.14[3]	1.08[3]	-2	South, West, and poverty counties[4]
Guarantees	2.15	3.13	46	Outside the South[4]
Multifamily (sec. 515)	0.11	0.15[3]	31	Northeast, South, totally rural, adjacent, and manufacturing counties
Rental assistance	0.64	0.68	6	West, South, totally rural, farming, and poverty counties
VA:				
Loan guarantees	20.16	[5]	[5]	West, urbanized and retirement counties
HUD:				
FHA single-family mortgage insurance	86.27	[5]	[5]	West, retirement, and commuting counties
Section 8 public housing	20.34	21.07	4	Northeast, urbanized, government, and services counties
Home Investment (HOME)	1.64	1.80	10	Northeast, West, and government counties

Note: HUD = Housing and Urban Development; USDA = U.S. Department of Agriculture; RHS = Rural Housing Service; VA = U.S. Department of Veterans Affairs; FHA = Federal Housing Administration.

[1]County types are defined in the appendix of *Rural Conditions and Trends*, Vol. 11, No. 1, 2000.

[2]Calculated on the actual and estimated expenditures. Does not correspond to the table entries due to rounding.

[3]Includes emergency supplemental funding

[4]Information on the 502 program was obtained directly from USDA, RHS.

[5]The fiscal 2001 amounts are impossible to estimate with any degree of reliability.

Source: Budget of the United States, Fiscal Year 2002.

Table 4
Federal funding for selected general assistance programs by fiscal year[1]
There is little change in funding for main general assistance programs

Program	2000 actual	2001 estimate	Change	Rural areas most affected by the program[2]
	Billion dollars		*Percent*	
HUD State/small cities community development block grants	1.27	1.27	0	Small towns and rural areas in farm and poverty States
HUD section 108 loan guarantees	.41	[3]	[3]	Same as above
EDA adjustment assistance, includes economic and defense adjustment, planning, and technical assistance	.15	.11	-21[4]	Low-income areas, varies from year to year[5]
FEMA disaster relief[6]	2.38	[3]	[3]	Earthquake-, storm-, flood-prone areas
USDA extension activities	.42	.43	2	Small towns and rural areas
BIA Native American assistance programs	1.73	1.88	9	Indian reservations

Note: HUD = Housing and Urban Development; EDA = Economic Development Administration; FEMA = Federal Emergency Management Agency; USDA = U.S. Department of Agriculture; BIA = Bureau of Indian Affairs.
[1]Unless otherwise indicated, new budget authority is used for funding levels.
[2]See appendix for definitions of rural areas and States.
[3]The fiscal year 2001 amounts are impossible to estimate with any accuracy.
[4]Funding declined by $31 million in 2001; all of the decline was for defense adjustment.
[5]In fiscal year 1998, these programs provided the most assistance, per capita, to the most highly rural counties and those not adjacent to metro areas. Nonmetro areas got higher per capita payments in the South than in other regions, though per capita planning funds were highest in the nonmetro Midwest.
[6]FEMA funding amounts are for new obligations.
Source: Budget of the United States, Fiscal Year 2002.

lowered the cost to homebuyers by cutting the charge for initiating FHA insurance and suspending insurance payments after mortgages are substantially (78 percent) repaid. Meanwhile, HUD established higher targets for Fannie Mae and Freddie Mac, government-sponsored enterprises that supply money through a secondary market for mortgages. The new standards are aimed at expanding lending to underserved customers, such as Blacks and other minorities.

USDA's Fund for Rural America is authorized to spend $30 million in fiscal 2001, about half that in 2000. Two-thirds will supplement existing rural development assistance programs, as follows: Rural Business Enterprise/Rural Business Opportunity Grants—$6 million; Intermediary Relending Program—$3 million; Rural Economic Development Loan and Grants—$3 million; Outreach for Socially Disadvantaged Farmers—3 million; Cooperative Development Grants—$2 million; Farm Labor Loans—$1.5 million; Resource, Conservation, and Development Districts—$1 million; Community Facilities Grants—$0.5 million. The remaining $10 million goes to the Cooperative State Research, Education, and Extension Service, which will seek proposals in two areas: (1) rural community innovation and (2) harnessing demographic change to increase rural opportunity.

Congress also made important changes in natural resource programs, increasing 2001 funding to $1.6 billion for land conservation, preservation, and maintenance. These programs focus on sustaining the natural environment, which adds to the quality of life and helps attract tourism and other amenity-based development in many rural areas. Funding also rose for a number of other natural resource-based programs, such as Payments in Lieu of Taxes and USDA's Resource Conservation and Development program.

Other notable program changes include the authorization of a new $25-million disaster prevention/mitigation program of the Federal Emergency Management Agency (FEMA). FEMA also got $100 million for new firefighting programs (table 4). Funding increased for several employment and training programs, including Job Corps, One-Stop Career Centers, and Youth Opportunity Grants. Funding also increased for several large block grant programs operated by the Department of Health and Human Services, including the Child Care Development, Head Start, and

Empowerment Zones and Renewal Communities

Eligibility, Selection Criteria, and Administration

Empowerment zones. The nine new zones must meet the same requirements as Round II zones, which include population and geographic size restrictions, 25 percent poverty, and other indicators of distress. Of the two new rural zones, one may qualify based on population outmigration (instead of poverty). In selecting among the eligible places, consideration is made of four principles advanced in the community's strategic plan: economic opportunity, sustainable community development, community-based partnerships, and strategic vision for change. USDA will designate and administer the rural zones, HUD the urban zones. The new zones are to be designated by January 1, 2002. Round I and II empowerment zones and enterprise communities (EZ/EC's) that apply for the Renewal Community program will be given preference when selecting the first 20 renewal communities. If selected, they lose their EZ/EC designations and no longer qualify for EZ/EC benefits.

Renewal communities. Each must meet population size requirements and have 20 percent poverty, at least 1.5 times the national rate of unemployment, and pervasive general distress, including high crime rates. Urban places must have at least 70 percent of households with incomes below 80 percent of the local median income. One rural place may qualify based on outmigration instead of poverty and unemployment criteria. In addition, State and local governments must nominate these communities and submit action plans promising to take at least four of the following government actions in the nominated area: (1) reduce tax rates and fees; (2) increase efficiency of local services; (3) reduce crime; (4) remove or streamline government requirements; (5) increase involvement of private entities and community groups; and (6) give (or sell at discount) surplus government realty to community groups or private companies. In addition, State and local governments must promise to repeal or not enforce four of the following: (1) licensing requirements for occupations that do not ordinarily require a professional degree; (2) zoning restrictions on home-based businesses that do not create a public nuisance; (3) permit requirements for street vendors who do not create a public nuisance; (4) zoning or other restrictions that impede the formation of schools or child care centers; and (5) franchise provisions or other restrictions on competition for businesses providing public services unless such regulations are necessary for and well tailored to the protection of health and safety. Among eligible communities, selections are to be based on rankings by distress factors identified above. At least 12 must be rural, as defined by HUD. Eligible EZ/EC's get a preference in the first 20 selections. Renewal communities are to be administered by HUD, which must designate the 40 zones by December 31, 2001.

Tax Incentives

Empowerment zones receive: (1) a 20-percent employer wage credit on the first $15,000 in wages of each resident worker; (2) an additional $35,000 of section 179 expensing for qualified zone property investments; (3) tax-exempt financing for certain qualifying zone facilities; (4) enhanced capital gains tax benefits from sale of qualified empowerment zone investments and stocks; and (5) extension of Work Opportunity Tax Credits. (Empowerment zones also receive grants. FY 2001 appropriations provide $15 million in grants for the Round II rural empowerment zones and enterprise communities, plus additional amounts in earmarked funds from various development programs.)
Renewal communities receive: (1) a 15-percent employer wage credit on the first $10,000 in wages of each resident worker; (2) an additional $35,000 of section 179 expensing for qualified community investments; (3) zero capital gains rate on sale of renewal community businesses/assets held over 5 years; (4) up to 20 percent credit for rehabilitation or revitalization of nonresidential buildings (total allowed is $12 million per year per community); and (5) extension of Work Opportunity Tax Credits. (Renewal communities are not entitled to any grants by this legislation.)

Community Services. The Medicare, Medicaid, and SCHIP (State Children's Health Insurance Program) Benefits Improvement and Protection Act of 2000 made several changes that benefit rural hospitals, such as provisions providing relief from major reductions in payments stemming from the 1997 Balanced Budget Act, and allowing payment for telemedicine services in all nonmetro counties. Farmers benefited from additional emergency assistance and the enactment of a new crop insurance bill that increases the Federal share of insurance premiums.

Tax legislation increased the low-income housing tax credit from $1.25 per capita to $1.50 per capita in 2001 and another 25 cents in 2002, indexing it to inflation in the future. This should encourage the private sector to construct more affordable housing. The legislation also increased and indexed for inflation the State volume cap for private activity bonds that State and local governments use to obtain subsidized interest rates in financing economic development. In addition, the brownfields cleanup tax credit was broadened to make more sites eligible for tax advantages.

Regulatory Changes of Note

Some important regulatory changes have relevance for rural development. Many of these regulatory actions address mergers allowed by previous deregulation. For example, in transportation, Federal agencies acted in 2000 to oppose or limit potentially anticompetitive aspects of proposed mergers of railroads and airlines. In the proposal stage (as of March 2001), highway regulations would give local rural officials more say in planning and funding for highway and transit projects, and stricter safety regulations would apply to small commercial airports.

Various actions were taken to protect natural resources on Federal lands. These include the creation of new national monuments in the West, a Hawaiian Pacific Ocean reserve, and further actions to protect the everglades in Florida. USDA followed through with its proposed new forest plan that prevents logging and roadbuilding in roadless parts of national forests. While these actions help to preserve natural amenities that enhance tourism and development in many rural areas, they will also limit or prohibit some rural economic activity.

The Environmental Protection Agency continued its efforts to enforce air pollution requirements in the face of various legal challenges. And in January 2001, EPA proposed new regulations requiring municipalities (rural and urban) to improve their sewage systems to prevent avoidable sewage spillovers that damage the environment and pose a health hazard. EPA estimates the cost of these improvements at up to $100 billion.

Metropolitan/Micropolitan Areas

The Office of Management and Budget (OMB) is revising the definitions it uses to describe metropolitan areas. Under the new classification system, called Core Based Statistical Areas (CBSAs), several changes were made in how Metropolitan Statistical Areas are defined, and these changes could mean that some previously nonmetropolitan places will be metropolitan, and vice versa. This could have important implications for some rural areas, particularly where eligibility for Federal programs depends on metropolitan status.

Another change involves the creation of a Micropolitan Statistical Area designation within the new CBSA nomenclature. Previously, all nonmetro communities, regardless of their population size, were officially grouped together as a residual with none accorded any unique designation. Now, any nonmetro county with at least 1 urban cluster that has a population of at least 10,000, but less than 50,000, is a Micropolitan Statistical Area, along with any adjoining counties that are closely tied to it by worker commuting. This means that many nonmetro counties will now be assigned unique Micropolitan Statistical Area names (corresponding to the largest city or cities in the area).

It is too early to say what implications this will have for rural development. OMB is not expected to announce the set of metropolitan and micropolitan areas until after the 2000 Census data are analyzed in 2003. However, this new micropolitan designation could help draw the attention of developers and businesses to these communities. In addition, Federal statistics and data will be reported for micropolitan areas, enhancing the capability to undertake regional planning and development in these places. Some Federal programs may also make use of this new definition to target certain forms of assistance to these places. This could also affect rural areas not within either metropolitan or micropolitan categories, as some Federal programs and statistics may begin to focus on the CBSA's. RA