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Farm Bill Primer: Rural Development Title

The rural development title of the farm bill reauthorizes, amends, and creates programs administered by the U.S. Department of Agriculture (USDA) Rural Development agency. The rural development title also addresses emerging issues affecting rural communities.

The Agriculture Improvement Act of 2018 (2018 farm bill; P.L. 115-334) amended, reauthorized, and codified many of the rural broadband programs administered by USDA through FY2023. Congress enacted two one-year extensions of the 2018 farm bill that extended it through FY2025 (P.L. 118-22, §102, Division B; P.L. 118-158, §4101, Division D). As a result, authorizations for many of the USDA broadband programs are set to expire on September 30, 2025.

Background

Since 1973, omnibus farm bills have included a rural development title. In the 2018 farm bill, the rural development title is Title VI. The rural development title impacts programs administered by USDA Rural Development through its agencies: the Rural Business-Cooperative Service; Rural Housing Service; Rural Utilities Service; and, in one case, the National Institute of Food and Agriculture (NIFA).

Most USDA Rural Development programs fall within the rural development title of farm bills, including the rural infrastructure programs, rural business development programs, and community facilities programs. However, many programs administered by the Rural Housing Service fall under the jurisdiction of the Senate Banking, Housing, and Urban Affairs Committee and the House Financial Services Committee. Energy programs administered by the Rural Business-Cooperative Service usually fall within the energy title (Title IX in the 2018 farm bill).

Congress provides discretionary funding for most of the programs in the rural development title through annual appropriations acts. One exception is the Rural Economic Development Loan and Grant Program. Congress provided \$5 million of mandatory funding for the program for each of FY2022 and FY2024 in the 2018 farm bill. The 2018 farm bill provided authorizations of appropriations for many of the USDA broadband programs. Appropriated levels may be different from the authorizations of appropriations.

2018 Farm Bill Provisions

Changes to USDA Rural Development programs in the rural development title of the 2018 farm bill centered on health care, infrastructure, and business development.

Substance Abuse and Rural Health Care

Congress prioritized funding for certain USDA Rural Development programs to address substance abuse in rural communities through FY2025. Congress required USDA to set aside at least 20% of the funding for the [Distance Learning and Telemedicine Program](#) for telemedicine projects that provide substance abuse treatment services. Congress authorized discretionary appropriations of \$82 million annually through FY2024. FY2024 appropriations were \$50 million. The Distance Learning and Telemedicine Program provides grants to help rural communities gain the technology and training necessary to engage in telemedicine and distance learning (7 U.S.C. §950aaa-2).

Congress directed USDA to prioritize funding for [Community Facilities Program](#) loans and grants for projects that develop facilities for substance abuse prevention, treatment, and recovery services. Congress also required that applicants receiving prioritized funding employ staff that have the expertise and training to identify and treat people dealing with substance abuse. The Community Facilities Program provides grants, loans, and loan guarantees to help rural communities build and renovate essential community facilities (7 U.S.C. §1926(a)). FY2024 appropriations were \$505 million for congressionally directed projects and \$5 million for competitive grants.

Congress also required USDA to prioritize funding for the [Rural Health and Safety Education Competitive Grant Program](#), a program administered by the USDA National Institute of Food and Agriculture. Congress directed USDA to prioritize funding for projects that provide substance abuse education, treatment, and prevention. The program provides grants for community-based outreach education projects focused on health and safety (7 U.S.C. §2662(i)). FY2024 appropriations were \$4 million.

Congress provided the authority to temporarily reprioritize USDA Rural Development program loan and grant applications that assist rural communities in responding to public health disruptions (7 U.S.C. §2204b-2). Congress required that USDA consult with the appropriate public health officials as needed and restricted reprioritization to a maximum of 20% of the program's annual funding.

Congress also included a provision that allows rural hospitals to use USDA Rural Development loans and loan guarantees to refinance existing debt if it would (1) help retain access to health services in a rural community, (2) improve the financial position of the hospital, and (3) meet the fiscal feasibility and security requirements established by USDA Rural Development (7 U.S.C. §1990a).

Rural Broadband

Congress codified the [Community Connect Grants Program](#), formerly a pilot program. Congress authorized appropriations of \$50 million annually for the program through FY2024. FY2024 appropriations were \$20 million. The program provides grants to deploy broadband to rural, economically challenged communities and their essential community facilities (7 U.S.C. §950bb-3).

Rural Water and Waste Disposal

Congress increased the maximum grant amount for the [Emergency and Imminent Community Water Assistance Program](#) for rural communities experiencing a significant decline in the quantity or quality of drinking water from \$500,000 to \$1 million per project. Congress authorized appropriations of \$50 million annually through FY2024 for the program. FY2024 appropriations were \$10 million. The Emergency and Imminent Community Water Assistance Program provides grants to help communities prepare for or recover from an emergency that threatens the availability of safe drinking water (7 U.S.C. §1926a).

Congress also reauthorized the Household Water Well Systems Program under a new name: the [Rural Decentralized Water Systems Program](#). Congress provided the authority for intermediaries to offer subgrants, in addition to subloans, to eligible homeowners in rural areas. Congress increased the authorization of appropriations for the program to \$20 million annually through FY2024. FY2024 appropriations were \$5 million. The program provides grants to intermediaries to create funds that provide subloans and subgrants to rural households carry out well and septic system projects (7 U.S.C. §1926e).

Rural Business Development

Congress restricted the amount of loans issued through the [Intermediary Relending Program](#). Congress limited the maximum amount of a loan made by an intermediary to the lesser of \$400,000 or 50% of the amount that USDA loaned to the intermediary. FY2024 appropriations were \$3 million for a loan subsidy to support \$10 million in loan authority. The program provides 1% interest rate loans to intermediaries that provide loans to eligible entities for business facilities and community development projects in rural areas (7 U.S.C. §1936b).

Congress established the [Rural Innovation Stronger Economy Program](#) to provide grants to create high-wage jobs, help form new businesses, and support industry clusters (7 U.S.C. §2008w). Congress authorized appropriations of \$10 million annually through FY2024 for the program. Congress did not provide appropriations for the program in FY2024.

Updating Rural Definitions

Congress amended the statutory definitions of a *rural area* that USDA uses to determine eligible service areas in many of the Rural Development programs (7 U.S.C. §1991(a)(13)). The definitions include a population maximum that rural areas cannot exceed. Congress directed USDA to exclude incarcerated populations and the first

1,500 people living in housing on military bases when calculating the population of an area, when determining whether an area is rural.

Considerations for Congress

Rural Broadband

Since 2018, Congress has appropriated \$5.9 billion for USDA broadband programs to increase access to broadband in rural areas. Adjusted to FY2024 dollars, the funding totals \$6.7 billion. Congress allocated 89% of the funding to the [ReConnect Program](#). Progress on ReConnect projects is not publicly disclosed by USDA. Increased costs in recent years have caused previous awardees to request and receive additional cost overrun funding.

Congress may consider whether progress on funded projects, including any cost overruns, should be reported publicly to increase transparency. In addition, Congress established the ReConnect Program as a pilot in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2018 (Division A of P.L. 115-141). Congress might consider codifying the ReConnect Program in the next farm bill as part of other programmatic amendments.

Rural Health

A [2023 Government Accountability Office report](#) found that rural residents have fewer health care providers, travel longer distances to access health care, and have more limited broadband access—which limits access to telehealth services—than urban residents. Congress may consider whether and to what extent USDA Rural Development programs support rural health care in the next farm bill.

COVID-19 Pandemic Programs

Congress passed the American Rescue Plan Act of 2021 (P.L. 117-2), which appropriated funding to USDA to improve food and agricultural supply chain resiliency. As a result, USDA created two ad hoc programs: the [Food Supply Chain Guaranteed Loan Program](#) and [Meat and Poultry Processing Expansion Program](#). The programs provided loans and grants to for-profit businesses. Previously, USDA Rural Development programs had provided grants primarily to entities providing technical assistance for business development.

Congress may consider oversight of grants issued to for-profit companies, especially in light of [recent high-profile events](#) involving a company that received a loan guarantee and grant through these programs but ultimately filed for Chapter 11 bankruptcy. Congress may want to evaluate whether grants offer additional benefits to for-profit businesses that may not previously have been provided, what level of risk might be involved by providing such benefits, and whether the benefits are in the public interest.

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