



CONFRONTING THE ISSUES

Rural Development Programs and Funding Policy Development May 2007

Issue:

With the rapidly changing dynamics of businesses, technology and infrastructures within the United States and the rest of the world, many rural communities depend upon the programs funded through USDA's Rural Development mission area to strengthen the business structure and quality of life in rural areas. With that said, are federal agencies directing rural funds in a manner that adequately supports American agriculture and addresses the priority issues that are most important to rural communities?

Background:

USDA's Rural Development (RD) mission area is comprised of three agencies: the Rural Utilities Service (RUS), the Rural Housing Service (RHS), and the Rural Business-Cooperative Service (RBS). Existing programs within the agencies are coordinated through field offices, which monitor activities among the local, state and federal levels. In the past, most RD programs provided financing to borrowers who could not obtain credit from the commercial sector. In recent years USDA has become more focused on priority issues that improve the economic opportunities and standard of living for rural communities.

More than 88 programs are implemented by 16 different federal agencies to target development in rural areas. Since USDA is the largest provider of rural development funding, rural communities can benefit from coordinated federal programs when appropriate. For example, the administration's proposal for the 2007 Farm Bill plans to streamline USDA renewable energy grant programs with the Department of Energy's.

Areas important to agriculture that continue to receive a large portion of Rural Development's average \$14 billion per year program funding levels include water and wastewater disposal programs, business and industry programs, telecommunications, electric loans and rural housing loans. On the other hand, other programs could greatly benefit from increased funding levels and could be considered priority issues for the 2007 Farm Bill. One of the most important assets to any business is access to reliable high-speed internet. While the 2002 Farm Bill authorized a permanent high-speed internet program with funding through 2007, a lack of funding has significantly limited the broadband budget. Although the 2007 budget provides some discretionary funding for loans, the program would be much more effective with opportunities provided through mandatory funds.

Another important issue to the infrastructure of rural America is the healthcare system. Similar to the U.S. population as a whole, the rural population is aging. The non-metro, or rural, population age 40 - 59 increased by 8 percent from 2000-2005. This, combined with the everyday health needs of a rural community, increases the need for quality healthcare facilities in rural areas. The administration's 2007 Farm Bill proposal is calling for an increase in funding to improve hospitals in rural areas.

Lastly, a topic likely to surface in rural development debates in the near future will focus on answering the following question: What is rural? Many of the RD programs serve what many consider to be traditional, agriculture based communities with populations less than 2,500. However, the definition of a rural community can be broad. The criteria utilized by USDA to administer its programs can vary,



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including towns with populations up to, but no greater than, 50,000. Thus, much of the funding for rural development can be directed to areas that are extremely close to major metropolitan areas, yet still meet the criteria for a rural community. These specifications have also appealed to the Farm Credit System, as it is proposing to expand its lending capabilities from communities with a population of 2,500 to a new maximum of 50,000. Restricting the definitions used by USDA could severely decrease the number of communities receiving funding. In many cases, this would limit support to towns that are well-removed from most population centers, only assisting communities that represent 10-15 percent of current Rural Development funding.

Farm Bureau Policy:

Policy 61 - Rural Development Policy, Lines 1-2

We support legislation that encourages rural economic development, particularly to foster agriculture and value-added opportunities.

Lines 7-11

We will support additional USDA Rural Development funding and targeting a greater portion of all funds towards stimulating commerce in rural areas. There should also be increased technical and marketing assistance to provide value-added opportunities for agricultural producers.

Policy 134 - Electric Power Generation Policy, Lines 116-117

We support rural electric cooperatives organized and operated in accordance with accepted cooperative principles and practices.

Lines 128-132

We recommend that the Rural Utilities Service (RUS) be preserved as an independent agency within USDA and that steps be taken to ensure that key administrative functions, including those pertaining to the establishment of technical and engineering standards are retained within RUS.

Policy 146 - Rural Communications Policy, Lines 2-4

High-speed internet access in rural areas should be increased through any source, including wireless, by using a combination of tax incentives, grants and/or regulations.

Policy 149 - Health Policy, Lines 38 and 42-43

We support:

(3) Government incentives for medical and mental health services in rural areas;

Questions:

1. Are the different specifications utilized by USDA to define rural communities appropriate for overall development goals? Or, are they too broad?
2. Would rural communities benefit from the lending capacity expansion proposed by the Farm Credit Service?
3. How should USDA prioritize funding for critical rural infrastructure including water and wastewater disposal, hospitals and utilities?
4. Should Congress look to integrate USDA programs with those from other federal agencies when goals of the programs are similar?