



RURAL DEVELOPMENT TITLE

Background

USDA has the unique responsibility of coordinating Federal assistance to rural areas of the Nation, as authorized by the Rural Development Policy Act of 1980. Each year, Rural Development programs attempt to create or preserve rural jobs, build and update rural infrastructure, and create or improve the quality of rural housing. To multiply the impact of its programs, Rural Development is working with State, local, and tribal governments, as well as private and nonprofit organizations and user-owned cooperatives.

Housing

USDA housing programs work to improve the quality of life for rural Americans by ensuring that they have access to safe, well-built, affordable homes. Homeownership builds economic stability and, over the long term, creates equity to finance education, business startups, and retirement. USDA is responsible for delivering housing programs authorized by the Housing Act of 1949, and community facilities programs authorized by the Consolidated Farm and Rural Development Act of 1972.

USDA's housing programs finance new or improved housing for low- to moderate-income families and individuals who wish to live in rural areas or rural cities and towns. These loans are for the purchase, construction, rehabilitation, or relocation of a dwelling. In fiscal year (FY) 2005, a total of \$5.2 billion in loans and grants were made to low- to moderate-income rural residents and nonprofit housing organizations.

Community Facilities

USDA's community facilities program strives to ensure that health care clinics, police and fire stations, schools, and child care centers are readily available to all rural Americans. Rural Development can make and guarantee loans to develop essential community facilities in rural areas and towns of up to 20,000 in population. In FY 2005, the program awarded \$52.9 million in grants and loaned \$621.2 million for essential community facilities for public use.

Native Americans

Native American reservations have some of the lowest homeownership rates in the country. The 1990 farm bill Section 2501(g) required USDA to establish consolidated sub-offices at tribal headquarters wishing to participate.

Electric

The USDA electric program helps upgrade, expand, maintain, and replace America's vast rural electric infrastructure. Under the authority of the Rural Electrification Act of 1936, this program offers direct loans and loan guarantees to electric utilities to serve customers in rural areas. The Federal Government, through USDA's Rural Development, is the majority note-holder for nearly 750 electric systems. The electric program also offers financing assistance for renewable energy projects (solar, wind, hydropower, biomass, or geothermal) and assistance to rural communities with extremely high energy costs. The primary differences between the programs are the qualifying criteria and the interest rate for each type of financing.

USDA has approved approximately \$57 billion in debt financing to support electric infrastructure in rural areas since the start of the program. Of these rural systems, about 96 percent are nonprofit cooperatives, owned and operated by the consumers they serve. The remaining 4 percent include municipal systems, Native American tribal utilities, and other entities.

Water

Water and environmental programs are authorized under the Consolidated Farm and Rural Development Act to make direct loans and grants to develop drinking water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and in cities and towns with a population of 10,000 or less. Funds are available to public entities, such as municipalities, counties, special-purpose districts, and Indian tribes. In addition, funds may be made available to nonprofit corporations and cooperatives. In FY 2005, this program awarded a total of \$485.8 million in grants and \$924.3 million in loans and loan guarantees for essential water and wastewater facilities for rural residents and towns.

The 2002 farm bill contains a number of water-related authorizations. Section 6002 authorizes the Water or Waste Disposal Grants program, Section 6005 authorizes the Rural Water and Wastewater Circuit Rider program, Section 6009 authorizes the Emergency and Imminent Community Water Assistance Grant program, Section 6010 authorizes the Water and Waste Facility Grants for Native American Tribes program, Section 6011 authorizes Grants for Water Systems for Rural and Native Villages in Alaska, and Section 6012 authorizes grants to nonprofit organizations to finance the construction of household water well systems.

Congress has designated a Native American earmark of approximately \$17 million in FY 2005 for Water and Waste Facility Grants.

Telecommunications

Modern high-speed telecommunications can improve the quality of life and economic opportunity in rural America, opening markets, improving education and health care, and providing jobs for rural youth who want to stay in rural America. The Rural Electrification Act of 1936 authorizes loans and loan guarantees to telecommunications providers to extend and improve telecommunications service in rural areas. USDA telecommunications borrowers provide single-party service to nearly all customers over digitally switched, state-of-the-art networks. In FY 2005, Rural Development funded 64 telecommunications projects totaling \$518 million.

Section 6103 of the 2002 farm bill established the Rural Broadband Access program—authorizing loans to provide access to broadband service to areas with a population of 20,000 or less. The goal of this program is to ensure that rural consumers benefit from the same quality and range of telecommunications services that are available in urban and suburban communities. USDA has loaned approximately \$850 million to provide access to broadband services in rural communities since the start of this program in 2002. This program is authorized through 2007.

Section 6203 of the 2002 farm bill extends the Distance Learning and Telemedicine Program. This program is designed specifically to meet the educational and health care needs of rural America. Through loans, grants, and loan and grant combinations, advanced telecommunications technologies provide enhanced learning and health care opportunities for rural residents. In FY 2005, USDA obligated \$2.7 million in loans and \$2.1 million in grants for distance learning and telemedicine projects.

Business

USDA creates jobs and stimulates economic development by funding the growth and creation of rural businesses—often in partnership with private-sector lenders and community-based organizations. In a typical year, Rural Development business programs create or preserve between 70,000 and 80,000 rural jobs. Program assistance is provided through direct or guaranteed loans, grants, and technical assistance authorized by the 2002 farm bill, the Consolidated Farm and Rural Development Act of 1973, the Food Security Act of 1985, and the Rural Electrification Act of 1936. Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public entities, nonprofit corporations, Indian tribes, and private companies. In FY 2005, USDA made 444 loans totaling \$736 million, and awarded 497 grants for nearly \$114.1 million.

The Rural Business Investment Program was established under Title VI, Section 6029, of the 2002 farm bill to promote rural economic development through venture capital investment by for-profit Rural Business Investment Companies (RBICs). As required in the authorizing statute, USDA has delegated to the Small Business Administration many of the day-to-day responsibilities for this program, including receipt of applications and most of the selection process for licensing as an RBIC. A total of \$10 million was available in FY 2005 and remains available in FY 2006. This budget authority will support \$3 million in grants, \$65 million in loans, and \$2 million in administrative costs.

Section 6013 of the 2002 farm bill authorized the business and industry program to make loans and loan guarantees for renewable energy systems, including wind energy systems and anaerobic digesters. Since 2002, USDA has funded eight projects for a total of \$61.4 million.

Cooperatives

USDA helps rural residents form new cooperative businesses and improve the operation of existing cooperatives.

Section 6401 of the 2002 farm bill authorizes USDA grants that enable producers of agricultural commodities to participate in the economic returns found in the value-added market. Value-

Added Agricultural Product Market Development (VAPG) grants may be used to develop business plans and strategies for creating marketing opportunities and to provide capital to establish alliances or business ventures allowing producers to better compete in domestic and international markets. Grant proposals must be limited to emerging markets, with the exception of independent producer applicants, and only 10 percent of program funds can go to applicants that are majority-controlled producer-based ventures. In FY 2005, the program funded projects totaling \$14.5 million.

National Rural Development Partnership (NRDP)

Section 6021 of the 2002 farm bill authorizes the continuation of NRDP and appropriations specific to the NRDP. It also authorized the establishment of a National Rural Development Coordinating Committee. The NRDP brings together partners from local, State, tribal, and Federal governments as well as from the for-profit and nonprofit private sector to address the needs of rural America.

General Opinions Expressed

General Policy

- Some commenters asked that a higher level and more visible Federal position be dedicated to rural communities; for example, a new Secretary-level Cabinet member for rural community development.
- It was suggested that USDA maintain a balanced portfolio between competitive funding and base funding and that the Federal Government can affect things more directly through competitive targeted funding. Others recommended that funding be in the form of either block grants or formula funding that allocates funds to the appropriate USDA offices—under the premise that the people in the State will then craft the specifics of a program under the overall charge of the next farm bill with oversight from the USDA Secretary.
- Commenters said that Rural Development programs are important to rural communities and noted the importance of USDA staff at the local level. Continued support is essential to improve the income level of citizens in rural communities. Rural Development should rely on local staff and allow those folks to set priorities, and some suggested that the base amount of reserve funds and pools in every State should be increased.
- USDA was encouraged to be open to recommendations emerging from the nationwide Farm Credit System Horizon Planning Project. The recommendations identify ways in which farm credit must evolve to meet the future needs of farmer/customer members.
- Some commenters suggested that the new farm bill encourage collaboration and coalition building for rural regions that advance rural development, including funding intermediary organizations. Regional market development should also be encouraged.
- Others suggested that USDA should fund new technologies and innovative strategies to bring traditionally city-based jobs to rural communities and at the same time stop jobs from leaving our country.
- A few commenters said that access to USDA programs should be given on the basis of out-migration levels.
- A few others suggested that rural communities' transportation infrastructure—such as roads and bridges for transportation of agricultural products—be improved.

- USDA should target rural development funds toward innovations that serve niche markets and match program monies to rural businesses that are working to meet the needs of the consumers.
- A few commented that policy should fully recognize the unique needs of rural Alaska, noting that the current farm bill is structured for agriculture in the lower 48 States and needs adaptation to rural Alaska. Others suggested that all of Alaska be defined as “rural.”

Housing

- Many expressed support for all housing and community facilities programs and encouraged USDA to increase program funding for these programs.
- Some commenters asked that rental-assisted units continue to be available; while others expressed the need for preserving existing housing stock and continuing support for programs targeted to special areas and populations such as the Mississippi Delta and farm labor housing.
- A few commenters stated that housing is insufficient on some Native American reservations, and others requested more USDA office presence on reservations.

Electric

- Commenters supported the use of renewable forms of energy such as wind and solar power.

Water

- Many expressed support for USDA water and wastewater programs (including the circuit rider program and emergency community water assistance grant program) and requested that funding be significantly increased so that efforts to extend potable and drinking water to rural areas, especially small, economically disadvantaged communities, can be continued.
- Several commenters expressed the importance of protecting and securing our water resources from terrorism.
- To assist in the affordability of basic water projects, some commenters requested that grant allocations be increased to small States (for example, Vermont) and rural villages (populations under 500) and that the loan interest rate be reduced.
- Some commented that increased support for water system infrastructure investment is critically needed in Hawaii. Others commented that the high cost of water, electricity, land, and access to capital has had an effect on the competitiveness of aquaculture farmers.
- Some tribal comments expressed a need for housing but noted a lack of funds for the necessary infrastructure of power and water. Others stated that USDA funding of infrastructure development on Native American reservations has led to other grants and loans from the Federal Government. These grants have enabled more Native Americans to remain on the reservations and have contributed to economic development.

Broadband

- Many supported increased efforts to develop affordable broadband access for rural towns, rural businesses, and farmers as an economic development tool.
- Others suggested that USDA introduce a policy for achieving universal access to high-speed communications in rural areas.
- A few suggested that USDA increase the grant amounts for broadband distribution to rural America.

Business

- Many commenters supported the continuation and increased funding of the business loan and grant programs—these programs provide the needed capital infusion for businesses in rural communities, especially start-up businesses.
- Many commenters said that additional resources should be invested in USDA rural development programs to recognize entrepreneurship as a rural development strategy. Commenters also indicated that agriculturally based entrepreneurship and innovation must continue to play a prominent role in rural development policy, with emphasis on entrepreneurship rather than entitlements to revitalize rural America. Additional programs created for education and technical assistance for small business development, community capacity building, leadership programs, and entrepreneurial programs could help stop out-migration trends.
- Commenters suggested that businesses, factories, and textile mills be offered incentives to expand or relocate to rural areas.
- Comments indicated that the Bureau of Indian Affairs (BIA) should be more responsive to commercial business lenders regarding the recordation of financing statements at BIA Land Title and Records Offices. Lengthy delays in the confirmation of document recordation can jeopardize commercial loan closings.
- A few commenters asked that USDA reauthorize and fund the Agricultural Innovation Center Demonstration Program to help establish businesses that produce value-added agricultural products.

Cooperatives

- New economic opportunities to diversify and stabilize total revenue for farm families through higher value new crops and products should be created to enhance additional agriculture-related, but off-farm, employment in rural areas.
- Many expressed support for reauthorizing and significantly increasing the funding of the Value-Added Agricultural Product Market Development program and for continuing the Rural Cooperative Development Grant program. Both programs help cooperatives and producers to create new economic opportunities to diversify and stabilize total revenue for farm families through higher value new crops and products to enhance additional agriculture-related, but off-farm, employment in rural areas.
- Some commented that more cooperative extension workers are needed to provide technical support and that they should spend more time in the field and less time in their offices.
- Support was expressed for the reauthorization and funding of the National Sheep Industry Improvement Center. The Center provides financial assistance to business ventures for which traditional commercial credit may not be available.
- As cooperatives grow in size, a few commenters stated their concern about losing the protection of the exemption from anti-trust law (Capper-Volstead Act of 1922) and urged USDA to continue to support the cooperative way of business.

NRDP

- Many commenters encouraged USDA to support the NRDP and State Rural Development Councils by reauthorizing the program in the next farm bill, extending the program to all 50 States, and supporting adequate funding.

Detailed Suggestions Expressed

General Policy

- One commenter suggested that large servicing centers, such as the USDA National Finance Center, should be located in rural areas to move those incomes closer to the people served.
- Support actions that supply a stable, year-round labor force.

Housing

- To complement existing housing programs, USDA was encouraged to establish a Housing Intermediary Relending Program (IRP) similar to the IRP commercial lending program established for economic development projects.
- The Housing Preservation Grant program regulations should allow an owner to make needed house repairs incrementally, as opposed to all at once, if the owner is unable financially to bring the entire house up to code.
- Program regulations should be updated periodically to reflect current economic trends. Specifically, the requirements governing population limits for housing programs need to be adjusted from time to time to more accurately identify target populations. USDA should decentralize the decisionmaking process and empower those familiar with the local area to make program management decisions.
- The rising cost of real estate in high-demand areas should be considered in farm labor housing program policy, particularly in the Northeast States where the cost of land and building is higher than in other areas of the country.
- USDA should offer more informational meetings or workshops on farmworker housing programs.
- To reduce the information collection and paperwork burden on the public, USDA should partner with other government agencies for the purpose of sharing information on individuals. The public should be able to sign up for affordable housing and for food stamp benefits using one application form.
- Multi-family type farm worker housing is unavailable on certain agricultural land in Hawaii. USDA should address the prohibition of clustered-type housing on agricultural land in the next farm bill.

Electric

- Installation of high-voltage power lines in rural areas would foster wind-based power generation that could supply inexpensive electricity to power homes and farms and ranches. This would provide an economic boost to rural communities.

Water

- USDA should change the loan/grant criteria so municipalities with median household income below the poverty level have more opportunity to access the water programs at an affordable rate. A tiered interest rate less than 4.5 percent, a rate that has been in place for

decades, would make the program more usable—50 percent of the market rate for poverty-level municipalities and 75 percent of market for low/moderate-income municipalities was suggested.

- Early-warning technology can give prompt warning of security breaches of water systems in isolated areas. The security needs of water utilities should be an eligible project for funding. USDA should also make available funds for generators so that a potable supply of water could be maintained during times of disasters.
- USDA should guarantee tax-exempt financing instruments as an alternate source to financing improvements for water systems. It was also stated that small utilities serving rural residents need protection from unfair takeovers. 7 U.S.C. 1926(b) in the Consolidated Farm and Rural Development Act currently protects systems from being forcibly annexed or cherry-picked by another system or municipality.
- USDA should address the increasing environmental regulatory burdens being placed on rural water systems through coordinated legislation with the Environmental Protection Agency and/or increased USDA grants.
- The United Nations defines water as a “human need” versus a “human right.” The next farm bill should define water as a “human right” to ensure that all relevant policy-making recognizes water as such.

Broadband

- Continued emphasis needs to be placed on bridging the technological and infrastructure gap between urban and rural America. The Government should provide low-cost satellite connections to the Internet for rural communities.
- Reduce the costs and improve the quality of rural schooling by putting the technology into rural schools that allows for education from a distance. For example, a rural student in Western Nebraska should be able to get a high school diploma from a private school in New York or Boston.

Business

- USDA Rural Development programs are averse to funding agriculturally oriented grant applications. USDA should encourage rural areas to incorporate such emphasis when applying for Federal assistance.
- Scoring criteria for the Rural Business Enterprise Grant program should be changed to better accommodate sparsely populated states such as South Dakota.
- USDA should support organic production as an attractive value-added option for farmers. The Rural Business Enterprise Grant program should give weight to organic businesses as the fastest growing sector in agriculture.
- USDA Rural Development should reassess some of the scoring indicators applied to grant programs, which sometimes place regional efforts that bring several communities together on a single application at a disadvantage; for example, as population rises, it detracts from the point scoring. USDA should also consider implementing the Northern Great Plains Regional Authority, authorized in the 2002 farm bill—a good example of regional cooperation.

Cooperatives

- Cost savings realized by the reduction of current commodity payments should be applied to support the Value-Added Agricultural Product Market Development (VAPG) program.
- The farm bill should enhance the relationship between farmers and cooperatives in the implementation of commodity, conservation, and environmental programs.
- To help in the revitalization of rural communities, emphasis should be placed on creating cooperative business enterprises that are owned by local citizens. A Fannie Mae-type of approach could be used to stimulate this kind of business enterprise.
- It was suggested that VAPGs be made on a State basis rather than on a national competition basis.
- Use movable abattoirs to allow the producer to participate in value-added processing.