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## Farm Bill Primer: Rural Development Title Provisions

### Background

Omnibus farm bills are the major modern legislative vehicle for addressing many rural development issues. While other legislation has significant implications for rural areas and rural residents (e.g., transportation initiatives, environmental regulation, finance and taxation, Medicare, Social Security), Congress has used periodic farm bills to address emerging rural issues as well as to reauthorize a wide range of rural programs administered by the USDA's rural development mission agencies: Rural Utilities Service, Rural Business-Cooperative Service, and Rural Housing Service. While the extent of overlap between federal agencies and programs targeting rural areas has been of concern to some rural policy observers, USDA Rural Development has primary federal responsibility for rural development and has the largest number of programs providing assistance to rural areas.

Since 1973, omnibus farm bills have included a rural development title. How to create and support new competitive advantage in rural areas so these areas can better compete in a global economic environment is a key issue framing current debates about the future of rural America. While the search for new sources of rural economic development is part of the policy equation, also increasingly appreciated is the need to develop new approaches for federal assistance to rural areas that go beyond the largely piecemeal programming that has long characterized rural economic development policy.

The rural development title of farm bills generally provides assistance for rural business creation and expansion and rural infrastructure along with traditional assistance for housing, electrical generation and transmission, broadband, water and wastewater, and economic and institutional capacity in local communities. In the past several farm bills, policymakers have also supported innovative and alternative business development (e.g., bioenergy, value-added production, local food production) and innovative mechanisms to finance it (e.g., the Rural Microentrepreneur Assistance Program). Support for such alternative approaches is expected to continue as policymakers recognize the great diversity among rural communities, with some rural areas growing and prospering and others falling further behind as their primary industries (including agriculture) decline and population outmigration continues, particularly among younger, better educated residents.

### What Is Rural?

The 2002 farm bill (P.L. 107-171, Section 6020) amended the Consolidated Farm and Rural Development Act of 1972 (the ConAct; 7 U.S.C. 1926 *et seq.*) to define *rural* and *rural area* as any area other than a city or town with a population of more than 50,000 and the urbanized area

contiguous and adjacent to such a city or town. Eligibility for some programs have statutory population limits much less than 50,000 (e.g., Water and Waste Water loans and grants—10,000; Community Facilities—20,000). In awarding loans and grants, regulations may also prioritize rural areas with even smaller populations and/or household income limits.

### Existing Farm Bill Provisions

The rural development title of the 2014 farm bill generally reauthorized or amended long-standing programs under the ConAct and the Rural Electrification Act of 1936 (7 U.S.C. 901 *et seq.*). New programs are also authorized under these statutes. A listing of selected programs is provided in the **text box**.

Concerns about how effectively USDA targets its rural development loan and grant assistance have been a recurring consideration for policymakers and rural development practitioners. The general concern is that rural development funding may not be targeted as well or as effectively as it could be. The 2014 farm bill directed USDA to begin collecting data regarding economic activities created through its rural development grants and loans and to measure the short- and long-term viability of award recipients. It also directed USDA to report to Congress every two years on rural employment generation, new business start-ups, and any increased local revenue.

#### **Selected Rural Development (Title VI) Provisions in the 2014 Farm Bill (P.L. 113-79)**

**Rural Business Development Grants.** Combines two former programs—the Rural Business Enterprise Grant program and the Rural Business Opportunity Grant program (§6015).

**Business and Industry Loan Guarantees.** Provides loans and loan guarantees. Includes a provision for locally or regionally produced agricultural food products that travel less than 400 miles between production and marketing (§6014).

**Rural Energy Savings.** Provides loans to utility districts and Rural Utility Service borrowers to assist rural households and small businesses in implementing durable, cost-effective energy efficiency measures (§6205).

**Rural Gigabit Network Pilot.** Supports bringing ultra-high-speed broadband to rural areas. (§6105).

**Essential Community Facilities Technical Assistance and Training.** Provides public entities and nonprofit corporations the technical assistance and training necessary to prepare reports and surveys needed to request financial assistance under the Community Facilities loan and grant program (§6006).

The 2014 farm bill authorized a new Strategic Economic and Community Development initiative to support

economic development plans on a multi-jurisdictional basis, giving priority to certain projects and reserving 10% of available appropriations for community facilities, rural utilities, and rural business, among other types of operations. The bill created other rural development programs and/or modified or reauthorized other existing programs. It authorized the Rural Energy Savings Program to provide loans to utility districts and Rural Utility Service borrowers to assist rural households and small businesses in implementing energy efficiency measures. It also authorized the Rural Business Development Grants program, merging the general functions of two grant programs—the Rural Business Enterprise and the Rural Business Opportunity grant programs—which were terminated. It also reauthorized loans and loan guarantees under the Business and Industry Guaranteed Loan Program for locally or regionally produced agricultural food products—those products that travel less than 400 miles between production and marketing—and targeted low-income areas without access to fresh fruits and vegetables. Priority is given to projects benefitting underserved communities (i.e., those with limited access to affordable, healthy foods and with high rates of poverty or food insecurity). Grants were also authorized to fund technical assistance and training.

In addition to these programs, the rural development title includes other provisions to reauthorize and/or amend a wide variety of loan and grant programs that provide further assistance in four key areas: (1) broadband and telecommunications, (2) rural water and wastewater infrastructure, (3) business and community development, and (4) regional development. Each of these programs has authorized discretionary spending subject to annual appropriations, with the exception of one mandatory spending authorization of \$150 million for reducing the backlog of pending water and wastewater applications.

The 2014 farm bill also modified the definition of rural area for the Housing Act of 1949. The provision increased the maximum eligible population threshold to 35,000 from 25,000 and permits any rural area that was eligible in the 1990, 2000, and 2010 censuses to remain eligible for Rural Housing Service programs until the 2020 decennial census.

## Issues and Options

Some policymakers contend that current farm policies, which rely heavily on commodity support for a few production sectors, play an ever smaller role in the vitality of most rural areas. Rural manufacturing, which tends to be lower-skilled and lower-waged, continues to lose out to foreign competition. While transformation to a service economy continues in rural America, service employment in many rural areas also tends to be in lower-wage personal services rather than business and producer services.

Economic development efforts in some areas have targeted entrepreneurial strategies and microenterprise development, including new markets for value-added agricultural products. Rather than simply seeking to attract relocating businesses, these approaches attempt to capitalize on a particular area's distinctive social, economic, and environmental assets and advantages to build endogenously

on existing local and regional strengths. Developing a regional entrepreneurial culture seems to be an important approach in these efforts.

The mixed success of these and past efforts, as helpful to rural areas as they may be, suggests to many rural development experts and policymakers that the current structure of federal assistance to rural areas needs to be reexamined. For example, regularly tweaking the definition of *rural* to determine eligibility for certain programs seems unlikely to produce significantly improved economic development outcomes. Some contend that greater emphasis on the socioeconomic relations between rural communities and urban areas within a regional context could lay the foundation for more successful rural (and regional) development outcomes. While both the 2008 and 2014 farm bills provided a greater emphasis on regional efforts, some policymakers believe that redesigning existing programs to better target regional efforts could yield positive results. To that end, the 2014 farm bill authorized a new data-collecting activity to assess the effectiveness of federal development assistance to rural businesses and required USDA to issue a report every two years.

Application processes for program loans and grants can be a barrier for many rural projects, especially those in smaller, poorer rural areas. The way assistance is currently provided (mostly through direct and guaranteed loans) has limitations because it is often driven by individual projects rather than integrated into an overall development strategy. Many rural communities may benefit from technical assistance support for strategic planning. The Obama Administration identified interagency coordination among federal agencies that target rural areas (e.g., Department of Housing and Urban Development, Department of Health and Human Services) as in need of significant improvement.

These are not so much new concerns about federal assistance to rural areas as they are continuing issues identified by rural development experts and rural policymakers. In the current budget environment, it may be difficult to advance substantively new approaches to rural development in a new farm bill. However, with many in Congress concerned that current federal approaches to rural development need to be reexamined and programs better targeted to overall development strategies, a new farm bill is likely the major legislative vehicle to address these issues.

### Related CRS Reports

- CRS Report RL31837, *An Overview of USDA Rural Development Programs*.
- CRS Report R43718, *Rural Development Provisions in the 2014 Farm Bill (P.L. 113-79)*.

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