

Update on Federal Rural Development Legislation

Larry D. Sanders
Extension Economist

Mike D. Woods
Extension Economist

A great deal of interest has been expressed in rural development, at both the state and Federal levels. At the heart of most state and federal rural development efforts is a desire to help local communities "help themselves." This means finding the right combination of funding, information, training, technical assistance, infrastructure development, etc. to aid diverse communities across the countryside in creating jobs and income as well as an acceptable quality of life.

Recently, proposals have been approved by the Senate (the Rural Partnerships Act of 1989) and the House of Representatives (The Rural Economic Development Act of 1990). A conference committee will now attempt to produce a compromise report to be voted on by the House and Senate. Figure 1 describes the legislative process and how these bills may ultimately produce a new Rural Development Act.

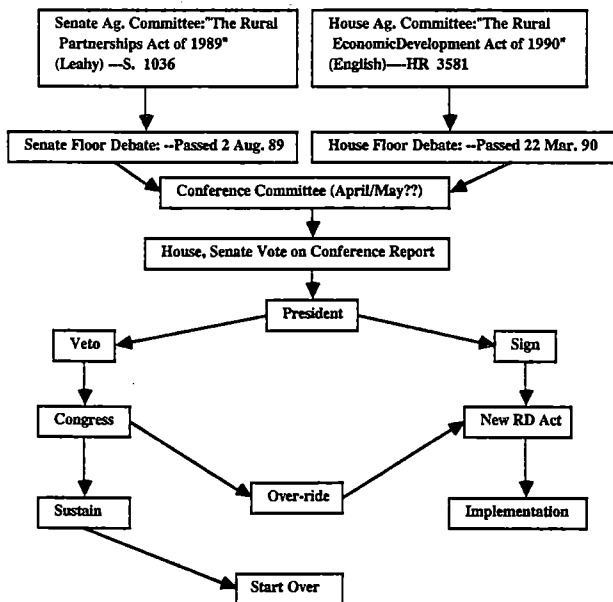


Figure 1. The Legislative Process

Senate Proposal

In the Senate, the Leahy proposal (sponsored by Patrick Leahy of Vermont) addresses investment risk and credit,

upgrading infrastructure, job training, expanding Extension's role in technical assistance, and improving United States Department of Agriculture (USDA) coordination of rural development (RD) programs. The approach has been termed incremental since it modifies existing program structure.

The Senate bill calls for approximately \$1.5 billion to be spent over a five-year period. There are provisions to assist and establish rural business, improve infrastructure, offer technical assistance, and increase the information base and educational opportunities.

House Proposal

The bill in the House, sponsored by Oklahoma Congressman Glenn English, is markedly different in that it calls for new institutions and significant restructuring. It is also, perhaps, more comprehensive. The new House bill seeks a major change in funding procedures and restructuring of current rural development agencies and activities. A state review board would be established to review local economic development plans and proposals, making recommendations to the Secretary of Agriculture for final funding approval. In the process, local groups that apply for funding must have conducted strategic planning that includes short and long-run goals for economic development of the area. The likely result would be more cooperation within regions. Funds for several existing programs would be pooled, with reallocation from one program to another that is deemed more worthy. Partial estimates of the bill's costs include: —\$4 million/year for circuit rider services; —\$50 million/year for rural technology grants to operate centers; —\$10 million/year increasing to \$12 million by 1995 for rural leadership training program. Total estimated outlays for six years are just under \$1.8 billion.

The names of many federal (or for that matter state) agencies, are frequently abbreviated. Table 1 provides a key for abbreviations used in providing bill details for the House and Senate proposals.

TABLE 1. KEY FOR ABBREVIATIONS

ACS	Agricultural Cooperative Service
ARS	Agricultural Research Service
ASCS	Agricultural Stabilization and Conservation Service
CBO	Congressional Budget Office
CES	Cooperative Extension Service
EDA	Economic Development Administration
ES	Federal Extension Service
FAS	Foreign Agricultural Service
FCB	Farm Credit Board
FCIC	Federal Crop Insurance Corporation
FCS	Farm Credit Services
FmHA	Farmers Home Administration
FS	Forest Service
OT	Office of Transportation
RD	Rural Development
RDA	Rural Development Administration
REA	Rural Electrification Administration
REC	Rural Electric Cooperatives
RED	Rural Economic Development
RPIB	Rural Partnerships Investment Board
RTB	Rural Telephone Board
SBA	Small Business Administration
SCS	Soil Conservation Service
USDA	United States Department of Agriculture

Summary of HR 3581

Title I—Reorganization of the Department of Agriculture

- 1) FmHA will be split between farm credit and rural development (RD) functions, with RD moved to the newly-created Rural Development Administration (RDA).
- 2) Under Secretary for Small Community & Rural Development will supervise all rural development programs. The programs include water and waste grants as well as loans, business and industry loans, community facility loans, RD loan fund, RD grants, and other small programs. Under Secretary for International Affairs and Commodity Programs will supervise FmHA & FCIC (in addition to FAS & ASCS).

Title II—Local Prioritization of Project Funding

- 1) A new delivery system for rural development programs is created. A Rural Economic Development (RED) Review Panel established in each state, with not more than 16 voting members composed of 10 members named by the heads of specified state organizations (banking, investor-owned utilities, rural telephone cooperatives, noncooperative telephone companies, rural electric cooperatives, health care organizations, local government-based planning and development organizations, other state RD organizations, counties, towns, rural water districts, the Governor’s representative, state EDA director, and state SBA director), and not more than four non-voting members in advisory capacity, including three named by university deans of agriculture, business and engineering with the Director of the Cooperative Extension Service explicitly named to board.
- 2) RED Panel duties will be (a) review and approve local area plans; (b) rank order project applications for RDA funding.
- 3) The governor of each state will appoint an official to administer the RED panel and provide liaison between panel and state or federal agencies.
- 4) FmHA assistance applications must be compatible with the “area plan,” which includes goals related to business development, infrastructure, and community facilities. The plan will contain an inventory of human and fiscal resources available for proposed projects in the area.
- 5) In funding projects recommended by states, the Secretary may transfer sums appropriated for direct loans and loan guarantees from one RD program to another. The Rose amendment protects water grant funds, and limits transfers of the \$355 million in water and waste loanable funds to \$90 million nationwide.

Title III—Enhancement of Existing RD Programs

- 1) REA is required to use 3% of salaries and expenses to establish technical assistance units to advise/assist rural electric cooperatives in RD projects in respective areas.
- 2) Rural electric cooperatives are authorized to defer loan payments equivalent to investment in local business/community development projects.
- 3) The population limit for rural housing loans by FCB’s is raised from 2,500 to 20,000 with a similar limit increase for pooling of housing loans by Farmer Mac.
- 4) FCS banks for cooperatives are authorized to make water and waste facility loans to (a) cooperatives formed to establish/operate such systems; (b) municipalities up to 20,000 population to expand systems for economic development/health-related reasons.
- 5) Business/industry loans are lowered from \$25 million to \$1 million, emphasizing small/very small business assistance.
- 6) A “rural wastewater treatment circuit rider grants program,” modeled after the national rural water as-

sociation rural water circuit rider program that gets funding from FmHA is created.

Title IV—RD Information Sharing and Technology Transfers

- 1) National Agriculture Library will assume responsibility for collection/dissemination of RD information.
- 2) Competitive grant program to allow nonprofit institutions to establish and operate centers for rural technology development and technology transfer for economic development in rural areas is authorized.

Title V—Rural Business and Leadership Training

- 1) Extension Service program to provide rural areas with technical and management assistance, business development, and planning (Section 501—"ES Rural Business & Leadership Training Program") is established.
- 2) Each state Cooperative Extension Service will provide communities with resource catalogs (lists of state, federal, and private programs for training available in the state).

Title VI—Rural Economic Development Research

Authorizes three competitive grants for:
—non-food, non-feed uses of agriculture commodities;
—social, economic, and other factors influencing economic vitality of rural areas;
—demonstration areas showing how to increase rural employment.

Title VII—Rural Electrification Provisions

Makes REA and RTB more responsive in providing modern telecommunications technology to rural areas, including state-of-the-art data, video, voice and radio transmission to schools, hospitals, and businesses.

Title VIII—Miscellaneous

- 1) Requires Secretary to establish loan rates for health care based solely on area income.
- 2) Requires debt restructuring/loan servicing procedures for delinquent community facility programs loans made to hospitals/health care facilities.

Title IX—National Forest Dependent Rural Communities Economic Diversification Act of 1990.

- 1) Authorizes Secretary to establish rural forestry and economic diversification action teams to provide technical assistance to disadvantaged communities; assistance would be an action plan that identifies diversification and value-added product/service opportunities; teams headed by FS and include members from other

federal, state, and private sector organizations.

- 2) Authorizes grants, with minimum 20% matching funds.
- 3) Provides for training and education responsibility of ES (Section 906).

Summary of S. 1036

Title I—Rural Business and Job Creation

- 1) Establishes Rural Partnerships Investment Board to provide credit (maximum \$750,000/year; \$2.25 million total) for institutions making/guaranteeing loans/capital investments in new/expanding local business; the Board is comprised of administrators of REA, FmHA, ES, and two members appointed by the President; an exception is authorized for the primary RD agency in each state which may receive a maximum \$1.25 million year, \$3.75 million total.
- 2) Creates Rural Capital Access Program to encourage lending institutions to provide loans to certain businesses in rural areas; the program fund will serve as a reserve account to protect lending institutions that participate from losses.
- 3) Makes Secretary and REA responsible for administration of rural economic development effort; establishes an assistant administrator for economic development to supervise REA RD programs, along with a technical assistance unit, rural business incubator fund, and incentive to rural telephone borrowers to improve telecommunications facilities for RD.

Title II—Enhancing Human Resources

Provides measures to improve telecommunications programs (rural star schools, rural medical link, rural business link) to improve RD potential.

Title III—Focus on Rural America by USDA

- 1) ES will establish a rural economic and business development program to enable states or counties to employ specialists as CES staff to assist individuals in creating new businesses, assist existing businesses, and assist community leaders in economic analysis and strategic planning (sec. 301); 1862 and 1890 institutions will mutually determine the types or specialists needed; \$5 million is authorized the first year, increasing \$5 million each year to \$20 million.
- 2) RD assistance information will be provided by studying economically distressed counties in states with a high concentration of non-metropolitan counties with problems and determining needs; information will be provided through National Agriculture Library under existing National Rural Information Center Clearinghouse.

TABLE 2. COMPARISON OF SELECTED KEY ELEMENTS IN SENATE & HOUSE RURAL DEVELOPMENT BILLS, MARCH 1990.

	<u>SENATE</u>	<u>HOUSE</u>
Bill title	"The Rural Partnerships Act of 1989" (S. 1036)	"The Rural Economic Development Act of 1990" (HR 3581)
Key sponsor	Leahy	English
Estimated cost*	\$1.5 billion	\$1.8 billion
Responsible agency	REA	RDA
REA duties	Administer RD activities	Provide technical assistance
FmHA duties	Establish rural wastewater treatment circuit rider grants program	
Nat'l Ag Library	Continue collection/dissemination of RD information	
ES duties	Provide rural assistance, training for businesses & communities	Provide assistance, business & leadership training, resource catalogs
FS duties	Funding for economic diversification assistance in forest-dependent communities	
Local grants/loans for RD	Yes; through existing fed. agencies in USDA by RPIB	Yes; through state RED review panel by USDA
Competitive grants for RD research	Yes	Yes
Telecommunications improvement for rural areas	Targets 3 programs for schools, medical & business	General language to support loans, grants & training
Water/sewer assistance	Expands/speeds process	Protects most of existing funds; allows some re-allocation

*Note: Critics suggest that, while dollar outlays are similar, the English bill has little "new" money and is supported by reallocating existing funds, whereas the Leahy bill authorizes "new" funds for more provisions.

TABLE 3. COMPARISON OF EXTENSION SERVICE MISSION IN HOUSE & SENATE RURAL DEVELOPMENT PROPOSALS, MARCH 1990.

	<u>SENATE</u>	<u>HOUSE</u>
-Training/assistance		
-new business entrepreneurship		yes
-new business creation	yes	yes
-telecommunications	yes	yes
-computer technology	yes	yes
-technical assistance	yes	
-self-employment opportunities		yes
-management assistance	yes	
-business/financial planning	yes	yes
-Community leaders assistance/training		
-economic analysis	yes	yes
-strategic planning	yes	yes
-community goals		yes
-obtaining public funds		yes
-expanding current business		yes
-creating new economic opportunities		yes
-Assist w/vocational skill- building		
-evaluation/counselling		yes
-basic/remedial literacy skills		yes
-job seeking skills		yes
-starting/operating business		yes
-Resource catalogs		yes
-CES staff training		yes
Cost/funding		
	Yr 1--\$5 mil	\$1-3 mil
	yr 2--\$10 mil	\$10 mil
	yr 3--\$15 mil	\$10 mil
	yr 4+--\$20 mil	\$11 mil
	(authorized in bill)	\$11 mil
		\$12 mil
		(estimated by CBO)

- 3) USDA will prepare a report to recommend improved coordination of RD activities of FmHA, FS, SCS, ARS, ASCS, ACS, REA, FES and OT.
- 4) Data processing feasibility in rural areas will also be studied.

Title IV—Rural Business and Emergency Assistance

- 1) Local technical assistance grants of up to \$15 million/year are authorized for public groups, private nonprofit community development corporations, and others to identify business opportunities for local rural economic and human resources, train/provide technical assistance to rural entrepreneurs/managers, establish business support centers, conduct economic development planning/coordination/leadership development.
- 2) Rural emergency assistance loans are authorized for "needy" rural communities.

Title V—National Rural Information Center Clearinghouse

Creation of the clearinghouse is authorized.

Title VI—Water and Sewer Assistance

- 1) This title increases funds for water and waste facility grants.
- 2) FmHA will establish a national rural waste water circuit rider grant program modelled after national rural water association rural water circuit rider program, with \$4 million/year authorized.

Title VII—Miscellaneous

- 1) The Bureau of Census will monitor economic progress of rural areas.
- 2) Historic preservation regulations will be adhered to.
- 3) A competitive research grants program is established to provide up to \$2 million/year to conduct research to improve economic competitiveness/diversification, support strategic planning for economic investments, improve human resources, and improve the data base for rural development decision making in rural areas.
- 4) The Secretary is required to establish loan rates for health care based solely on area income.
- 5) Language similar to Title IX, HR 3581, establishes a program of support for economic diversification to forest-dependent communities.

Summary

The bills proposed in the Senate and House are very different. Table 2 compares key elements of the two bills. The reorganization of USDA and creation of a rural economic development review panel are significant items in the House bill. The likely outcome will include elements of both bills. The Administration has expressed public support for the House bill, which may strengthen its chances, although the Administration wants some provisions modified.

This Current Report should be of particular interest to employees of the Cooperative Extension Service. Key elements of the proposals from the House and Senate relating to the Extension Service are highlighted in Table 3.