

TITLE VI
RURAL
DEVELOPMENT

SUMMARY OF RURAL DEVELOPMENT TITLE REFORM

Recommendations In Brief

Streamline and increase funding for programs to enhance rural health care and other public services that are vital to our rural communities.

Problem

Without sufficient infrastructure, rural communities struggle to maintain basic services and an appropriate quality of life for rural residents. Rural communities often face serious drinking water issues, limited resources for first responder services, and difficulty attracting broadband Internet providers. Rural communities must maintain the services necessary to attract commercial businesses with good jobs in order to slow the pace of out-migration. As Gabe from California stated, “small cities in rural areas have a hard time being able to provide that quality of life for its residents.” USDA programs designed to help mitigate these challenges sometimes overlap, leading to a complex maze for rural residents to navigate.

Additionally, many rural residents live in remote or outlying areas, making it more difficult for them to access needed services. For example, extended travel times for ambulances and long distances to reach emergency rooms can literally mean the difference between life and death in the critical moments following a health emergency. Compounding the situation, rural hospitals often struggle to attract and maintain adequate health care providers and specialists.

While the unmet need is substantial in these rural communities, the programs authorized by the rural development title can help these communities to meet the needs of their citizens. USDA heard almost unanimous support for these programs during Farm Bill Forums throughout the country. For example, Ken from Wisconsin noted, “As I drove down here, I passed scores of rural communities, farming communities, that have benefited from the Rural Development Loan and Grant Programs....As you know a strong farming community will support a strong farming industry.” And Rich, of Illinois added, “We also need a farm policy that addresses the challenges faced by rural communities. To remain competitive and productive, farmers and our rural neighbors need access to 21st Century broadband... (and) rural communities face challenges to hold onto the businesses and services...for the next generation.”

Recommended Solution

The Administration is recommending several proposed changes to Title VI of the farm bill – entitled “Rural Development.” Following is a list of the major components of the package.

1. Complete the reconstruction and rehabilitation of all 1,283 certified Rural Critical Access Hospitals within the five years covered by the farm bill. This proposal would invest \$85 million to support \$1.6 billion in guaranteed loans and \$5 million for

grants. (For further information, see the proposal entitled “Address Backlog of Rural Critical Access Hospital Needs” on pages 117 – 118.)

2. Provide an additional \$500 million to reduce the backlog of applications for Rural Development water and waste disposal grants and direct loans, emergency community water assistance grants, Community Facilities loan and grant programs that assist rural first responders, broadband access loans, and distance learning and telemedicine grants. Reauthorize the Broadband Access Program and the Distance Learning and Telemedicine Program. (For further information, see the proposal entitled “Enhancing Rural Infrastructure” on pages 119 – 121.)
3. Consolidate the legislative authorities for certain rural development programs to add more flexibility. Create more measurable performance standards for the programs and make them easier for USDA customers to use. (For further information, see the proposal entitled “Streamline Rural Development Programs” on pages 122 – 123.)

ADDRESS BACKLOG OF RURAL CRITICAL ACCESS HOSPITAL NEEDS

Recommendation In Brief

Complete the reconstruction and rehabilitation of all 1,283 certified Rural Critical Access Hospitals within the five years covered by the farm bill. This proposal would invest \$85 million to support \$1.6 billion in guaranteed loans and \$5 million for grants.

Problem

In the critical moments following a farm accident, heart attack, or other health emergency, time wasted attempting to reach an emergency room or other critical care facility can literally mean the difference between life and death. Unfortunately, many rural residents live in remote or outlying areas that lack reasonable access to critical health care services. These essential services are more than a hundred miles away for some rural residents.

In 2005, a committee report of the National Academy of Sciences Institute of Medicine (IOM) found that rural first-responder emergency services confront major challenges including sizable geographic distances between patients and trauma centers. Additionally, the IOM noted that rural hospitals struggle, even more so than urban hospitals, to attract and maintain adequate numbers of certain health care professionals.

Comments submitted during USDA's Farm Bill Forums urge the department to expand assistance to these hospitals. Kathy of Washington State said, "Rural communities without a strong healthcare infrastructure cannot attract new industry or new residents... The success of the Critical Access Hospital program in addressing serious operational budget crises must be matched with programs recognizing the growing back log of unfunded maintenance and replacement needs. A strong healthcare infrastructure is necessary as we care for our growing population of retirees and keep rural communities attractive to growing families and businesses."

Recommended Solution

The Administration proposes \$1.6 billion in direct and guaranteed loans to complete the reconstruction and rehabilitation of all 1,283 currently certified Rural Critical Access Hospitals within the five years covered by the farm bill.

Since fiscal year 2004, the USDA Community Facilities Programs have provided \$260 million in loans and loan guarantees to support 53 rural critical access hospitals. Because the credit subsidy costs for Community Facilities direct and guaranteed loans are very low (6.4 percent for direct and 3.7 percent for guaranteed), it would take a relatively small amount of investment to address this problem.

The Administration's proposal would require \$85 million in mandatory spending to supplement funding for the USDA Rural Development Community Facilities programs. With a mix of direct and guaranteed community facilities loans, \$80 million in budget

authority will support \$1.6 billion in loans needed to meet the identified capital need of these hospitals over the life of the farm bill. The additional \$5 million would be available for grants to meet needs not covered by the loan programs.

Background

Congress enacted the Medicare Rural Hospital Flexibility Program as a part of the Balanced Budget Act of 1997 to encourage the creation of a rural critical access hospital system. Under this program, a hospital with a critical access designation can get higher reimbursement rates under Medicare, which can include a component for capital improvements. As of January 2007, there were 1,283 certified Critical Access Hospitals. These critical access hospitals, as a group, need financial assistance for capital investments to remain viable. USDA rural development experts estimate that the capital needs of these hospitals are approximately \$1.6 billion.

ENHANCING RURAL INFRASTRUCTURE

Recommendation In Brief

Provide an additional \$500 million to reduce the backlog of applications for Rural Development water and waste disposal grants and direct loans, emergency community water assistance grants, Community Facilities loan and grant programs that assist rural first responders, broadband access loans, and distance learning and telemedicine grants. Reauthorize the Broadband Access Program and the Distance Learning and Telemedicine Program.

Problem

Without sound infrastructure, a rural community cannot provide the basic services required to ensure a good quality of life or encourage sustainable economic development. Rural communities, especially the smallest rural communities, have substantial unmet needs for basic infrastructure assistance. Many of these rural communities are facing serious drinking water issues as they work to meet increasingly stringent quality standards. These communities often lack the resources to find better water sources, thoroughly clean the drinking water they distribute, and properly treat the waste water produced by the community. Some of the most rural states lack the funds to provide enough assistance to these communities to meet this challenge. As a result, the USDA Water and Waste Disposal programs are sometimes the only source to get the assistance they need. Currently, these programs provide the majority of assistance through grants, loans, and technical assistance, funded by an annual appropriation of approximately \$530 million. The current backlog of applications is more than \$2 billion, often forcing communities to wait years to get the assistance they need.

Rural communities often depend on USDA Rural Development programs to receive needed assistance in developing and improving assets that assist first responders. These assets include police cars, fire and ambulance trucks, and police and fire stations. The distances between first responders in rural areas, especially in remote areas, can be considerable. If a rural community lacks basic first responder assets, the public health and safety of its residents and those living in the surrounding area are at risk. These small rural communities lack the resources to obtain these first responder assets on their own. The Rural Development Community Facilities program provides grants, loans, and loan guarantees to help rural communities obtain vital first responder assets. In fiscal year 2006, the Community Facilities programs provided \$240 million in assistance to finance first responder projects. While this level of assistance has been helpful, the unmet need is substantial.

Rural communities are also finding it difficult to obtain broadband Internet services. These communities are often too small and remote to attract the attention of the major private providers, and they lack the funds to bring broadband Internet services to their communities on their own. Rural communities that are fortunate enough to receive some form of access often experience lower quality service at double or triple the price charged in urban communities. Without quality broadband access, these communities and their residents are not able to keep pace with the rest of the country, which is increasingly

becoming reliant on broadband Internet. Without high speed Internet services, many rural communities are unable to attract commercial development.

Stakeholders voiced strong opinions about the importance of broadband access during USDA's Farm Bill Forums. Karen of Vermont said, "Access to information in the agricultural arena includes commodity prices, information about weather...techniques for dealing with plant or animal disease...and more. We want our farmers and other rural residents to have this advantage. Without broadband, they are at competitive disadvantage...More and more technology-driven opportunities exist for rural-based entrepreneurship, but it is broadband that makes those opportunities reality."

The USDA Broadband Access program provides loans for the establishment and enhancement of broadband Internet access in rural areas. In addition, the Distance Learning and Telemedicine programs provide assistance, primarily through grants, to the smallest and most remote rural communities. In these communities, loan and loan guarantee programs sometimes are not effective when the communities and their residents lack the ability to repay the loans required to finance providing such services. While there has been adequate funding available for the Broadband Access loan program, the Distance Learning and Telemedicine grant programs have been significantly oversubscribed. For fiscal year 2006, USDA funded \$25 million in Distance Learning and Telemedicine grants out of \$40 million in eligible applications.

Recommended Solution

The Administration proposes to provide a one-time infusion of an additional \$500 million in mandatory funding to reduce the backlog of Rural Development water and waste disposal grants and direct loans, emergency community water assistance grants, Community Facilities loan and grant programs that assist rural first responders, broadband access loans, and distance learning and telemedicine grants. Additionally, we propose reauthorization of the Broadband Access Program and the Distance Learning and Telemedicine Program.

This recommendation is grounded in the positive comments echoed across the country about USDA's rural development programs. For example, Sharon of Missouri said, "USDA Rural Development serves as a catalyst and supporter. It has created the enthusiasm needed to make our community come alive...USDA has been the engine that helped our rural community grow." Paul of North Dakota said, "I'd like to assure you that USDA Rural Development programs are making a big difference...USDA...has helped with...a \$2 million water, sewer and gas line replacement project...at the Indian-owned United Tribes Technical College. The lines were in such bad shape that the future of the college was in jeopardy. Now...the college has been able to double its enrollment, teaching more than 800 Native Americans new skills and trades." Wayne of California said, "We have worked with and been a partner of USDA Rural Development for many years...investing in projects to overcome rural poverty, improve housing, and strengthen community development...We believe that federal funding for something as time-proven as this service should be increased and receive the attention it deserves."

Background

The significant unmet need for rural infrastructure was recognized as a serious problem during the consideration of the last farm bill. Section 6031 provided \$360 million to address the backlog of USDA Water and Waste Disposal loan and grant applications.

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.

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.

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.

In addition, changes in technology have presented new opportunities for delivering medical care in rural areas. Telemedicine is one innovation currently used to strengthen the likelihood of continued health care in rural communities. Section 6203 of the 2002 farm bill extended the USDA Distance Learning and Telemedicine loan and grant authority through 2007. This program provides funding for “end user” equipment to expand and improve medical services and educational opportunities through distance technology, allowing isolated rural hospitals and schools to utilize expertise that is located in more urban areas of the country.

STREAMLINE RURAL DEVELOPMENT PROGRAMS

Recommendation In Brief

Consolidate the legislative authorities for certain rural development programs to add more flexibility. Create more measurable performance standards for the programs and make them easier for USDA customers to use.

Problem

Historically, when a problem develops in rural America, new programs have been developed to address them. As a result, USDA Rural Development has two loan guarantee programs that can provide assistance to construct renewable energy systems, six grant programs that facilitate commercial business development, and two separate program areas that are designed to assist rural communities in developing rural infrastructure and community assets. These programs generally adopt different approaches to rural development. Because rural development activities are separated into individual legislatively mandated categories, it is difficult for USDA to embrace emerging rural development opportunities, such as renewable energy. This situation has also created a complex and confusing maze of programs for customers to understand and access. Finally, these disbursed authorities make it difficult for USDA to measure the performance and effectiveness of its activities.

Recommended Solution

To facilitate the coordination of rural development activities, the Administration proposes consolidation of certain existing statutory authorities, by grouping authorities to reflect the customers that either directly benefit from the programs or are essential to their operation, as follows:

1. *Create a Multi-Department Energy Grants Platform.* This would start the process of consolidating the renewable energy grant and research programs of USDA into one platform and increase interagency coordination. The first step of this consolidation would be to move USDA Rural Development renewable energy grant and research program authorities into the Biomass Research and Development Act of 2000. This Act has an existing coordinating forum that includes USDA, the Department of Energy (DOE), and other Federal agencies. By moving these programs into this Act, USDA and DOE can more effectively coordinate their research and development activities to better serve the needs of rural America. Key Rural Development programs that would be consolidated under this authority include the Renewable Energy Systems and Energy Efficiency Improvements grant program, with proposed mandatory funding of \$500 million over ten years. In addition, mandatory funding for the competitive grant program under the Biomass Research and Development Act of 2000 would be increased to \$150 million over ten years.
2. *Create a Business Loan and Loan Guarantee Platform.* Such a consolidation would make it easier for guaranteed lenders to participate in these programs and

- eliminate confusion. This proposal would consolidate into the existing Business and Industry authority, the authorities to carry out NADBank, Intermediate Relending Program; Prioritize funding for the construction of biorefinery projects in the Business and Industry loan guarantee program; and consolidate the Section 9006 energy loan and loan guarantee program. Additionally, USDA recommends expanding the 9006 loan guarantee limits for cellulosic ethanol projects to \$100 million with additional authority to exempt these cellulosic projects from the cap on guarantee loan fees and investing \$210 million to support \$2.17 billion in guaranteed loans for the construction of cellulosic ethanol facilities over 10 years.
3. *Create a Business Grants Platform.* This proposal would consolidate the authorities for the Rural Business Opportunity Grants, Rural Business Enterprise Grants, Value Added Grants, Rural Economic Development Loans and Grants, and the Rural Cooperatives Development Grants programs into one legislative authority. Specialty crops projects would receive priority in the Value-added Grants portion of this platform.
 4. *Create a Community Programs Platform.* This proposal would consolidate the authorities for the water and waste loans, loan guarantees, and grants (including the assorted supplemental authorities such as the Emergency and Imminent Water Assistance Grants), the Community Facilities loan, loan guarantees, and grants, High Cost Energy Grants, Tribal College Grants, Economic Impact Grants, and the Rural Community Development Initiative Grants programs.

This streamlining of services was recommended in farm bill comments submitted to USDA. For example, Paul of Iowa said, “Federal programs that provide funding for rural development should be consolidated and streamlined for easier access by regions and communities. These programs also should assist communities in meeting infrastructure needs, from basic services to the latest in telecommunications...”

Background

These consolidations are consistent with other consolidation efforts within Rural Development, such as the Rural Housing Assistance Grants, which consolidates a number of housing assistance grants into one account. Grouping like grant programs together or loan and grant programs that work in tandem is an efficient way to provide flexible funding to meet the differing regional needs and demands of rural America.