

# RURAL BRIEF

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## ANALYSIS OF THE HOUSE RURAL DEVELOPMENT SUBCOMMITTEE 2007 FARM BILL RURAL DEVELOPMENT TITLE

On June 6, 2007, the Specialty Crops, Rural Development and Foreign Agriculture subcommittee of the House Agriculture Committee met to discuss a draft Rural Development Title of the 2007 Farm Bill, or “mark” in Congressional language. This was the first Congressional committee action on the Rural Development Title of the 2007 Farm Bill.

### PROGRAM REAUTHORIZATIONS

The vast majority of the House subcommittee’s draft Rural Development Title reauthorizes existing programs and sets annual authorized appropriation levels. The plan:

Program	Annual Authorized Appropriation (FY 2008 through 2012) in millions
Water or Waste Disposal Grants	\$30
Rural Business Opportunity Grants (RBOG)	\$15
Rural Water and Wastewater Circuit Rider Program	\$25
Tribal College and University Essential Community Facilities	\$10
Emergency Imminent Community Water Assistance Grant Program	\$35
Water Systems for Rural and Native Villages in Alaska	\$30
Water Well Systems for Low and Moderate Income Households	\$10
Rural Cooperative Development Grants	\$50
National Sheep Industry Improvement Center	\$10
National Rural Development Partnership	\$10
Historic Barn Preservation	As necessary
NOAA Weather Transmitters	As necessary
Delta Regional Authority	\$30

*This is the first in a continuing series of reports examining and analyzing Congressional action on rural development issues in the 2007 Farm Bill.*

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Program	Annual Authorized Appropriation (FY 2008 through 2012) in millions
Northern Great Plains Authority	\$30
Rural Strategic Investment Program	\$25
Value-Added Producer Grant Program	\$40
Telemedicine and Distance Learning	Reauthorized and extended only
Agricultural Innovation Center Demonstration Program	Reauthorized and extended only
Expansion of 911 Access	Reauthorized and extended only

Program reauthorizations in the House subcommittee plan focus primarily on community infrastructure programs, particularly water and wastewater programs. Of the \$350 million in annual authorized appropriations for reauthorized programs, \$130 million directly relates to water and wastewater infrastructure programs. Another \$95 million concerns regional or cooperative governmental authorities.

## NEW PROGRAMS

The House subcommittee draft contains little new rural development policy expressed through new programs. Four new rural development programs in the subcommittee's plan focus on three critical rural issues — entrepreneurship and small business development, health care and broadband access.

The subcommittee also adopted an amendment that would establish a Farm Bill authorization for a sustainable agriculture technical assistance program (similar to the current Appropriate Technology Transfer for Rural Areas program). The subcommittee authorized \$5 million annually for this program.

### Entrepreneurship and Small Business Development:

The *Rural Entrepreneur and Microenterprise Assistance Program* would establish a grant and loan program to provide training and capital for startup or expanding rural small businesses. The proposed House program is similar to S. 566 introduced by U.S. Senators Ben Nelson, Ken Salazar and Debbie Stabenow. The main differences between the House subcommittee provision and S. 566 are: 1) the House provision provides primary assistance to businesses with 10 or fewer employees, rather than 5 or fewer as in S. 566; 2) the House provision uses a different definition of “rural,” which will be discussed below; and 3) the House subcommittee authorized \$20 million in annual appropriations, while S. 566 is authorized at \$50 million annually.

### Healthcare:

One new rural healthcare program would provide \$30 million annually to promote technical infrastructure in rural medical facilities. These grants would fund purchases of health information technology and promote improved health care quality through the funding of quality improvement support structures and innovative approaches to financing and delivering health services in rural areas.

The Rural Firefighters and Emergency Medical Service Assistance Program, the other new healthcare program, would provide \$30 million annually to local governments, Indian tribes and others to train rural firefighters and emergency medical personnel in firefighting, emergency medical practices, and hazardous material and bioagent response.

### Broadband Access:

The House subcommittee rural development plan also establishes the Community Connect Grant Program to provide \$25 million annually in grants to provide broadband transmission service that fosters economic growth and delivers enhanced educational, health care and public safety services.

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## CHANGES IN EXISTING PROGRAMS

The House subcommittee rural development plan proposes significant changes in two existing programs—the rural broadband program and the Value-Added Producer Grant Program.

### **Rural Broadband Program:**

The rural broadband program provides loans to communities and telecommunications providers for the installation of broadband capacity and services in rural areas. The House subcommittee rural development plan proposes several changes to the current program: 1) the definition of “rural community” is changed to any area that is not included in the boundaries of a city, town or village with a population of more than 20,000 and is not an urbanized area contiguous to such a city or town. The same definition of “rural” is used in the *Rural Entrepreneur and Microenterprise Assistance Program*, 2) loans and loan guarantees would be given in priority according to the number of incumbent service providers — areas with no or few service providers would be given higher priority; 3) no loans or guarantees would be given to communities with three or more service providers; 4) large telephone companies would be limited in the amount of loans that could be given in a fiscal year; and 5) the National Center for Rural Telecommunications Assessment will be established to analyze and report on the effectiveness of the program and the development of broadband services in rural areas. All of these modifications are in response to reports that the current program is not responding to the needs in unserved or underserved rural areas, and, in fact, is financing broadband projects in urban and suburban areas of the country. The subcommittee plan authorizes such sums as necessary for the broadband loans and guarantees, and it authorizes \$1 million annually for the national rural telecommunications center.

### **Value-Added Producer Grant Program:**

In a classic good news-bad news scenario, the House subcommittee’s rural development plan approved reserving 10 percent of the Value-Added Producer Grant Program funding for projects benefiting beginning farmers and ranchers or socially disadvantaged farmers and ranchers, but also approved switching the \$40 million in mandatory funding to an authorization of appropriations. More about that distinction below.

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## AUTHORIZED FUNDING VS. MANDATORY FUNDING

The House subcommittee authorized \$461 million annually for rural development programs (plus “such sums as necessary” for certain programs). However, none of the funding is “mandatory,” meaning that all rural development funding in the House subcommittee rural development proposal is at the annual discretion of appropriations committees. If the House subcommittee rural development funding proposal is adopted in the final Farm Bill, it is conceivable that none of the rural development programs included in the Farm Bill would ever receive any funding and that federal rural development programs would in large measure disappear.

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## DEFINITION OF RURAL

One significant policy change considered by the House subcommittee is the definition of “rural” for rural development programs. As noted in a recent article by the *Washington Post* (April 6, 2007), a large portion of rural development funding has gone to urban, suburban and high-income vacation areas and little funding has gone to rural areas experiencing severe depopulation and persistent poverty. In addition, there are several definitions of “rural” used by USDA in administering rural development programs. In response, the House subcommittee adopted a provision that requires USDA to assess all the definitions, describe the effect of the varying definitions on program administration and recommend ways Congress can better target rural development funding.

In a more definitive policy statement, subcommittee chair Rep. Mike McIntyre of North Carolina proposed an amendment adopted by the subcommittee that would set criteria to be applied in applications for rural development funding. The amendment would require USDA to consider rural development funding applications “more favorably” if the application is for an area where median household incomes are less, the area is less densely populated, and the seasonal population increase is less. There was objection by some members that this would work as a hardship to rural communities in more densely populated areas of the east and south.

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