President Bush Proposes
Strengthening America's Communities Initiative

- America's changing economy is strong and getting stronger. But America's economic strength is not felt equally throughout the Nation. In low-income communities and in communities where traditional industries do not employ as many workers as they did a generation ago, opportunity can appear out of reach. President Bush believes that communities can make the transition to vibrant and strong economies because of the entrepreneurial spirit, vision, and hard work of those who live there. The job of government is to inspire, to help remove barriers to growth, to be accountable for taxpayer dollars, and to ensure results for programs aimed at making a difference in peoples' lives.

- **Building on existing economic and community development efforts, the President will propose a new initiative to help strengthen America's transitioning and most needy communities, while making better use of taxpayer dollars by reforming and restructuring many of the existing Federal economic and community development programs.** The President's initiative, to be proposed in his Fiscal Year (FY) 2006 budget, will consolidate 18 existing programs, simplify access to the Federal system, set new eligibility criteria, and establish strong accountability standards all in exchange for the flexible use of the funds so that communities most in need will be assisted. The new $3.71 billion unified grant-making program will better target assistance and achieve greater results for low-income persons and economically-distressed areas.

<u>Current Problems Facing Federal Economic and Community Development Programs</u>

- **Seven Federal agencies currently provide $16 billion through 35 grant, loan, and tax incentive programs for economic and community development efforts. The current system forces communities to navigate a maze of Federal departments, agencies, and programs in order to access economic and community development assistance programs, each imposing a separate set of standards and reporting requirements. In addition, some programs duplicate and overlap one another, and some have inconsistent criteria for eligibility and little accountability for how funds are spent.**

- **Many communities no longer in need of assistance continue to receive funding, undermining the purpose of some programs – to help distressed communities.** For example, the Community Development Block Grant (CDBG) program at the Department of Housing and Urban Development (HUD) was created to serve distressed communities, but 38 percent of the funds currently goes to communities and States with less poverty than the national average.

- **The goal of Federal economic and community development programs is to create the conditions for economic growth, robust job opportunities, and livable communities, thereby encouraging improvement and reduction of a community's need to rely on perpetual Federal assistance.**

- Most of these programs lack clear goals or accountability measures, and thus **cannot sufficiently demonstrate their measurable impact on economic and community development, as determined in a review by the Office of Management and Budget (OMB).**

The President's Current Efforts to Help Communities in Transition

- President Bush has introduced a new approach to economic and community development by highlighting the need to help communities transition to a 21st century economy. His plan includes:
  - **Creating new Opportunity Zones to assist America's transitioning neighborhoods**, which are areas that have lost a significant portion of their economic base as a result of our changing economy and are now in the process of transitioning to a more diverse, broad-based, 21st century economy, as well as communities with persistent poverty;
  - **Establishing new education and job training programs** to help workers develop the skills needed to succeed in today's economy;
  - **Introducing tax incentive proposals** for the development of single-family housing in low-income areas; and
  - **Revitalizing former brownfields,** which are abandoned or underutilized industrial properties where redevelopment is hindered by possible environmental contamination and potential liability. Redevelopment of these properties is creating jobs and returning productive property to local tax rolls.

The President's Action to Strengthen America's Communities

- The President will propose to provide flexible funding to those communities most in need in exchange for meeting strong accountability measures. In addition, he will propose to provide incentives to communities that are already reducing barriers to economic development. The Administration will make better use of taxpayer dollars by consolidating programs and funding into a unified and targeted program.

- President Bush will propose to consolidate a subset of the Federal government's economic and community development programs, transforming them into a new, two-part program: (1) The Strengthening America's Communities Grant Program, a unified economic and community development grant program, and (2) The Economic Development Challenge Fund, a bonus program for communities, modeled after the Millennium Challenge Account. Funding from duplicative and ineffective programs would be used for the new, two-part program. The combined economic and community development programs (as well as the separate Opportunity Zones program) will be administered by the Commerce Department.

  Strengthening America's Communities Grant Program

  - **This new $3.71 billion consolidated grant-making program will provide funding to communities most in need of assistance** by setting new eligibility criteria determined by job loss, unemployment levels and poverty.
  - Through this program, communities will be required to meet specific accountability measures to track progress towards the program's goals. These measures include increasing job creation and new business formation rates as the real drivers of economic development. In addition, community development outcomes that measure progress will include increasing homeownership, including first-time and minority homeownership ownership, commercial development, and private sector investment.

- **If communities do not show progress in meeting accountability measures, the Commerce Department will work with the community on a plan of action and will provide technical assistance to ensure that future funds are used wisely.** Communities that are consistently unable to use taxpayer dollars to meet the accountability measures would stand to lose future funding.

Economic Development Challenge Fund

- As part of the $3.71 billion, **the President will propose a bonus grant program for low-income communities that have already taken steps to improve economic conditions and demonstrate readiness for development**, similar to the President's Millennium Challenge Accounts.

- **A development-ready community is one that is already taking steps to improve conditions in ways that have been proven to attract businesses**, including:
  - ✓ Improving schools by meeting No Child Left Behind adequate yearly progress goals;
  - ✓ Reducing regulatory barriers to business creation and housing development; and
  - ✓ Reducing violent crime rates within the community.

- **The Economic Development Challenge Fund would build upon the President's Opportunity Zones initiative** by rewarding communities that have already taken steps toward economic development. The Opportunity Zones program focuses primarily on those transitioning communities that set concrete, measurable goals toward economic and community growth by developing a community transition plan.