

**HEARING TO REVIEW THE VARIOUS  
DEFINITIONS OF RURAL APPLIED UNDER  
PROGRAMS OPERATED BY THE U.S.  
DEPARTMENT OF AGRICULTURE**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON RURAL DEVELOPMENT,  
RESEARCH, BIOTECHNOLOGY, AND  
FOREIGN AGRICULTURE  
OF THE  
COMMITTEE ON AGRICULTURE  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED TWELFTH CONGRESS  
FIRST SESSION

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**HEARING TO REVIEW THE VARIOUS  
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**TUESDAY, FEBRUARY 15, 2011**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON RURAL DEVELOPMENT, RESEARCH,  
BIOTECHNOLOGY, AND FOREIGN AGRICULTURE,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 1300, Longworth House Office Building, Hon. Timothy V. Johnson [Chairman of the Subcommittee] presiding.

Members present: Representatives Johnson, Thompson, Scott, Hultgren, Schilling, Costa, Sewell, Kissell, and Courtney.

Staff present: Mike Dunlap, Patricia Barr, Tamara Hinton, Debbie Smith, Scott Kuschmider, Liz Friedlander, and Jamie Mitchell.

**OPENING STATEMENT OF HON. TIMOTHY V. JOHNSON, A  
REPRESENTATIVE IN CONGRESS FROM ILLINOIS**

The CHAIRMAN. This hearing of the Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture to review the various definitions of rural applied under the programs operated by the USDA will now come to order. I would ask leave of the Committee that my opening statement be submitted and incorporated in the record rather than taking the Committee's and audience's time reading a relatively lengthy statement verbatim, I would ask leave of the Committee to submit that.

The statement is ordered incorporated in the record.

As everybody here is aware, both the Members of the Committee and the audience, the purpose of this bill is to deal with questions of rural under relative provisions of Federal law, in particular, the 2008 Farm Bill. There are concerns that have been evidenced and voiced over some period of time that because of too expansive a definition and/or because of failure of various Administration agencies to narrow in and report the underlying purpose of the bill, could be undermined and that spurring rural competitiveness in the global market through infrastructure, investment and business lending and assistance might be impaired, and that is a good part of the reason why we are here.

Let me also point out that the gentleman from Connecticut, my friend, Mr. Courtney, not a Member of the Subcommittee, has

joined us today. Ranking Member, Mr. Costa, and I have consulted and we are pleased to welcome him to join us in the questioning of witnesses, unless there is any objection. Hearing none, leave is granted. Mr. Courtney, we are pleased to have you with us.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF HON. TIMOTHY V. JOHNSON, A REPRESENTATIVE IN  
CONGRESS FROM ILLINOIS

Good morning, and welcome. In the coming months this Subcommittee will be conducting a full review of the activities under its jurisdiction, including agricultural research, extension services, biotechnology, trade promotion, and our topic today, rural development. We will also be reviewing the status of programs specifically authorized in the 2008 Farm Bill, and how USDA has utilized these authorities.

The farm bill provided for a number of programs intended to spur rural economic development. Through infrastructure investments, business lending, and assistance for community facilities, rural development programs are designed with the purpose of helping our rural communities compete in a global market. As the agency responsible for implementing these programs USDA is charged with ensuring rules are written in a timely manner so that rural America can receive the greatest benefit possible.

Members of this Subcommittee understand that assisting small, rural communities carries with it a great many challenges. Not the least of which is ensuring that the limited funds available are targeting only rural communities and not diverted to urban areas.

While we appreciate the USDA's commitment to bringing assistance to rural communities, there are several areas that concern me and the Subcommittee that the responsibilities laid out by Congress in the 2008 Farm Bill are not being met. Furthermore, after repeated assurances that adequate staff was available to complete work on rural broadband and loan programs, despite an influx of funds from the stimulus, I fear these funds have been administered to the detriment rural communities. I hope that USDA can provide the Subcommittee with solid evidence that rural America will benefit from the program before those authorities expire.

It is the purview of Congress to determine how the money entrusted to the Federal Government is spent, and where that money is targeted. Today we will be looking at a key aspect of how funds are targeted through the various rural development programs operated by USDA. In an effort to properly target communities, decision makers rely on the definition of 'rural'. However, defining rural continues to be a challenge for policy makers at all levels.

It is our understanding that USDA has used their waiver authority under section 6018 of the Farm Bill to fund projects in areas the Under Secretary for Rural Development deemed to be 'rural in character.' We look forward to an update on how many of the 146 eligible areas were awarded funds for rural development projects.

There are 16 Federal agencies operating 88 rural development programs. Virtually none of these programs have identical definitions of what it means to be rural. In most cases, the definitions reflect the specific nature of the program.

With so many agencies and programs targeting rural development, coordination is important. I hope that our witnesses today can provide some insight as to where greater coordination should be sought among the various agencies, and whether efficiencies might be gained.

The 2008 Farm Bill required USDA to submit a report to Congress that would review the various definitions of rural, describe the effects that the variations in those definitions have on those programs, make recommendations for ways to better target funds through rural development programs, and determine the effect of the changes to definitions of rural on the level of rural development funding and participation in those programs in each state.

Unfortunately, USDA has not yet completed their work due last summer. Today's hearing will provide an opportunity for USDA to update the Committee on how the revised definitions of rural have affected our programs. We hope that USDA will also be able to provide an assurance of when their report will be forthcoming.

We are pleased that USDA is with us this morning to give an update on these issues. In addition to USDA's testimony, we are pleased to have a panel of distinguished individuals with tremendous expertise in economic development. We appreciate the time and effort each of them has put into preparing their testimony and traveling to be with us this morning and we look forward to their remarks.

Finally, it is clearly within the jurisdiction of the Congress, the full Committee, and this Subcommittee to propose changes in the law that would better address these issues and our overarching goal of serving the needs of rural America. I appreciate the ongoing relationship with USDA and the Subcommittee on Rural Development, and want to work together to achieve mutual goals. However, there should be no question that it is the Congress, and not unelected administrative agencies, who will set the policy for the United States.

The CHAIRMAN. For his preliminary remarks I would turn the microphone over to my friend, the distinguished Ranking Member from California, Mr. Costa.

**OPENING STATEMENT OF HON. JIM COSTA, A  
REPRESENTATIVE IN CONGRESS FROM CALIFORNIA**

Mr. COSTA. Thank you very much, Mr. Chairman. Good morning to all who are here this day, Members of the Subcommittee, on a bipartisan basis. I know we look forward to working together as we deal with many of the challenges of the subject matter that this Subcommittee has jurisdiction over, from rural development to research, biotechnology and foreign agriculture. All of us, in one way or another, are touched by the impacts of our agricultural districts. The importance of agriculture to America's ability not only to maintain its tremendous ability to feed itself, but to export our agricultural products throughout the world.

I like to say nobody does it better than we do in terms of food, fiber and the quality and the yield of those food and fibers, and also using cutting-edge technology.

Mr. Chairman, today's hearing is very important, and I am pleased that you took the time to focus on this, and to have our testimony from not only the USDA, but also our witnesses on our second panel, the focus on statutory and regulatory definitions of *rural* as they are applied to the United States Department of Agriculture in the various programs as to whether or not we qualify in our respective states as to that rural definition.

Many of us, Chairman Johnson, you and I and others, worked very hard on the 2008 Farm Bill to ensure that it reflected and represented the needs of U.S. agriculture, and on a bipartisan basis we did a pretty good job. It was the only bill—for the new Members—that actually in that Congress followed regular order in both Houses and actually was vetoed by the President. And on a bipartisan basis, we overrode the veto.

So, it is important to note the history of the 2008 Farm Bill as we focus on reauthorization in 2012. But this morning's hearing is very important, I believe, and I again want to thank you. We have many areas in the nation, take mine as an example, that are rural, that have tremendous agricultural production, that are in the top ten agricultural counties in the nation, agricultural counties in terms of farm output on the farm gate. In other words, they are what we count in terms of gross receipts. My counties, Fresno County, and Kern County have been number one and number three, respectively, for decades. Fresno County is the largest agricultural county in the nation. Kern County is number three. Tulare County represented by Congressman Nunes is number two, the largest dairy county in the nation, yet none of those counties in the whole region qualify under the rural definition.

I would love to invite you. I know my other colleagues would love to invite you to the San Joaquin Valley, the heartland of California's farm breadbasket. We don't fit under the rural definitions, and I would submit to you that having farmed there myself and my family for 3 decades, we are pretty rural, yet under the USDA's definitions we don't qualify. And it is like our tax dollars come here to Washington, but they don't come back to the areas I represent. You will see the maps and our witnesses will demonstrate that in their testimony, there are a host of areas throughout the United States that fall in that same category.

I don't know if it is possible to establish a nationwide definition for *rural* as we continue to deal with the challenges, not only like mine, but elsewhere in the country. But, I think everyone here, the USDA included, would be hard-pressed to come up with a singular definition as to what it means to be rural in each state in the nation.

So I am looking forward to the testimony, Mr. Chairman, as we wrestle with this effort, as we try to ensure that our communities throughout the country are able to participate in the farm bill as we hoped and intended it to be when we passed it on a bipartisan basis in 2008.

So I thank you, and I look forward to listening to the testimony and I will submit the rest of my comments for the record.

[The prepared statement of Mr. Costa follows:]

PREPARED STATEMENT OF HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Good morning, Chairman Johnson. Thank you for calling today's hearing and I congratulate you on being named Chairman to this Subcommittee for the 112th Congress. I look forward to working with you and all the Members on both sides of the aisle on the many issues under our jurisdiction. I am proud of what this Committee has accomplished in a bipartisan fashion during my time in Congress and I hope we can continue down that road for the next 2 years.

Today's hearing is an important one, because the various statutory and regulatory definitions of 'rural' applied to USDA Rural Development programs have a significant effect on rural communities in my district and home state. California continues to struggle with eligibility for these programs, whether it is rural housing, health, or essential community facilities, largely because of the criteria used to define rural communities.

The use of rural definitions as basic eligibility criteria has created a separate set of problems. On the one hand, the establishment of different criteria for what is rural depending on the program has created a great deal of confusion, even among economic development professionals who in many cases are familiar with RD programs.

Another problem is the nationwide application of a given rural definition. I think everyone here, USDA included, would be hard-pressed to come up with a singular definition that accurately portrays what it means to be rural in each and every state. Unfortunately, these definitions do apply and often exclude communities and their residents from financing essential infrastructure like housing, basic utilities, and health facilities.

Definitions based on population or distances from urbanized areas also do not take into account other socioeconomic factors that could elevate communities to be ideal candidates for RD programs. Migration flows have caused some cities to grow above the population cutoff without the accompanying increased economic development and diversified economies that many people associate with urban areas. But they are rapidly losing their eligibility for rural programs that aim to meet these goals. The Central Valley of California has seen this play out time and time again.

Recent farm bills have made tweaks to the definition of rural, so I look forward to hearing from both panels on whether or not a new approach is needed. It's no secret that Rural Development is under the budget microscope, even with nearly all of their programs being oversubscribed. If more rural communities can be better

served with a different set of criteria or a different regionally-based approach to development, then that is something this Committee should consider for the next farm bill. I hope USDA will be able to provide this Committee with some suggestions from the lessons it has learned from the administration of awards not just in annual appropriations, but the Recovery Act funds to certain RD programs that aimed to bolster essential infrastructure.

Once again, I welcome today's witnesses and I look forward to their testimony. I yield back my time.

The CHAIRMAN. Thank you, Mr. Costa. I would like to remind Members that after at the conclusion of each panel, that they will be recognized for questioning in the order of seniority for Members who were here at the start of the meeting. That is fairly traditional and common in each Committee. After that, Members will be recognized in order of arrival. I appreciate your understanding and the clerk will be supplying me that list as we progress through the testimony.

Our first panel consists of one member. I would like to welcome our first witness to the table, specifically Ms. Cheryl Cook, Deputy Under Secretary for Rural Development, U.S. Department of Agriculture, in Washington. Ms. Cook, please begin when you are ready. I don't want to preempt in any way what you choose to do. If you want to summarize from your statement, which we have in full, we would be more than happy to give you more time to actually respond to questions and articulate the points you want to make, but that is entirely up to you. Proceed.

**STATEMENT OF CHERYL COOK, DEPUTY UNDER SECRETARY  
FOR RURAL DEVELOPMENT, U.S. DEPARTMENT OF  
AGRICULTURE, WASHINGTON, D.C.**

Ms. COOK. Thank you, Mr. Chairman. Good morning to you and to Ranking Member Costa, and to other Members of the Subcommittee. It is my pleasure to be here today to discuss the issue that perhaps more than any other caused me to leave a perfectly good job in the Pennsylvania Department of Agriculture that I enjoyed very much to come back to USDA. We simply have to do something about how we account for rural resources. In the interest of time, I would like to just submit my statement for the record, make a few brief opening comments and get right to your questions.

My written statement includes a complete listing of all of our statutory definitions with respect to what is an eligible rural area. While there are variations among them, one thing they have in common is that they serve as a basic test of eligibility. They are gates, if you will. If you don't meet the standard, we don't even take your application; a gate does not open.

The other thing our several eligibility standards have in common is that they rely almost entirely on the total population as the definition of *rural*. That leaves out other obvious characteristics of a rural area compared to a metropolitan area, including some that might be of use to this Committee as well as to USDA in targeting resources to the areas of greatest need and best opportunity.

Every state and territory has areas that are more rural than others, certainly based on total population, but also based on other factors like population density, the presence of natural assets like lakes and forests, whether zoning exists and the types of land uses

that are authorized in that zoning, the prominence of production agriculture, as Congressman Costa was explaining, and the role that agriculture plays in the local domestic product and its workforce.

There are many, many definitions, among them, whether the community is large enough to get its own share of Community Development Block Grant funds from HUD, or Community Services Block Grant funds from HHS.

Once that basic eligibility is determined, though, and the gate opens, both our several statutes and agency regulations do provide additional tools to USDA Rural Development staff for targeting resources, particularly grant funds to communities that have the smallest population and the lowest median income.

USDA's Economic Research Service has done extensive work on how to best target resources to rural areas. And I am pleased to tell you that tomorrow they will be releasing an interactive atlas online that will give all of us a handy tool for mapping the characteristics that I have described, and others, that can help us all literally see where rural America is. As the new Census rolls out, that becomes more important. I am sure ERS would be happy to come do a demonstration of their new atlas tool for Subcommittee Members and staff.

The need to apply a single nationwide standard in each program, along with the variety of standards that exist under current law—everything from 10,000 in the case of the Water and Waste Disposal program, to no rural area requirement at all in some other cases—has been challenging for Rural Development staff and exasperating for our customers.

I can give you examples of these challenges from my past life as State Director for Rural Development in Pennsylvania. I also know many of you can, and some of you already have, given me examples that you are dealing with every day as your constituents call you in frustration.

In addition, it would appear that Congress has some frustration around this too. In 2008, the farm bill did give us some authority for what is called the “rural in character” exception to recognize that rapidly urbanizing areas may still contain pockets of communities that are essentially still rural in character. This is a start in flexibility but doesn't quite do the whole job.

In addition, every year, Members of Congress add general provisions to our appropriations law declaring that for whatever program a certain community that is otherwise not eligible, because its population is over that single nationwide standard, is nonetheless deemed to be rural until the next decennial Census comes out. Of course, that is going to happen between now and when Congress writes the next farm bill. And so we are going to have communities that think they are safe, because they have had a general provision that no longer will be in effect. We will also have communities as the Census data rolls out that have been eligible and won't be anymore.

And finally, we will have some communities that have not been eligible, but due to population loss, will become so. I am reminded of the 2000 Census. The City of Harrisburg, which is the state capital of Pennsylvania, dipped below 50,000 population, and for the

first time became eligible for the Business and Industry Loan Guarantee program. This opened up the whole of south central Pennsylvania to that program for the first time.

We are often asked in Rural Development, why do you have housing and business and energy programs? Why do you do health clinics? There are whole departments of the Federal Government that do these things, so why do you do them too? And the answer we give is that Rural Development has a unique role in the Federal family. We alone have the field structure, 47 state offices, 500 area offices where our staff can work shoulder to shoulder with rural communities to help them identify all of the resources that are out there, ours and other agencies, get them through the application process and help them succeed.

Rural Development also plays a somewhat unique role within USDA. We are not unmindful that we do what we do within the Department of Agriculture. I want to congratulate my fellow Pennsylvanian Congressman Thompson for his Subcommittee chairmanship on the conservation side.

The definition we have for eligible rural area in business programs includes every place except communities greater than 50,000 and adjacent urbanized areas. What that does is drive us out of the adjacent urbanized areas into open space and farm land. In states that have been experiencing rapid sprawl—

The CHAIRMAN. If the gentlelady could bring your remarks to a close, our time has expired.

Ms. COOK. Sure. I would be happy to do that.

For states that have experienced urban sprawl, that makes it particularly challenging to balance the priorities of USDA.

Finally, Mr. Chairman, there are a few instances in which current law does provide the ability to go into urban areas quite directly. That includes the energy title of the farm bill, it includes programs that can benefit food deserts, and it include renewable energy from the Rural Utilities Service both in rural and non-rural areas.

And with that, I will stop and address any questions you have.  
[The prepared statement of Ms. Cook follows:]

PREPARED STATEMENT OF CHERYL COOK, DEPUTY UNDER SECRETARY FOR RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Johnson, Ranking Member Costa and Members of Subcommittee, it is my pleasure to be with you today to discuss one of the most fundamental, and vexing questions we face in USDA Rural Development—how “rural” is defined, and what role rurality should play in how we function on behalf of the U.S. Department of Agriculture.

These are fundamental questions for USDA, as we exist to provide economic and community development to overcome obstacles based on rurality. Rural areas have experienced economic stress from long-term poverty and decades of population decline. Federal assistance from USDA is essential to these communities as they often don't have access to private capital markets and have limited access to assistance from other departments in the Federal Government. Moreover, they do not have the total population to support repayment of a bond to finance critical infrastructure needs or their population is so widespread that such a system would be prohibitively expensive.

These questions are vexing because, under current law, rurality is used to determine a project's basic eligibility for most of our programs and is defined almost solely in terms of total population thresholds. As a result, a single standard for program eligibility is applied equally in New Jersey and New Mexico, in Alabama and Alaska, in Virginia and the Virgin Islands. Given that each state has the right to deter-

mine its own municipal structures, a single standard that may sound simple in theory can be difficult to apply in practice. For example, Congress added language in the 2002 Farm Bill limiting the universe of eligible applicants for the Water and Waste Disposal program of Rural Utilities Service (RUS) and the Community Facilities program of Rural Housing Service (RHS) to “cities, towns, and unincorporated areas” whose populations did not exceed the previously established population limits. Such language does not properly account for the variety of local forms of government including townships, boroughs, and other municipalities that in many states describe the very less-populated municipalities those programs are intended to reach. It also overlooks some of the structural uniqueness of several of the original colonies—in the role of a town and the status of a village, for example—dating back to the original Plymouth settlement in the 17th Century.

Further, relying almost solely on total population as the definition of rural leaves out other obvious characteristics of a rural area compared to a metropolitan area. Those characteristics might help direct USDA Rural Development’s resources to areas of greatest need and opportunity. Every state and territory have areas that are more rural than others, certainly based on total population, but also based on other factors such as population density, the presence of natural assets like lakes and forests, zoning regulations and land uses that might be covered in local ordinances, the prevalence of production agriculture and its infrastructure in the area’s gross domestic product and workforce, whether a community qualifies for its own share of Community Development Block Grant funds from the Department of Housing and Urban Development or Community Services Block Grant funds from the Department of Health and Human Services or has to compete for some of the remainder after urban centers have taken their share, and so forth. USDA’s Economic Research Service (ERS) has done extensive work on rurality, as have the other witnesses you will hear from today. Much of ERS’ work is available on-line through virtual briefing rooms found at <http://www.ers.usda.gov/Briefing/>. ERS also is about to release a new interactive atlas looking at many characteristics of rural areas. I believe it will be a very useful tool for Congress, USDA, and our private sector partners in rural economic and community development. Mr. Chairman, I’m sure that my colleagues in ERS would gladly do a demonstration of the new atlas for Subcommittee Members and staff.

Applying a single standard to determine rural eligibility along with the variety of standards that exist in current law has been challenging for Rural Development staff and exasperating for applicants and lenders.

Apparently, it also has been a source of frustration for Members of Congress. In recognition of the problems created by the rural area definitions, the 2008 Farm Bill provided the Under Secretary with limited authority to determine areas that do not meet the rural area definition as “rural in character” and thus an eligible rural area. While helpful, this authority has proven far too limited to fix the problems with the current definitions of rural area. In addition, each year Congress adds a series of general provisions to the agriculture appropriations legislation declaring that a certain municipality is deemed to be rural even though its population exceeds the statutory eligibility standard for that program.

Given that those general provisions largely expire with the release of new decennial Census data, the timing of today’s hearing is even more important. Many communities that have been eligible by reason of a general provision will not be after the new 2010 Census data is released. Further, the Census data will show that other communities no longer are eligible rural areas for certain programs, while still others that have experienced population loss might become eligible for the first time in decades. Now is an incredibly important time to review rurality and begin determining the best way to achieve our shared objectives of helping to create economic opportunities for rural citizens and helping them improve their quality of life. Mr. Chairman, I congratulate you and the other Members of the Committee for digging into these questions now.

USDA Rural Development administers over 40 different programs through its three agencies—Rural Utilities Service, Rural Housing Service, and Rural Business-Cooperative Service—delivered through 47 Rural Development state offices and nearly 500 area offices. These programs were authorized by several different laws. A complete set of all of our statutory “rural area” definitions is attached to my testimony as *Appendix 1*. I would like to focus the balance of my testimony today on three of those laws: the Consolidated Farm and Rural Development Act, or CONACT; the Rural Electrification Act; and the Farm Security and Rural Investment Act, which was amended by the Energy title of the 2008 Farm Bill.

Section 343(a)(13) of the CONACT defines “rural” and “rural area” for programs of USDA Rural Development authorized therein, principally business programs and community-based programs. In general, the Act provides a definition of “rural” or



“rural area” that is, “any area other than—(i) a city or town that has a population of greater than 50,000 inhabitants; and (ii) any urbanized area contiguous and adjacent to a city or town described in clause (i)”. This definition would act as a default definition for new CONACT programs, and is historically the definition applied to the business programs of Rural Business-Cooperative Service (RBCS).

The CONACT provides separate definitions for two additional program areas. For the Water and Waste Disposal direct loans, guaranteed loans, and grants of Rural Utilities Service, the Act defines “rural” and “rural area” as a, “city, town, or unincorporated area that has a population of not more than 10,000 inhabitants”. For the Community Facilities direct loans, loan guarantees, and grants of Rural Housing Service, the Act defines “rural” and “rural area” as a, “city, town, or unincorporated area that has a population of not more than 20,000 inhabitants”.

The Rural Electrification Act’s definition of eligible “rural area” for Rural Utilities Service’s electric loan and loan guarantee programs was changed in the 2008 Farm Bill from “any area of the United States not included within the boundaries of any city, village, or borough having a population exceeding 1,500”, to instead align with the Community Facilities program definition in Rural Housing Service, *i.e.*, municipalities with a total population not more than 20,000. However, those Rural Electric Cooperatives which still had an outstanding loan with RUS at the time and had been eligible under the prior definition retained their eligibility—once rural, always rural.

With the exception of Section 9007, the Rural Energy for America Program, the portions of Title IX of Farm Security and Rural Investment Act of 2002 assigned to Rural Development do not have a statutory requirement that projects be financed in a rural area. Proposed rules nonetheless including a “rural area” eligibility requirement comparable to other business programs were published by Rural Business-Cooperative Service (RBCS) for the Biorefinery Assistance Program (§ 9003), the Repowering Assistance Program (§ 9004), and the Bioenergy Program for Advanced Biofuels (§ 9005) on April 16, 2010 with a 60 day public comment period. Our intent was to have these programs mirror other types of business financing programs available from RBCS. Interim final rules for all three programs have been published.

Rural Development staff administering these loans, loan guarantees, and grants must ensure that funds are invested only in eligible areas. Once basic eligibility is determined, both the CONACT and agency regulations provide additional tools for targeting resources, particularly grant funds, to communities with the smallest populations and the lowest median household incomes. For examples:

- The RUS Special Evaluation Assistance for Rural Communities and Households (SEARCH) program makes predevelopment planning grants for feasibility studies, design assistance, and technical assistance, to financially distressed communities in rural areas with populations of 2,500 or fewer inhabitants for water and sewer projects (§ 306).
- The RUS technical assistance grants for water and sewer projects provide highest priority to communities with fewer than 5,500 residents (§ 306).
- The RHS Community Facilities Grant program directs the Secretary to provide higher Federal grant shares for facilities in communities that have lower community population and income levels, and creates a separate grant program for rural communities with extreme unemployment and severe economic depression (§ 306).
- The RBCS Rural Business Enterprise Grant program gives highest priority to projects in communities with fewer than 5,000 residents (§ 310B).

These additional priorities are applied as applications are scored or evaluated by Rural Development staff. Our success in targeting in loans, loan guarantees, and grants was one of several things discussed in Economic Information Bulletin Number 65 published by ERS in April 2010. This study found, among other things, that USDA’s rural development programs provide more funding per capita to totally rural areas (non-metro counties with less than 2,500 Census-defined urban residents) and to distressed non-metro areas (persistent poverty, low employment, and population loss counties) than to non-metro areas in general. The study is available on-line at [www.ers.usda.gov/Briefing/ruraldevelopment/eib65](http://www.ers.usda.gov/Briefing/ruraldevelopment/eib65).

The Rural Development Mission Area is often asked why USDA offers programs that offer assistance for home ownership, business and community development, public and waste water projects and electrical and biofuel ventures given that there are a number of other agencies that provide similar services. USDA provides these services specifically to rural communities that might not otherwise receive this funding. Moreover, our field structure allows our applicants to rely on Rural Development

opment staff in state and area offices and assist them in the application process. However, the problem is that we only have the ability to bring our entire tool box to municipalities of fewer than 10,000 residents that are not adjacent to an urbanized area. Elsewhere, our role involves helping to find other partners to do what we are prevented from doing ourselves because of eligibility standards.

Rural Development also plays a somewhat unique role as the primary economic development arm of the Department of *Agriculture*. Eligibility standards for our loan, grant, and loan guarantee programs can lead to conflict with the Department's other priorities and missions, particularly in states that have been grappling with significant urban sprawl. By eliminating from the CONACT eligibility definition for business programs not just those cities and towns larger than 50,000 inhabitants but also the adjacent urbanized areas, Rural Development focuses financing in projects outside the incorporated area on surrounding farmland and open spaces.

Prior to returning to USDA in March 2009, I served for 6 years as Deputy Secretary for Marketing and Economic Development in the Pennsylvania Department of Agriculture (PDA). One of my duties was to chair the Agricultural Lands Condemnation Approval Board, whose approval was required before state or local government entities could condemn preserved farmland for road improvements or other public uses. Our standard was to allow the conversion of farmland only when there was no reasonable and prudent alternative.

My PDA experience now stands in stark contrast to an eligible rural area standard for USDA's business programs that makes conversion of farmland the attractive first choice rather than the last resort for siting a business project. In several states, rapid sprawl has created urbanized areas in locations that were rural by anyone's measure only a decade ago. Congress took its first steps towards acknowledging sprawl problems in the 2008 Farm Bill by creating the potential for exceptions in the business programs. Projects could be sited in urbanized areas if, on a case-by-case basis, the Under Secretary for Rural Development determined that the site remained "rural in character". Attached to my testimony as *Appendix 2* is a spreadsheet showing how RBCS has administered that new flexibility in Fiscal Years 2009 and 2010.

Finally, Mr. Chairman, Congress has acknowledged that there are circumstances in which the best economic opportunities for rural people—no matter how "rural" is defined—can be realized by financing projects located in urban areas with access to infrastructure and markets. The CONACT, for example, allows cooperatives to finance agricultural value-added processing ventures in urban areas through the Business & Industry Loan Guarantee program, provided the purpose of the co-op is help producers within an 80 mile radius of the facility and that jobs created would go primarily to rural residents.

The 2008 Farm Bill added three additional examples. In addition to the new programs in the Energy title, Section 6015 created a carve-out in the CONACT of at least five percent of funding in the Business & Industry Loan Guarantee program for local and regional food systems, with priority for projects that benefit urban, rural, or tribal underserved areas, often called food deserts. Also, section 6108 amends the Rural Electrification Act to authorize electric loans for renewable energy (solar, wind, hydropower, biomass, or geothermal sources) for resale to rural and non-rural residents.

Just as Congress has recognized in these programs that people in rural communities sometimes benefit from the economic activity that occurs in neighboring non-rural areas, USDA has been working with its current programs to respond to many rural communities' efforts to organize on a more regional basis. This work recognizes that USDA has the responsibility to utilize our programs in such a way that best supports the hard work and ingenuity of those who live in rural communities. As this work progresses, we believe that it may also inform this important discussion around rural definition.

Mr. Chairman, we look forward to receiving new Census information over the coming months and with it a clear view of how rural America has changed over the last decade. We also look forward to continued discussions with this Subcommittee as to how best to meet evolving needs of rural citizens, helping them seize opportunities for economic growth that will help rural communities thrive. Thank you for holding today's hearing, and I would be happy to address any questions at this time.

APPENDIX 1

September 15, 2010

USDA RURAL DEVELOPMENT PROGRAM AUTHORITIES  
QUICK REFERENCE GUIDE  
FY2010

*Important Budget Note: This spreadsheet is a "snapshot in time". The Budget columns are sourced from a ProSum Spreadsheet dated April 7, 2010. Since then a great deal of reprogramming, rescissions or other adjustments have occurred that are reflected in the edits received from individual program reviewers over the past 4 weeks (late August, early Sept 2010). Program edits that reflect MAJOR differences from the April source document are noted in ITALICS. Additional changes to FY2010 Finding numbers are being made as this worksheet goes to press at FY 2010 year end. The regulation and legislative columns are updated through September 15, 2010. All column entries are subject to change throughout the fiscal year. General Provision special earmarks are not listed. The FY2010 Available Funding Column is not intended to be additive. Where earmarks are included in other totals we have attempted to note this. Finally, "carryover" is the catch-all term used in ProSum to capture all categories of availability other than FY2010 appropriations, including de-obligations; it is not necessarily "true" carryover. In most cases, relevant obligation entries had yet to be processed, and, accordingly, the "carryover" numbers are higher than would otherwise be the case. The "Quick Reference Guide" was last edited by Robin Meigel and reflects contributions from Ivor Lunking and Jeff McWilliams in RUS. It has not been reviewed by OGC. Please notify Robin Meigel of corrections or additions at [Redacted]. Links to external web pages are provided as a convenience but may not be current, or accurate, versions of the law.*

BUSINESS PROGRAMS

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
RURAL DEVELOPMENT BUSINESS PROGRAMS AUTHORITIES <a href="http://offices.sc.gov.usda.gov/locator/app?state=us&amp;agency=rd">http://offices.sc.gov.usda.gov/locator/app?state=us&amp;agency=rd</a>										

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Note: Copies of this Matrix which are not password protected may not be reliable

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
1	Business and Industry (B&I) Guaranteed Loan Program	7 CFR 4279 RD Instructions 4279.A, 4279.B, and 4287.B	E-page 34: § 310B(e)  CONACT	Most legal entities engaged in rural business and industry.	Any area outside the boundaries of a city or town with a population of 50,000 or more and the urbanized area contiguous and adjacent to such city or town.  E-page 93: § 443(a)(13)(C)  CONACT	For real estate, buildings, equipment, supplies, working capital, and some debt refinancing.  In the case of rural coop orgs that process agricultural commodities only, the Secretary may make an exception up to \$40 million.	\$10 million; exception may be granted by Administrator for up to \$25 million.  In the case of rural coop orgs that process agricultural commodities only, the Secretary may make an exception up to \$40 million.	30 years for real estate, 15 years for equipment, and 7 years for working capital.	\$ 1.3 Billion (stimulus) + 1.5 Billion = 2.8 Billion  -plus- \$163 MM 2008 Disaster Emerg. Supp.  Note: available program level can change depending on fees and % of glee for loans under P.L. 111-5 (2/17/2009)	\$ 70.8 Million 122.5 Million  \$ 8.7 Million
2	North American Development Bank Guaranteed Loans	MOU dated June 23, 1997	1993 NAFTA Implementation Act	Most legal entities engaged in rural business and industry	Businesses in communities with significant levels of workers adversely affected by NAFTA-related trade designated by NADBank and areas outside the boundaries of a city or town of more than 50,000 population and urbanized area contiguous and adjacent to such city or town.	For real estate, buildings, equipment, supplies, working capital, and some debt refinancing.  In the case of rural coop orgs that process agricultural commodities only, the Secretary may make an exception up to \$40 million.	\$10 million; exception may be granted by Administrator for up to \$25 million.  In the case of rural coop orgs that process agricultural commodities only, the Secretary may make an exception up to \$40 million.	30 years for real estate, 15 years for machinery and equipment, and 7 years for working capital.	\$ 4.4 Million (carryover only)  Assumes 1% glee fee plus .25% annual fee	\$351,000

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
3A	Rural Business Enterprise Grants (RBEG)	7 CFR 1942.301 (Subpart G) RD Instruction 1942-G	E-page 35: § 343(a)(1)(C) <del>CONNECT</del>	Public bodies, private non-profits, and Indian Tribes.	Any area outside the boundaries of a city or town of more than 50,000 population and the urbanized area, and adjacent to such city or town.  E-page 83: § 343(a)(1)(C) <del>CONNECT</del>	Establish revolving loan programs, technical assistance, working capital loans, equipment, and financing.	Based on funding availability, funding priority, and national goals and objectives.	N/A	\$35.2 Million -plus- \$3.1 MM carryover  \$4.1 MM additional carryover  \$140,000 2008 Disaster carryover	\$ 35.2 MM  \$ 3.1 MM  \$ 4.1 MM  \$ 140,000
		Included in Omnibus NOFA for ARRA Stimulus Monies published 7/23/2009 at 74 FR 36448  CFDA 10.769 CFDA 10.783 (ARRA-Stimulus)	7 USC 1932(c)							
3B	Rural Business Enterprise Grants (RBEG)  Congressional mandates	See 3A above for regulations Congressional RBEG mandates: <ul style="list-style-type: none"> <li>Tech Assist Transportation Grants</li> <li>Mississippi Delta</li> <li>Native American Tribes</li> <li>Native American-Transportation</li> </ul>	Pub L 111-8 FY2009 Omnibus Appropriations  §3108(c)(2) <del>CONNECT</del>	Qualified national organization Delta Regional Authority  See 3A above  See 3A above		To provide tech assistance for rural transportation See 3 A above  Must benefit tribe(s) Transport tech assist to tribe(s)	Typically \$500,000 or less   Typically \$250,000 or less	N/A	\$ 500,000 plus \$2,100 carryover \$ 300,000 carryover  \$ 2.76 MM plus \$696,000 carryover \$ 250,000	\$ 502,100  \$ 300,000  \$ 3.45 Million  \$ 250,000
		See also the Anticipatory NOFA published 10/13/2009 ( for FY 2010 ) at 74 FR 52445 <del>ER Search</del>								

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, If Applicable	FY2010 Available Funding	Budget Authority
6	Rural Economic Development Loans and Grants (REDLG)	7 CFR 4280, Subpart A  A Notice Inviting Preapplications for 74 FR was published 10/14/2010 at 74 FR 52736. Applications with deadlines for applications with the last being 6/30/2010. <a href="#">FR Search</a>	E-page 30: 52 USC 1921 Rural Electrification Act of 1936  7 USC 940c	RUS electric and telephone borrowers and persons eligible to be RUS borrowers (not delinquent on RUS debt or in bankruptcy proceeding) and certain electric utilities that have prepaid.  § 722 of the Ag. Division of the 2009 Omni Approps (GPO access not avail – link is to the enrolled version): <a href="#">AS enrolled</a>	Any rural area for which RUS borrower or RUS-eligible entity, elects to submit an application with priority to those of 2,500 or less.	Revolving loan programs, community development, technical assistance, working capital improvements, purchase of machinery and equipment, and working capital.	Loans: \$740,000  Grants: \$300,000	Loans: Maximum 10 years with zero percent interest. (20% cost share red.)  Grants: N/A	Loans \$33.1 MM plus \$ 5 MM carryover  Grants \$10.0 MM	Loans \$4.3 MM plus \$652,000  Grants Requested by RUS offset by rescission offset

GFDA 10.854

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
7	Rural Microentrepreneur Assistance Program (Loans and Grants)	Interim Final Rule published 5/28/2010 at 75 FR 30114, subsequently corrected on 7/19/2010 at 75 FR 41695 7 CFR Part 4280  Notice inviting applications published 6/3/2010 at 75 FR 31413, corrected on 7/29/2010 at 75 FR 44757 FR Search	E-page 133: § 379E CONACT  7 USC 2008s	Microenterprise Development Organizations	Any area outside the boundaries of a city or town of more than 50,000 population and the urbanized areas of such city adjacent to such city or town.  E-page 93: § 343(a)(3)(C) CONACT	Loans and grants to microenterprise dev. orgs (MDOs) as intermediaries which provide business and tech assistance and capacity building assistance to micro entrepreneurs	Loans: \$ 50,000 minimum \$ 500,000 maximum  Grants: \$130,000 maximum	Loans: Max 20 years, fixed rate where rate not to be less than 1%  ≥15% matching fund requirement	Loans \$ 29.3 MM Grants \$ 6.8 MM  Note: ProSum differs from NOFA dated 6/3/2010  The NOFA provided as follows: Loans \$ 36.2 MM Grants \$6.9 MM Micro TA grants: \$ 7.6 MM TA only grants: \$ 1.3 MM	\$ 6.19 MM \$ 6.8 MM



Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
8	BioRefinery Assistance Program	Proposed Rule published 4/16/2010 at 75 FR 20047 7 CFR 4279 Subpart C 7 CFR 4287 Subpart D  NOFA published 3/12/2010 at 75 FR 11840 (deadline for applications is 6/1/2010) seeking to deploy the balance of FY 2009 funds  NOFA published 5/6/2010 at 75 FR 25075 for FY 2010 funds (deadline for applications is 8/4/2010)  <a href="#">FR Search</a>	\$9003 of the 2002 Farm Bill as amended, restated and renumbered by \$9001 of Pub.L. 110-246 (2008 Farm Bill)  Pub.L. 110-246 7 USC 8103  E-page 2072: <del>2008 Farm Bill</del>  E-page 2072: <del>2008 Farm Bill</del>	Individual, Entity, Indian tribe, unit of State or local gov't (including a corp), farm cooperative, farmer coop org, assoc of ag producers, National Lab, Institution of higher education, rural electric public power entity, or consortium of any of those entities  Per Proposed Rule – majority foreign ownership not allowed	Per Proposed Rule: Project must be located in any area outside the boundaries of a city or town of more than 50,000 population and not in an area contiguous and adjacent to such city or town.  E-page 93: \$ 343.9a(13)(C) <del>CONNOACT</del>	Guaranteed BioRefinery Loans for the development and construction of commercial scale bioRefineries or co-processing facilities	Grant assistance not to exceed 30 percent of eligible project costs [Not appropriated in FY 2010]  Max loan amount \$250 million  Amount of guarantee will not exceed 80 percent of total eligible project costs. The percentage of guarantee ranges from 60 to 80 percent.	Term to be lesser of 20 years or 85% of useful life	<u>Grants</u>  [Not appropriated in FY 2010]  <u>Guaranteed Loans</u> \$691 Million  -plus- \$ 112 Million Carryover \$803 MM total  Total \$ 245 Million \$ 40 Million \$ 285 million Total cf. (NOFA dated 5/6/2010 provides up to \$150 Million in BA)	

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
9	Repowering Assistance	<p>Proposed rule published 4/16/2010 at 75 FR 20073 7 CFR 4288</p> <p>NOFA published 3/12/2010 at 75 FR 11841 seeking to deploy balance of FY 2009 funds</p> <p>NOFA dated 5/6/2010 at 75 FR 24873 for FY 2010 funds (deadline is 7/20/2010)</p> <p>FR Search</p>	<p>§9004 of the 2002 Farm Bill as amended, restated and renumbered by §9001 of Pub L. 110-246 (2008 Farm Bill)</p> <p>Pub. 110-246 7 USC 6104</p> <p>E-page 2075; 2008 Farm Bill</p>	<p>Biorefineries in existence when the 2008 Farm Bill was enacted</p> <p>Per proposed rule: majority foreign ownership excluded</p>	<p>Per Proposed Rule: Refinery must be located in a rural area (outside a city or town with 50,000 population or otherwise in an area determined to be rural as designated by the Secretary.)</p>	<p><b>Repowering Assistance.</b> Rural Repowering replaces fossil fuels used to produce heat or power to operate the biorefineries</p>	<p>Lesser of \$5 million or 50% of eligible costs</p>	<p>Not applicable</p>	<p>\$ 35 million carryover only</p> <p><b>Cf.</b> \$8 million authorized in FY 2010 per NOFA dated 5/6/2010</p>	\$ 35 million

CFDA: 10.866 [Pending]

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
10	Advanced Biofuel Payment Program	<p>Proposed rule published 4/16/2010 at 75 FR 20085</p> <p>7 CFR Part 4288 Subpart B</p> <p>NOFA published 3/12/2010 at 75 FR 11836 seeking to deploy balance of FY 2009 funds.</p> <p>Notice of Certified Proposed published May 6, 2010 at 75 FR 24865</p> <p>However, NOTE:</p> <p>Notice published August 18, 2010 at 75 FR 30980 allows applications from majority owned foreign entities and non-rural projects (previously excluded)</p> <p><u>FR Search</u></p> <p>CFDA 10.867 [Pending]</p>	<p>§9005 of the 2002 Farm Bill as amended, restated and renumbered by §9001 of the 2008 Farm Bill</p> <p>Pub L 110-246 (2008 Farm Bill)</p> <p>Pub. 110-246</p> <p>7 USC 8105</p> <p>Ex-page 2075; 2008 Farm Bill</p>	<p>Producers of advanced biofuels</p> <p>One producer per refinery</p> <p>Per proposed rule majority foreign owned entities and non-rural projects would not be allowed; however, trade press indicates expectation that the Final Rule will allow foreign ownership</p>	Rural as well as urban	<p>Payments to support and ensure an expanding production of advanced biofuels</p>	<p>Payments to be based on:</p> <p>Quantity &amp; Duration of Production; net nonrenewable energy consumed; and other factors as determined by the Secretary</p> <p>One payment – to follow after the year is over. Amount of payment to be a function of how many eligible participants there are.</p> <p>For a FY, not more than \$250 million of the funds shall be made available to eligible producers with a refining capacity exceeding 150,000,000 gallons of Advanced Biofuel per year.</p>	Not applicable	<p>\$ 55 Million -plus-</p> <p>\$ 55 MM Carryover</p> <p>\$ 110 Million</p> <p><i>Or:</i></p> <p>NOFA dated August 10 states \$40 MM of funds authorized as available</p> <p>(\$25 MM remaining from FY 2009 plus \$15 MM from FY 2010)</p> <p>FY2010 payments will be after the end of the fiscal year. Since the rule is final, payments are expected to be quarterly based on actual production using a quarter of the FY allocation each quarter</p>	\$ 110 Million

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
11	Rural Energy for America (REAP) (successor to the "9006" program") Grants	7 CFR 4280 Subpart B  Notice Inviting applications for renewable energy systems and energy efficiency improvements published 4/26/2010 at 75 FR 21594  The NOFA inviting applications for energy audits and renewable energy development assistance grants published 5/27/2010 at 75 FR 29706 also confirms the intent of the Agency to publish a proposed rule that will revise current program to conform to 2008 Farm Bill amendments, to be followed by a final rule in FY 2011  The NOFA inviting grant applications for Renewable Energy Feasibility Studies was published 6/6/2010 at 75 FR 47525   FR Search  CFDA 10 868	§9007 of the 2002 Farm Bill (Title IX) as amended, and §9001 of the 2008 Farm Bill (Title IX)  E-page 2077 in the following hyperlink: <a href="#">2008 Farm Bill</a>  • Grants: §9007(c)(1)  • Feasibility Studies: §9007(c)(3)  • Energy Audits & Tech Assistance: §9007(e)(1)	For energy audits and renewable energy development assistance grants, the NOFA invited applications from local government, land-grant colleges, universities, or other institutions of higher education, including Tribal Colleges and 1890 Land Grant Colleges and Historically Black Universities), rural electric cooperatives, and public power entities  For feasibility studies and regular REAP: agriculture producers and rural small businesses	Project must be located in any area outside the boundaries of a city, town, or village with a population of 50,000 or more and the urbanized area contiguous and adjacent to such city or town.  E-page 93: § 543(a)(13)(C) CONACT	Grants may be for: energy audits, energy audits and assistance, energy efficiency improvements, purchase renewable energy systems, and energy efficiency services  use of grant for feasibility study	\$100,000 per grant; NOFA for energy audits and renewable assistance not to exceed 25% of eligible project costs per 7 CFR 4280.110  \$2,500 - \$500,000 for renewable system grants  \$1,500 - \$250,000 for energy efficiency grants  \$0- to \$50,000 feasibility studies	Not applicable	Grants * \$24.9 Million plus- \$33 million mandatory \$57.9* million total  Feasibility Studies \$0- MM plus- \$3.0 MM mandatory \$3.0* million total  Energy Audits & Tech Assist \$2.4 Million  *Note - these numbers differ from the April 2010 ProSum foundation doc per edits from program areas as of August 2010	\$50 million*

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
12	Rural Energy for America (REAP) (successor to the "9006" program) Guaranteed Loans	7 CFR 4280 Subpart B  NDSA published 4/26/2010 at 75 FR 21584 announcing a FY 2010 application window <a href="#">FR Search</a>  CFDA 10.868	\$9007 of the 2002 Farm Bill (Title IX) as amended, restated and renumbered as \$9001 of the 2008 Farm Bill (Title IX)  E-page 2077 in the following hyperlink: <a href="#">2008 Farm Bill</a>  Gleed Loans: \$9007(c)(1)	Ag producers and rural small businesses	Project must be located in any area outside the boundaries of a city or town with a population of 50,000 or more and the urbanized area contiguous and adjacent to such city or town.  E-page 93, \$343(a)(13)(A) <a href="#">CONACT</a>	Guaranteed Loans to purchase renewable energy systems, including solar, wind, and geothermal, and to make energy efficiency improvements	\$ 5,000 to \$ 25 million [combined loan + grant award may not exceed 75% of project cost]  Max loan glee = 60% where loan ≥ \$10 MM	See: <a href="#">7 CFR Sect. 4280.125</a>  (7 yrs working cap. up to 30 years for real estate)	\$ 105.7 MM (Assumes glee fee of 0.25% annual fee = 0.25%)  -plus- \$ 158.6 MM Carryover \$264.3 MM total  Per edits received from RBS Program: \$105.7 is discretionary \$158.6 should be labeled as mandatory	\$ 14.4 MM   \$ 21.6 MM  \$ 36.0 MM total
<b>OTHER AUTHORIZED PROGRAMS:</b>										
13	Health Care Services	No RBS activity at this time	\$6024 of the 2008 Farm Bill  E-page 138: \$ 379G <a href="#">CONACT</a>  7 USC 2008u	Consortium of producers of higher education, academic health and research institutes, and economic development entities located in the Delta region have experience in addressing the health care issues in the region	Lower Mississippi region and Alabama	To provide health care services, health education programs, and health care job training programs and to develop and expand public health resources in the Delta region	To be determined	N/A		

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14	Rural Energy Self-Sufficiency Initiative Grants	To be determined	\$9009 of the 2008 Farm Bill (Title IX) 2008 Farm Bill	Rural Communities, farms, ranches, and businesses in collaboration with university, fed or state agency, local utility or gov't entity with responsibility for water or natural resources		Grants to conduct an energy assessment, formulate a plan to conduct energy assessment, energy use, develop & install an integrated renewable energy system	To be determined	To be determined	-0-	
15	Rural Business Investment Program	7 CFR 4230 See SBA website at: <a href="#">RBIIP</a> CFDA 10.860	E-page 169: Subtitle H DONACT 7 USC 2009cc et seq.	Smaller and small enterprises primarily located in rural areas that have raised \$10 MM in equity	Outside a SMSA or within a community having a population of 50,000 or less	Enables each Rural Business Investment Company to make developmental venture capital investments in smaller enterprises	Up to 3 entities \$20MM debentures each \$1 MM grant each	To be Determined jointly by USDA & SBA	-0-	
16	Business and Industry (B&I) Direct Loan Program	7 CFR 1980 RD Instructions 1980-A and E	E-page 34: \$ 2106 DONACT 7 USC 1932(a)	Most legal entities engaged in rural business and industry.	Areas outside the boundaries of a city or town with a population of 50,000 or less and urbanized area contiguous and adjacent to such city or town.	For real estate, buildings, equipment, supplies, working capital, and some debt refinancing	\$10 million;	30 years for real estate, 15 years for machinery and equipment, and 7 years for working capital.	-0-	

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<b>RURAL DEVELOPMENT</b> <b>COOPERATIVE SERVICES PROGRAM AUTHORITIES</b> <b>CONTACTS: Washington, DC: 202.690.4730; State: <a href="http://offices.sc.egov.usda.gov/locator/app?state=us&amp;agency=rd">http://offices.sc.egov.usda.gov/locator/app?state=us&amp;agency=rd</a></b>										
1	Rural Cooperative Development Grant (RCDG)	7 CFR Part 4284, Subparts A & F  See NOFA dated 6/25/2010 at 75 FR 35349 <a href="#">ER Search</a>  CFDA 10.771	E-page 37: \$ 310(B)(e) <a href="#">CONTACT</a>	Non-profit corporations or institutions of Higher Learning	United States in Rural Areas	To establish or operate a Center to assist individuals or entities in the startup, expansion, or operational improvement of cooperative business. This can include training, education and research.	\$225,000  2008 Farm Bill requires that grantees up to 3 years of funding for grantees with proven record  Matching funds are required = 25% of total project cost; they may be other fed funds	N/A	\$ 7.9 MM  -plus-  Mandates and reservations listed in Rows 1A-2B	\$ 7.9 MM
1A	Appropriate Technology Transfer for Rural Areas (ATTRA)		E-page 44: \$ 310(B)(1) <a href="#">CONTACT</a>  (First USDA funding authorized in the Food Security Act of 1985) (Note: authorization is separate from RCDG)	National Center for Appropriate Technology (NCAT)  See <a href="http://www.ncat.org">www.ncat.org</a>	United States	Promotion of agricultural practices	Determined with appropriation act	1- year cooperative agreement term	\$ 2.8 MM	\$ 2.8 MM

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<b>1B</b>	Research on National Economic Impact of Cooperatives (RCDG Mandate)	Request for Proposals published 8/4/2010 at 75 FR 46904 <a href="#">FR Search</a>  CFDA 10.778	E-page 40: § 3106(e)(10) <a href="#">CONAGL</a>	Qualified academic institution	United States	Research on issue of determining the national economic impact of cooperative organizations.	\$500,000 (Authorized to be appropriated)	N/A	\$ 300,000	\$ 300,000
<b>1C</b>	Small Socially Disadvantaged Producer Grant (RCDG mandate)	See NOFA dated 4/28/2010 at 75 FR 22358 <a href="#">FR Search</a>  CFDA 10.771	E-page 40: § 3106(e)(11) <a href="#">CONAGL</a>	Minority Cooperatives or Minority Associations of Cooperatives.	Areas outside towns having a population greater than 50,000 and any adjacent areas that are not an urbanized area, that is nevertheless rural in character.	Technical assistance to members or to other socially-disadvantaged producers.	\$ 200,000	N/A	\$ 3.46 Million	\$ 3.46 Million
<b>2</b>	Value-added Agricultural Market Development Producer Grants (VAPG)	Proposed Rule published 5/28/2010 at 75 FR 29920 <a href="#">7 CFR Part 4284 Subpart J</a>  RD Instruction 4284-A and 4284-J  <a href="#">FR Search</a>  CFDA 10.352	§221(b) of the Agriculture Extension Act of 2000, as amended by § 6202 of the 2008 Farm Bill  E-page 1967: 2008 Farm Bill  7 USC 1632a See 7 USC 1621 note	Independent agriculture farmer and rancher cooperatives, agriculture producer groups and majority controlled producer based business groups	United States	Planning or Working Capital to establish a new agricultural marketing venture	\$500,000  Matching funds ≥ \$ requested grant amount	Grant for planning studies or for purchase of land, but not both. No buildings or equipment to be funded. One for One match required. New Farm Bill language includes the addition of a streamlined process for grants under \$50,000.	\$ 19.3 MM -plus- \$ 18.9 MM in carryovers \$ 38.2 MM total  Plus  Reserved mandates listed in line 2B	

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<b>2A</b>	Value-added Agricultural Market Development, Ag Marketing Resource Center Grant	NOPFA for pilot project approved March 6, 2001 at 66 FR 13487 <a href="#">FR Search</a>	\$231 of the Ag Risk Protection Act of 2000  7 USC 1632a(c)(1)  CFDA not established	Consortium of universities	United States	Development of an electronic library of information concerning value-added agricultural product marketing	Ongoing funding for established center see: <a href="http://www.agcenter.org">WWW.AGCENTER.ORG</a>	Up to 5% of the annual VAPG funds made available	\$ 1 million	\$ 1 million
<b>2B</b>	Value-added Agricultural Market Development Producer Grants (VAPG)		\$231(b) of the Ag Risk Protection Act of 2000, as amended by §6202 of the 2008 Farm Bill  E-page 1967; <a href="#">2008 Farm Bill</a>  7 USC 1621 note	Beginning farmers or ranchers and/or; Socially disadvantaged producers  Entities that propose to develop Mid-Tier Value Chains					\$ 366,700 -plus- \$ 1.5 MM carryover for Beginning & socially-disadvantaged farmers & ranchers	\$ 1.9 MM
	Reservation of funds	CFDA 10.352							\$ 366,700 -plus- \$ 1.5 MM carryover for mid tier value chain projects	\$ 1.9 MM

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
3A	Rural Business Opportunity Grants (RBOG)	7 CFR 4284 Subparts A & G RD Instruction 4284-G  See NOFA published 3/29/2010 at 75 FR 15406 <a href="#">FR Search</a>  CFDA 10.773	E-page 83: § 306(a)(11) CONAGCI  7 USC 1928(a)(11)	Public bodies, non-profits, Indian Tribes, and cooperatives.	Any area outside the boundaries of a city or town of more than 50,000 population and the urbanized area contiguous and adjacent to such city or town.  E-page 83: § 343(a)(13)(C) CONAGCI	Technical assistance for business development and economic development planning.	\$250,000 per application (this funding limit does not apply to Tribes or REAPs per 3/29/2010 NOFA.)	N/A	\$1.5 MM plus \$146,000 Carryover  Cf. The 2010 NOFA states \$ 7.48 MM in funding in contract to ProSum dated 4/7/2010	\$ 1.5 MM plus \$146,000 Carryover
3B	Rural Business Opportunity Grants (RBOG)  Congressional mandates	See 3A above for regulations  Congressional RBOG mandates:  Native American Tribes  Mississippi Delta	Pub. L. 111-3 FDG Appropriations  E-page 83: § 306(a)(11) CONAGCI	See 3A  Delta Regional Authority		See 3A above  See 3A above			\$ 990,000 plus \$800,000 carryover  \$ 32,000 carryover only	\$ 999,000  \$ 32,000
4	Empowerment Zones and Enterprise Communities	<a href="#">7 CFR Part 25</a>  THIS PROGRAM SUNSETTED ON DECEMBER 31, 2009   CFDA 10.772	Original legislation: P.L. 103-66 107 Stat. 543    26 USC 1391	Communities designated by the Secretary having high poverty rates or outmigration rates. Currently no communities are being accepted; there is no expectation that additional designations will be authorized by Congress.	Cannot exceed 30,000 population in aggregate, nor 1000 square miles	Most community development and social development activities		N/A	\$ 499,000 -plus- \$ 13,000 carryover  \$512,000 total	\$ 512,000

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5	Grant Program for Employment Opportunities for People with Disabilities in Rural Areas	New Program -- in the process of promulgating regulations  Public Meeting held 1/26/2009 to hear comments & suggestions for implementation. See Notice published 1/21/2009 at 74 FR 3550 <u>FR Search</u>	E-page 136: § 759A of the <u>CONACT</u>	Non-profit organizations or consortium of same (see above) with a significant focus on providing services to individuals with disabilities; demonstrated knowledge and expertise in (a) the needs of (the disabled); advising private entities on accessibility issues involving (the disabled); expertise in removing barriers to employment and self employment and entrepreneurship for people with disabilities	Any area outside the boundaries of a city or town with a population of 50,000 or more and the urbanized area contiguous and adjacent to such city or town.  E-page 93: § 543(a)(13)(C) <u>CONACT</u>	Grants  May be used to expand or enhance employment opportunities for individuals with disabilities in rural areas by developing national technical assistance and demonstration resources to assist small businesses in a rural area to recruit, hire, accommodate, and employ individuals with disabilities, and to provide technical assistance and entrepreneurship opportunities for individuals with disabilities in rural areas	TBD	Grants: N/A		
6	1890 Land-Grant Institutions Rural Entrepreneurial Outreach and Development Initiative	This is more accurately characterized as an initiative rather than a formal regulation. There are no program specific regulations  NOFAs are no longer issued for this initiative; the institutions are contacted directly  <u>FR Search</u>  CFDA 10.856	Section 607(b)(4) of the National Development Act of 1972, as amended by § 759A of the 1996 Farm Bill (P.L. 104-127)  7 USC 2204(b) and E.O. No. 13256 (Feb. 12, 2002)	1890 Land Grant Institutions  Tuskegee University	Small rural American communities that have the most economic need.	Outreach to small businesses and to develop programs that will develop future entrepreneurs and businesses in rural America. To create a partnership between the 1890 Institutions and RBS	Set by NOFA FY 2008 limit = \$115,000	Competitive agreement program with a minimum of 25 % match.	S & E Availability	S & E Availability

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7	Agriculture Innovation Center	7 CFR 4284 Subpart K	Authorized by §6402 of the 2002 Farm Bill Reauthorized by §6203 of the 2008 Farm Bill E-page 426: <a href="#">2002 Farm Bill</a>						\$ 16.5 MM -carryover-	\$ 16.5 MM
8	Technical Advisory Service to Cooperatives	N/A  CFDA 10.350	7 USC 1621 note Cooperative Marketing Act of 1926 <a href="#">7 USC 453</a>	Agricultural Cooperatives	United States	To make surveys and analyses of the accounts and business practices of cooperatives upon their request.	N/A	N/A	S & E Availability	S & E Availability
9	Technical Advisory Service to Producers Desiring to Form a Cooperative	N/A  CFDA 10.350	Cooperative Marketing Act of 1926  <a href="#">7 USC 453</a>	Agricultural Producers	United States	To confer & advise with groups of producers and make surveys and analyses of the facts surrounding the production and marketing of the agricultural products the producers would handle or market.	N/A	N/A	S & E Availability	S & E Availability

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10	Cooperative Education	N/A	Cooperative Marketing Act of 1926	N/A	World	To promote the knowledge of cooperative principles and practices and to cooperate, in promoting such knowledge, with educational and marketing agencies, associations, and others.	N/A	N/A	S & E Availability	S & E Availability
		CDFA 10.350	7 USC 453							
11	International Assistance	N/A	Cooperative Marketing Act of 1926	N/A	World	To acquire and disseminate information and knowledge that may be useful in the development and practice of cooperation	N/A	N/A	Donor funding availability	Donor funding availability
			7 USC 453							

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
12	Provide Technical Assistance to rural communities	Community Development Technical Assistance Handbook	Pub. L. 92-419, Rural Development Act of 1972  7 U.S.C. 2204b	Non-metropolitan communities in the 50 States including Alaska, Hawaii, Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of Northern Mariana Islands, and to the extent the Secretary determines it to be appropriate, the Federally Associated States and the Federated States of Micronesia.	Less than 50,000	Community development plans, programs and activities	No limit	N/A		
13	Coordination within the Executive Branch for community development	Community Development Technical Assistance Handbook	Pub. L. 92-419, Rural Development Act of 1972 (7 U.S.C. 2204b)	Non-metropolitan communities	Less than 50,000	Community development plans, programs and activities	No limit	N/A		

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14	National Rural Development Partnership	CFDA 10.353	E-page 124: § 378 CONACT  7 USC 2008m	Eligible SRDCs must meet the following requirements: 1) Be composed of representatives of the Federal, State, local and tribal governments, nonprofit organizations, and organizations in the private sector, and other entities committed to rural advancement; 2) Operate with a broad-based and nondiscriminatory membership that is representative of the broad-based and political diversity of the state;	The 50 States including the Commonwealth of Puerto Rico, the Virgin Islands of the United States, American Samoa, the Northern Mariana Islands, and, to the extent the Secretary determines it to be feasible and appropriate, the Freely Associated States and the Federated States of Micronesia.	As specified in the 2002 Farm Bill, upon entering into a recognition agreement with the USDA, the SRDC must: 1) Facilitate collaboration among federal, state, local, and tribal governments and the private and nonprofit sectors in the planning and implementation of programs and projects that have an impact on rural areas of the State 2) Monitor, report, and comment on policies and programs that address, or fail to address, the needs of the rural areas of the State;	Recognition by the Secretary does not guarantee that a SRDC will automatically receive funding from the USDA. The Federal agency, but will enable Federal grants, gifts, contributions, provide technical assistance, or enter into contracts or cooperative agreements with the SRDC, in addition to making the SRDC automatically a part of the National Rural Development Partnership	N/A		

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY2010 Available Funding	Budget Authority
14 (cont.)	National Rural Development Partnership (continued)			3) Have a structure in which the membership is responsible for the governance and operations of the SRDC; and 4) Provide matching funds, or in-kind goods or services, to support the activities of the SRDC, as more fully described below.		3) In conjunction with the SRDC, facilitate the development of strategies to reduce or eliminate conflicting or duplicative regulatory requirements of Federal, State, local, and tribal governments; 4) Provide to the NRDC an annual plan with goals and performance measures; and 5) Submit to the NRDC an annual report on the progress of the SRDC in meeting the goals and measures established in the annual plan				



## HOUSING PROGRAMS

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
NOTE: ON MARCH 4, 2010 at 75 FR 9867 RURAL HOUSING PUBLISHED A NOTICE SAYING THAT NOFA PUBLICATIONS WOULD BE DISCONTINUED FOR CERTAIN (UNIDENTIFIED) PROGRAMS										
RURAL DEVELOPMENT										
COMMUNITY FACILITIES PROGRAM AUTHORITIES										
CONTACTS: Washington, DC: 202.690.1533; State: <a href="http://offices.sc.ehoy.usda.gov/locator/app?state=us&amp;agency=rd">http://offices.sc.ehoy.usda.gov/locator/app?state=us&amp;agency=rd</a>										
1	Community Facilities Direct Loan Program	7 CFR 1942 RD Instruction 1942-A  RD Administrative Announcement (AN) No. 4395 applicable to 7 CFR 1942-A, 3570-B and 3575-A  Included in Omnibus NIFA Inter-IRCA Supplemental Notice published 7/23/2009 at 74 FR 36448  FR Search	E-page 10: § 306(a)(1) CONTACT          7 USC 1926(a)(1)	Public bodies, nonprofits, and Federally recognized Indian tribes	Rural Areas with a population up to 20,000  E-page 83: § 343(a)(13)(C) CONTACT	Funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services	Based on project cost and availability of funds.	The maximum loan term is lesser of 40 years, state law, or the useful life of the facility	\$881.6 Million plus \$931.8 Million Stimulus plus \$609.6 Million in various disaster supps.   \$2.42 Billion Total	\$32.1 Million Total
CFDA 10.776										

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
2	Community Facilities Guaranteed Loan Program	7 CFR 357.5 RD Instruction 357.5-A  CFDA 10.776	E-page 10: § 306(a)(1) <u>CONACT</u>  7 USC 1926(a)(1)	Public bodies, nonprofits, and Federally recognized Indian tribes	Rural Areas with a population up to 20,000	Funds may be used to construct, enlarge, or improve community facilities in health care, public safety, and public services	Based on project cost and availability of funds.	Maximum term is set by guaranteed lender.  The maximum interest rate is less than or equal to 40 years, state statute or regulatory limit, or the useful life of the facility	\$266.5 Million plus \$88.4 Million in various disaster supps.  \$353.9 Million Total	\$11.4 Million Total
3	Community Facilities Grant Program	7 CFR 357.0 RD Instruction 357.0-B  CFDA 10.776	E-page 16: § 306(a)(19) <u>CONACT</u>  7 USC 1926(a)(19)	Public bodies, nonprofits, and Federally recognized Indian tribes	Rural Areas with a population up to 20,000	Funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public services	Up to 75% of eligible project cost (based on need and funding availability)	N/A	\$23.3 Million plus \$71.1 Million Stimulus plus \$16.36 Million in various disaster carryover supps  \$110.8 Million Total	\$110.8 Million Total
4	Rural Community Development Initiative Grant Program (RCDI)	NOFAs The most recent NOFA was published 6/25/2009 at 74 FR 30510 (FY2009) FR Search CFDA 10.446	RCAP earmark FY2009 Approp P.L. 111-3 RCAP earmark under §306(a)(19) <u>CONACT</u> Page H1684 Congressional Record 2/23/2009	Public bodies, for nonprofits, and Indian Tribes	Areas outside the boundary of a city of 50,000 or more and its immediately adjacent urbanized area	To build capacity and provide technical assistance to undertake projects in areas of housing, community facilities, or community and economic development	\$50,000-\$300,000  Matching fund requirement equal to amount of grant	N/A	\$6.26 Million plus \$6.67 Million "carryover" which is now gone as of 8/16/2010  \$12.9 Million Total	\$12.9 Million Total

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
5	Rural Coop Home Based Health Care Demo	The most recent NOFA was published 1/25/2010. 68 FR 69649 <a href="#">FR Search</a>	The Home Care demo pilot first appeared as a \$1MM earmark for FY2003. RCDCI is itself an earmark within RCAP  P.L. 108-7 117 Stat. 27						\$327,227 Carryover only	\$327,227 Carryover
6	Tribal College Grant Program	RD Instruction 3570-B  <a href="#">7 CFR 3570</a> Subpart B  RD Administrative Amendment (AN) No. 4356	E-page 19: § 306 (a) (25) <a href="#">CONTACT</a>  7 USC 1926(a)(25)	31 Tribal Colleges under the Equity in Education Act of 1994	31 Tribal Colleges under the Equity & Education Act of 1994	Eligible CF projects for Tribal Colleges which include schools, education equipment, libraries, and dorms	\$250,000 per land grant institution (up to 95% of project cost)  Application deadline was June 1, 2010 – funds have been allocated to the states	N/A	\$3.97 Million plus \$350,000 Carryover  \$4.32 Million Total	\$4.32 Million Total

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7	Economic Impact Initiative Grant Program	RD Instruction 357D-B RD Administrative Announcement (AN) No. 4356	FY2010 Approp Pub. L. 111-80 RCAIP earmark under \$306(a)(19) and \$306E(d)(1) <u>CONTACT</u>	Public bodies, nonprofits, and Federally recognized Indian tribes	Rural areas with a population up to 20,000 that have a not-employed rate greater than 19.5%	Funds may be used to construct, enlarge, or improve community facilities for health care, public safety, and public service.	Up to 75% of eligible project cost (based on need and funding availability)	N/A	\$13.9 Million plus \$2.5 Million Carryover \$16.4 Million Total	\$16.4 Million Total
<b>RURAL DEVELOPMENT</b> <b>MULTI-FAMILY HOUSING PROGRAM AUTHORITIES</b> <b>CONTACTS: Washington, DC: 202 690.1533; State: <a href="http://offices.sc.enov.usda.gov/locator/app?state=us&amp;agency=rd">http://offices.sc.enov.usda.gov/locator/app?state=us&amp;agency=rd</a></b>										
1	Rural Rental Housing Direct Loan Program	7 CFR 3560  See NOFA dated 4/16/2010 at <a href="http://www.usda.gov">www.usda.gov</a> and at 75 FR 18348 for new construction set aside info  <u>FR Search</u>  CFDA 10.415	\$ 515 of the Housing Act of 1949  42 USC 1485	Individuals, trusts, associations, limited partnerships, For-profit organizations, nonprofits, cooperatives, limited equity cooperatives, Native American tribes, public agencies	Eligible rural communities of populations of 20,000 or less.	New construction of multi-family rental housing for very-low, low, and moderate income families, the elderly, and persons with disabilities. Funds may also be used for rehabilitation of existing Section 515 units and to facilitate sales of 515 properties in receivership	\$1 million in FY 2010  Repair funds: No more than 10% of availability, based on need and funding levels.	Maximum of 30 years with a 50-year amortization.	\$69.5 Million plus \$1.4 Million 2007 Disaster Carryover \$72.35 Million Total  Plus: \$ 1.45 MM Credit Sales [ \$ 18.9 MM of total is set aside for new construction]	\$18.9 Million plus \$382,155  \$19.8 Million Total  \$ 556,000

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2	Rural Rental Housing Guaranteed Loan Program	<p>7 CFR 3555 Proposed Rule published 1/29/2010 at 75 FR 4707 proposes one glee to cover construction plus permanent</p> <p>Final Rule is expected to be published September 2010</p> <p>Notice of \$10MM demo for direct costs published 5/10/2010 at 75 FR 25829 – corrected at 75 FR 33573</p> <p>NOFA for FY 2010 published 2/26/2010 at 75 FR 8896</p> <p>FR Search CFDA 10.438</p>	<p>§ 538 of the Housing Act of 1949</p> <p>42 USC 1490p-2</p>	Individuals, nonprofit organizations, public agencies, American Indian tribes, for-profit corporations, partnerships	Eligible rural communities of 20,000 population or less.	Development of affordable rental housing for low to moderate-income households with incomes up to 115 percent of the area median income.	No maximum.	<p>Minimum 25 year term; up to 40-year amortization. Rates must be fixed and are subject to adjustment between lender and borrower, within the RHS maximum</p>	<p>\$129.1 Million plus \$737,032 No Year (subject to adjustment) plus \$6.2 Million 2008 Disaster Emer. Supp Carryover</p>	<p>\$1.5 Million plus \$142,000 plus \$1.2 Million</p>

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3	Farm Labor Housing Loan and Grant Program	<p>7 CFR 3560</p> <p>See NOFA published May 10, 2010 at 75 FR 25833, as published per notice published 6/17/2010 at 75 FR 34421</p> <p><a href="#">FR Search</a></p> <p>CFDA 10.405</p>	<p> §§ 514 and 516 of the Housing Act of 1946</p> <p>42 USC 1484</p> <p>42 USC 1486</p>	<p>Loans are made to farmers, family farm corporations, Native American tribes, organizations, limited partnerships with a nonprofit component, and public agencies of associations of farmworkers. Grants are made to farmworker associations, nonprofit organizations, Indian tribes, and public agencies.</p>	<p>No population limit. Farm labor housing funds may be used in areas to house nearby farm workers.</p>	<p>To build affordable rental housing and repair existing housing for both migrant and year-round farm workers. Units may be off-farm housing available to eligible farm workers of any family operation or farmworker association for farm employees.</p> <p>Funds may also be used for repair of existing program units.</p>	<p>New construction: \$5 million total for FY 2010. Funding limits are announced annually in the Notice of Funds Availability (NOFA).</p> <p>Repair funds: No maximum. Availability based on need and funding levels.</p>	<p>Loans are 33 years at 1 percent interest. Grants may cover up to 90 percent of development costs.</p>	<p>Loans: \$29.3 Million</p> <p>Grants: \$9.9 Million</p> <p>Natural Disaster Direct Loans \$1.5 Million (Carryover)</p> <p>2003/2004 Hurricane Supp Grants \$1.1 Million (Carryover)</p> <p>Processing Workers Housing Grants \$3.2 Million (Carryover)</p> <p>NOTE: NOFA published 5/10/2010 provides a different breakdown than the ProSum dated 4/7/2010</p>	<p>\$10.6 Million</p> <p>\$9.9 Million</p> <p>\$536,000</p> <p>\$1.1 Million</p> <p>\$3.2 Million</p>

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4	Rental Assistance	7 CFR 3560  FR Search  CFDA 10.427	§ 521 of the Housing Act of 1949  See also §502 of the Housing Act of 1949 (Single Family)  42 USC 1490a	Available with the Section 515 Rural Rental Housing Program and the Section 514 and Section 516 Farm Labor Housing Program		Provides a project-based rental subsidy for qualifying tenants.	Applicants may request Section 521 Rental Assistance with their application to develop Rural Rental Housing units or off-farm Farm Labor Housing units.		\$ 969 Million -plus- \$5.4 MM in rental assistance related to sections 514, 515, 516	\$969 Million -plus- \$5.4 MM
5	Multifamily Voucher Demo Program	See NOFA published 4/4/09 at 75 FR 19363 - as corrected by Notice published 8/25/2010 at 75 FR 52303  FR Search  See "Rural Development Voucher Program Guide" available via State Offices  Applicable HUD regs at 24 CFR, Vol. 4, Part 982.  See also interagency agreement dated March 1, 2006	Farmland under FY 2010 Farm Income Stabilization Act (Pub. L. 111-80) (10/21/2009)  § 542 of the Housing Act of 1949 (w/out regard to § 542(b))  42 USC 1471 et seq	Low Income families residing in rural properties where the loan is prepaid after 9/30/05	See Section 515	Tenant-based rental assistance only	Voucher amount may not exceed the fair market rent  Cannot be used when other subsidies are present  Cannot be used in combination with RD rental assistance (See Line #3)		\$ 16.4 MM -plus- \$2.2 MM Carcouver \$ 24.6 Subtotal  Plus  \$1.9 MM 2008 Disaster Supp  \$26.5 MM Total	\$ 26.5 MM

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
6	Multifamily Demo for Preservation and Revitalization/ Restructuring 515 Properties	7 CFR 3560 7 CFR 3015 (grants)	Earmark under FY 2010 Ag Appropriation Pub.L. 111-80 (10/21/2009)  § 542 of the Housing Act of 1949	Owners of property financed under Section 515	See Section 515	Debt service forgiveness – the savings to be invested in physical rehab of 515 properties	Up to \$5,000 grant	Up to 20 year debt deferral on 1% loans	0% Loans \$30.9 MM plus \$ 2.6 MM Carryover 2008 disaster supp \$ 33.5 MM  Soft 2 <sup>nd</sup> loans \$8.4 MM plus 3.7 MM 2008 disaster supp  Grants \$ 8 MM plus \$159.71 2008 disaster	\$ 1 million      \$ 8.8 million  \$8.16 MM
7	Multifamily Preservation Demo Revolving Loan Fund	NOFA is expected to be published in September 2010 See NOFA published Aug. 19, 2008 at 73 FR 48368 FR Search	Earmark under FY 2010 Ag Appropriation Pub.L. 111-80 (10/21/2009)	Qualified financial intermediaries	See Section 515	Loans to financial intermediaries for on lending to Section 515 owners for the preservation and reconstruction of 515 properties	\$15 million cap on total MPDRL indebtedness per intermediary	1 percent cap; 30 years	\$ 6.4 MM plus 14.5 MM carryover \$ 20.9 MM total	\$ 5.8 MM

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8	Housing Preservation Grants	RD Instruction 1944.N See NOFA published 4/27/2010 at 75 FR 22096 as corrected 5/21/2010 at 75 FR 28542 FR Search	§ 533 of the Housing Act of 1949 <a href="#">42 USC 1490m</a>	Nonprofits, local governments, and Native American tribes.	Rural areas of 20,000 population or less.	Repair or renovate deteriorating homes and rental properties in very low and low income residents.	Based on funding levels and State allocation.		\$ 9.4 MM -plus- \$ 747,000 carryover of which \$ 75,000 is set aside for Rural Economic Partnership Zones	\$ 10.1 MM
9	Processing Labor Demo Housing Grants FY 2001 processing worker housing FY 2004 processing worker housing	See NOFA published Feb. 12, 2001 at 66 FR 9820 See NOFA published April 6, 2004 at 69 FR 18040	Enmark in the FY 2001 Appropriations Act, P.L. 106-387  Enmark in the FY 2004 Appropriations Act, P.L. 108-199	Private and public nonprofit agencies, state and local governments and tribal organizations (same for both NOFAs)	FY2001 Demonstration was limited to Arkansas and Mississippi  FY2004 Demonstration was limited to AK, MS, UT and WI (not limited to rural areas)	Development of affordable rental housing for agriculture, aquaculture, or seafood processing and/or literary workers are not eligible to live in Farm Labor Housing (same for both NOFAs)	FY2001- \$1.5 Million per request  FY2004- \$1.0 Million per request	Maximum 75% grant of total development cost  Maximum 80% of total development cost	\$3.17 MM carryover	\$ 3.17 MM

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10	Labor Force Grants (Section 14204 of 2008 Farm Bill)	Note: Per the USDA Delegation of Authority published July 23, 2010 this grant program is administered by the Director, Office of Advocacy and Outreach 75 FR 43390	Section 14204 of the 2008 Farm Bill						\$ 4 Million	\$ 4 Million

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RURAL DEVELOPMENT SINGLE FAMILY HOUSING PROGRAM AUTHORITIES CONTACTS: Washington, DC: 202.690.1533; State: <a href="http://offices.sc.gov/locator/app?state=us&amp;agency=rd">http://offices.sc.gov/locator/app?state=us&amp;agency=rd</a>										
1	Section 502 Direct Loans	7 CFR Part 3550 Proposed Rule published 3/2/2010 at 75 FR 10194  Included in Omnibus NOFA for ARRA Stimulus Monies published 7/23/2009 at 74 FR 35446  CFDA 10.410 and 10.445	§ 502 of the Housing Act of 1949  42 USC 1472	Very-low & low income households	Eligible rural areas, cities, and towns of less than 20,000 population.	Purchase, build or improve modest home for personal residence. Also, 100% financing. No down payment required.  Also, funds may be used for rehabilitation of existing Section 502 units and to facilitate sales of 502 properties in receivership	Up to 100% of the market value of the home (plus eligible closing costs) not to exceed the Area Loan Limit..	Presently 4.25% (Sept 2010) for 33 (low income) or 38 years VL Interest Rate Payment Subsidy typically reduces the effective interest rate – to as low as 1 % for very-low income households.	\$ 1.2 Billion Annual Approp 2010 Stimulus ARRA Stimulus + 910 MM Various disaster & emerg sup carriers (Sept program <del>edits struck out the \$910MM</del> ) -plus- \$ 10 MM Credit Sales \$ 3.3 Billion Total	\$ 40.7 MM \$ 47.0 MM \$ 33.0 MM  \$ 120.7 MM Total

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2	Section 502 Guaranteed Loans	7 <u>CFR</u> Part 1980  Final Rule published 8/26/2010 at 75 FR 52429  RD instruction 1980-D  Included in Omnibus NOFA for ARRA Stimulus Monies published 7/23/2009 at 74 FR 38446  Final Rule published 11/2/2009 at 74 FR 58571  prioritizes \$400 MM for refinancing of existing borrowers – both direct & gteed – with gteed loans	\$ 502(h) of the Housing Act of 1949	Low and moderate income households	Eligible rural areas, cities with population less than 20,000 population.	Purchase new or existing SF residence.  No mortgage insurance required.  A 3.5% guarantee fee for purchase transactions up to \$200,000 may be charged the lender (may be passed to the borrower)  Refinance transactions are eligible in limited cases  Guarantee fee for refinance transactions will increase to 2.25% in FY 2011	For purchase transactions up to 100.6265% loan-to-value is allowed if the entire 3.5% guarantee fee is financed.  For refinance transactions up to 100.5% loan-to-value is allowed if the 5% (FY 2010) guarantee fee is financed.  2.25% guarantee fee for refinance transactions in FY 2011  For refinance transactions up to 100.5% loan-to-value is allowed if the 2.25% guarantee fee is financed in FY 2011	Interest rate is negotiated with approved lender but is capped at the higher of the published VA rate with no points or the lender's rate plus 30-year fixed rate  Actual/Actual for a 90 day execution plus 60 basis points rounded up to the nearest million dollars of one percent.  This is a 30 year fixed rate program	<u>Purchase</u>  \$12.3 Billion -plus- \$1.0 Billion Carryover Stimulus  \$13.3. Billion  <u>Refinance</u>  \$200.6 Million -plus- \$98.6 million carryover Stimulus  \$264 Million  -plus- \$767 MM in various disaster & emergency supp  \$14.3 Billion Total  (Sept 2010 program edits read as follows:  \$12 Billion Purchase  Plus \$200 Million Refinance  Plus \$2 Billion in various disaster & emergency supps and carryovers	\$192 Million (\$178 Million)  

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
3	Section 502 Payment Assistance	7 CFR Part 3550.68	§ 502(G)(5)(D) of the Housing Act of 1949 42 USC 1472						\$ 6 million	\$ 6 million
4	Section 504 Housing Repair Direct Loans	7 CFR Part 3550 Subpart C Proposed rule under development that amends budget requirement – clearance expected in Spring of 2011 CFDA 10.417 and 10.444	§ 504 of the Housing Act of 1949 42 USC 1474	Very-low income households	Eligible rural areas, cities and towns of less than 20,000 population.	Make general repairs and improvements to modest residence or remove health and safety hazards.	\$20,000	1% interest, up to 20 years. Security interest required for loans over \$7,500.	\$ 34.4 MM -plus various hurricane and other emergency supp (carryovers) \$41.4 MM in various hurricane and other emergency supp (carryovers)	\$ 4.4 MM - \$ 5.3 MM
5	Section 504 Housing Repair Grants	7 CFR Part 3550 Subpart C Proposed Rule published 3/5/2010 at 75 FR 10184 Proposed rule under development that amends budget requirement – clearance expected in Spring of 2011 CFDA 10.417 and 10.444	§ 504 of the Housing Act of 1949 42 USC 1474	Elderly (age 62 or older) Very-low income households.	Eligible rural areas, cities and towns of less than 20,000 population.	Make essential repairs and improvements to modest residence or to safety hazards or to make property accessible and useable for household members with disabilities.	Lifetime maximum of \$7,500	Grant – recoverable if property sold within 3 years.	\$ 31.6 MM -plus- \$16.4 MM in various hurricane & other emergency supp (carryovers)	\$ 31.6 MM \$ 16.4 MM

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6	Section 509 Construction Defect Compensation	RD Instruction 1924.E CFDA 10.442	§ 509 of the Housing Act of 1949 42 USC 1479(G)	Section 502 Direct loan borrowers who built new homes and file a claim within 18 months of final inspection.	Eligible rural areas, cities and towns of less than 20,000 population.	Compensate Section 502 borrower for structural defects which the contractor will not correct.	Government provides direct assistance to cover the costs of correcting structural defects.	Grant	\$ 578,628	\$ 576, 628
7	Section 523 Mutual and Self-Help Grants & Technical Assistance	RD Instruction 1944.I See Proposed Rule published 5/18/2007 at 72 FR 27988 FR Search NOTE: No final rule found but: See Notice of Intent to hold public forum published 2/2/2010 at 75 FR 5281; extension of deadline to 7/15/2010 for written comments was published 4/19/2010 at 75 FR 20325 CFDA 10.420	§ 523 of the Housing Act of 1949 42 USC 1490c	State, political subdivision, public or private non-profit.	Eligible rural areas, cities and towns of less than 20,000 population.	Provide technical assistance to low- and moderate-income families who are building homes in rural areas by the self-help method.	Grant amounts are limited to the amount of previous grant.	Two year grant cycle.	\$ 41.8 Million -plus- \$ 14.5 MM (carryover) \$ 56.3 MM Total	
8	Section 523 Self-Help Site Loans	RD Instruction 444.8 CFDA 10.411	§ 523 of the Housing Act of 1949 42 USC 1490c(b)	Public or private non-profit organizations.	Eligible rural areas, cities and towns of less than 20,000 population.	To buy and develop building sites, including construction of roads, water and utilities. (Limited to mutual self-help participants.)	Loans require approval of National Office.	3%, 2 yrs.	\$ 4.97 MM	(negative subsidy)

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9	Section 524 Site Development Loans	RD Instruction <u>444.8</u>  CFDA 10.411	\$ 524 of the Housing Act of 1949  42 USC 1490d	Private or public non-profit organizations	Eligible rural areas, cities and towns of less than 20,000 population.	To buy and develop building sites, including construction of roads, streets, and utilities for any low- or moderate-income family.	Loans require approval of National Office.	Market rate, 2 yrs.	\$ 5.0 MM	(negative subsidy)
10	Section 525 Technical & Supervisory Assistance	RD Instruction <u>1944-K</u>  CFDA 10.441	\$ 525 of the Housing Act of 1949  42 USC 1490e	Public & private non-profits, agencies, Indian tribes and other associations	Eligible rural areas, cities and towns of less than 20,000 population.	To help low-income rural residents obtain or maintain adequate housing and provide counseling and outreach to reduce delinquency, repayments and RD borrowers.	Up to \$100,000	Grant, 2 yrs.		

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## UTILITIES PROGRAMS

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<b>RURAL DEVELOPMENT</b> <b>ELECTRIC PROGRAM AUTHORITIES</b> <b>CONTACTS: Washington, DC: 202.720.9540; State: <a href="http://offices.sc.gov.usda.gov/locator/app?state=us&amp;agency=rd">http://offices.sc.gov.usda.gov/locator/app?state=us&amp;agency=rd</a></b>											
1		Hardship Loan Program	<u>7 CFR 1710</u> <u>7 CFR 1714</u> <u>7 CFR 1717</u>	E page 16: Section 1938 of the Rural Electrification Act 1938: As Amended, 7 USC 901 et. seq. (RE Act)	Corporations, State, Territorial, and Subdivisions and Agencies, Municipalities, People's Utility Districts, and Cooperatives, non-profit and limited-dividend, Or Mutual Associations	Service to rural areas where the area outside the boundaries of a city or town of more than 20,000 population and the urbanized area contiguous and adjacent to such city or town. E-page 8: <a href="#">RuralElectrificationAct</a>	Electric distribution facilities	Not Applicable	Up to 35 years, based on the expected useful life of the facilities financed by the loan	\$ 100 million	
2		Municipal Rate Loan Program	<u>7 CFR 1710</u> <u>7 CFR 1714</u> <u>7 CFR 1717</u>	E page 16: Section 1938 of the Rural Electrification Act RE Act	Corporations, State, Territorial, and Subdivisions and Agencies, Municipalities, People's Utility Districts, and Cooperatives, non-profit and limited-dividend, Or Mutual Associations	Service to rural areas where the area outside the boundaries of a city or town of more than 20,000 population and the urbanized area contiguous and adjacent to such city or town. E-page 8: <a href="#">RuralElectrificationAct</a>	Electric distribution facilities	Not Applicable	Up to 35 years, based on the expected useful life of the facilities financed by the loan	-0-	

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3	Treasury Rate Loans	7 CFR 1710 7 CFR 1714 7 CFR 1717	E-page 4: §2(a) RE Act	Corporations, States, Territories, and Subdivisions and Agencies, Municipalities, People's Utility Districts, non-profit and limited-dividend, Or Mutual Associations	Service to rural areas where rural area = area outside the boundaries of a city or town of more than 20,000 population and the urbanized area contiguous and adjacent to such city or town. E-page 8: <a href="#">Rural Electrification Act</a> E-page 93: §343(a)(13)(C) <a href="#">CONACT</a>	Electric distribution and sub-transmission facilities	Not Applicable	Up to 35 years, based on the expected useful life of the facilities financed by the loan	-0-	
4	FFB Guaranteed Loan Program	7 CFR 1710 7 CFR 1714 7 CFR 1717	E page 21: §306 RE Act	Corporations, States, Territories, and Subdivisions and Agencies, Municipalities, People's Utility Districts, and Cooperatives, non-profit and limited-dividend, Or Mutual Associations	Service to rural areas where rural area = area outside the boundaries of a city or town of more than 20,000 population and the urbanized area contiguous and adjacent to such city or town. E-page 8: <a href="#">Rural Electrification Act</a> E-page 93: §343(a)(13)(C) <a href="#">CONACT</a>	Electric distribution, sub-transmission, bulk transmission, and generation efficiency investments and renewable energy systems	Not Applicable	Up to 35 years, based on the expected useful life of the facilities financed by the loan	\$6.5 Billion	Negative subsidy

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
5	Renewable Loan Program	Draft Workplan for OMB under program review	E page 34: §317 RE Act  7 USC 940g	Corporations, States, Territories, and Subdivisions and Agencies, Municipalities, People's Utility Districts, and Cooperatives, non-profit and not-for-profit associations, or Mutual Associations	No rural restriction	For electric generation from renewable resources for resale		Tax-exempt equivalent muni rate		
6	Bond and Note Guarantee Program for publicly issued securities	7 CFR 1720  Final Rule published 7/22/2010 at 75 FR 42571	E page 30: §313A RE Act  7 USC 940c-1	Bank or other lending institution organized as a private, not-for-profit corp or otherwise non-profit	N/A	Proceeds to be used to make loans to electric or telephone borrowers for eligible purposes under Part 1720 of the Finance Board's authority previously issued for such purposes	None	20 years	\$500 Million	Negative subsidy

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7	High Energy Cost Grants & Loans Programs	7 CFR 170g Most recent NOFA was published August 3, 2010 at 75 FR 47756 <a href="#">FR Search</a>	E page 9, Section 19 RE Act	Persons, For Profit and Not For Profit Businesses, State & Local Governments, and Federally-Recognized Indian Tribes & Tribal entities	Extremely high energy cost communities – where avg. residential expenditure is 275% of national average	Energy distribution, transmission and energy storage facilities (including energy efficiency & renewable energy) serving eligible communities	Minimum Per Grant \$75,000 Maximum Per Grant \$5 Million Admin costs may not exceed 4%	Not Applicable	\$ 17.5 MM	\$ 17.5 MM
	• High Energy Cost Grants	CFDA 10.859	7 USC 918a(1)	Denali Commission	Extremely high energy cost communities in Alaska	Energy distribution, transmission and energy generation facilities (including energy efficiency & renewable energy) serving eligible communities	Not Applicable	Not Applicable		
	• Denali Commission Grants	Memoranda of Understanding on file CFDA 10.858	7 USC 918a(2)							
	• Grants to State Revolving Funds for Bulk Fuel Purchases	CFDA 10.857	7 USC 918a(3)	State Entity existing as of 11/9/2000	Rural areas where fuel cannot be shipped by surface means	Fuel Purchasing Revolving Fund	Maximum Per Grant \$5 Million	Not Applicable		

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CONTACTS: Washington, DC: 202.720.9540; State: <a href="http://offices.scegov.usda.gov/locator/app?state=us&amp;agency=rd">http://offices.scegov.usda.gov/locator/app?state=us&amp;agency=rd</a> WATER AND ENVIRONMENTAL PROGRAM AUTHORITIES RURAL DEVELOPMENT										

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1	Water and Waste Disposal Direct Loans and Grants	<p>7 CFR Part 1780</p> <p>Included in Omnibus NOFA for ARRA Stimulus Monies Published 12/23/2009 at 74 FR 35446</p> <p>FR Search</p> <p>CFDA 10.760</p>	<p>E-page 10: \$343(a)(1)(C) CONACT</p> <p>7 USC 1926(a)</p>	<p>Public body, not-for-profit organization, and Indian tribes</p>	<p>Rural areas and towns with a population of 10,000 or less.</p> <p>E-page 93: \$343(a)(1)(C) CONACT</p>	Construct and improve water and waste facilities	None	40 years	<p><b>Loans</b></p> <p>\$ 1 Billion</p> <p>-plus-</p> <p>\$ 759 Million carryover</p> <p>-plus-</p> <p>\$ 3.4 Billion</p> <p><b>(1.27 Billion – after reprogramming)</b></p> <p>Stimulus carryover</p> <p>-plus-</p> <p>\$ 62 Million</p> <p><b>(3.6 million only – rescinded by the Jobs Bill, PL 111-226, Aug 10, 2010)</b></p> <p>Disaster carryover</p> <p><b>\$ 3 Billion Loan Total (\$227 Million)</b></p> <p><b>Grants</b></p> <p>\$ 352 Million</p> <p>-plus-</p> <p>\$ 127 Million carryover</p> <p>-plus-</p> <p>\$ 500.5 Million</p> <p><b>(\$44.4 million)</b></p> <p>Stimulus carryover</p> <p>-plus-</p> <p>\$ 6.7 Million Disaster Carryovers</p> <p><b>\$ 986.1 Million Grant Total</b></p>	<p>\$ 77 Million</p> <p>\$ 57 Million</p> <p>\$ 255 Million</p> <p><b>(96 Million)</b></p> <p>\$ 4.6 Million</p> <p>\$ 227 Million</p> <p><b>(273 Million)</b></p> <p>\$ 986.1 Million</p>

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2	Water and Waste Disposal Guaranteed Loans	7 CFR 1779 CFDA 10.760	E-page 10: § 306 CONACT 7 USC 1926(a)	Public body, not-for-profit organization, and Indian tribes	Rural areas and towns with a population of 10,000 or less.	Construct and improve water and waste facilities	None	40 years	\$ 75 Million	Negative subsidy
3	Emergency Community Water Assistance Grants (ECWAG)	7 CFR 1778 CFDA 10.763	E-page 20: § 306A CONACT 7 USC 1926a	Public body, not-for-profit organization, and Indian tribes	Rural areas and towns with a population of 10,000 or less with acute water problems; up to 50% of funds targeted to areas 3,000 and under.	Improve quantity or quality of water supply	\$500,000 to mitigate a significant decline in water quality; \$150,000 where used for op & maintenance type items	N/A	\$ 13 Million -plus- \$ 5.2 Million (unobligated funds were provided by Jobs Bill PL 111-226, Aug 10, 2010) Emergency Supp carryovers \$ 18.1 MM Total	\$ 18.1 MM total
4	Water and Wastewater Revolving Fund Grants	7 CFR 1783 See Notice published November 5, 2008 at 73 FR 65626 FR Search CFDA 10.864	E-page 11 §306(a)(2)(B) CONACT 7 USC 1926(a)(2)(B)	Private, not-profit organizations	Rural areas and towns with a population of 10,000 or less	Establish a revolving loan fund to make loans to eligible entities serving eligible areas for predevelopment costs and small capital improvement projects.	None	N/A	\$ 497,000	\$ 497,000

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5	Solid Waste Management Grants	7 CFR 1775 Subpart J CFDA 10.762	E-page 34 \$310B(b) CONACT 7 USC 1932	public body, private nonprofit organizations and Indian tribes	Rural areas and towns with a population of 10,000 or less	technical assistance to local and regional governments for reducing or eliminating water pollution and planning or right of solid waste disposal facilities	None	N/A	\$ 3.4 Million	\$ 3.4 Million
6	Section 306C Water and Waste Disposal Grants to alleviate health risks	7 CFR Part 1777 CFDA 10.770	E-page 22 \$306C CONACT 7 USC 1926c	Colonias and Native American Indian tribes	Colonias and tribal lands	Construct or improve water and waste facilities		N/A	\$ 16.0 Million Earmark for Native Americans plus \$ 505,000 carryover \$ 24.5 Million Earmark for Colonias plus \$ 3.1 MM carryover \$ 5 Million earmark for Alaskan Homelands -plus- \$ 9.7 MM various disaster supps <i>(Program edits state the \$9.7 should be removed)</i> \$ 58.8 Million	
7	Section 306D Water and Waste system Grants for Alaskan Villages, incl. technical assistance	7 CFR 1780	E-page 23 \$306D CONACT 7 USC 1926d	State of Alaska for rural or native villages	Rural or native Alaskan villages	Development and construction of water and waste facilities to improve health and sanitation conditions	None 25% in matching funds from state of Alaska and federal sources	N/A	\$ 24.5 Million Earmark for Alaskan Villages plus \$ 74.4 MM carryover	\$98.9 Million

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8	Section 306E Grants for the Construction, Refurbishment and Servicing of Low or Moderate Income Household Water Well Systems	<u>7 CFR Part 1776</u> NOFA published March 26, 2010 at 75 FR 14559  <u>FR Search</u> CFDA 10.862 & 10.864 [Editor query as to duplicate CFDA entries]	E-page 24 \$306E <u>CONACT</u>  7 USC 1926e	Private, non-profit organizations that are tax exempt.	Projects must be located in rural areas with population of 50,000 or less.	Development of revolving loan funds for constructing, and refurbishing, and servicing of individual household water well systems in eligible rural areas.	Organization must contribute 10% of grant amount to capitalize the fund  Individual homeowner loans capped at \$ 11,000	N/A	\$993,000	\$ 993,000
9	Technical Assistance and Training Grants for Rural Waste Systems	<u>7 CFR Part 1775</u>  CFDA 10.761  See NOFA published 12/10/2009 at 74 FR 65509 (ARRA Stimulus)  <u>FR Search</u>	E-page 15 \$306(a)(14) <u>CONACT</u>  7 USC 1926(a)(14)	Public, private, and non-profit organizations	Rural areas and towns with population of 10,000 or less.	Provide technical assistance and training	Pre-determined percentages of annual allocation	N/A	\$ 19.5 Million -plus- \$ 5 Million Stimulus carryover	\$ 24.5 Million
10	Circuit Rider – Technical Assistance for Rural Water Systems	Terms established in service contract issued through RD Procurement  Included in Omnibus NOFA for ARRA Stimulus published 7/23/2009 at 74 FR 36448	E-page 15 \$306(a)(14) <u>CONACT</u>  7 USC 1926(a)(14)	Public, private, and non-profit organizations	Rural areas and towns with population of 10,000 or less	Provide technical assistance and training		N/A	\$ 15 million -plus- \$ 407,000 Carryover  -plus- \$ 10.2 million Stimulus carryover	\$ 25.6 Million

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
11	Predevelopment Planning Grants	7 CFR Part 1780 See staff instruction 1780-5 for more detail	E-page 10: §306(a) <u>CONACT</u> 7 USC 1926(a) (Prior to FY2005 this purpose was the object of express earmarks)	Rural communities that do not have resources to pay predevelopment expenses	Rural area must be either below the poverty line or below 80 percent of the statewide non-metropolitan median house-hold income.	Costs associated with the development of a complete application	\$25,000 or 75 percent of the project costs (whichever is smaller)	N/A	States may use up to the greater of one half of \$25,000 from the predevelopment & waste disposal grant allocation	
12	SEARCH Grants	7 CFR Part 1774  Final rule published on June 24, 2010 at 75 FR 35962  CFDA 10.759	E-page 11: §306(a)(2)(C) <u>CONACT</u>  7 USC 1926(a)(2)(C)	Public body such as a municipal, county, state, or commonwealth Not for profit organization Native American Tribe	Rural areas with population of 2,500 or fewer inhabitants Must also be financially stressed as well as rural	To fund pre-development planning grants for feasibility studies, design assistance & tech assistance for water & waste disposal projects	May fund up to 100% of eligible costs, not to exceed \$30,000		States may convert regular grants to search grants	

RD Authorities Matrix – September 15, 2010

Note: Copies of this Matrix which are not password protected may not be reliable

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
<b>RURAL DEVELOPMENT</b> <b>TELECOMMUNICATIONS PROGRAM AUTHORITIES</b> <b>CONTACTS: Washington, DC: 202.720.9540; State: <a href="http://offices.sc.gov/locator/app?state=us&amp;agency=rd">http://offices.sc.gov/locator/app?state=us&amp;agency=rd</a></b>										
1	Telecom Hardship Loan Program (Direct)	7 CFR Part 1735  CFDA 10.851	E-page 16 §305 (d)(1) of the Rural Electrification Act 1936, as Amended, 7 USC 901 et. seq  7 USC 935(d)(1)	For-profit and non-profit corporations that do or will provide voice and data telecom service	Areas outside incorporated or unincorporated cities with population over 5,000	To build, acquire, extend, improve and refinance telephone infrastructure	Minimum loan amount: \$50,000. Maximum loan amount: none.	5% fixed interest rate; up to 35 year amortization, determined by the life of facilities financed	\$ 145 Million	Negative Subsidy
2	Telecom Treasury Rate Loan Program	7 CFR Part 1735  CFDA 10.851	E-page 16 §305(d)(2) Rural Electrification Act  7 USC 935	For-profit and non-profit corporations that do or will provide voice and data telecom service	Areas outside incorporated or unincorporated cities with population over 5,000	To build, acquire, extend, improve and refinance telephone infrastructure	Minimum loan amount: \$50,000. Maximum loan amount: none.	Treasury interest rate at date of advance; up to 35 year amortization, determined by the life of facilities financed	\$ 250 Million	Negative Subsidy
3	Telecom Guaranteed Loan Program (FFB)	7 CFR Part 1735  CFDA 10.851	E-page 21 §305(d)(3) Rural Electrification Act  7 USC 936	For-profit and non-profit corporations that do or will provide voice and data telecom service	Areas outside incorporated or unincorporated cities with population over 5,000	To build, acquire, extend, improve and refinance telephone infrastructure	Minimum loan amount: \$50,000. Maximum loan amount: none.	Treasury interest rate plus 1% over prime rate; up to 35 year amortization, determined by useful life of facilities financed	\$ 295 Million	Negative Subsidy

RD Authorities Matrix – September 15, 2010

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
4	Distance Learning and Telemedicine Loans	7 CFR 1703 Subparts D and G  CFDA 10.855	§704 of the Federal Agriculture Improvement Act of 1996 (Pub. L. 104-127 April 4, 1996), as amended  7 USC 950aaa et seq.	Public body, Indian tribe, cooperative, nonprofit, limited dividend or mutual association, municipality, libraries, corporations and other legally-organized entities.	Areas outside incorporated or unincorporated cities with population over 20,000.	In addition to the DLT Combination Loan-Grant Program purposes, loans may be used for certain broadcasting and operational costs, overhead expenses and administrative expenses	Minimum loan-grant amount: \$50,000 Maximum amount: \$10 Million	Loan interest rate is the Treasury interest rate at date of advance; up to 10 year amortization, determined by the Secretary for facilities financed	\$ 5.7 Million (carryover)	\$ 157,624
5	Distance Learning and Telemedicine Grant Program	7 CFR 1703 NOFA published March 5, 2010 at 75 FR 13246  FR Search  CFDA 10.855	§704 of the Federal Agriculture Improvement Act of 1996 (Pub. L. 104-127 April 4, 1996), as amended  7 USC 950aaa et seq.	Public body, Indian tribe, cooperative, nonprofit, limited dividend or mutual association, municipality, libraries, corporations and other legally-organized entities.  FUS electric and telecommunications borrowers not eligible.	Areas outside incorporated or unincorporated cities with population over 20,000.  Smaller communities receive more points.	To provide end-user equipment and programming that delivers distance telemedicine services into eligible areas.	Minimum grant amount: \$50,000. Maximum grant amount: \$500,000.	15% matching funds required	\$ 30.26 Million -plus- \$ 2.1 Million carryover	\$ 32.36 Million

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
6	Distance Learning and Telemedicine Combination Loan-Grant Program	2 CFR Part 1703 Subparts D and F	\$704 of the Federal Agriculture Improvement Act of 1996 (Pub. L. 104-127 April 4, 1996), as amended	Public body, Indian tribe, cooperative, nonprofit, partnership, dividend or mutual association, municipality, libraries, corporations and other legally-organized entities, RUS electric and Telephone Loan borrowers not eligible.	Areas outside incorporated or unincorporated cities with population over 20,000.	In addition to the DLT Grant Program, applicants may provide DLT across a single facility, may provide new building space, including land, buildings, and building construction, and telecommunications transmission facilities.	Minimum loan-grant amount: \$50,000 Maximum amount: \$10 Million	Loan interest rate is the Treasury rate of advance, up to 10 year amortization, determined by useful life of facilities financed	See 4 & 5 above	See 4 & 5 above
7	Public Television Digital Transition Grant Program (Part of the larger DLT Program appropriation))	CFDA 10.855  2 CFR 1740 NOFA published April 26, 2010 at 75 FR 21579  FR Search CFDA 10.861	7 USC 950aaa et seq.  Annual appropriation earmarks since 2003  Earmark in Pub. L. 111-8 Omnibus FY2009 Appropriations	Public digital television stations that serve rural areas	Areas outside incorporated or unincorporated cities with population over 20,000 – station applicants must demonstrate core rural coverage	Grant funds may be used to acquire, lease, and/or install facilities and software necessary for transition to digital signal	Maximum amount: \$ 750,000 per applicant per year	N/A	\$ 4.5 Million	\$ 4.5 Million

RD Authorities Matrix – September 15, 2010

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Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
8	Delta Health Care Services Grant Program (Part of the larger DLT Program appropriation)		Pub. L. 111-80 2010 Ag Appropriations E-page 136 §379G <u>CONACT</u> 7 USC 2008u	Consortium of regional institutions of higher education, academic health and research institutes and economic development centers located in the Delta region	The distinct northwest section of the state of Mississippi, known as the Delta Region, consisting of 18 counties  Further limited to include only those areas within the Delta Region that are not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population greater than 50,000 and (b) any unincorporated area contiguous and adjacent to a city or town described in (a).	The development of health care services, health education programs, health care job training programs and the development of public health-related facilities	Minimum Grant amount: \$50,000	N/A	\$ 3 million	\$ 3 million

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
9	<p>7 CFR 1738</p> <p>A revision to this regulation is currently in the clearance process; publication of an interim rule is expected by the end of calendar year 2010</p> <p>FR Search</p> <p>Rural Broadband Access Loan and Loan Guarantee Program (as established by the 2002 Farm Bill)</p>	<p>7 CFR 1738</p> <p>A revision to this regulation is currently in the clearance process; publication of an interim rule is expected by the end of calendar year 2010</p> <p>FR Search</p>	<p>7 USC 950bb</p> <p>CFDA 10.886</p>	<p>RUS makes broadband loans and loan guarantees to legally organized entities providing, or proposing to provide, broadband services in eligible rural communities. Types of eligible entities include: cooperative, nonprofit, limited dividend or mutual corporations, limited liability companies, Indian tribes and tribal organizations, and commercial organizations. Individuals or partnerships are not eligible.</p>	<p>An eligible rural area means any area included in the latest decennial census of the Bureau of the Census, which is not located within:</p> <p>(1) a city, town, or incorporated area that has a population of greater than 20,000 inhabitants; or</p> <p>(2) an Urbanized Area (as defined in the Census, which is not located within a city, town, or incorporated area that has a population of greater than 50,000 inhabitants.</p> <p>The proceeds of a loan may be used to carry out a project only if, as of the date on which the application is submitted:</p> <p>(i) not less than 25 percent of the households in the proposed service territory are provided broadband service (can not exceed 50 percent of requested incumbent service provider; loan amount); and</p> <p>(ii) broadband service is not provided in any part of the proposed service territory by 3 or more incumbent service providers.</p>	<p>Finance the acquisition of facilities for improvement, and provide broadband service in eligible rural communities;</p> <p>Finance broadband facilities leased under the terms of a capital lease, as defined in generally accepted accounting principles; financing will be limited to 5 years of lease costs;</p> <p>Finance the acquisition by an eligible entity of another system, lines or facilities if the acquisition is necessary and incidental to the furnishing or improving of the proposed service (can not exceed 50 percent of requested incumbent service provider; loan amount); and</p> <p>Refinance an outstanding obligation on another telecommunications loan made under the RE Act. The refinancing cannot exceed 40 percent of the loan amount.</p>	<p>Minimum loan amount: \$100,000.</p> <p>Maximum loan amount: none.</p> <p>Maximum 4% loans are limited by the NOFA</p>	<p>Interest rates:</p> <p>4%</p> <p>treasury rate at date of advance</p> <p>private lender -set rate for guaranteed loans.</p> <p>(Amortization determined by life of the facilities)</p>	<p>Direct loans: -0- @ 4% -plus- \$ 400 Million</p> <p>\$ 216 Million</p> <p>\$ 616 Million</p> <p>@ Treasury Rate</p> <p>\$ -0- Glead</p>	<p>\$ 44.5 Million</p>

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
10	Broadband Initiatives Program (STIMULUS)	FIRST ROUND NOFA (Joint with NTIA) published 7/9/2009 at 74 FR 33104  SECOND ROUND NOFA (RUS only) Published 1/22/2010 at 75 FR 3820  Request for Proposals: [Satellite & Libraries & Tech Assist] Published 5/7/2010 at 75 FR 25185	Pub. L. 111-5, Feb. 17, 2009 Recovery Act supplemental appropriations (Stimulus)	Eligibility is listed in the NOFAs	Generally speaking, a rural area that lacks access to broadband (upstream and downstream)  Distinct requirements are listed in each NOFA  The relevant statutory language is as follows:  <i>[At least 75 percent of the area to be served by a project receiving funds from such grants, loans or loan guarantees shall be in a rural area without sufficient access to high speed broadband service to facilitate rural economic development, as determined by the Secretary of Agriculture]</i>	Please see various NOFAs for eligible purposes	FIRST ROUND: 50% grant, 50% loan  SECOND ROUND: 75% grant, 25% loan  ≤ \$10,000 per premises passed	Loan terms are set forth in the NOFAs	FIRST ROUND: \$2.4 Billion  SECOND ROUND Plus Satellite NOFA:  Approximately \$2.2 Billion as follows:  Up to \$ 1.7 Billion [loans, loan grant combos] for last Mile Projects  Up to \$ 300 Million [loans, loan grant combos] for Middle Mile Projects  Up to \$ 100 million [grants] plus first and Middle remainder unobligated funds for Satellite Projects  Up to \$ 5 million [grants] for Rural Library and Tech Assist Projects  Up to \$ 95 million for a Reserve  Total BA: \$2.5 Billion	NOTE: Stimulus funding sunsets on 9/30/2010

Index	Program	Regulation Citation	Legislative Citation	Eligibility (Entities)	Eligible Areas (Population)	Eligible Purposes	Funding Limits Per Request	Loan Terms, if Applicable	FY 2010 Available Funding	Budget Authority
11	Weather Radio Transmitter Grant Program	NOFA published on April 4, 2001 at 66 FR 17857 <a href="#">FR Search</a> See also a clarification Notice published Oct. 16, 2001 at 66 FR 52571 CFDA 10.766	E page 132: Section 379B <a href="#">CONACT</a>	non-profit organizations or associations, units of local or state government, Federally-recognized Indian tribes	city, town, or village, or unincorporated area that has a population of 50,000 inhabitants or less, other than an urbanized area immediately adjacent to a city, town, or village, or unincorporated area that has a population in excess of 50,000 inhabitants	To purchase and install NOAA Weather Radio transmitters and antennas	Max grant: \$80,000 per site 75% of project costs in area of 12,000 or less; 65% of project costs in area of 20,000 or less; 55% of project costs in areas of 50,000 or less	N/A	\$231,161 Carryover only	\$231,161 Carryover only
12	Community Connect Grant Program	<a href="#">Z CFR Part 1739</a> FY 2009 NOFA published 4/20/2009 at 74 FR 17941 FY 2010 NOFA not yet published <a href="#">FR Search</a> CFDA 10.863	Historically appeared as an annual earmark in appropriations bills.	Public body, an Indian tribe, a nonprofit, a nonprofit, limited dividend or mutual association; municipality; corporations and other legally organized entities	A single community outside incorporated or unincorporated area with population over 20,000 which does not have broadband	To build broadband infrastructure and community center which offers free public access to broadband for two years.	Min \$50,000 Max \$1,000,000 Amounts are published in NOFAs and may vary	N/A	\$ 3 Million (Note - \$24 Million per program edits dated Sept 2010)	\$ 3 Million (\$24 Million)



APPENDIX 2  
Rural Area Exceptions Requests

State	Town	Outcome	Date of Response to State
AL	Montgomery	Not eligible—No string; within a city of greater than 150,000; not within UA within ¼ mile of rural area	4/8/2009
AR	West Memphis	Eligible String	4/2/2009
AR	Bryant	Eligible String	1/13/2010
AR	Benton	Eligible String	1/13/2010
AR	Jacksonville	Eligible String	1/13/2010
AR	Cabot	Eligible String	1/13/2010
CA	Alpine	Eligible String	1/13/2010
CA	Auburn	Eligible String	1/13/2010
CA	Healdsburg	Eligible String	1/13/2010
CA	Galt	Eligible String	1/13/2010
CA	Exeter	Eligible String	1/13/2010
CA	Farmersville	Not eligible—No string	1/13/2010
CA	Durham	Eligible String	1/13/2010
CA	Gilroy	Eligible String	1/13/2010
CA	Cherry Valley	Eligible String	1/13/2010
CA	Beaumont	Eligible String	1/13/2010
CA	Banning	Eligible String	1/13/2010
CA	West Sacramento	Not eligible—No string; but there are two strings to the west and south that are eligible	1/13/2010
CA	Graton	Eligible String	1/13/2010
CA	Sebastopol	Eligible String	1/13/2010
CA	Atwater	Eligible String	1/13/2010
CA	Riverbank	Not eligible—No string; but there is a string to the east that is eligible	1/13/2010
CA	Anderson	Eligible String	1/13/2010
CT	North Grosvenordale	Eligible String	6/12/2009
CT	Durham	Eligible String	1/25/2010
CT	Thomaston	Eligible String	1/25/2010
CT	Plymouth	Eligible String	1/25/2010
CT	Tolland	Eligible String	1/25/2010
CT	Crystal Lake	Eligible String	1/25/2010
CT	Westbrook	Eligible String	1/25/2010
CT	Essex	Eligible String	1/25/2010
CT	Deep River	Eligible String	1/25/2010
CT	Woodbury	Eligible String	1/25/2010
CT	Southbury	Eligible String	1/25/2010
IL	East Dubuque	Eligible String	5/7/2009
IL	Beecher	Eligible String	5/7/2009
IL	Winnebago	Eligible String	5/7/2009
IL	Belvidere	Eligible String	5/7/2009
IL	Sugar Grove	Eligible String	5/7/2009
IL	Yorkville	Eligible String	5/7/2009
IL	Elburn	Eligible String	5/7/2009
IL	Morton	Eligible String	1/13/2010
IL	Lebanon	Eligible String	3/1/2010
KY	Henderson	Eligible String	3/24/2009
KY	Catlettsburg	Not eligible—No string	9/28/2009
KY	Russell	Not eligible—No string	9/28/2009
KY	Raceland	Not eligible—No string	9/28/2009
KY	Wurtland	Not eligible—No string	9/28/2009
MA	Amesbury	Not eligible—No String	3/24/2009
MA	Southbridge	Eligible String	9/28/2009
MA	Boxford	Eligible String	1/25/2010
MA	Byfield	Eligible String	1/25/2010
MA	Georgetown	Eligible String	1/25/2010
MA	Ipswich	Eligible String	1/25/2010
MA	Topsfield	Eligible String	1/25/2010
MA	Essex	Eligible String	1/25/2010

APPENDIX 2—Continued  
Rural Area Exceptions Requests

State	Town	Outcome	Date of Response to State
MA	Gloucester	Eligible String	1/25/2010
MA	Manchester	Eligible String	1/25/2010
MA	Rockport	Eligible String	1/25/2010
MA	Ayer	Eligible String	1/25/2010
MA	Groton	Eligible String	1/25/2010
MA	Shirley	Eligible String	1/25/2010
MA	Upton	Eligible String	1/25/2010
MA	Carver	Eligible String	1/25/2010
MA	Lakeville	Eligible String	1/25/2010
MA	Middleboro	Eligible String	1/25/2010
MA	Paxton	Eligible String	1/25/2010
MA	Rutland	Eligible String	1/25/2010
MA	Charlton	Eligible String	1/25/2010
MA	Leicester	Eligible String	1/25/2010
MA	Spencer	Eligible String	1/25/2010
MA	Northbridge	Eligible String	1/25/2010
MA	Uxbridge	Eligible String	1/25/2010
MA	Whitinsville	Eligible String	1/25/2010
MA	Fairhaven	Eligible String	1/25/2010
MA	Mattapoisett	Eligible String	1/25/2010
MA	Acushnet	Eligible String	1/25/2010
MA	East Freetown	Eligible String	1/25/2010
MA	Monson	Eligible String	1/25/2010
MA	Palmer	Eligible String	1/25/2010
MA	Three Rivers	Eligible String	1/25/2010
MA	Southwick	Eligible String	1/25/2010
MA	Westfield	Eligible String	1/25/2010
MA	Easthampton	Eligible String	1/25/2010
MA	Northampton	Eligible String	1/25/2010
MA	Hadley	Eligible String	1/25/2010
MA	Hatfield	Eligible String	1/25/2010
MA	Middleton	Not eligible—No string (but there is a string BETWEEN the two towns)	3/1/2010
MA	North Andover	Not eligible—No string (but there is a string BETWEEN the two towns)	3/1/2010
MA	Amesbury	Eligible String	9/28/2009
MI	Buchanan	Eligible String	3/24/2009
MI	Romeo	Eligible String	11/18/2009
MI	Washington Township	Eligible String	11/18/2009
MI	Mason	Eligible String	1/25/2010
MI	Sparta	Eligible String	3/1/2010
MI	Comstock Park	Not eligible—No string	3/1/2010
MN	St. Joseph	Eligible String	3/1/2010
MN	St. Cloud	Not eligible—No string	3/1/2010
MN	Dilworth	Eligible String	3/1/2010
MN	La Crescent	Eligible String	3/1/2010
MO	Pevely	Eligible String	4/2/2009
MS	Tougaloo	Not eligible—No string; within a city of greater than 150,000; not within UA within ¼ mile of rural area	1/25/2010
MT	Bonner	Eligible String	6/12/2009
MT	West Riverside	Eligible String	6/12/2009
NC	Canton/Clyde	Eligible String	3/24/2009
NE	Bellevue	Not eligible—No string	5/7/2009
NE	Plattsmouth	Eligible String	5/7/2009
NE	La Vista	Not eligible—No string	5/7/2009
NE	Papillion	Not eligible—No string	5/7/2009
NE	Elkhorn	Not eligible—No string	5/7/2009
NE	South Sioux City	Eligible String	5/7/2009
NE	Dakota City	Eligible String	5/7/2009
NJ	Newton	Eligible String	8/14/2009

APPENDIX 2—Continued  
Rural Area Exceptions Requests

State	Town	Outcome	Date of Response to State
NJ	Flemington	Eligible String	8/14/2009
NJ	Clayton	Eligible String	9/28/2009
NJ	Hackettstown	Eligible String	1/25/2010
NJ	Lebanon	Eligible String	1/25/2010
NJ	Clinton	Eligible String	1/25/2010
NJ	Annandale	Eligible String	1/25/2010
NJ	High Bridge	Eligible String	1/25/2010
NV	Johnson Lane	Eligible String	8/14/2009
NV	Indian Hills	Not eligible—No string	8/14/2009
NV	Moundhouse	Eligible String	8/14/2009
NY	Camillus	Pending—Meets the RIC ¼ mile from rural area test.	
OH	Xenia	Eligible String	1/13/2010
OH	Troy	Eligible String	1/13/2010
OH	Tipp City	Eligible String	1/13/2010
OR	White City	Eligible String	4/2/2009
OR	Jacksonville	Eligible String	4/2/2009
OR	Ashland	Eligible String	4/2/2009
OR	Talent	Not eligible—No string	4/2/2009
OR	Coburg	Eligible String	4/2/2009
OR	Turner	Eligible String	4/2/2009
OR	Wilsonville	Eligible String	4/2/2009
OR	Butteville	Eligible String	4/2/2009
OR	Boring	Eligible String	4/2/2009
OR	Pleasant Home	Eligible String	4/2/2009
OR	Cornelius	Not eligible—No string	4/2/2009
OR	Forest Grove	Not eligible—No string	4/2/2009
OR	Talent	Eligible String	9/28/2009
OR	Cornelius	Eligible String	9/28/2009
OR	Forest Grove	Eligible String	9/28/2009
PA	Scranton	Pending—Meets the RIC ¼ mile from rural area test.	
PA	Mahoning Township	Eligible String	6/12/2009
PA	Lehighton Borough	Eligible String	6/12/2009
PA	Parryville Borough	Eligible String	6/12/2009
PA	Towamensing Township	Eligible String	6/12/2009
PA	Franklin Township	Eligible String	6/12/2009
PA	East Penn Township	Eligible String	6/12/2009
PA	Bowmanstown Borough	Eligible String	6/12/2009
PA	Palmerton Borough	Eligible String	6/12/2009
PA	Lower Towamensing Township	Eligible String	6/12/2009
PA	Scranton	Not eligible—No string; two points on UA boundary not at least 40 miles; not within ¼ mile of rural area	11/6/2009
PA	New Kensington	Eligible String	1/25/2010
PA	Green Lane	Eligible String	1/25/2010
PA	Pennsburg	Eligible String	1/25/2010
PA	Red Hill	Eligible String	1/25/2010
PA	East Greenville	Eligible String	1/25/2010
PA	Richland	Not eligible—No string	1/25/2010
PA	Quakertown	Not eligible—No string	1/25/2010
PA	Trumbauersville	Not eligible—No string	1/25/2010
RI	South Kingstown	Eligible String	6/12/2009
RI	Burrillville	Eligible String	6/12/2009
RI	Exeter	Eligible String	9/28/2009
RI	Parts of Smithfield	Eligible String	1/25/2010
RI	Parts of North Smithfield	Eligible String	1/25/2010
RI	Parts of North Kingstown	Eligible String	1/25/2010

APPENDIX 2—Continued  
Rural Area Exceptions Requests

State	Town	Outcome	Date of Response to State
RI	Tiverton	Eligible String	1/25/2010
RI	Portsmouth	Eligible String	1/25/2010
RI	Middletown	Eligible String	1/25/2010
RI	Newport	Eligible String	1/25/2010
RI	Jamestown	Eligible String	1/25/2010
RI	North Smithfield	Not eligible—Within UA of a city that exceeds 150,000; not within ¼ mile of rural area	3/2/2010
TN	Gallatin	Eligible String	5/7/2009
TN	Springfield	Eligible String	5/7/2009
TN	Nolensville	Not eligible—No string	5/7/2009
TX	Corpus Christi (Deannexation)	Approved by Under Secretary under the RIC ¼ mile from rural area provision.	1/16/2009
UT	Lehi	Not eligible—No string; two points on UA boundary not at least 40 miles; not within ¼ mile of rural area	4/8/2009

The CHAIRMAN. Thank you so much for your comments. And let me start, and at least get your initial response to a couple of preliminary points.

The first is, I am assuming from what I know, the definition of *rural* and the specific size that constitutes rural is variable, at least according to the nature of the project, is that right?

Ms. COOK. That is correct. The Consolidated Farm and Rural Development Act has a default definition which is the business programs definition: anywhere except a city or town greater than 50,000 including adjacent urbanized areas. The CONACT goes on to provide exceptions in the Water and Waste Disposal program where it is anyplace except cities, towns and unincorporated areas greater than 10,000, and for the Community Facilities program where it is anywhere except 20,000.

The CHAIRMAN. I know there are a number of them on the list. I also understand that your Department, either pursuant to law or because you have assigned that to yourself, has the ability to take applications to deviate from the strict standards of the statute, is that right?

Ms. COOK. There is only one case where we can deviate. That is where Congress gave us that authority in section 6018(a) of the farm bill. In the case of the business programs, where the definition is anywhere except 50,000 including adjacent urbanized areas, we were given a “rural in character” exception for the adjacent urbanized area. This language recognizes that there may be a cases where an area that has been rapidly urbanizing still retains its rural character. That is a statutory provision provided in the 2008 Farm Bill for the first time.

The CHAIRMAN. And I assume as we go through the process, and you determine and we determine that there are areas where there either is too much latitude or too little that you will interface with us and provide recommendations so that it is, in fact, the Congress and not the Department who is setting those criteria.

Ms. COOK. These are, in fact, statutory definitions established by the Congress. We look forward very much to working with you. We have already been working with your staff. They have been terrific.

The CHAIRMAN. Ms. Cook, you included, or at least there is included in the written copy of your testimony a report on what we call rural area exception requests. We understand almost 150 localities were deemed to be "rural in character" for purposes of approving certain projects. I am wondering if you could provide the Committee at the appropriate time an analysis of how those 146 localities ultimately receive funds, how much they each received and what projects were implemented in each locality.

Ms. COOK. We would be happy to do that. That appendix is that "rural in character" exception authority I mentioned in 6018(a). All of those applicants would have been rural business entrepreneurs looking to start or expand a business in a rural area, and frankly you wouldn't go through that much trouble if you didn't have a live project. So my guess would be that most of those that received the exception went ahead and did the project.

The CHAIRMAN. In the course of the fiscal year, let's say the current fiscal year, the previous fiscal year because then you will have a fuller idea, what has been the total amount of money that has flowed into these programs under your jurisdiction, approximately?

Ms. COOK. Are we speaking budget authority or program level.

The CHAIRMAN. Well, both.

Ms. COOK. Program level is about \$20 billion—approximately \$20 billion.

The CHAIRMAN. Then you want to distinguish between the two so that Members of the Committee understand what you are talking about?

Ms. COOK. Certainly. I know you understand, but for the benefit of folks who might be watching this from their living room on the Internet, the budget authority is the money that Congress actually appropriates for our programs. We don't operate exclusively loan programs, but most of what we do is loan. And so under the Credit Reform Act of 1990, Congress established a process by which annually we look at the risk attached to those loans, because the idea is when you make a loan, you get the money back, with interest.

So what is the actual cost to the Federal Government of that loan dollar? It is the risk of that one or two or three people in 100 who don't pay you back. So annually we go through an exercise with the Office of Management and Budget to arrive at what is called a subsidy score, which is multiplied times the amount Congress actually appropriates in order to arrive at our program level. It is how we get from a very small amount of budget authority to a relatively large amount of program level in loans and loan guarantees that are provided in rural areas.

The CHAIRMAN. If I had to use a figure that would most capulate what you provide, what is that to the average layman, \$20 billion?

Ms. COOK. Twenty billion dollars in program level approximately, yes.

The CHAIRMAN. Okay. I appreciate your response and with that, I would turn the microphone over to the distinguished Ranking Member, Mr. Costa.

Mr. COSTA. Thank you again, Mr. Chairman.

I have a number of questions, so let's go through quickly, okay, Ms. Cook?

Do you think that the varying definitions of *rural* as they are applied to the Rural Development program is a workable system? Do you think it is in need of some repair? Or is it about time that we look at a whole brand new approach?

Ms. COOK. We are making it work——

Mr. COSTA. I understand that part.

Ms. COOK. Those are the rules that we have.

Mr. COSTA. But I asked you a question——

Ms. COOK. Congressman, I think we all share the objective of trying to make sure that the resources Congress appropriates for rural people and rural communities gets to rural people and rural communities. And the question is——

Mr. COSTA. But can it under the current system?

Ms. COOK. And what is the best way to do that? I do think there are some opportunities to improve on our current system with different definitions——

Mr. COSTA. But you don't think we ought to start over?

Ms. COOK. Start over with a clean sheet of paper?

Mr. COSTA. With a whole new approach towards the definitions as opposed to tweaking the existing rural definitions.

I mean, in your opening statement you made some interesting comments about once it is qualified, then it is qualified in one, and if it is not qualified, how do you get in the loop?

Ms. COOK. I think the existing regulations do give us the ability to target resources, beyond the eligibility standard, to places of greatest need and best opportunities. The question——

Mr. COSTA. I am not sure that reflects ability. What do you hear from your state rural development directors on these issues? They are closer to the communities, and you, in your previous life, indicated expertise or experience with this.

Ms. COOK. It can be difficult. I won't deny that. We have, for example, the water program and the Community Facilities program. The Rural Utilities Service has the water program; the Rural Housing Service has CF. Both of those programs are available to municipalities, tribes and nonprofit organizations. Both of those groups of communities would expect that they would have a very common, very similar definition in those programs. And it is just not the case. There are many communities in Pennsylvania, for example, that have more than 10,000 population but not more than 20,000 population. And we have to go and tell them if you want a library or a hospital or a school that is fine, but we can't give you the sewer that would serve the library hospital or school.

Mr. COSTA. Do you think that makes any sense?

Ms. COOK. It is difficult. We have——

Mr. COSTA. No. I said do you think that makes any sense? I understand it is difficult. In my opening statement, I have explained I have those similar situations. I have a community in Coalinga that has 10,000 people, it is an hour from Fresno. Fresno is the sixth largest city in California. So because we have Fresno, with over a half million people, we have largest agricultural county in

the nation, but we get none of this rural funding. That doesn't make any sense.

Ms. COOK. It can be difficult to justify to a community. I live in a rural township of 13,000 people. It is very difficult to explain to my township supervisors why they would be eligible for a library or a hospital but not for public water or sewer.

Mr. COSTA. That is what I mean getting back to the definitions, and do we need to do more than simply tweak it?

Ms. COOK. It gets equally challenging in states like California that have a number of metropolitan areas with urban areas around them to be able to go into a community that is under 10,000.

Mr. COSTA. It is difficult, but what you are saying is it is not working. So, if it is not working, we ought to look at it.

Do you think there are different ways—all the budget programs with our need to get our financial house in order and the cutbacks that we are going to have to make, they are under a budget microscope. Do you think there is a different way to apply definitions or different ways to evaluate applications altogether that would do more with the same amount of funding, or with less amount of funding?

Ms. COOK. Bearing in mind that each of the three agencies in Rural Development has—

Mr. COSTA. They are oversubscribed.

Ms. COOK. Yes, are oversubscribed, but also have programs with zero or negative subsidy scores, meaning we are actually making money for the government operating the electric program, the telecommunications program, the guaranteed housing program, those are negative subsidy score programs. So it is not a matter of those programs necessarily being oversubscribed.

In other cases, water and wastewater, in particular, yes, we are oversubscribed.

Mr. COSTA. And so how are we going to get more with less, with the cutbacks that are inevitably going to occur.

Ms. COOK. What we have been doing is partnering. For example, each state has a revolving loan fund that gets capitalized by EPA and other state resources that we try to partner with. We do lose some efficiency frankly in areas that have urban and rural approximate to each other where it might actually be cheaper to the rural area to tap on to a larger existing urban system than to create a new system themselves.

Mr. COSTA. My time has expired. But thank you very much, Mr. Chairman.

The CHAIRMAN. The chair would recognize the gentleman from Georgia, Mr. Scott, for 5 minutes.

Mr. SCOTT. Thank you, Mr. Chairman.

Ms. Cook, I live in a very small county, Turner County in Georgia, and I was raised in Tift County, just south of there. And I guess my question is as we look at these definitions, and one of the challenges for any of these truly rural communities with regard to economic development, when you are at the Chamber of Commerce and they put the five largest employers on the sheet of paper, it is, in many cases, the school system, the hospital, if there is a hospital, the county government, the city government, very little pri-

vate industry, I guess, is my concern, very little tax base to support the local government operations.

And my question gets back to this: If we, with more flexibility for the Department and the definition of *rural*, wouldn't in the end we allow money to shift from those communities that truly are rural?

I mean, every dollar that is spent in a community that qualifies as rural but it is really not rural, isn't that a dollar that is taken away from rural communities that these were actually set up to help?

Ms. COOK. We have two parallel systems here, Congressman. What we have been talking about so far is the eligibility standard and who actually gets to even submit an application.

The distribution of the money that is appropriated by Congress goes by a funding formula that is regulatory in nature. And that funding formula, with some variations, is 50 percent total rural population, and 50 percent poverty and unemployment. Through that formula we have been able to drive dollars into persistent poverty counties like many of the counties in Georgia. That still is on the table.

There is also the scoring process. Once we have determined somebody has an eligible project in an eligible area, we go through a scoring process that includes things like more points for smaller communities, and more points for lower median household income areas. Almost program by program, I can show you in both statute and regulation continued efforts to drive dollars into the most rural areas.

The real question for these various definitions really is who gets to even give us the application.

Mr. SCOTT. From a national award standpoint, though, of the money, you are confident that when you look at where the money is going that it truly does end up in the rural communities?

Ms. COOK. The funding formulas apply to the Water and Waste Disposal program in the Rural Utilities Service, the housing programs of Rural Housing Service and the Community Facilities program of Rural Housing Service, the Business and Industry Loan Guarantee funds in Rural Business-Cooperative Service, IRP, the intermediary lending program, and the Rural Business Enterprise Grants. Those programs have enough dollars in the pot that we suballocate to states based on the formula that I just shared with you, half rural population, half poverty and unemployment.

In the case of programs that are administered from Washington, D.C. by annual NOFA, the process allows within the body of the NOFA to recruit applications from those targeted areas. So yes, to answer your question, I am confident we are able to put dollars into the areas where they are most needed.

Mr. SCOTT. My concern is how the definition is going to drive which communities actually receive the funds. And Mr. Chairman, I will yield my time back to the chair at this time.

The CHAIRMAN. The gentleman yields his time. The chair would recognize the lady from Alabama, Ms. Sewell, for 5 minutes.

Ms. SEWELL. First let me just say it is a pleasure to be a part of the Subcommittee, and I look forward to working with all of my colleagues. I, too, share my colleague, Mr. Scott's concern, about



the characteristic of rural. I represent Selma, Alabama, which is where I am from. It is located in a county that is very much within the definition of rural, of truly rural. And by taking money away and broadening the definition, I am quite concerned that moneys are not going to get to areas that are truly rural or under the definitions, the most rural.

We have persistent poverty in the counties that I represent. And so I would like for you to elaborate a little bit more about the distribution of funds and how that distribution in the formula will still make sure that areas like the ones I represent actually get funding.

Ms. COOK. Each state office receives an allocation of funds in the larger program areas. The statute, CONACT in particular, and the regulations that the agencies have adopted to implement the CONACT further, add that once you have an eligible project, additional provisions drive those funds to the smallest communities. For example, the Rural Business Enterprise Grants, for most points, are awarded for communities of less than 5,000 population, even though the eligible area definition is 50,000—that is anywhere except 50,000 in adjacent urbanized areas. The best point score is to those communities smaller than 5,000.

So using the existing targeting scoring process, we are able to continue to drive those dollars into the smallest and poorest areas in each state. We are not changing each state's total funding share. But within that funding share they do have, the state directors do have the ability to target those dollars.

Ms. SEWELL. Great. For me, I know that we are waiting for the Census to come out as far as reapportionment. My bet is that given that we have had such a big loss of population in the district that I represent, that the Census will most likely mean that there is less influence, rural influence in the House of Representatives, as well as—as far as where the dollars are going.

And I just want to know what steps the USDA is taking to ensure that these most rural areas of Alabama, and in America in particular, don't lose out on the funding sources that are available to them, even after reapportionment.

Ms. COOK. In the interests of full disclosure, we are looking at the regulatory process that we control as well. That basic formula is based on, well, at least for the 20 years that I have been watching it, it has been half total rural population and half poverty and unemployment data.

For the half that is total rural population, in areas like you are describing where Katrina or some other event has caused very significant loss of population, you are hurt by that. So we are looking at the formula from the regulatory standpoint, too, in terms of maybe accounting for the first time for out-migration, for example.

The Economic Research Service did a study for us on what that would mean. It very much would drive dollars into the Delta, and into the heartland states to help target those resources to the most rural areas.

Ms. SEWELL. Thank you. I yield back the rest of my time.

The CHAIRMAN. The chair would recognize the gentleman from Illinois, Mr. Hultgren for 5 minutes.

Mr. HULTGREN. Thank you, Mr. Chairman.

Thank you, Ms. Cook. I appreciate your being here today. A quick question, one of your suggestions was to consider how the Department of Housing and Urban Development distributes funds as a factor for determining a community's eligibility for rural development funding. I wonder if you could just clarify for me and Committee Members how linking your program to rural development agency is going to help you find rural communities most in need?

Ms. COOK. Well, you have to start somewhere, Congressman, and I think it is fair to say that state and local governments all over this country are hurting and have been severely affected in their own ability to provide for their citizens by the economic downturn and the, as yet, incomplete economic recovery.

I will speak to my experience in Pennsylvania. In Pennsylvania, the larger cities get their own share of Community Development Block Grants. And with 2,500 municipalities, there are an awful lot of them that are left at the end of the day who compete for what remains after the urban centers have gotten their share.

That is all there is for those folks, unless someone else can find a way to reach out and incorporate their needs into our rural area consideration. You have to start somewhere. You could start at 20,000, the Community Facilities definition, you could start at 50,000. You have to start somewhere, some sort of continuum within the Federal family that says if it isn't urban, perhaps it is rural. That seems like as good a place as any to start that conversation, not to say you would get funded, but that we would at least take the application and compare it against other applications, again, using the tools available to us to target resources to the most rural areas that we serve.

Mr. HULTGREN. Thank you. I look forward to continuing this dialogue. And I yield back the balance of my time, Mr. Chairman. Thank you.

The CHAIRMAN. The chair would recognize the gentleman from Illinois, Mr. Schilling.

Mr. SCHILLING. Thank you, Mr. Chairman. It is good to see you, Ms. Cook. I just have something quickly. One of the most frequent complaints is just how onerous the application process is. And what can we do to try to expedite, I am kind of new to all this arena. This is my first time in politics. So what can we do to kind of get things to run through a little bit easier for the rural communities to—do you understand what I am asking? The application process basically.

Ms. COOK. The application process in terms of the length of some of our forms and—

Mr. SCHILLING. Right.

Ms. COOK. Recognizing we serve a wide variety of constituents, there is room for improvement. In the case of the community programs like the water and wastewater disposal program, or the Community Facilities program, rural communities don't have full-time grant writers on staff. In a lot of cases, they don't even have full-time staff at all. They are not full-time themselves, as a matter of fact. And it is daunting for them to try to fill that out themselves. That is where we rely on our staff who are out in the field to assist with that process.

Some communities do have consulting engineers, for example, who may help with water and waste applications and help put those together.

Where we have been focusing our attention on trying to simplify our processes are in the programs that apply directly to individuals, in particular, single-family housing, and our business program, our Business and Industry Loan Guarantee program where it is an individual entrepreneur approaching a bank and then the bank approaching us for a loan guarantee.

We are looking at our entire regulation to see if there aren't ways to streamline and simplify those programs and hopefully the forms and processes that go with them get simplified too.

Mr. SCHILLING. And then the other thing, since we are talking about the loan programs is we all are aware that there are some major cuts coming in the, all the anticipated budget is going to be sharply lower, the lower the program due to the higher subsidy rates, I guess, in the Business and Industry Loan programs, could you briefly just update us on the status of the loan portfolio? Highlight the changes in the default. I know you hit a little about that when we first got going on the default, it was kind of low. But as we continue going in this downturn, do you see the default going higher?

Ms. COOK. We haven't yet. We did experience, both in the Business and Industry Loan Guarantee program and the Guaranteed Single-Family Housing program a fairly large influx of new loan guarantees as a result of the American Recovery and Reinvestment Act. So just in terms of sheer volume, the portfolio, for example, in guaranteed 502 has doubled. So it is not unreasonable to think the number of problem children at the end of the day will increase as well. As a percentage of the portfolio, though, we are holding our own. We are outperforming other Federal agencies in housing, and we are even outperforming the private sector in housing.

In the Business and Industry Loan Guarantee program, again, we are within historical levels of default there as well.

Mr. SCHILLING. Very good. Thank you for your time. With that, I yield back.

The CHAIRMAN. The chair would recognize gentleman from Pennsylvania, Mr. Thompson.

Mr. THOMPSON. Thank you very much, Mr. Chairman, Ranking Member. Ms. Cook, it is always good to see you. First of all, my thanks for the USDA folks back in Pennsylvania. They do a great job from the state director to the local offices.

In your written statement you mention that a series of general provisions of the agriculture appropriations legislation declaring that a certain municipality is deemed to be rural even though its population exceeds the statutory eligibility standard for the program. Can you describe the real effect that this has on rural development programs?

Ms. COOK. Well, we have talked about how under section 6018(a) we have some exception authority for the business programs for areas that remain "rural in character". We don't have that exception authority when it comes to the Water and Waste Disposal program or the Community Facilities program. And so those two, in

particular, are where we see Members of Congress adding general provisions to our appropriations bill.

I was talking earlier, with Congressman Costa, about cases where you have a community like the one I live in, 13,000 population if you want a Community Facilities project, a hospital, a library, fine; if you wanted public water or sewer, not fine.

A general provision is something that might address the water and sewer eligibility. And we did that in a few states throughout the Northeast last year and the year before trying to address particularly the water and wastewater disposal program and the 10,000 population limit.

Mr. THOMPSON. I know one of the, I don't know whether it is a slogan, motto, I don't know if it is official or not, but rural economic development builds rural communities from the ground up. And we have seen success there.

You mention oftentimes when an area receives eligibility for rural development programs, that their eligibility is essentially grandfathered in, as frankly I view it, as programs are successful, and the communities grow, what ideas do you have to ensure that an area shouldn't automatically be eligible for Rural Development programs just because they have qualified in the past?

Ms. COOK. Well, again, there is eligibility to apply, and then there is your score and whether we are actually going to fund you compared to somebody else's application.

The eligibility to apply issue is this standard of 10,000, 20,000, and 50,000. Whether we are going to fund you is a completely different issue. It depends on the strength of your idea, it depends on what resources the community might bring to the table, or what the individual entrepreneur might bring to the table. There are a number of other factors that go into the decision to actually make a loan or guarantee a private lender's loan.

It does get tricky. The City of Harrisburg, for example, dipped below 50,000 and suddenly became eligible for business programs. Did Harrisburg suddenly start growing corn? No. Is it suddenly more rural than it was the week before the Census data came out? No.

And the opposite is true as well. South Middleton Township where I live was 13,900+ in the 2000 Census. Given the number of townhouses that have sprung up around me in the last 10 years, it wouldn't surprise me at all to find out that South Middleton Township is now over 20,000. Has that changed the rural nature of where I live in the township? No. No, it hasn't.

Mr. THOMPSON. How about in relation to the whole definition of rural or rurality in relation to the, do you see any problems dealing with that definition relation, specifically to the energy title of the farm bill?

Ms. COOK. The energy title of the 2008 Farm Bill with one exception did not include a statutory rural area requirement at all for the programs that were assigned to Rural Development. We, nonetheless, in an effort to be as consistent as we could between the energy programs and the business programs, put in our proposed rule a 50,000 standard—that is anywhere except 50,000 and adjacent urbanized area requirement. Through the public comment process, we have reached a point where, at the end of the last week and

right up to yesterday, we published interim final rules in the section 9003, 9004 and 9005 program in which we have dropped that. And so we, in fact, have no rural area requirement in those three programs.

The exception is the REAP program, the Rural Energy for America program, which is actually a product of the 2002 Farm Bill and was put within the CONACT comparable to the business program. It still has a rural area definition, although Congress, in the 2008 Farm Bill, clarified that if you are a farmer, you will be eligible for REAP no matter where your farm happens to be. So the proposed rules to implement those changes are forthcoming.

Mr. THOMPSON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Proceeding to a second round, I will make my comment and questions relatively brief. I have a concern, perhaps the converse of what the Ranking Member has, that too expanded definitions, too fully granted exceptions undermine the underlying purpose of the Act, and that is, to provide the economic infrastructure for the economic development of truly rural areas. And I would, I guess, before I ask the question I do, simply urge the Under Secretary urge the Department to understand that there are other programs that reach some of the other goals that various Members want them to do without depleting an already too limited source of funding for Rural Development.

Let me just ask two relatively quick questions and take your answer and then I am sure somebody may have some more questions before going to the next panel.

I know that the last farm bill required your Department to submit a report to Congress that would review the various definitions of *rural* and then accordingly, to describe the effects those multiple definitions have, participation in them and then finally to recommend different ways to better target funds for rural development.

As I understand it, that report was due last summer, and to my knowledge, we haven't received that yet. A, is that the case? B, why? And C, what can we expect?

Ms. COOK. Yes, Congressman, the farm bill required within 2 years of the date of enactment, that report, as you mentioned. That is in 6018 subsection (b). We do not have that report before you, although the first part of it is attached to my testimony, and that was the question of what are the rural area definitions. That is *Appendix 1* of my testimony.

The second part, how have the different definitions affected what we do, has been some of the discussion here today, although we will provide you more detail on that.

The third question, what should we do about it in the next farm bill is the reason we haven't provided the report to you timely as the bill required, for two reasons. The first is the energy programs that I just discussed with Congressman Thompson. We wanted to get through the public notice and comment period with the new energy title of the farm bill to establish, once and for all, whether a rural area requirement would attach or not.

And as I said, it was just yesterday that we published an interim final rule, the section 9003 rules.

The second reason was we were frankly experimenting through the American Recovery and Reinvestment Act in the Broadband Initiatives Program with how to make the best possible effort to target those resources under the Recovery Act to the most rural and most remote places. We did two Notices of Funding Availability under that program, that was not complete in time to provide the benefit of that experience by June, but will be complete in time to provide you the report by this coming June.

The CHAIRMAN. The last point is that a good many people who have observed the operation of the Department, and specifically, applicable various mandates provided in the 2008 Farm Bill are really, deeply concerned about the failure of the Department to fully or adequately implement the rural broadband program. It gets to be an increasingly critical area issue as we proceed.

Can I receive the assurance from you, Madam Secretary, that you will make that your first priority and that hopefully the next time you are here, we will have dramatic progress in that regard?

Ms. COOK. Congressman, this is something that warrants its own hearing. The 2002 Farm Bill that created the broadband program made it a 100 percent loan program, and it really shouldn't be a surprise to anyone that communities that can't afford 100 percent loan, and that need some grant money have not been coming to us to apply for that program. That is the experiment we were fortunate enough to do with the moneys entrusted to us by Congress in the American Recovery and Reinvestment Act.

We had an opportunity, finally, to apply some grant dollars along with loan dollars and make a concerted effort to reach the most rural and most remote communities with those funds.

The CHAIRMAN. Thank you. I recognize the distinguished Ranking Member. Proceed, Mr. Costa.

Mr. COSTA. Thank you, Mr. Chairman.

I want to continue on that line of questioning that I did earlier, and many states across the country, including California, encourage protection of rural and agricultural lands through different mechanisms, whether it is in Pennsylvania as you described, or Illinois. They also concentrate services in more urban areas while the agricultural lands or rural lands are adjacent within counties, for example, and so within those counties, many of the community facilities, in essence, serve a large percentage of rural residents.

What authority, if any, does the USDA currently have to award funding to facilities that serve rural populations but are located in areas that don't meet the rural criteria?

Ms. COOK. Very little. Under the Consolidated Farm and Rural Development Act, we do have the ability to locate a food processing facility that is controlled by a cooperative of producers in an urban area. But under Community Facilities or Water and Waste Disposal, we do not have that flexibility.

Mr. COSTA. Would that require statutory change?

Ms. COOK. It would.

Mr. COSTA. So a rule change wouldn't get it. What is the current process by which the United States Department of Agriculture has to establish that an area is "rural in character?" You, in your opening statement, talked about definitions that are used to qualify.

What is "rural in character" and what do you do to apply an area or region that is rural in character?

Ms. COOK. The definition of "rural in character" and the process by which we make that determination are both spelled out in section 6018(a) of the farm bill. It is a fairly exhaustive process of trying to determine whether an area has been rapidly urbanizing. There is also what is affectionately called the Wilkes-Barre Scranton exception for those of us from Pennsylvania where if you can lay a string between two metropolitan areas and that string is longer than 40 miles, that there may be some area within that that is still "rural in character." To be honest with you, Congressman, I have a bachelor's degree in English, I have a law degree, I have been living in Pennsylvania for 30 years now and know where Wilkes-Barre and Scranton are and have traveled between them hundreds of times, and I still have to go to our Associate General Counsel, David Grahn, to help me understand whether an area is "rural in character" or not because it is one of the most complex decisions that we make.

Mr. COSTA. Well I don't want to belabor this issue, not to take issue with the Chairman necessarily, but again, and I would like to invite the Subcommittee to the valley if it is deemed appropriate at some point in time, but I don't know about this string between Wilkes-Barre and—I have only been in that area once, but I would like to find out where to get some more of that string.

My district is almost 160 miles in length so that is longer than the 40 mile string, so I would need a little more string. In Fresno County, I have 15 cities of which only two are in excess of the 50,000 population. The others are really between 10,000 and 20,000 population, and I have a handful that are under 10,000 in population at distances as long as an hour away in driving time from the larger metropolitan area. In Kings County, I have one city over 50,000 and the others are very rural, long distances. In Kern County with the exception of the City of Bakersfield, all the outlying areas are under 20,000 population, and very, very rural. I still have one-school districts that are four classrooms, literally less than 100 children in a school district.

So how you define "rural in character" and how constituents not only in the great San Joaquin Valley, but also throughout the country that are rural, as rural can be, cannot be allowed to be able to participate is a disservice to the tax dollars that they send to Washington.

Ms. COOK. The "rural in character" exception, again, applies only in the business programs and is intended only to give a small carve-out opportunity from that language about adjacent urbanized areas. If you have communities that are under 20,000, they are eligible for Community Facilities. It is a clear bright line. You are either above 20,000 or you are not. If you have communities below 10,000, it is a clear bright line; they are either eligible for Water and Waste Disposal or they are not.

I had the occasion on several occasions last year actually to come up and explain to very intelligent Members of Congress that 10,200 was more than 10,000. But if you have some that are under 10,000, they are eligible for water and waste, but they may not be eligible or the Business and Industry Loan Guarantee program because of

that extra language about not greater than 50,000 and adjacent urbanized areas. In that case it is the, "and adjacent urbanized areas" that is causing you trouble.

Mr. COSTA. For the record, Mr. Chairman, I know my time has expired, but we will substantiate that all the Members of Congress tend to be very bright.

The CHAIRMAN. We have three members of the panel, or not members of the panel, Members of the Committee, who in order, Mr. Scott, Mr. Hultgren and Mr. Schilling, Mr. Thompson, do any of you wish to engage in further questions?

Mr. SCHILLING. I just have one.

The CHAIRMAN. Mr. Schilling.

Mr. SCHILLING. Can you comment further on how the current formula for awarding funds to each state is calculated? And then, the second part of the question is how changes in the definition of *rural* impacted the level of funding received by states, especially Illinois?

Ms. COOK. Most of our conversation today, Congressman, has been about how we determine who is eligible to apply for the program and not about how we distribute the dollars that are appropriated to us. That discussion is regulatory in nature, and the definition is 50 percent rural population as defined by the Census Bureau, which is something different yet, namely non-metro areas under 2,500. The other 50 percent is poverty and unemployment.

We have been looking at whether those factors are still the right answer, 50 years later, or however long it has been that we have been using that formula, at least the 20 years that I have been paying attention. We are looking at factors like out-migration and others to see if maybe it is time that we adjust the formula to ensure that our dollars are, in fact, distributed to the areas that most have rural and rural needs.

Mr. SCHILLING. Very good. Thank you Ms. Cook. I yield back.

The CHAIRMAN. Mr. Thompson.

Mr. THOMPSON. Just real quick, Mr. Chairman.

Ms. Cook, the Rural Development Policy Act in 1980 established USDA's lead agency on rural development, and I certainly believe this Subcommittee wants to make sure we keep that in place. We have seen in other agriculture issues encroachment by EPA and other agencies into ag-related initiatives or business really to the detriment of our farms, and our rural communities. Recognizing there is a role for collaboration here as necessary, how is the USDA demonstrating this leadership role today? And how have you been successful in getting other agencies to support your efforts as the lead agency on rural development?

Ms. COOK. Probably the best example I can give you is when the Department of Housing and Urban Development last year put out their Notice of Funds Availability for regional planning and development. Of the \$100 million that was available, \$25 million of that was made available for rural planning and development.

Similarly, other agencies have been identifying the need to get into rural areas. I would love to take credit for it but it is really Secretary Vilsack who is getting his colleagues in other departments to recognize the need to invest in rural America.

Mr. THOMPSON. Thank you, Mr. Chairman.



The CHAIRMAN. With that, we thank you, Ms. Cook, for your testimony. I thank the Members of the Committee for their questions.

We invite the second panel to come forward to the appropriate place. We will recognize them and proceed.

There are four witnesses on panel two. I will introduce two and then, for obvious reasons, let my colleagues on the Committee introduce the other two.

The first is the Honorable Don Larson, Commissioner of Brookings County, South Dakota, Brookings County Commission Office, Brookings, South Dakota. Glad you are here with us.

Mr. Charles Fluharty, President and CEO, Rural Policy Research Institute, Columbia, Missouri.

And I would ask Mr. Schilling, my colleague from Illinois, to introduce at least one of the other two witnesses.

Mr. SCHILLING. Thank you, Mr. Chairman. Thank you for putting this on today. I really appreciate it.

I have the honor of introducing one of the witnesses on the second panel this morning, the distinguished Dr. Timothy Collins. He is the Assistant Director of the Illinois Institute of Rural Affairs at Western Illinois University, located in Macomb, Illinois, home of the Leathernecks. The IIRA was founded in 1989 and focuses on research in rural areas of Illinois. We are lucky to be joined by the doctor, who is one of five Ph.D.s at the IIRA. Most importantly, he resides in Bushnell, Illinois, with his lovely wife and son. I just want to thank him for being here today and look forward to visiting with you.

I yield back.

The CHAIRMAN. Mr. Costa, I know you have a witness who comes from your district.

Mr. COSTA. Yes. Thank you very much, Mr. Chairman, Members of the Subcommittee.

Mike Dozier is currently the Director of the Office of Community and Economic Development at California State University at Fresno, Fresno State. "Go, Bulldogs." He is also the lead executive of—that happens to be my *alma mater*—lead executive for the California Partnership for the San Joaquin Valley and the director of the Fresno State Connection for Rural Development, which well qualifies him to speak to us this afternoon.

Let me just quickly say that collaboration covers eight counties, 27,515 square miles, most of it rural, and some of the most productive agricultural land in the entire world. So we look forward to hearing Mr. Dozier's testimony here this morning with his broad range of experience and background with the subject matter at hand.

The CHAIRMAN. Thank you, Mr. Costa.

Thank you, Mr. Schilling.

With that, I would recognize the gentleman Mr. Larson for 5 minutes with regard to his testimony.

You can proceed.

**STATEMENT OF HON. DONALD LARSON, COMMISSIONER,  
BROOKINGS COUNTY, SOUTH DAKOTA; CHAIRMAN,  
AGRICULTURE AND RURAL AFFAIRS STEERING COMMITTEE,  
NATIONAL ASSOCIATION OF COUNTIES, BROOKINGS, SD; ON  
BEHALF OF NATIONAL ASSOCIATION OF DEVELOPMENT  
ORGANIZATIONS**

Mr. LARSON. Thank you, Mr. Chairman, Ranking Member Costa and Members of the Subcommittee for the opportunity to appear before you today.

As stated before, I am Don Larson. I am a county commissioner from Brookings County, South Dakota. I serve as chair of the National Association of Counties Agriculture and Rural Affairs Steering Committee. I am honored to bring the collective perspective of our nation's rural counties and regional development organizations today as I represent NACo, National Association of Counties, and the National Association of Development Organizations, NADO.

We appear before you here today as your partners to work with you to ensure that the Rural Development Programs are successful and help you make any changes or whatever is necessary to increase that success level.

Today I would like to visit about two main points. First, rural people and places are increasingly operating in dynamic regional economies, and our community is one that is doing so. The USDA Rural Development Programs must be reshaped so that we promote and give greater flexibility to the successful regional approaches and local collaborations which has become vital in my community.

Rural counties and regions are often arbitrarily placed into categories by academics and the Federal Government. But we at NACo and NADO do not have specific policy or recommendations on proper population criteria for specific USDA programs. But as you consider this topic, the most important fact to remember is that rural places do not fit nicely into a box, but they do exist as a region. Therefore, we encourage you to focus on providing us enhanced flexibility for our Rural Development state offices so that we may provide assistance that fits the uniquely rural nature of our states by focusing on several rural regions, both multi-town, multi-county, and multi-funding these regions' strategic priorities.

The importance of your Federal investment in regional planning and project implementation is very clear in eastern South Dakota where I am from. My County of Brookings, South Dakota, through regional planning and innovative partnerships with our other partners as outlined in the testimony I submitted to you, created the South Dakota State University Innovation Campus, the first research park developed in the State of South Dakota. The innovation campus provides a place where people and ideas are coming together to enhance the economic vitality of our region. At our locality it requires us that in our region we actually take in parts of our neighboring States of Minnesota, Iowa, maybe a corner of Nebraska, and a corner of North Dakota.

The county and the city put up the upfront money, and the First District Association of Local Governments helped us to develop the business plan and regional strategy with the Federal EDA funding. These planning investments provided vital gap funding that help

make our regional vision a reality. And I stress the words *regional concept*.

My second main point is that Congress and the Administration should work together in a bipartisan manner to make Rural Development Programs a priority within the farm bill reauthorization. Our ag sector needs more investments in our rural community infrastructure to remain competitive both from a quality-of-life perspective as well as the production, transport, and safety of our ag food and energy products.

The agricultural sector is a primary beneficiary of just about every investment made by USDA Rural Development, whether related to our improved water and wastewater treatment facilities; our improved housing options for our workers, our citizens; more affordable access to business financing; and assistance for value-added production marketing; and cheaper and reliable services from our rural electrics, our telephone and broadband cooperatives.

The next farm bill offers a unique opportunity for Federal policymakers to start testing and pursuing our new Federal policies for rural development. NACo and NADO will support all of the titles of the reauthorization of the farm bill, but call on Congress and the Administration to place particular emphasis on crafting a bill that provides us the enhanced resources to Rural Development Programs and policies that enhance rural prosperity.

We seek to be your partner in this endeavor. We promise to work with you to streamline and improve existing programs that invest in rural America, pay even bigger dividends than they have in the past.

Mr. Chairman and Members of the Committee, we all know that every dollar of new wealth generated can ultimately be traced back to the soil. That is our job in rural America is to protect that soil and do everything we can to provide and increase the wealth of this great nation.

Thank you, Chairman Johnson, Ranking Member Costa, and Members of Subcommittee, for the opportunity to have a few moments of your precious time this morning. I will be here for any questions you may have.

[The prepared statement of Mr. Larson follows:]

PREPARED STATEMENT OF HON. DONALD LARSON, COMMISSIONER, BROOKINGS COUNTY, SOUTH DAKOTA; CHAIRMAN, AGRICULTURE AND RURAL AFFAIRS STEERING COMMITTEE, NATIONAL ASSOCIATION OF COUNTIES, BROOKINGS, SD; ON BEHALF OF NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

**Thank you, Chairman Johnson, Ranking Member Costa and Members of the Subcommittee for the opportunity to testify today on the various definitions of “rural” applied under programs operated by the U.S. Department of Agriculture.**

My name is Don Larson. I am a County Commissioner in Brookings County, South Dakota and I serve as chair of the National Association of Counties’ (NACo) Agriculture and Rural Affairs Steering Committee. Brookings County is located in the eastern corner of South Dakota and has a population of around 30,000 people.

My goal today in covering this important topic is to give you some concrete examples from my county and region and I’m honored to also bring the collective perspective of our nation’s rural counties and regional development organizations as I represent NACo and the National Association of Development Organizations (NADO). NACo and NADO look forward to working with you in this Congress as you consider ways to improve USDA’s Rural Development portfolio during the farm bill reauthorization process. We share your deep commitment to rural America and believe that

through our working partnership, rural individuals, communities, farmers, ranchers and all other rural businesses will be given more flexibility to expand their economic potential and compete in the global economy.

#### **About the National Association of Counties**

**Established in 1935, the National Association of Counties (NACo) is the only national organization representing county governments in Washington, D.C.** All 3,068 counties in the United States are members of NACo. NACo provides an extensive line of services including legislative, research, technical and public affairs assistance, as well as enterprise services to its members.

NACo's membership drives the policymaking process in the association through 11 policy steering committees that focus on a variety of issues including agriculture and rural affairs, human services, health, justice and public safety and transportation. Complementing these committees are two bipartisan caucuses—the Large Urban County Caucus and the Rural Action Caucus—to articulate the positions of the association. NACo's Rural Action Caucus (RAC) represents rural county elected officials.

#### **About the National Association of Development Organizations**

Building on more than 4 decades of experience, the National Association of Development Organizations (NADO) represents the nation's 520 regional development organizations. The association supports Federal programs and policies that promote regional strategies, partnerships and solutions for addressing local community and economic development needs.

As public sector entities, each of the nation's regional development organizations is typically governed by a policy board of local elected officials, along with representatives from the private, nonprofit and educational sectors. These entities are a key catalyst for strategic planning, partnerships and initiatives that are designed to meet locally-identified needs and conditions. The core philosophy of regional development organizations is to help local officials and communities pool their limited resources to achieve economies of scale, build organizational skills and professional expertise, and foster regional collaborations.

#### **Overview**

In my testimony, Mr. Chairman, I want to make two main points.

- **Rural people and places are increasingly operating in dynamic regional economies and USDA Rural Development programs must be reshaped to promote and give greater flexibility to these successful regional approaches and local collaborations.**
- **Congress and the Administration should work together in a bipartisan manner to make rural development programs a priority within farm bill reauthorization.**

#### **Moving Towards a Regional Approach**

Counties and regions are used to being arbitrarily placed into categories by academics and bureaucrats. In fact, when it comes to defining rural, the Federal Government is all over the map. The population criteria for major programs within USDA Rural Development varies from limiting eligibility to rural areas with under 2,500 people to areas with under 50,000 people. For example, water and wastewater project eligibility is limited to areas with a population under 10,000 people, community facility projects are limited to areas with a population under 20,000 people and most business programs are limited to areas with a population under 50,000 people.

NADO and NACo do not have policy on the proper definition of rural or recommendations on population criteria levels for specific programs. The reality is that the definition of rural is very place specific and subjective. Rural areas exist within counties of various population densities, and these rural places interact with each other and urban centers in their region. As you consider this topic, the most important fact to remember is that rural people and places do not fit nicely into a box. Our organizations encourage you to avoid getting bogged down in the regional fights that erupt when definitions are considered. Instead, we encourage you to focus on providing enhanced flexibility for USDA Rural Development's state offices to provide assistance that fits the uniquely rural nature of their states, by focusing on serving rural regions, both multi-town and multi-county.

Currently, USDA Rural Development programs all too often are structured to serve individual communities rather than larger county and multi-county regional strategies and goals. In today's economy, our rural places are not served well by stove piped programming, but rather need Federal investments to help with crafting

and implementing strategic regional plans that capitalize on the unique economic assets and unique vision of people, businesses and organizations in these regions.

Therefore, I recommend an enhanced emphasis on tools to help local officials, private sector leaders and nonprofit entities join together to develop and implement regional strategies that leverage regional assets and opportunities. These tools should be flexible enough to allow rural communities to work with their urban and suburban partners. At the same time, USDA Rural Development funding should be directed towards the prioritized assets and needs of rural communities and regions.

Traditionally, the rural economic development landscape was dominated by counties and municipalities acting as their own economic islands in which neighbors competed for industries and manufacturing jobs through tax incentives. This landscape is changing. It is being replaced by vibrant regional economies in which prospering and successful rural regions are tied together in clusters of innovation that are supported by integrated plans for workforce, economic development, research and infrastructure. This change is being accelerated by the Great Recession, which has led local governments to work more collaboratively as regions in order to provide strategic infrastructure and economic development services in difficult times. USDA Rural Development's programs should be updated in order to better meet the demands of this changing landscape.

The fiscal situation facing all levels of government—Federal, state and local—is dire. Therefore, our investments must be based upon the best economic research available. Historically, policymakers have thought it was impossible for municipalities and unincorporated rural areas to work together as one county or for multiple counties to work together. The prevailing notion was that our interactions in economics and football were the same. We met regularly, but only in competition against each other.

I'm happy to report that this old notion is becoming less and less prevalent. Our towns and counties can no longer afford to compete in a race to the bottom against each other in search of the next big manufacturing plant. No, instead we are being forced to consider new ways of governing in an era of limited government resources. We are working together more efficiently and are streamlining services. NACo and NADO pledge to work with you to improve USDA's portfolio of rural development programs in order to assist with this changing dynamic.

One model for updating USDA's Rural Development programs is the U.S. Economic Development Administration's (EDA) very small but effective economic development district (EDD) planning program, which is the only national program that requires local communities to think and plan regionally. Historically, the agency has rewarded local governments and grantees with a ten percent Federal bonus within its public works and economic adjustment assistance programs if they engage in multi-county planning and development. This successful model should be enhanced and expanded within the USDA Rural Development mission area. It should also be adapted to USDA Rural Development's clientele by providing incentives for both multi-county planning and integrated planning among municipalities and unincorporated areas within a single county.

The cutting edge research flowing from our nation's economists and trusted rural policy experts continues to demonstrate that multi-state, multi-county and multi-town approaches to local economic competitiveness are critical to a vibrant rural economy. Organizations such as the Federal Reserve Bank of Kansas City, the Southern Growth Policy Board, the Rural Policy Research Institute and the Council on Competitiveness have all issued reports and policy briefs stressing the need for Federal incentives, resources and programs that support regional community and economic development, especially in small metropolitan and rural regions.

And these studies are being validated by on-the-ground experiences. In January, NADO sponsored a regional innovation forum with 25 practitioners from across the nation. NADO learned that rural development organizations and their private, public and nonprofit sector partners are already pursuing new and creative strategies at the regional and statewide levels. Many of these new approaches cut across Federal agency silos, including community development, economic development, housing, transportation and workforce development.

In my County of Brookings, South Dakota, through regional planning and innovative partnerships we created the South Dakota State University Innovation Campus, the first research park developed in the state of South Dakota. Sited on 125 acres, the Innovation Campus is located next door to South Dakota State University (SDSU).

The SDSU Innovation Campus provides a place where people and ideas come together in our region to combine the experience of university, business, industry and government in an environment that uses innovation and critical thinking to gen-

erate new ideas, promote research, entrepreneurialism and business mentoring—providing opportunities to keep our best and brightest in South Dakota.

The SDSU Innovation Campus is the product of the SDSU Growth Partnership, a 501(c)(3) nonprofit corporation whose partners include Brookings County, the City of Brookings, Brookings Economic Development Corporation, South Dakota State University, the South Dakota State Foundation and a State Representative. The county and city put up front money, and the First District Association of Local Governments helped develop a business plan and grant application for EDA funding. These planning investments provided vital gap funding that helped make our regional vision a reality. The First District serves 11 counties and 75 communities within the counties of Brookings, Clark, Codington, Deuel, Grant, Hamlin, Kingsbury, Lake, Miner, Moody, and Roberts.

The site includes retail and support services. Local private developers have developed a 120 unit housing complex, The Innovation Village, on property adjacent to the park. The campus has walking, jogging and biking trails, and open green spaces, and is also accessible via public transportation. All of the private development on the innovation campus becomes a part of our local tax base.

The economic success story in Brookings County and our region, along with our innovation campus, clearly demonstrate that rural communities and institutions can make substantial progress by working regionally to achieve economies of scale, technical expertise, workforce pool and infrastructure financing to compete nationally and globally. The project has helped Brookings County and our region prosper. In fact, we enjoy one of the lowest unemployment rates in the country at around four percent.

However, rural unemployment in the nation has remained high overall, despite the strong performance of the agricultural sector. Other rural communities would like to start planning and implementing regional strategies but do not have the funding to get started. Reorienting USDA towards a regional approach would provide needed resources to assist rural communities with seed money for planning, or as in our case, additional funds to expand our regional development efforts. In our region, we could expand the principles of the innovation campus project to additional parts of our region. Our county could also link to other efforts such as our regional farmers' market initiative, our Seed Technology Laboratory, and our youth learning center.

This new approach will save time and money for rural counties who have trouble navigating the array of stove piped programs at USDA. The vast majority of counties and municipalities in our nation lack the financial, human and technical resources individually that are required to compete with urban centers. These same rural communities lack the expertise needed to navigate and apply for the alphabet soup of excellent programs offered by USDA. These communities are not asking for a free lunch. However, they do need a jump start. Federal investments that help fund strategic regional planning activities and provide seed funding for implementation can help provide rural business and community leaders with the leverage they need to begin something that creates wealth and jobs.

While regional innovation and competitiveness strategies are essential for small metropolitan and rural America in today's global economy, it is equally important that USDA Rural Development and other Federal community and economic development agencies make smarter and more strategic investments based on these regional priorities and strategies. Too frequently, Federal officials make funding awards that may be important in a specific, more isolated area. In today's challenging fiscal environment, we need to ensure that our limited Federal rural development resources are tied to regional and local strategies and assets.

### **Making Rural Development a Priority**

Our agricultural sector needs more investments in our rural community infrastructure to remain competitive, both from a quality of life perspective as well as the production, transport and safety of agricultural food and energy crops. Rural Development in the farm bill context shouldn't be viewed as a competitor, but as a complementary component. The agricultural sector is a primary beneficiary of just about every investment made by USDA Rural Development, whether related to improved water and wastewater treatment facilities, improved housing options for workers, more affordable access to business financing, assistance for value-added production marketing or cheaper and reliable services from rural electric, telephone and broadband cooperatives.

One of our nation's most innovative, internationally competitive and export-driven sectors is agriculture. It is essential that we continue to maintain a highly competitive and robust domestic agricultural sector, including for international trade and domestic consumption. However, as we have witnessed during the current economic

downturn, intense global competition and technological advancements, combined with severe economic recessions, typically results in a “pattern of creative destruction” that runs counter to the public sector’s desire for job growth. Rural America is all too familiar with this reality. For example, the number of farmers will most likely continue to decline and the percentage of farmers who rely on off-farm income to survive will continue to accelerate. The same can be said for manufacturing and natural resource industries across rural America where the drive for innovation, cost cutting and cheaper labor are necessary to compete with emerging markets.

The next farm bill offers a unique opportunity for Federal policymakers to start testing and pursuing new Federal policies for rural development. This means that longstanding programs and policies anchored within the USDA Rural Development mission area will need to be examined and to evolve. We need to be thinking more about advantaging regional assets, promoting value-added uses of commodities and positioning rural America to participate in the knowledge economy.

NACo and NADO will support all titles in the reauthorization of the farm bill, but call on Congress and the Administration to place particular emphasis on crafting a bill that provides enhanced resources to rural development programs and strategies that promote rural prosperity. NACo, NADO and the other 30 national organizations that make up the Campaign for a Renewed Rural Development will work in a bipartisan manner with Congress and the Administration to increase the effectiveness of this vital mission area of USDA.

USDA Rural Development programs leverage community resources to develop the infrastructure necessary to compete in the global economy. This includes both traditional physical infrastructure but also community and human resources. Infrastructure development remains one of the most significant roadblocks to economic development and competitiveness in small town and rural America. USDA Rural Development is effective at helping communities overcome these roadblocks, but needs to maintain at least level funding and more strategically directed funding in the coming fiscal years to meet these infrastructure needs. These programs help rural businesses and entrepreneurs and provide the vital community and economic development loans and grants necessary for rural local governments to provide the base infrastructure necessary for businesses to compete in the global economy.

In conclusion, I would like to reiterate my two key points. First, rural people and places are increasingly operating in dynamic regional economies and USDA Rural Development programs must be reshaped to promote and give greater flexibility to these successful regional approaches and local collaborations that do not fit nicely into rural definitions. Second, Congress and the Administration should work together in a bipartisan manner to make rural development programs a priority within farm bill reauthorization. NACo and NADO seek to be your partner in this endeavor. We promise to work with you to streamline and improve existing programs so that investments in rural America pay even bigger dividends in the future.

Thank you again, Chairman Johnson, Ranking Member Costa and Members of the Subcommittee for the opportunity to testify this morning on behalf of NACo and NADO on these critical rural development issues. I appreciate your time and interest. I look forward to answering any questions.

The CHAIRMAN. Thank you, Mr. Larson.

With that, we would recognize the gentleman who is listed as the second witness on our panel, Dr. Collins. You want to proceed?

**STATEMENT OF TIMOTHY COLLINS, PH.D., ASSISTANT DIRECTOR, ILLINOIS INSTITUTE FOR RURAL AFFAIRS, WESTERN ILLINOIS UNIVERSITY, BUSHNELL, IL**

Dr. COLLINS. Good morning. Mr. Chairman, Committee Members, thank you for allowing me to testify today.

More than 20 years ago, the Illinois Governor designated the Illinois Institute for Rural Affairs a statewide clearinghouse for rural issues. The U.S. Department of Agriculture is an important partner. Today’s presentation will focus on effects of the various rural development definitions on funding and participation in Illinois, the changing rural landscape, and recommendations for targeted Rural Development Programs.

Metropolitan-rural definitions have been refined periodically since early in the 20th century. More finely drawn distinctions—

USDA's urban influence, county typology, and rural-urban continuum codes—now help characterize America's changing and diverse rural areas.

By the broadest definition, the Illinois landscape has become more urbanized, with 26 of our 102 counties designated metropolitan in 1980, 28 in 1990, and 36 today. In a 2005 report about changing Census definitions, we expressed concerns about potential impacts on the eight new metro counties and micropolitan counties generally. Our concerns have not been borne out so far. The Bureau of Economic Analysis includes micropolitan counties in non-metropolitan analyses. Our USDA State office said there has been little change in program dollars for the affected counties that became metropolitan. Several have received USDA business and community projects, loans, and grants since the definitions were changed.

It is important that we continue to target Rural Development Programs to outlying metro communities or counties also. For example, rural Macoupin County, Illinois, was placed in the St. Louis metro area in 2003 because of commuting patterns influenced partly by Interstate 55. But land use, predominantly agricultural and forest and scattered small incorporated and unincorporated places, makes Macoupin a rural bedroom area. In fact, the county lost 2.5 percent of its population between 2000 and 2009. It has continued to receive USDA funding.

USDA's descriptive county codes help target Rural Development Programs toward where they are needed, including metropolitan counties with rural characteristics. The codes also give IIRA standing to work in rural interface counties. With this in mind, we offer some recommendations.

USDA codes are needed to help refine USDA programs for local governments at the Census tract level and in wider regions. They can facilitate growth and change, while preserving our vital agricultural capacity.

The multiplicity of Federal rural definitions is overly complicated. IIRA, for example, must, through our Small Business Development Center, deal with Small Business Administration rules that do not adequately account for differences between the more densely populated Chicago area and our 12 county rural region. Rural definitions could be consolidated, with USDA as the prime agency for defining rural.

True to the original conceptualization of micropolitan, it is important to remember that these smaller cities anchor their rural regions. Mainly they offer a key to effective regional rural development.

The coming reapportionment of Congressional districts may further weaken rural political influence. Monitoring the definition of *rural* is an ongoing task to ensure that rural needs are met.

Thank you again for the opportunity to testify, and I look forward to questions and discussion.

[The prepared statement of Dr. Collins follows:]



PREPARED STATEMENT OF TIMOTHY COLLINS, PH.D., ASSISTANT DIRECTOR, ILLINOIS INSTITUTE FOR RURAL AFFAIRS, WESTERN ILLINOIS UNIVERSITY, BUSHNELL, IL \*

Mr. Chairman, Committee Members. Thank you for allowing me to testify today. More than twenty years ago, the Illinois Governor designated the Illinois Institute for Rural Affairs as statewide clearinghouse for rural issues (*Appendix A*).<sup>1</sup> The U.S. Department of Agriculture is an important partner.

Today's presentation will focus on:

1. Effects of the various rural development definitions (*Appendix B*) on funding and participation in Illinois;
2. The changing rural landscape; and
3. Recommendations for targeted rural development programs.

Metropolitan-rural definitions have been refined periodically since early in the twentieth century. More finely drawn distinctions—USDA's urban influence, county typology, and rural-urban continuum codes—now help characterize America's changing and diverse rural areas.

By the broadest definition, the Illinois landscape has become more urbanized, with 26 of our 102 counties designated metropolitan in 1980; 28 in 1990; and 36 today. In a 2005 report about changing Census definitions, we expressed concerns about potential impacts on the eight new metro counties and micropolitan counties generally.<sup>2</sup> Our concerns have not been borne out so far: the Bureau of Economic Analysis includes micropolitan counties in non-metropolitan analyses.<sup>3</sup> Our USDA state office said there has been little change in program dollars for the affected counties. Several have received USDA Business and Community Projects loans and grants since then.

It is important that we continue to target rural development programs to outlying metro counties. For example, rural Macoupin County, Illinois, was placed in the St. Louis metro area in 2003 because of commuting patterns influenced partly by Interstate 55. But land use—predominantly agriculture and forest and scattered small incorporated and unincorporated places (*Map 1*) makes Macoupin a rural bedroom area. In fact, the county lost 2.5% of its population between 2000 and 2009. It has continued to receive USDA funding.<sup>4</sup>

USDA's descriptive county codes help target rural development programs toward where they are needed, including metropolitan counties with rural characteristics. The codes also give IIRA standing to work in rural-urban interface counties. With this in mind, we offer recommendations:

- USDA codes are needed to help refine USDA programs for local governments, at the Census tract level, and in wider regions. They can facilitate growth and change while preserving vital agricultural capacity.
- The multiplicity of Federal rural definitions is overly complicated. IIRA, for example, must, through our Small Business Development Center, deal with Small Business Administration rules that do not adequately account for differences between the more densely populated Chicago area and our 12 county rural region. Rural definitions could be consolidated with USDA as the prime agency for defining rural.

\* Testimony prepared by: Timothy Collins, Ph.D., Assistant Director; Christopher D. Merrett, Director; William Westerhold, Faculty Assistant; and Karen Poncin, Operations Manager.

<sup>1</sup> As a rural community and economic development agency, IIRA helps rural communities build a better life. It also conducts rural research and works with various agencies and organizations on rural outreach and policy.

<sup>2</sup> Westerhold, William. Collins, Timothy. "Census Definition Changes May Influence Rural Policy in Illinois." Macomb: Illinois Institute for Rural Affairs at Western Illinois University. *Rural Research Report*, Spring, 2005. [http://www.iira.org/pubs/publications/IIRA\\_RRR\\_646.pdf](http://www.iira.org/pubs/publications/IIRA_RRR_646.pdf), 2005. Accessed February 2011.

<sup>3</sup> Bureau of Economic Analysis Regional Economic Accounts. *Local Area Personal Income*. <http://www.bea.gov/regional/reis/default.cfm?selTable=CA1-3&section=2>. Accessed February 2011.

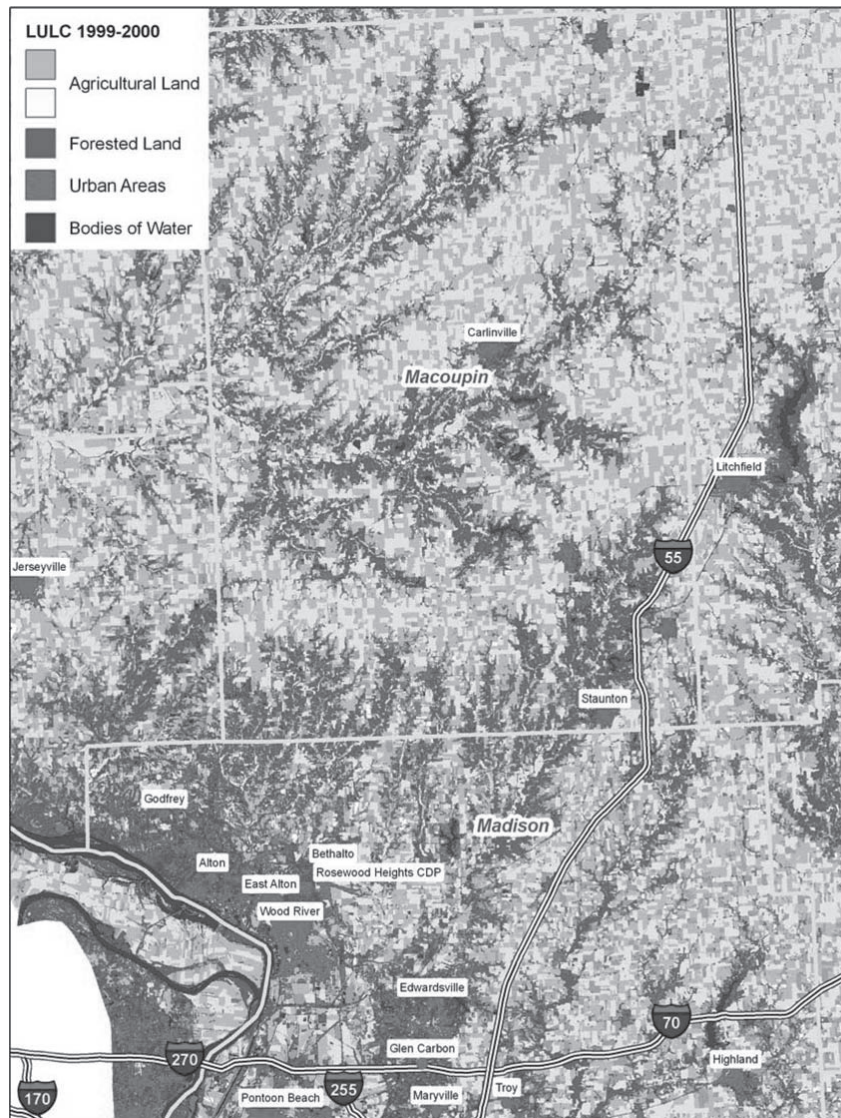
<sup>4</sup> For example, a \$2.4 million Rural Development loan helped the Macoupin County Mental Health Association move into its new building in Carlinville. Meanwhile, Community Memorial Hospital in Staunton received \$237,800 from Rural Development to expand its telemedicine services. Both of these examples are from the Illinois USDA Annual Report, <http://www.rurdev.usda.gov/il/forms/AR06.pdf>, accessed February 2011.

- True to the original conceptualization of “micropolitan,”<sup>5</sup> it is important to remember that these smaller cities anchor their rural regions. Mainly, they offer a key to effective regional rural development.
- The coming reapportionment of Congressional districts may further weaken rural political influence. Monitoring the definition of rural is an ongoing task to ensure that rural needs are met.

Thank you for the opportunity to testify. I look forward to your questions.

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<sup>5</sup>Tweeten, L., and G. Brinkman. 1976. *Micropolitan development: Theory and practice of greater-rural economic development*. Ames: The Iowa State University Press.

**Map 1: Land Use Map of Macoupin County****Illinois**

Source: University of Illinois at Urbana-Champaign. Natural Resources Geospatial Data Clearinghouse. <http://www.isgs.illinois.edu/nsdihome/webdocs/landcover/landcover99-00.html>. Accessed February 2011.

## APPENDIX A: ABOUT THE ILLINOIS INSTITUTE FOR RURAL AFFAIRS

The Illinois Institute for Rural Affairs (IIRA) was founded in 1989 as a companion agency to the Illinois Governor's Rural Affairs Council and is focused on research, policy analysis, and technical assistance in rural areas of Illinois. IIRA assists rural communities and their leaders to expand their capacity to improve their quality of life. IIRA also acts as a bridge between local leaders and the state and Federal agencies that provide rural programs. Following is a glimpse at some of the things IIRA does to build rural communities in our state.

IIRA receives about 25% of its annual budget through Western Illinois University, where it is located. The remaining funding is raised through grants. Because of this dependence on grants, IIRA is an entrepreneurial organization that constantly seeks new opportunities.

The staff of about 40 includes five Ph.D.s and 25 master's level outreach specialists and about 20 students. IIRA has created grant-funded outreach and research programs in a number of areas, including economic and community development; housing and health; transportation; rural schools; and alternative energy using wind and biomass (*Figure 1*). IIRA's research is not only theoretical; it is intended to be applied in the local communities.

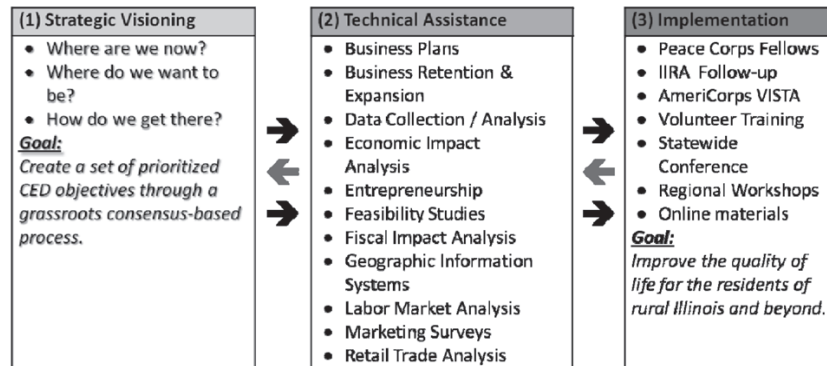
IIRA partners with public and private agencies on rural local development and enhancement efforts with the goal of developing sustainable communities. Efforts involve building local support to create a community vision and plan for achieving that vision. IIRA's holistic model links research, outreach, and policy activities.

Figure 1



IIRA's approach to rural development is predicated on the idea that community and economic development occur hand in hand. This recognizes the dynamic complexities of rural communities and the importance of strong community life as the basis for strong national economic and civic life. This is the rationale for IIRA's approach that links strategic planning and visioning, technical assistance, and implementation in communities (*Figure 2*). These strategies are often mixed to provide a wide spectrum of assistance to rural communities throughout the state. As a result, IIRA has developed a national reputation for innovative programs and services.

Figure 2



## APPENDIX B: MULTIPLE DEFINITIONS OF RURAL

Definition	Description	Percent of people and land area considered rural in the U.S. under definition (2000)
Rural definition #1	All areas outside Census places with 2,500 or more people	87.7 million people 31% of U.S. population 97% of U.S. land area
Rural definition #2	All areas outside Census places with 10,000 or more people	115.8 million people 41% of U.S. population 98% of U.S. land area
Rural definition #3	All areas outside Census places with 50,000 or more people	177 million people 63% of U.S. population 99% of U.S. land area

Source: <http://www.ers.usda.gov/data/ruraldefinitions/IL.pdf>.

## Illinois

## Three rural definitions based on Census Places

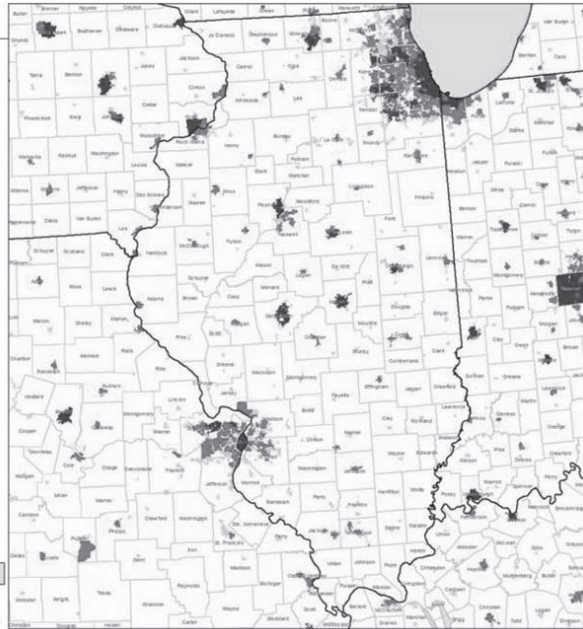
Rural locations are those outside Census Places with a population...

...greater than or equal to 2,500	Outside Census Places >= 2,500 people
...greater than or equal to 10,000	Outside Census Places >= 2,500 people Census Places: 2,500 - 9,999
...greater than or equal to 50,000	Outside Census Places >= 2,500 people Census Places: 2,500 - 9,999 Census Places: 10,000 - 49,999

Urban locations under all three definitions:

Census Places: >= 50,000 people
---------------------------------

For more information on definitions, see documentation





## IV. DEFINING RURAL 9 WAYS



Definition	Description	Percent of people and land area considered rural in the U.S. under definition (2000)
Rural definition #4	All areas outside urban areas. This places the upper limit of rural at 2,500, since urban areas must have at least 2,500 people.	59.1 million people 21% of U.S. population 97% of U.S. land area
Rural definition #5	All areas outside urban areas with 10,000 or more people.	70.6 million people 25% of U.S. population 98% of U.S. land area
Rural definition #6	All areas outside urban areas with 50,000 or more people.	89.5 million people 32% of U.S. population 98% of U.S. land area

Source: <http://www.ers.usda.gov/data/ruraldefinitions/IL.pdf>.

### Illinois

#### Three rural definitions based on Census Urban Areas

Rural locations are those outside Census Urban Areas with a population...

...greater than or equal to 2,500

Outside Census Urban Areas  $\geq 2,500$

...greater than or equal to 10,000

Outside Census Urban Areas  $\geq 2,500$

Census Urban Areas: 2,500 - 9,999

...greater than or equal to 50,000

Outside Census Urban Areas  $\geq 2,500$

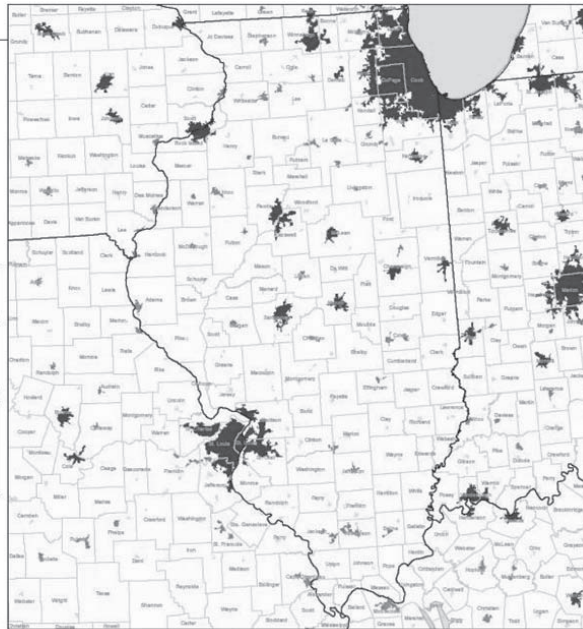
Census Urban Areas: 2,500 - 9,999

Census Urban Areas: 10,000 - 49,999

Urban locations under all three definitions:

Census Urban Areas:  $\geq 50,000$

For more information on definitions, see documentation



## IV. DEFINING RURAL 9 WAYS



Definition	Description	Percent of people and land area considered rural in the U.S. under definition (2000)
Rural definition #7	All counties outside metropolitan areas in 2003 (based on 2000 census data)	48.8 million people 17% of U.S. population 75% of U.S. land area
Rural definition #8	Census tracts with 2000 RUCA codes 4 through 10	57.6 million people 20% of U.S. population 81% of U.S. land area
Rural definition #9	Locations outside places of 50,000 or more people and their associated urbanized areas.	101.9 million people 36% of U.S. population 98% of U.S. land area

Source: <http://www.ers.usda.gov/data/ruraldefinitions/IL.pdf>.

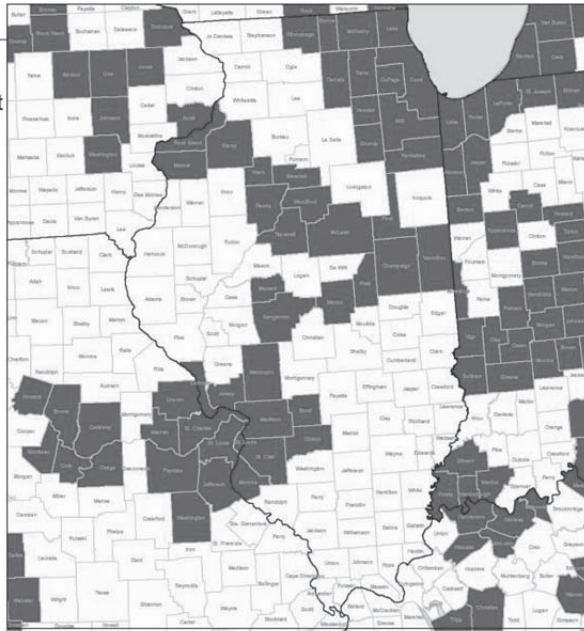
### Illinois

Rural definition based on Office of Management and Budget (OMB) metro counties



102 Total counties  
36 metro counties  
66 nonmetro (or non-core based) counties

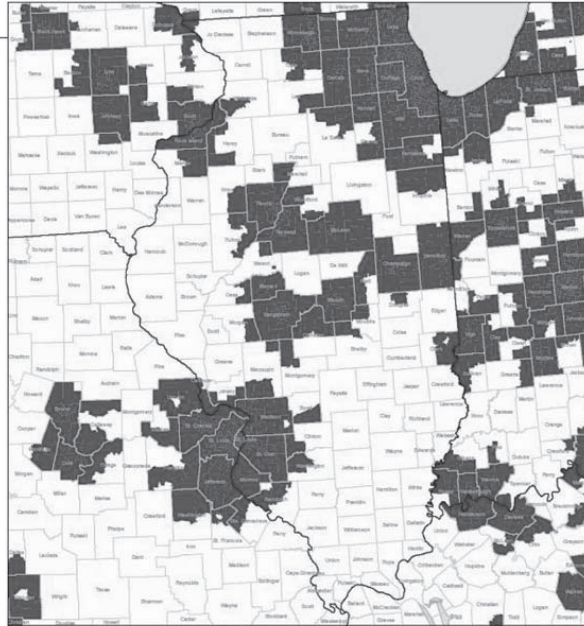
For more information on definitions, see documentation



## Illinois

Rural definition based  
on Economic  
Research Service  
Rural-Urban  
Commuting  
Areas (RUCA)

Rural: RUCA tracts with codes 4-10  
Urban: RUCA tracts with codes 1-3

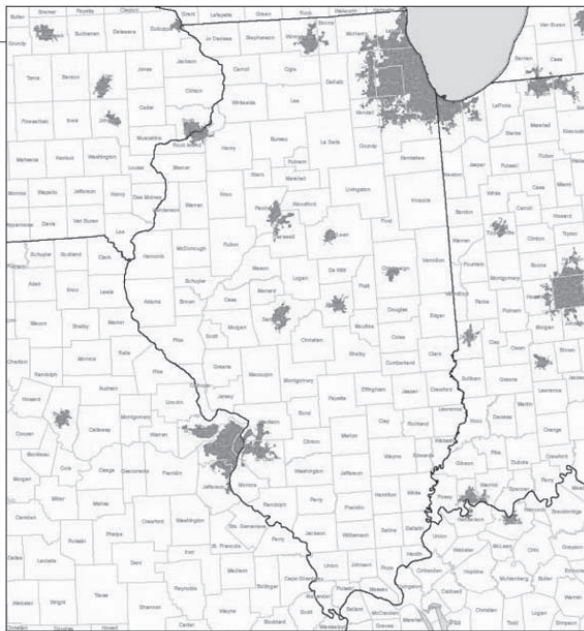


For more information on definitions,  
see documentation

## Illinois

The USDA Business and  
Industry ineligible  
locations are Census  
Places greater than  
50,000 people and their  
adjacent and contiguous  
Urbanized Areas

Rural  
Urban: USDA B&I ineligible locations



For more information on definitions,  
see documentation



The CHAIRMAN. Thank you, Dr. Collins.

The next gentleman on our panel is Mr. Charles Fluharty from the Rural Policy Research Institute in Columbia, Missouri.

**STATEMENT OF CHARLES W. FLUHARTY, PRESIDENT AND CEO, RURAL POLICY RESEARCH INSTITUTE, TRUMAN SCHOOL OF PUBLIC AFFAIRS, UNIVERSITY OF MISSOURI-COLUMBIA, COLUMBIA, MO**

Mr. FLUHARTY. Thank you, Mr. Chairman, Ranking Member Costa. It is a pleasure to be with you again.

This is the fifth farm bill in which we have testified and begun to work with the two committees, and at each time we begin with this question: What is rural; how do we address it? It is truly unfortunate that that is the point that we have to begin, but we do. It is simply a reality, and the questions today point that out.

We go back quite a way in this regard. These issues started in 1972 with the Act, and what we have today is an incremental stepping up of Federal effort as spatial settlement patterns changed over time. But it is important to note what existed in rural and urban in agriculture at that time and how we have not kept pace with that, frankly, Mr. Chairman, in our Federal targeting.

When we began this, rural and urban were quite distinct. They did not intersect a great deal, and local communities had pretty much complete control of their futures and their economies, as did agriculture. Over the last 40 years through these five, eight farm bills, those specific categories are now not nearly as clear. They are very interdependent, and the reality is that in today's global economy, regions compete—not communities, not just firms—and the reality is agriculture today does not stand alone.

As you know, Mr. Chairman, today the average farm household gets 92 percent of its farm income from the broader rural economy, and, in fact, over half of our nation's rural people live in metropolitan areas. These categories simply have changed, and the challenge you have and the challenge USDA has is how do we deal with that. And I would simply say it is a very, very sobering task because rural America is so diverse. If each Member talks about the unique challenges in targeting and formula in their district, we are going to have 20 or 30 different variations.

But I want to point to the challenge I have heard this morning. You have two North Star principles articulated for Federal policy, and they are divergent 100 percent. The reality is a definition is not a policy goal. You are articulating two: first of all, the stated goal to assure the most remote, the most rural, and the most disadvantaged areas of our nation in rural character fulfill the 1980 statutory obligation by USDA to assist. That is absolutely critical.

But, Congressmen, the other point is when you talk about the relative economic sectors in a community, it is true that the firms often are not there in these rural areas, and that is the second major principle that the Ranking Member is raising. If we are going to think about moving from Federal dependency to wealth creation, we are going to have to think about an innovation strategy that links rural regions to micropolitan regions and smaller new clusters, a huge challenge for all of you because they are so diverse policy goals. But let me simply say we are honored to work

with you again this year and suggest three options in my final moments.

First, you could tinker at the edges with these definitions. Happens every time. And good men and women, such as the Secretary, will try to adjust to what you decide to do.

The second would be to rethink the dynamics, the allocations, the waivers, and the carve-outs. I would recommend you at least look at that. We have not done that well.

But finally, I would like for you to look at a new option of dividing those allocations, and that would mean moving from a tactical targeting approach as your strategy to an innovation and investment approach.

A lot of innovation is being talked about in this town. My worry, and a RUPRI worry, is that ends up all being about metropolitan entrepreneurship and innovation. In fact, we have 88 Rural Economic Development Programs. They are largely siloed, and they don't build scale and mass for entrepreneurship.

In closing, I ask you to look at these micropolitan regions. There are 600 of them. They are the regional growth hubs for every major sector. They could be aligned with contiguous rural countryside, actually building the rural innovation framework that largely reflects where the private sector is going.

We are honored to work with you in the future. We know the challenge is great, and we know you have two diverse policy goals. We wish you well on that journey and want to assist however we can.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Fluharty follows:]

PREPARED STATEMENT OF CHARLES W. FLUHARTY, PRESIDENT AND CEO, RURAL POLICY RESEARCH INSTITUTE, TRUMAN SCHOOL OF PUBLIC AFFAIRS, UNIVERSITY OF MISSOURI-COLUMBIA, COLUMBIA, MO

**Thank you, Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee. It is an honor to appear before you again, as consideration of the farm bill reauthorization begins.**

I am Charles W. Fluharty, President and CEO of the Rural Policy Research Institute, and a Research Professor in the Harry S Truman School of Public Affairs at the University of Missouri-Columbia. I applaud your leadership to assure rural development concerns receive greater attention in these farm bill deliberations, and I encourage you to craft a bold and innovative new approach in the Rural Development Title.

#### **The Rural Policy Research Institute (RUPRI)**

RUPRI is a non-partisan, external policy research institute, originally envisioned in 1990 by the Agriculture Committees of the Congress, and funded since then to provide objective analyses regarding the rural implications of public policies and programs. We are honored to be entering our third decade of service to the Congress this year.

RUPRI is a national research institute, with founding sponsorship from Iowa State University, the University of Missouri, and the University of Nebraska. Continual service is provided to Congressional Members and staff, executive branch agencies, state legislatures and executive agencies, county and municipal officials, community and farm groups, and rural researchers. Collaborative research relationships also exist with numerous institutions, organizations, and individual social scientists worldwide. To date, over 300 scholars representing 16 different disciplines in 100 universities, all U.S. states, and 30 other nations have participated in RUPRI projects, which address the full range of policy and program dynamics affecting rural people and places. Collaborations with the OECD, the EU, the German Marshall Fund, the Inter-American Institute for Cooperation on Agriculture, the Inter-

national Rural Network, and other international organizations are framing RUPRI's comparative rural policy foci.

### Overview

As you know, Mr. Chairman, I have been honored to appear before this Committee many times, over the years. With each farm bill reauthorization, I return to testimony which I offered as the current bill was being considered, to assess whether either the intervening years have altered my policy perspective, or policy prescriptions recommended have been so successfully executed, as to merit a reordering of recommended policy actions. Usually, despite successes along the way, the major structural challenges remain.

Such is the case this time around. In my testimony before this Committee on March 21, 2007, I offered a very detailed assessment of the current rural context, and argued for a new rural policy vision: Regional Rural Innovation, Collaboration, and Strategic Investment. That testimony, and the specific analyses which supported it, exist in this Committee's record and I refer Members and staff interested in these greater details to that document.

In that testimony, I suggested four "Guiding Twenty-First Century Rural Policy Principles." These remain the central tenets of a forward-leaning rural policy, and should continue to guide Committee action:

*Three critical Federal policy dynamics must be addressed:*

- The Federal Government must increase the current level of Federal rural investment in essential public services, including infrastructure, broadband and community capacity.
- To do this, the Federal Government must overcome a significant and ongoing rural Federal funding disadvantage.
- In doing so, the Federal Government must also reverse recent disinvestments in rural programs.

*A new rural policy framework must be created:*

- It should center upon rural innovation, entrepreneurship, collaboration and strategic investments.
- This must incent public, private and philanthropic investment cooperation, and build regional frameworks for action.
- Special attention must be given to diversity, gender, poverty and immigration concerns.

*Several "North Star" principles must drive program design, including:*

- Asset-based development.
- Flexibility and local input.
- Investment in new intermediaries.
- Attention to the importance of working landscapes and natural resources; arts, heritage and culture; and renewable fuels, energy and entrepreneurial agriculture.

*The Federal Government must create a framework which acknowledges and builds upon the growing interdependence of urban, suburban and rural areas and constituencies.*

It is gratifying to acknowledge major advances on a number of these principles, since passage of the last farm bill. However, we are all aware that we are in a very different place today. As tectonic structural shifts in our economy have transformed broader economic policy approaches, driven by global competition, policy innovations to adapt to these dynamics in ways which specifically address our nation's rural regions have lagged behind. This challenge has been exacerbated by the Great Recession, which has created unprecedented budget deficits for state and local governments, and reduced available resources to support innovative efforts to address these capacity disadvantages.

For over a decade, RUPRI has encouraged new policy and practice approaches to create a brighter future for rural communities, families, and economies. These have been posited upon asset-based development, entrepreneurship, innovation, and new governance models, within a regional framework. Many of these once misunderstood or resisted approaches are now becoming mainstream rural economic development components. However, if these innovations are to succeed, we must acknowledge that in today's world, rural and urban outcomes are increasingly intertwined, and are becoming ever more interdependent, as are their citizens and economies.

Acknowledging this reality will challenge those with entrenched political advantage from continuing reliance upon categorical programs and grants, in both rural and urban constituencies. However, while these categorical grants are very necessary for rural communities, particularly those in underserved regions, they are no longer sufficient. Just as rural communities must unite in regional innovation collaborations, metropolitan policymakers and advocates also must acknowledge the dependence of their citizens upon the rural resources which sustain their urban existence.

For these innovations to truly advantage rural people and places, the Agriculture Committees of Congress must move to a new Rural Development vision. This must link rural communities, small urban areas, and rural regions, while providing new approaches to scale and leverage Federal, state, and local investments, across the public, private, and philanthropic sectors.

We look forward to working with this Committee as this dialogue moves to more substantive policy alternatives for achieving these outcomes. My current testimony will be limited to addressing alternatives to the current deficiencies in the existing rural definitions formulæ.

### **The Context for Rural Policy Change**

For this approach to gain traction within the policy arena, decision-makers must acknowledge the rural context which informs RUPRI's belief in the importance of Rural Regional Innovation. The contextual fabric which I outlined in 2007 has not altered. Indeed, these dynamics have deepened and intensified, and are becoming more evident over time:

- *There is no one rural America. It is a diverse, dynamic and ever-changing landscape, and public policy must address these new realities.*
- *Rural development investments must move beyond categorical programs and grants. A new vision must be sought, and systemic commitments to change the rural landscape must be funded.*
- *Rural entrepreneurship and innovation systems are essential, if we are to optimize new Federal commitments to assist rural regions in capturing their competitive advantage in a global economy. These approaches must be framed in systemic ways, to link with other public, private, NGO and philanthropic resources.*
- *New governance models must be lifted up, and successful new public and social entrepreneurship efforts replicated.*
- *Rural poverty remains a searing and silent national tragedy.*
- *Current ag policy has many goals, but we must acknowledge it has failed to adequately assure broad-based rural economic growth. This Committee must, finally, address this structural challenge within your jurisdiction.*

The severe Federal budgetary challenges under which this Committee must now initiate action only heighten the importance of attention to these paramount structural dynamics.

### **Two Rural Development Title Challenges**

This Committee faces two significant challenges, as it begins work to better frame rural development policy to twenty-first century dynamics. One is the continuing dependence of the Agriculture Committees on outmoded definitions of "rural" as the sole mechanism for targeting resources to rural America. The problem which exists in the current "rural" definitions is widely acknowledged. Legislators recognize its inadequacy for addressing the uniqueness of the local rural circumstance. Our USDA colleagues have an equally frustrating challenge in attempting to fairly and equitably administer these programs. Consequently, everyone remains frustrated, accusations abound, and transaction costs grow worse, as the "waiver" option becomes the "default rule." Surely, this failure is speaking volumes, and we can and must do better, by and for all concerned.

The second is the dire circumstances which rural governments face in responding to the impacts of the Great Recession, drastically declining Federal resources, very modest rural philanthropic resources, and the need, given these realities, for ever-greater safety net services to their citizens. The relevance of a Rural Regional Innovation approach for addressing both challenges is clear. An approach which seeks to advance the regional competitiveness of asset-based economies, seeks greater local engagement and flexibility in establishing priorities for shared Federal, state, and local investments, and forces local collaboration regarding priority setting and program execution, becomes increasingly attractive. The current crises are creating new opportunities. Local jurisdictions are recognizing they must work together to ensure scarce Federal resources are leveraged to the maximum, services are consoli-

dated where possible but never duplicated, efficiencies are captured, and local creativity rewarded.

*The Futility of “Rural” Definitions, As A Mechanism for Rural Policy Innovation*

Simply put, there is no one definition of “rural.” As the Members of this Committee know well, rural America is amazingly diverse, from multiple perspectives. In reality, from a Federal standpoint, a “rural” definition is a non-specific, changeable, and horribly imprecise composite of a disparate set of variables, differing across Federal policies and programs, which is used to target resource allocations. This is not a policy goal. This is an administrative construct. Unfortunately, initiating policy discussions by focusing attention upon the question of what should be a “rural” definition deflects consideration of a far more important question, and Federal policy failure: the lack of a stated goal for Federal investments in non-metropolitan geographies.

Various definitions are used for the tabulation of data by Federal agencies. Numerous other definitions exist across Federal agency programs, targeting resources toward rural people and places. Two major types of rural definitions are used for the statistical tabulation of data, the official designations of “urban” and “rural” by the U.S. Census Bureau, and Core-Based Statistical Areas as defined by the Office of Management and Budget. The U.S. Census Bureau defines urban areas as core blocks and block groups with an overall population density of 1,000 people per square mile, and surrounding blocks with an overall density of 500 people per square mile. These urban areas range in overall population from about 2,500 to nearly 2,000,000. According to this definition, anything that is not defined as “urban” is considered “rural.” The Census divides these urban areas into two types: urbanized areas with an overall population greater than 50,000, and urban clusters with an overall population less than 50,000.

There are significant drawbacks for using these definitions for policy targeting. First, these boundaries are only defined once every 10 years, with the decennial Census. Also, these urban area boundaries do not perfectly align with the jurisdictional boundaries of cities and towns. Finally, there is very limited data at the sub-county level, making it difficult to assess more localized conditions and trends, to inform resources targeted toward sub-county areas. The American Community Survey data will now attempt to address this challenge with 5 year moving averages with social, demographic, and economic estimates for every Census tract and block group in the U.S. However, this averaging will create additional challenges.

Core-Based Statistical Areas are built from the Census Bureau’s Urban Area Designations, as “functional regions” around urban centers, based on county boundaries. Urbanized areas of 50,000 or more population form the principal city of a metropolitan area, and the county or counties containing this urbanized area form the core county (or counties) of that metropolitan area. Surrounding counties with high commuting flows to this area are included as outlying counties. Micropolitan areas are defined in much the same way, with a principal city of population between 10,000 and 49,999, and including surrounding counties based on commuting.

These definitions also have significant policy targeting drawbacks. Non-metropolitan counties, which include both micropolitan and non-core counties, are often equated with rural. However, both metropolitan and non-metropolitan counties contain both urban and rural territory. This, of course, leads to some very confounding specific examples, particularly in the western U.S., with widely varying characteristics across geography. For example, the Grand Canyon is in the Flagstaff Metropolitan Area. **Over half of all rural people actually reside in metropolitan counties. And, over 40 million metropolitan residents reside outside of large urbanized areas.** The following table shows population by both county designation and urban and rural geography, and illustrates that county level geography does not accurately reflect urban and rural population distributions. It is important, then, to look beyond county level designations when targeting rural populations for policy impact.

**Distribution of Population**

	Urbanized Areas	Small Cities and Towns	Rural	Total
Metropolitan	192,064,228	<sup>1</sup> 10,338,988	<sup>1</sup> 30,176,724	232,579,940
Micropolitan	255,305	14,976,437	14,299,972	<sup>2</sup> 29,531,714
Noncore	18,588	4,704,763	14,586,901	<sup>2</sup> 19,310,252

**Distribution of Population—Continued**

	Urbanized Areas	Small Cities and Towns	Rural	Total
Total	192,338,121	30,020,188	59,063,597	281,421,906

<sup>1</sup> 40.5 million people live outside urbanized areas in metropolitan counties.

<sup>2</sup> 48.8 million people live in non-metropolitan counties.

*Urban and rural population figures from Census 2000; CBSA status from the December 2005 classifications.*

As mentioned above, this all leads to some very confusing realities, from a definitional standpoint. The most “rural” states, in terms of population percentage, only account for under 7% of the total U.S. rural population (Vermont: 62%; Maine: 60%; West Virginia: 54%; Mississippi: 51%; and South Dakota: 48%). Conversely, the five states that account for over 25% of our nation’s total “rural” population are all usually viewed as quite “urban” (Texas: 3.6 million; North Carolina: 3.2 million; Pennsylvania: 2.8 million; Ohio: 2.5 million; and Michigan: 2.5 million).

Clearly, non-metropolitan residents should be included when targeting rural populations. While non-metropolitan counties do include some urban residents, with few exceptions non-metropolitan urban residents live in small cities and towns, which are not targeted in urban programs. Though unintentional, urban programs tend to advantage larger urbanized areas, often failing to address the needs of smaller cities and towns within metropolitan counties, which can become excluded from both urban programs, and rural programs which target only non-metropolitan residents. Given these dynamics, and the level of rural population within metropolitan areas, policymakers seeking to address the needs of rural people, where they live, must explore new alternatives for program funding. Furthermore, advanced broadband and transportation infrastructure further cloud these definitions, if we are to consider each as discrete entities. All of this cries out for serious reconsideration of rural definitions as a sole policy targeting mechanism.

Micropolitan areas become very attractive geographies for such regional innovation strategies. In most cases, the principal city in micropolitan areas is the core regional driver for economic activity and service delivery, with anchor institutions across most of the critical sectors, including health, education, workforce, transportation, human services, entrepreneurship, and innovation. Creating regional approaches which align these micropolitan areas with contiguous, non-core county economic efforts should be given serious policy consideration.

*The Impact of the Global Recession on Local Rural Governments*

The Great Recession is having a particularly challenging impact on rural communities and the units of government seeking to serve them. The deficit numbers are sobering. These rural governments face numerous challenges—dealing with decreasing tax revenues, declines in Federal and state support, and significantly expanding service needs, particularly in social services. These cuts also have huge impacts on local economies, which also must weather declining property values, household incomes, and consumer spending.

These difficulties exacerbate the ongoing structural disadvantages of under-resourced rural governments, already struggling with very limited capacity, challenging service delivery costs, diseconomies of scale, and unique socioeconomic and demographic circumstances. Economists Alison Felix and Jason Henderson, in a recent *Main Street Economist* publication of the Kansas City Federal Reserve Bank, suggest local governments really have only three options: raising revenue, reducing overall spending by cutting services, or reducing costs by becoming more efficient in service delivery.

Of these, they suggest the latter is the most politically palatable, and suggest four potential approaches for increasing this efficiency: consolidation, inter-municipality cooperation, internal reorganizing, or privatization. While each of these have merit, local government consolidation remains fraught with difficulty, organizationally, culturally, and politically. Internal reorganization and privatization are more acceptable alternatives, but by far the most promising is the potential for regional collaboration among local governments, a process that is already well advanced in many rural geographies.

While current budgetary challenges offer a convenient *raison d'être* for regional collaboration, a much more promising process would be one in which Federal and state policies also advantage such dynamics. Development organizations, councils of governments, metropolitan and/or regional planning organizations, and other oper-

ational models already exist. The Obama Administration has developed several significant regional policy efforts across Federal agencies, all designed to enhance place-based policy opportunities.

It is important for all local governments to take advantage of any potential opportunity. But Federal decision-makers have a unique obligation to our nation's rural governments, where per capita Federal commitments for non-metropolitan community resources were \$433 per capita less in 2009 than those to metropolitan areas. Beyond the public sector, the rural disadvantage in philanthropic funding also remains significant. A 2004 report by the National Committee for Responsive Philanthropy, "Beyond City Limits: The Philanthropic Needs of Rural America," found that out of 65,000 grant-making foundations, only 184 made grants characterized as "rural development."

In closing, I would like to reiterate three points. First, while categorical grants remain important, they are insufficient for capturing the ultimate rural opportunities before us. Dynamic regional economies are the key to rural America's competitiveness in a global future, and USDA RD programming must be reshaped to advantage regional collaborations, which currently do not align well with existing "rural" targeting dynamics.

Second, we must seek creative new policy approaches which better advantage micropolitan regions and smaller urban places which align their regional strategies with those of non-core rural counties contiguous to them. Opportunities abound here, including those in renewable energies, regional food systems, transportation, education, health, and entrepreneurship policy. Finally, this Committee retains statutory responsibility for all of rural America, not just agriculture. Fortunately, never have the interests of mainline agriculture and rural economic development been more closely aligned.

Thank you, again, Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee for the opportunity to testify this morning on these critical rural development issues. Your continued leadership in crafting a twenty-first century Rural Regional Innovation Policy is critical, and I look forward to working with you over the course of these farm bill discussions. I look forward to answering any questions.

The CHAIRMAN. Thank you so much for your testimony, Mr. Fluharty.

And last on our panel is Mr. Mike Dozier, director of the Office of Community and Economic Development, Cal State University, Fresno.

**STATEMENT OF MIKE DOZIER, DIRECTOR, OFFICE OF  
COMMUNITY AND ECONOMIC DEVELOPMENT, CALIFORNIA  
STATE UNIVERSITY, FRESNO, FRESNO, CA**

Mr. DOZIER. Chairman Johnson, Ranking Member Costa, Members of the Subcommittee, thank you. I find this an honor that you asked me to come and testify on this particular matter.

I want to point out that I was born and raised in the rural Pennsylvania community of Lock Haven, and after 5 years in the Air Force and completion of college, I began my professional career in working in two communities in the San Joaquin Valley, Livingston and Atwater.

I am now the Director of the Office of Community and Economic Development at Fresno State, and Fresno State is a Hispanic Serving Institution with a Hispanic enrollment of 36 percent. In my capacity as director, I am also lead executive of the California Partnership for the San Joaquin Valley and the Fresno State Connect-Rural Development Center. The partnership is a public-private regional collaboration that covers the eight counties and 27,515 square miles. It is the largest and the most productive agricultural region in the United States. That collaborative was established by Governor Schwarzenegger in 2003.

The RDC is a resource center for rural communities that includes 17 on-campus and off-campus partners with broad range of expertise in economic development, housing, community infrastructure, land-use planning, and finance.

Detailed information about both of these initiatives are included in your packet.

The USDA's definition of *rural* impacts the eligibility of communities and individuals to receive financial assistance. Rural Development has several different definitions for its programs as we have heard today. These definitions are not standardized, and they are often confusing.

Different programs and services at the state and national level define *rural area*, *rural community*, and *rural city and/or county* in a variety of ways. Some programs use definitions such as "communities under 50,000 that are rural in nature, areas of less than 2,500 not in Census places," or "non-metro county."

Further evidence of issues with current USDA definitions can be found in the definition of *metropolitan counties*. The vast majority of California is considered to be metropolitan, and all eight counties of the San Joaquin Valley are considered to be metropolitan.

Approximately 80 percent of California's total mass is rural, and agriculture remains a major economic driver and employer for most of the area. California's 2007 farm gate of \$36.6 billion outpaces number two, Texas, at \$19.1 billion and accounts for approximately 13 percent of U.S. agricultural cash receipts. In 2007, California exported \$10.9 billion in agricultural products; nine out of ten of the nation's top-producing agricultural counties are in California. Fresno County alone has farm receipts greater than 29 individual states: \$5.4 billion in 2007.

Despite this, assessing or accessing USDA programs in California has long been difficult for our rural communities due to definition of *rural* and the limited number of USDA offices and staff. The San Joaquin Valley, the largest agricultural region in United States by size and by production, does not have one single non-metro county.

Now, if you take the definition of communities of 50,000 or less in rural in nature, the following is true of the San Joaquin Valley: There are 16 urban cities. There are 46 unurban or non-urban cities. There are 445 unincorporated communities. There are 122 Census place designated places. Fifty-five percent of the population would live in those 16 cities; 45 percent of the population lives in communities outside or under 50,000; and 36.4 percent of the population lives in communities with a population of 20,000 or below; 27 percent of the population lives in rural unincorporated communities.

In 2005, the Congressional Research Service released a report on California's San Joaquin Valley which recognized that by a wide range of indicators, the San Joaquin Valley is one of the most economically depressed regions in the United States.

The San Joaquin Valley continues to face challenges at magnitudes that are simply not experienced elsewhere. Average per capita incomes are 32 percent lower; college attendance 50 percent lower; and health care, access to health care, 30 percent lower than the state; and incidences of violent crimes are 25 percent more.



The CRS report confirmed what we in the region had long suspected: Every county in the San Joaquin Valley has historically received fewer Federal funds than the national per capita average or for California. More recently, the U.S. Census Bureau's Consolidated Federal Funds Report showed that per capita funding for the eight county San Joaquin Valley was 42 percent of the national average and 35 percent of the California State average.

So how is it the richest agricultural area in the United States with the highest levels of poverty gets less than the State of California or the nation in per capita Federal funding? Arguably the issue before you today, the *rural* definition, is a good reason for that. Quite frankly, without a definition of *rural* that fits the needs and realities of rural California, USDA program dollars—

The CHAIRMAN. The gentleman's time has expired. You want to bring your comments to a close?

Mr. DOZIER. Yes.

Without it, the dollars would be serving the most underserved in rural regions of the nation. Additionally, the funds will not be effectively delivering programs and services to the population they were designated to assist.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Dozier follows:]

PREPARED STATEMENT OF MIKE DOZIER, DIRECTOR, OFFICE OF COMMUNITY AND ECONOMIC DEVELOPMENT, CALIFORNIA STATE UNIVERSITY, FRESNO, FRESNO, CA

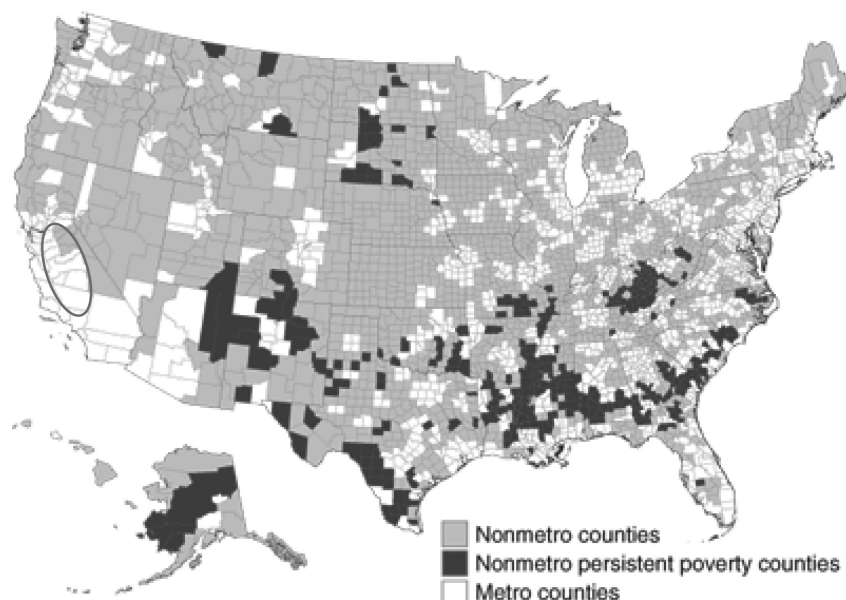
Mr. Chairman and Members of the Subcommittee,

Thank you for the opportunity to address you on this matter. My name is Mike Dozier. I was born and raised in the rural Pennsylvania community of Lock Haven. After 5 years in the Air Force and completion of college, I began my professional career by working in two rural communities in the San Joaquin Valley—Livingston and Atwater. I am now the Director of the Office of Community and Economic Development at California State University, Fresno, a Hispanic Serving Institution with Hispanic enrollment of 36%. In my capacity as Director, I am also the Lead Executive of the California Partnership for the San Joaquin Valley (Partnership) and the Fresno State Connect-Rural Development Center (RDC). The Partnership is a public-private regional collaboration that covers eight counties, 27,515 square miles, in the largest and most productive agriculture region in the United States. The RDC is a resource center for rural communities that include 17 on-campus and off-campus partners with a broad range of expertise in economic development, housing, community infrastructure, land use planning, and finance. More detailed information on both initiatives is attached for your review.

The USDA definition of "Rural" impacts the eligibility of communities and individuals to receive financial assistance. Rural Development has several different definitions for its programs. These definitions are not standardized and are often confusing. Different programs and services at the state and national level define rural area, rural community, and rural city and/or county in a variety of ways. Some programs use definitions such as "communities under 50,000 that are rural in nature," "areas of less than 2,500 not in Census places," or "non-metro county." Further evidence of issues with current USDA definitions can be found in the definition of "Metropolitan" counties. The vast majority of California is considered to be metropolitan—including the entire eight county San Joaquin Valley! (See map below).

Approximately 80% of California's total land mass is rural and agriculture remains a major economic driver and employer for much of that area. California's 2007 farm gate of \$36.6 billion far outpaces number two Texas at \$19.1 billion and accounts for approximately 13% of U.S. agricultural cash receipts. In 2007 California exported \$10.9 billion in agricultural products. Nine out of ten of the nation's top producing agricultural counties are in California. Fresno County alone has farm receipts greater than 29 individual U.S. states: \$5.345 Billion in 2007. Despite this, accessing USDA programs in California has long been difficult for our rural communities due to definition of rural and the limited number of USDA offices and staff.

**The San Joaquin Valley, the largest agricultural region in the United States by size and by production, does not have one single non-metro County.**



Source: Map prepared by ERS from U.S. Census Bureau data.

If you consider the definition that determines rural as “communities under 50,000 that are rural in nature,” the following is true of the San Joaquin Valley:

- 16 urban cities in SJV (50k or more).
- 46 cities considered “non-urban” (under 50k).
- 445 unincorporated communities.
- 122 Census designated places (CDP) in SJV.
- 55% of SJV population lives in 16 urban cities that have populations of 50k+.
- 45% of SJV population lives in communities with populations of 50k and below.
- 36.4% of SJV population lives in communities with populations of 20k and below.
- 27% of SJV population lives in rural unincorporated communities.

In 2005, the Congressional Research Service released a report on California’s San Joaquin Valley which recognized that “by a wide range of indicators, the SJV is one of the most economically depressed regions of the United States” (CRS Report RL33184). By a wide range of indicators, the San Joaquin Valley continues to face challenges at magnitudes that are simply not experienced elsewhere. Average per capita incomes in the San Joaquin Valley are 32% lower than the statewide average, college attendance is consistently half the statewide average, access to healthcare is 31% lower and incidences of violent crime are 24% higher in the San Joaquin Valley than the statewide average.

The CRS report confirmed what we in the region had long since suspected: every county in the San Joaquin Valley has historically received fewer Federal funds than the national per capita average or for California. More recently, the U.S. Census Bureau’s Consolidated Federal Funds Report shows that per capita funding for the eight-county San Joaquin Valley in 2009 was 42% below the U.S. average and 35% below the California state average. **So how is it that the richest agricultural area in the United States, with the highest levels of poverty, gets less than the State of California or the nation in per capita Federal funding?**

Arguably, the deficit in Federal investment has been the development of funding formulas, and even more directly associated with the topic of today’s hearing, the definition of “rural” used in program eligibility criteria. The fundamental problem

for the San Joaquin Valley is that we are a rural region—home to five of the ten most agriculturally productive counties in the United States—however we often find ourselves ineligible to compete for USDA dollars as a result of some of the current definitions of rural used by USDA. Quite frankly, without a definition of rural that fits the needs and realities of “rural California,” USDA program dollars will not be serving the most underserved and rural regions of the nation. Additionally, the funds will not be effectively delivering programs and services to the populations they were designed to assist.

Thank you for your time and consideration.

#### ATTACHMENT 1

### ***Fresno State Connect-Rural Development Center—Connecting Everyone to Opportunity***

#### **I. Need: Profile of a Stressed Region**

California’s San Joaquin Valley (SJV) comprises eight counties—Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare—that account for a growing population of 3,880,304 with 47 percent Hispanic. Within the eight-county region, there are 46 incorporated small rural cities with populations under 50,000. The 731,127 residents in these communities comprise 18 percent of the total population in the Valley.

One-quarter of California’s total population live in unincorporated communities. There are 220 low-income unincorporated communities in the eight-county region, which is home to 1,090,468 people, or 27 percent of the SJV’s total population.

The SJV remains one of the most stressed regions in the country with 45 percent of its population living in small and rural communities under 50,000.

In a 2010 study, the Associated Press Economic Stress Index (APESI) revealed that seven of the SJV’s eight counties were among the top 20 stressed counties in the nation. Index scores were determined using a county’s bankruptcy rate, along with the foreclosure and unemployment rates. A county is considered stressed if it receives an index score exceeding 11. All but one SJV county had index scores above 22.

The SJV has been one of the hardest hit regions with the national home foreclosure crisis. The region is home to four of the ten cities in the country with the highest home foreclosure rates. With one in eight homes foreclosed, the North SJV Cities of Modesto, Merced and Stockton respectively rank four, five and seven nationally. The City of Bakersfield in the South SJV ranks nine nationally with one in nine of its 268,989 housing units in foreclosure.

The SJV also has some of the highest unemployment rates in the country. The unemployment rates as a whole are largely reflective of the even higher rates in small rural communities. According to the California Employment Development Department, as of December 2010 the SJV experienced an unemployment rate of 17.4 percent, 5.1 percent higher than the state unemployment rate of 12.3 percent and eight percent higher than the national rate of 9.4 percent. Small and rural communities in the SJV fare much worst, with some communities experiencing unemployment rates upward of 40 percent (Mendota, 43 percent). Moreover, the U.S. Department of Labor reported in January 2010 that the San Joaquin Valley accounts for six of the ten metropolitan areas with the worst unemployment rates in the country.

Furthermore, a disparity exists between per capita income in the SJV and California as a whole. In 2009, the U.S. Department of Commerce reported an average per capita income of \$27,885 for the State of California. The average per capita income for SJV was 32 percent lower at \$18,834.

**Figure 1. San Joaquin Valley vs. State of California**

Indicator	CA	SJV	Year
Unemployment (%)	12.3	17.4	December 2010
Per Capita Income (\$)	27,885	18,834	2009
Median Household Income (\$)	58,925	44,947	2009
Population Living in Poverty (%)	14.2	20	2009

Regarding median household income, the SJV was also at a disadvantage to the rest of the state. The U.S. Census Bureau reported in 2009 that California’s median household income was \$58,925. The SJV’s median household income was 24 percent lower at \$44,947. The SJV also had more of its population living in poverty in 2009. According to the U.S. Census Bureau’s Small Area Income and Poverty Estimates, 20 percent of the SJV’s total population was living in poverty. The comparable sta-

tistic for the state was 14.2 percent. With limited resources, this is the grim reality that confronts this region.

Last, the SJV has also faced inequitable investment by private industry and Federal and state governments. The regional neglect of investment is highlighted by the U.S. Census Bureau's Consolidated Federal Funds Report which shows that per capita funding for the eight-county SJV (\$6,038.48) in 2009 was 42 percent below the U.S. average (\$10,395.56) and 35 percent below the California State average (\$9,360.24).

The SJV is confronting circumstances that undermine quality of life in the region. In view of the calamities described above, the dire need for a resource center such as the Fresno State Connect-Rural Development Center (FSC-RDC) is evident.

## **II. The Value of FSC-RDC**

### *Rationale*

The recent economic downturn, and a lack of investment, has left many small and rural communities with depleted resources to carry out projects that are essential to their infrastructure, economy, and overall quality of life. As it is often the case, the lack of resources and personnel preclude available staff from executing the essential tasks. Therein lays the significance of the FSC-RDC: to provide small and rural communities across the eight-county SJV (targeted communities) a consolidated one-stop clearinghouse for accessing technical assistance and project management services for a variety of community needs. The FSC-RDC will connect these communities to myriad of indispensable expertise and resources to ensure that these predominately impoverished communities' needs are met efficiently, effectively and affordably.

### *Origins and Functionality*

The concept for the FSC-RDC began in April 2010 with the establishment of the Fresno State Connect (FSC) program. The FSC-RDC is aligned with the principal of public service that is a pillar of Fresno State. The Office of Community and Economic Development (OCED) serves as the administrator for the FSC-RDC. OCED processes service requests from targeted communities and refers them to appropriate on-campus and off-campus partners. After OCED conducts the referral, the target community and RDC partner negotiate terms of service. A record of all RDC activities is kept by OCED using an intranet website. *Attachment A* provides an illustration of the FSC-RDC's functionality. *Attachment B* provides descriptions for each of the FSC-RDC committed partners.

### *Role of the Small Communities Network*

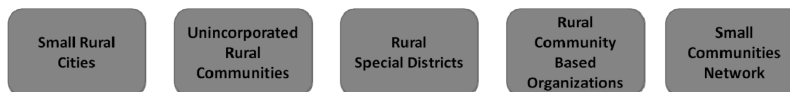
The Small Communities Network (SCN) is a consortium of small and unincorporated rural communities throughout the SJV who share resources, information, and expertise to solve each others' community needs. All FSC-RDC partners will collaborate closely with the SCN to both solicit and receive project requests from targeted communities. All FSC-RDC partners will actively promote its services and resources through SCN mediums. Aside from receiving service requests from targeted communities themselves, FSC-RDC partners will also receive referrals from the SCN on behalf of its members. All RDC partners, however, will also take a proactive approach in reaching out to targeted communities to determine, from them, what the nature of their needs are and what terms of service should look like.

Figure 2. Boundary Map of San Joaquin Valley



**Note:** The FSC–RDC will foster collaboration among eight counties and provide services to targeted communities in an area that is larger than the State of West Virginia (27,515.4 square miles).

## ATTACHMENT A

OFF-CAMPUS PARTNERSON-CAMPUS PARTNERS

***Fresno State Connect-Rural Development Center—Connecting Everyone to Opportunity***

**Rural Outreach**

As the Secretariat of the Partnership, the Office of Community and Economic Development (OCED) at Fresno State, has facilitated the development of the Rural Development Center (RDC). The RDC is a key component of the Fresno State Connect

(FSC) program created by OCED to provide a link between the University and the community at large. The RDC is aligned with the principal of community outreach that is a pillar of Fresno State. The RDC is currently made up of the following on-campus and off-campus partners:

**On-Campus Partners:**

- CERECC: Center for Economic Research and Education of Central California.
- CMP: Lyles College of Engineering, Construction Management Program.
- CRPC: Community and Regional Planning Center.
- CWI: California Water Institute.
- HHS: College of Health and Human Services.
- Lyles Center—TCP: Lyles Center for Innovation and Entrepreneurship—Technology Commercialization Program.
- OCED: Office of Community and Economic Development.
- UBC: University Business Center.

**Off-Campus Partners:**

- CALED: California Association for Local Economic Development.
- CCRH: California Coalition for Rural Housing.
- CITD: Center for International Trade Development.
- CVBI: Central Valley Business Incubator.
- FAHCC: Fresno Area Hispanic Chamber of Commerce.
- FCOG: Fresno County Council of Governments.
- RCAC: Rural Community Assistance Corporation.
- SHE: Self-Help Enterprises.
- USDA—RD: U.S. Department of Agriculture-Rural Development.

Representatives from each of the current RDC partners have been meeting once a month, since October 2010, to continue planning the development of the RDC. The Fresno State departments and off-campus organizations associated with the RDC have committed their ongoing partnership to provide specific expertise to rural communities of the San Joaquin Valley. Despite the lack of current funding, the RDC has already begun to provide services to rural communities, such as Biola, Firebaugh, San Joaquin and Tranquillity in rural Fresno County. OCED serves as the administrator of the RDC. It processes service requests from targeted communities and refers them to on- and off-campus partners best suited to service the request or need. At that point targeted communities will work directly with RDC partners to determine the scope of work. All service being provided by any and all RDC partners is being documented using an internal RDC intranet site. *Attachment A* provides an illustration of the RDC's functionality, while *Attachment B* offers descriptions of each of the RDC committed partners.

OCED also is supporting the efforts of the Small Communities Network (SCN). Established in 2009, The SCN is a consortium of small and unincorporated rural communities throughout the SJV who share resources, information, and expertise to solve each others' community needs. OCED is working closely with the SCN to plan the organization's next workshop on February 25, 2011 in the rural community of Livingston (Merced County). The workshop's purpose is to introduce the RDC partners and their resources/services, while providing SCN members an opportunity to share their needs with the RDC.

OCED has worked on several grant applications to fund the RDC activities, which include:


- **USDA Rural Business Enterprise Grant (2010, not awarded).**  
*Purpose:* Implement the Rural San Joaquin Valley Community and Economic Development Plan for SJV rural communities that are members of the Small Communities Network.
- **HUD Hispanic Serving Institutions Assisting Communities Grant (2010, not awarded).**  
*Purpose:* Establish the infrastructure for the RDC and provide funding to associated partners for initial service contracts with SJV rural communities.
- **USDA Rural Community Development Initiative (2010, pending).**  
*Purpose:* Implement the Pathways to Rural Economic Progress—San Joaquin Valley: An Integrated Housing and Economic Development Capacity-Building Project for rural communities.

- **HUD Rural Innovation Fund (2011, pending).**

*Purpose:* Provide housing and economic development assistance to Goshen, a Census designated place in Tulare County.

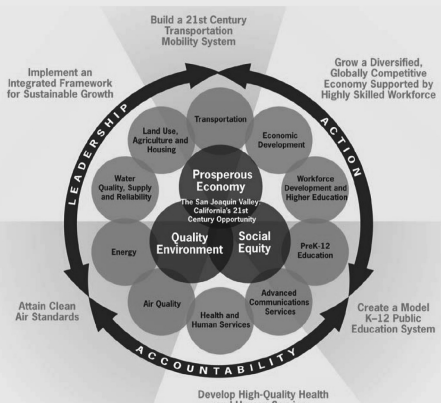
- **USDA Agriculture and Food Research Initiative—Foundational Program: Agriculture Economics and Rural Communities (2011, pending).**

*Purpose:* Promote development in the rural communities of the SJV through entrepreneurship, small business development and the facilitation of technical assistance via the Rural Development Center.




**California Partnership for the  
San Joaquin Valley**

*California's 21st Century Opportunity*

<p><b>The Partnership</b></p> <p>Set in motion by an executive order from Gov. Arnold Schwarzenegger in June 2005 and renewed in November 2006, the California Partnership for the San Joaquin Valley is an unprecedented public-private partnership sharply focused on improving the region's economic vitality and quality of life for the 3.9 million residents who call the San Joaquin Valley home. The Partnership is addressing the challenges of the region by implementing measurable actions on economic, environmental, and social levels to help the San Joaquin Valley emerge as California's 21<sup>st</sup> Century Opportunity.</p> <p>Governor Schwarzenegger continued the Partnership with Executive Order S-17-08 in December 2008, and Executive Order S-10-10 in July 2010, which implemented governance changes and continued the Partnership indefinitely.</p>	<p style="text-align: center;"><b>Six Major Initiatives of the Partnership</b></p> 
<p><b>History</b></p> <p>Recognizing both the great potential of the region and the current challenges, Governor Schwarzenegger formed the California Partnership for the San Joaquin Valley in June 2005. As the governor stated in his Executive Order, "The strength of California is tied to the economic success of the San Joaquin Valley." Led by an appointed, 40-member board, the Partnership engaged hundreds of people in the eight-county San Joaquin Valley to focus on action strategies, and the board released its Strategic Action Proposal in October 2006. Governor Schwarzenegger and the state Legislature approved \$5 million in the State Budget for 2006-2007 to jump-start implementation of the Strategic Action Proposal.</p>	



 <p><b>The Region</b></p> <p>The eight-county region encompasses 62 cities with 25,000 square miles and continues to be one of the fastest growing regions in California. Size alone does not set this region apart—the San Joaquin Valley has vast resources.</p> <ul style="list-style-type: none"> <li>• Agricultural powerhouse – \$20 billion in agricultural value earned annually in eight-county region</li> <li>• Gateway to three world-class national parks</li> <li>• Home to important natural resources – oil and natural gas fields, vast wetlands, and unique plant and animal communities</li> <li>• System of rivers that drains the Sierra and joins the San Joaquin River as it flows through the region</li> </ul>	<p><b>The Challenges</b></p> <p>The San Joaquin Valley has persistent problems of poverty, environmental degradation, and social separation, as evidenced by consistent under-performance compared to California, overall:</p> <ul style="list-style-type: none"> <li>• Average per capita incomes are 32 percent lower*</li> <li>• Number of college graduates, 50 percent less**</li> <li>• Violent crime is 15 percent higher***</li> <li>• Access to health care is 50 percent lower (based on the number of primary care physicians per 1,000 people)****</li> <li>• Air quality, though improved, remains among the worst in the nation</li> </ul> <p><b>The Opportunity</b></p> <p>The Partnership has a unique opportunity to provide a world-class region with a diversified economy, a healthy environment, and a high quality of life for all through collaboration on a scale that has not been done before. Experts and leaders are building on the region's strengths to create opportunity – <i>California's 21<sup>st</sup> Century Opportunity</i>.</p> <ul style="list-style-type: none"> <li>• Cutting-edge, state-of-the-art, renewable energy systems to support communities and industries</li> <li>• Mobility for people and commerce in new ways</li> <li>• New model of economic development that supports agriculture and a healthy environment with clean air and plentiful, clean water</li> <li>• Diversified, globally competitive economy with a skilled workforce</li> <li>• PreK-12 public school system that supports student achievement and prepares children for success in college and career</li> <li>• High-quality, accessible health and human services</li> </ul> <p><b>The Work</b></p> <p>The Partnership has brought together experts and leaders committed to sustainable economic development, environmental stewardship, and human advocacy. The Partnership is focused on action around ten work groups: air quality; economic development; energy, health and human services; higher education and workforce development; PreK-12 education; land use, agriculture, and housing; advanced communications services; transportation; and water quality, supply and reliability.</p> <p><small>*U.S. Department of Commerce, Bureau of Economic Analysis  **U.S. Census Bureau, American Community Survey  ***California Department of Justice, Office of the Attorney General, Criminal Justice Statistics Center  ****RAND California Statistics, Health Care Financing Administration, Medicaid Statistics Branch</small></p>
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California Partnership for the  
San Joaquin Valley

www.sjvpartnership.org  
September 2010

**Office of Community and Economic Development  
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***Fresno State Connect-Rural Development Center—Connecting Everyone to Opportunity***

**Small Rural Cities**

There are 46 incorporated small rural cities in the San Joaquin Valley with populations under 50,000. Many of these cities are members of the Small Communities Network. The Fresno State Connect-Rural Development Center will reach out to these cities directly or through the Small Communities Network.

**Unincorporated Rural Communities**

One-quarter of California's total population lives in unincorporated communities. There are 220 low-income unincorporated communities in the eight county San Joaquin Valley region, which is home to 1,090,468 people, or 27 percent of the San Joaquin Valley's total population. Many of these communities have representation in the Small Communities Network. The Fresno State Connect-Rural Development Center will reach out to these communities directly or through the Small Communities Network.

**Rural Special Districts**

Special districts deliver highly diverse services including water, closed captioned television, mosquito abatement, and fire protection. Most special districts serve just a single purpose, such as sewage treatment. Others address a multiplicity of needs, as in the case of community service districts, which can offer up to 16 different services. Districts' service areas can range from a single city block to vast areas which cross city and county lines. Many of the San Joaquin Valley's rural special districts are members of the Small Communities Network. The Fresno State Connect-Rural Development Center will reach out to these special districts directly or through the Small Communities Network.

**Rural Community Based Organizations**

Fresno State Connect-Rural Development services will also be made available to community-based organizations that support rural cities, unincorporated rural communities, and rural special districts. Many of these organizations are active participants of the Small Communities Network. The Fresno State Connect-Rural Development Center will reach out to organizations directly or through the Small Communities Network.

**Small Communities Network**

Established in the Fall of 2009, the goal of the Small Communities Network (SCN) is to create a unified voice for rural communities in the San Joaquin Valley to pool resources, carry enhanced political clout, engage in regional planning initiatives while maintaining community culture, and develop appropriate community and economic development strategies that will lead to greater equity and quality of life. Members of the network include city staff and elected officials, business owners, workforce development personnel, planners, members of nonprofit and community-based organizations and representatives for state and Federal elected officials. The SCN is currently staffed by the California Coalition of Rural Housing and the Office of Community and Economic Development at Fresno State. The SCN will serve as a referral mechanism for members to the Fresno State Connect-Rural Development Center.

**Fresno State Connect-Rural Development Center**

The Fresno State Connect program exists to further Fresno State's role in community engagement. Located within the Office of Community and Economic Development (OCED) at Fresno State, Fresno State Connect will act as a clearing-house of information regarding the University's extensive inventory of knowledge, experts, and resources. The goal is to connect the off-campus community with Fresno State by referring inquiries to appropriate University entities in a more effective and efficient manner. The Rural Development Center is one of the initial programs offered through Fresno State Connect.

**CERECC: Center for Economic Research and Education of Central California**

The Center for Economic Research and Education of Central California (CERECC) is an ancillary unit of the Department of Economics at Fresno State. The mission of CERECC is to integrate and utilize the expertise of the Department of Economics on a broader regional basis. The goal of CERECC is to enhance economic development in our region through the promotion of quality economic research and eco-

conomic education. To realize this goal, CEREECC provides economic research on issues relevant to the Central Valley and brings this information to local educators and the community.

**CMP: Lyles College of Engineering, Construction Management Program**

The Construction Management Program (CMP) resides in the Lyles College of Engineering at Fresno State. It is an interdisciplinary program that is committed to educating the future professionals in the construction industry. These professionals, who are known as constructors, will execute architectural designs, apply engineering principles, manage project resources, and represent suppliers and manufacturers in the construction industry. The program places emphasis on the acquisition of both fundamental theoretical knowledge and the application of current practices in the industry. The program strives to provide assistance to the student in the development of personal qualities including human sensitivity, disciplined reasoning, and communications.

**CRPC: Community and Regional Planning Center**

The Community and Regional Planning Center (CRPC) is located within the College of Social Sciences at Fresno State and is designed to serve as a planning-related knowledge clearinghouse for the San Joaquin Valley. Through its faculty, associates and students, it will develop and deliver technical assistance to communities, addressing issues such as affordable housing, land use planning, zoning, environmental assessment, and energy conservation. It will support planning-related knowledge sharing and innovation through disseminating best land use practices, encouraging peer learning, publishing data analysis and research, and incubating and testing new ideas for sustainable development and resource conservation in the region.

**CWI: California Water Institute**

The California Water Institute (CWI) is an academic center of excellence for research, education, and policy analysis of issues involving water resources. Faculty, scientists, and technicians of the CWI laboratory collaborate with government agencies, other academic and research institutions, and private industry on a variety of projects by providing expert services in areas of environmental and water analyses. Within CWI is the Center for Disadvantaged Communities Water Assistance, whose purpose is to help small community drinking water and wastewater treatment systems develop the tools necessary to protect the public health and safety of the surrounding environment. It does this through the sharing and direct application of knowledge designed to improve the physical, financial, and organizational components of systems as they strive to increase the availability of safe, sustainable and reliable drinking water and wastewater treatment for all Californians.

**HHS: Health and Human Services**

The primary mission of the College of Health and Human Services (HHS) at Fresno State is to provide a professionally oriented education at the undergraduate level and provide graduate programs in specialized disciplines that serve the needs of students and the emerging needs of residents and health and human service providers in the San Joaquin Valley. The College's laboratories, centers and institutes, working with faculty in each academic program, address issues of bridging health policy, nursing, social services, children, and obesity as well as other challenges facing all segments of the population across the region. Also included are several off-campus research and training centers which serve as catalysts to bring together the resources of the College and community professionals, agencies and organizations to improve the health and welfare of communities located within the region. The fundamental process linking all programs within the college is professional collaboration based on a common vision and a commitment to service.

**Lyles Center-TCP: Lyles Center for Innovation and Entrepreneurship-Technology Commercialization Program**

The Technology Commercialization Program (TCP) is managed by the Lyles Center for Innovation and Entrepreneurship at Fresno State. TCP helps entrepreneurs, small and medium businesses; local governments and nonprofit agencies achieve commercial success by conducting market research, idea feasibility, idea development, identifying intellectual property, recommending intellectual property protection mechanisms, and assisting in ideas to market commercialization.

**OCED: Office of Community and Economic Development**

The Office of Community and Economic Development (OCED) is dedicated to aligning Fresno State's intellectual capacity and innovation-driven economic devel-

opment initiatives to improve the competitiveness and prosperity of the San Joaquin Valley. In supporting economic development innovation, OCED collaborates with regional industry clusters to develop a strategic approach to development, technology transfers, workforce development initiatives, infrastructure needs, and collaborative industry relations. Three direct results of OCED's activities are the California Partnership for the San Joaquin Valley (Partnership), the Regional Jobs Initiative (RJI), and Fresno State Connect. The initiatives are based on the idea that regional economies are made up of a series of related industries, or clusters, that benefit one another. The initiatives continue to convene experts and leaders committed to sustainable community and economic development, environmental stewardship, and human advocacy for the San Joaquin Valley region.

#### **UBC: University Business Center**

The University Business Center (UBC) serves as the outreach arm for the Craig School of Business at Fresno State offering professional development programs and state of the art meeting facility. The UBC focuses on providing businesses and professionals with services and resources to foster growth, job creation and economic prosperity. Built in 1987 with donations from private businesses the UBC has an impressive history of serving private enterprises and public organizations in California's Central Valley.

#### **CALED: California Association for Local Economic Development**

The California Association for Local Economic Development (CALED) is the premier statewide professional economic development organization dedicated to advancing its members' ability to achieve excellence in delivering economic development services to their communities and business clients. CALED's membership consists of public and private organizations and individuals involved in economic development: the business of creating and retaining jobs.

In the Central Valley, CALED has focused its efforts on technical assistance and has led strategic funding trips with representatives from the U.S. Economic Development Administration, the U.S. Department of Agriculture-Rural Development, and the California Housing & Community Development. These highly successful trips enabled smaller communities to identify funding sources for much needed infrastructure and job-creating projects. This work is just one example of the continuous effort CALED has put into encouraging economic development in California's rural communities.

#### **CCRH: California Coalition for Rural Housing**

Formed in 1976 following a farm worker housing conference, the California Coalition for Rural Housing (CCRH) is one of the oldest state low-income housing coalitions in the country. Through advocacy, organizing, research, and technical assistance, its goal is to make the case for rural housing improvement and strengthen the capacity of the nonprofit and public sectors to provide affordable housing and related facilities. Members are primarily community-based nonprofit and public developers, including the largest self-help housing producers in the U.S., as well as local government officials, and local activists concerned about rural quality of life. CCRH administers the San Joaquin Valley Housing Collaborative, a regional organization comprised of government and nonprofit representatives from the eight county region, as well as the Small Communities Network.

#### **CITD: Center for International Trade Development**

The Center for International Trade Development—Fresno (CITD) was founded in 1989 as part of the State Center Community College District (SCCCD) outreach efforts to assist new and existing industries. It is also one of ten statewide initiatives funded by the California Community Colleges, Economic & Workforce Development Program (EWDP). In 1998, the Fresno Center was officially designated as one of the 14 CITD offices in the State of California. Today the Fresno Center is the leading provider of export trade research, education, and training in Central California. It was named the CITD's Ag-Hub, and with a Memorandum of Agreement with the California Department of Food and Agriculture (CDFA), hosts all incoming food and agricultural international buying missions to California. The mission of the CITD is to advance California's economic development and global competitiveness by providing quality training and services to small to medium sized enterprises that are potential or current exporters or importers. The Center serves over 500 businesses each year and conducts over 20 export workshops with an average annual turnout record of over 200 businesses.

### **CVBI: Central Valley Business Incubator**

The Central Valley Business Incubator (CVBI) is a 501(c)(3) nonprofit organization that provides business incubation services and technical assistance to entrepreneurs and innovators. Its overarching goal is to foster community and economic growth opportunities through the development of small business. CVBI also has a Virtual Incubator that enables it to provide web-based technical assistance and training aimed to support entrepreneurs and innovators in the creation and launch of new small businesses. CVBI's Virtual Incubator is a robust, content-rich, technical assistance and training site that leverages a unique user-friendly and intuitive interface via the Internet. CVBI's Virtual Incubator provides its services in both English and Spanish and enables communities to offer complete business incubation services, without the costs of traditional bricks and mortar rent or staff expenses.

### **FAHCC: Fresno Area Hispanic Chamber of Commerce**

The Fresno Area Hispanic Chamber of Commerce (FAHCC) is committed to developing strategies and setting policies to better serve all business interests in the Fresno area, and assist in accomplishing their goals towards growth, while keeping in mind the number of Spanish and English speaking business owners interested in the welfare of the Fresno Area Hispanic community. It is also committed to effectively utilize existing resources by forming productive partnerships with corporations, small businesses, community and government entities in order to provide Spanish and English-speaking members with quality programs and opportunities.

### **FCOG: Fresno Council of Governments**

The Fresno Council of Governments (FCOG) is a voluntary association of local governments. FCOG fosters intergovernmental communication and coordination, undertakes comprehensive regional planning with an emphasis on transportation, provides for citizen involvement in the planning process and supplies technical services to its member governments. FCOG is a member of the Regional Policy Council (RPC), which is the lead agency for San Joaquin Valley Blueprint coordination activities and is committed to incorporating rural communities in the San Joaquin Valley into this regional planning process. In all these areas FCOG serves as a consensus builder to develop an acceptable approach on how to handle problems that do not respect political boundaries.

### **RCAC: Rural Community Assistance Corporation**

The Rural Community Assistance Corporation (RCAC) is a nonprofit organization that provides technical assistance, training and financing so rural communities achieve their goals and visions. RCAC's work encompasses a wide range of services including technical assistance and training for environmental infrastructure; affordable housing development; economic and leadership development; and community development finance. These services are available to a variety of communities and organizations including communities with populations of fewer than 50,000, other nonprofit groups and tribal organizations.

RCAC seeks new partnerships and opportunities to advance comprehensive community development and is committed to green initiatives in its programs and its organizational operations. The core values have been rooted in RCAC culture from the beginning: Quality, Respect, Integrity, Cooperation and Commitment.

### **SHE: Self-Help Enterprises**

Self-Help Enterprises (SHE) is a private, nonprofit 501(c)(3) tax exempt corporation established under the laws of the State of California. Its mission is to improve the living conditions and community standards of low-income families in an eight-county rural area of California's San Joaquin Valley. Over the past 35 years, SHE has assisted small disadvantaged communities develop over 100 water and wastewater projects for over 26,000 people in the eight San Joaquin Valley counties. SHE has provided technical assistance to the water and/or sewer providers in these disadvantaged communities to enable them to address critical community facilities needs. SHE has also assisted 5,839 families to build their own homes through the mutual self-help housing program, developed and owns 1,154 deed restricted affordable rental units, repaired or rehabilitated 5,907 homes, and financially assisted 1,369 families in the purchase of their first home.

SHE has found that lasting community empowerment comes through the active participation of the community organizations that represent and serve them. Each of these communities has a governing board that is composed of volunteers who are responsible for all infrastructure matters, including compliance with regulations, budgeting and procurement, setting user rates, collecting user fees, staffing decisions, and system operation and maintenance. SHE staff provide training to community board members to help them work with project engineers, contractors, a mul-

titude of funders, local government, and all other stakeholders and is glad to be a partner in the efforts of the Rural Development Center.

**USDA-RD: U.S. Department of Agriculture-Rural Development**

USDA Rural Development is committed to helping improve the economy and quality of life in rural America. Its financial programs support such essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities and electric and telephone service. It promotes economic development by supporting loans to businesses through banks, credit unions and community-managed lending pools. USDA Rural Development offers technical assistance and information to help agricultural producers and cooperatives get started and improve the effectiveness of their operations. It also provides technical assistance to help communities undertake community empowerment programs.

USDA Rural Development has a \$115 billion portfolio of loans and will administer \$20 billion in loans, loan guarantees and grants through our programs in the current fiscal year. It achieves its mission by helping rural individuals, communities and businesses obtain the financial and technical assistance needed to address their diverse and unique needs. With Service Centers in Kern, Fresno, Merced, Stanislaus and Tulare Counties, USDA Rural Development is well equipped to offer its services and resources to all rural communities in the San Joaquin Valley.

The CHAIRMAN. Thank you.

Now we will go to our questions. As Chairman, I am going to defer and recognize the distinguished Ranking Member, Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman.

Each witness here has testified that the current definitions of *rural* are not working to the degree that they could be. Maybe it is not fair to summarize that they are unworkable, but certainly in listening to your testimonies, all of you indicated that there are needs that rural communities have that cannot finance their own infrastructure regardless of the size of the definitions.

And so let me focus first on Mr. Dozier because my time is limited.

Can you think of any other area in the country that has as much of an agricultural identity as the area that we are familiar with, the San Joaquin Valley that you and I have both spoke of, yet is not considered rural as defined by the Federal agencies?

Mr. DOZIER. Actually I cannot. Like I said, I grew up in Pennsylvania. I also spent time in Georgia, and in the Air Force I was in Mississippi and rural areas, and none of them compare to the San Joaquin Valley.

When I look at some of the cities in those rural areas outside of California, agriculture is a sector there, but in California, it is the sector. You cannot find a city, incorporated or unincorporated, within the San Joaquin Valley that does not have some tie to agriculture.

Mr. COSTA. In that sense, what are the chief infrastructure needs that are not being currently met by the Rural Development Assistance Programs? Are other programs filling the gaps?

Mr. DOZIER. Not really, no. The USDA has provided a number of different water and sewer projects for the smaller communities, but there are a number of those communities that are agriculture in nature that cannot.

Mr. COSTA. What would be the ideal fix that could allow us to tap into the rural development? I asked the question of the previous witness about how it is defined as "rural in character."

Mr. DOZIER. And I have had time to think about that. Under 30,000 would be great in our instance. You could simply go by Census, persistent poverty by Census track, and include under 30,000.

Mr. COSTA. Under separate testimony for the record, if you could submit any other ideas, I think that would be helpful, Mr. Dozier.

Mr. Fluharty, you are not shy about your testimony about Rural Development getting the short end of the stick when it comes to funding. Exactly how under-funded do you think RD Programs are? And given the recent budget situation which I described earlier under the microscope and likely to be cut back further, what do you think this means for future rural development?

Mr. FLUHARTY. The critical question, the Federal syllogism for the next decade would be, "Should the Federal Government be doing this, should this agency be doing this, and what is the level of funding?" There is no doubt at all that the 1980 Act gives your leadership in this Committee this responsibility.

The reason I urge a new model around regional innovation is that USDA can do nothing that isn't statutorily-directed by this agency—by this Committee, and the reality is they are tremendously hamstrung given the fact that we essentially have a set of historical artifacts as these definitions to work around.

As one example, per capita income for community resources is almost \$500 less per capita for rural than urban across the United States. In rural America, we have 168 rural philanthropies. There are over 60,000 in the United States. We have a huge disadvantage. And rural America is amazingly diverse. I don't care what Member we bring up here, it is going to be different where we are.

Mr. COSTA. I think we all know that.

Mr. FLUHARTY. So your challenge then about what we do there is exactly the same challenge that the Secretary raised. I want to suggest that the Small Cities Program in CDBG, which will also be cut significantly, could radically be altered to leverage with USDA and EDA and transportation moneys over time to raise a linked investment to build some local priorities, flexibility, and accountability. I believe we have to look in that regard. There simply is not going to be sufficient funding in any one.

Mr. COSTA. All right. And if you can expand upon that for the record later on, we would all appreciate that.

I have one question of Dr. Collins and Mr. Larson. And I am running out of time.

Expand on what you mean by regional approach to rural development beyond just the planning stage. Does that translate into specific infrastructure projects? And how can we—they can be prohibitively very expensive when you cover larger areas.

Dr. COLLINS. I come at this from a community development perspective, and from our institute's perspective, the infrastructure is certainly important, but it is the people investments that are the most important.

But what I would do, quite simply, is ditto what Mr. Fluharty says about the need to look at the importance of these micropolitan areas and look at the flows of traffic, information, money, and people into and around those areas. I think that they are the anchors of future rural development.

Mr. COSTA. My time has expired. I don't know, Mr. Chairman, if you want to allow Mr. Larson to answer the question or not.

The CHAIRMAN. Sure.

Mr. LARSON. Well, briefly, Mr. Chairman, what we do—and you referred to the regional concept and the collaborative efforts. What is going on in my part of the country, in South Dakota, and basically South Dakota is all considered rural, is we are working together as government entities in various political subdivisions and even the private sector, and we are all putting, “skin in the game” in working together to achieve these goals. And it is the Rural Development Assistance that would be applicable to any of these projects is a big help, but yet at the same time we are all working together. We are getting the broad base of the community and even a cross-section of our region around our community, and everyone is involved, and it has been very successful.

The CHAIRMAN. Thank you.

I recognize the gentleman from Illinois, Mr. Schilling.

Mr. SCHILLING. Thank you, Chairman.

This question is for Dr. Collins. In your testimony, you state that multiple Federal definitions of *rural* make things overly complicated. As a state agency that works with all of these definitions, please give us your thoughts on the USDA’s definitions, and then maybe elaborate on the benefits of streamlining these definitions.

Dr. COLLINS. As a researcher, the definitions are very helpful because they do help with the—understanding some of the diversity of rural America. I think in practice, as I briefly stated in my testimony, we have not so much felt the impact with the communities where we work because we, as a government agency, tend to work with the smallest communities. Lots of times we are talking 3,000, 4,000, 5,000 people. So we get in under—in areas where the USDA rules are applicable.

However, because of the changes, and given the Federal budget situation, I think there should be deep concern in any redrawing of these regulations about what these definitions are going to mean to the communities that are undergoing the most change and will undergo the most change in the next 10 years.

Mr. SCHILLING. Very good.

And then my second and last question is also to Dr. Collins. You mentioned that monitoring the definition of *rural* is vital to making sure the rural needs are being met. In your view what are the most important needs of rural America today, and what opportunities do you see for the 2012 Farm Bill, and how to help meet them?

Dr. COLLINS. Well, I would concur with Mr. Fluharty’s discussion of the importance of looking at the micropolitan areas and their importance. I think that the dynamics of rural are such, and conditions change so rapidly, that one needs to be aware of how quickly things can change.

Just for example, I believe it is in the past month or 2, the Federal Reserve issued—the Kansas City Federal Reserve issued a report about the increasing debt load of farmers. We are not making any new farmland, and, in fact, we are taking it away through urban development in those fringe areas.

I think an important thing to consider in all of this, especially given the at least influence of bioenergy or the importance of bioenergy, we really need to be looking at a strategy of not just state-level, but national-level farmland preservation that goes beyond the Conservation Reserve Program and some of the other programs



that are out there, because this energy issue, we are going to be asking double duty of our land. We are going to be growing feedstocks for energy, and we are going to be growing feedstocks to feed ourselves.

So, this is one of the most significant things that we are facing. I think it has tremendous implications for regional rural development.

Mr. SCHILLING. Very good. Thank you, doctor.

With that, I yield back.

The CHAIRMAN. The gentleman from Pennsylvania, Mr. Thompson.

Mr. THOMPSON. Thank you, Mr. Chairman.

I also wanted to thank the Ranking Member for his invitation to come to his Congressional district. The fact is we already sent one of our best and brightest, having—living my whole life from Mr. Dozier's hometown. So I will start my questions on that end of the table.

There seems to be an overarching theme of that a one-size-fits-all approach for defining *rural* does not work, yet simultaneously, the current approach with different definitions is also problematic. In your view, what would be the better approach.

Mr. DOZIER. I wish that I had an answer that would just blow you out of the water, but I don't. I think that basically trying to compare California and its counties to Pennsylvania, or to Georgia, or to any of the other states is really difficult to do for a lot of different reasons, and the same holds true for South Dakota. It holds true for Texas. So it is really difficult to answer the question.

I think that it is—there are brighter men than me, brighter minds than mine that can come together and give you that answer. But unfortunately, it is not working right now, it is confusing, and if there is some consistency to it, we are all going to be a lot better off.

But I do believe in Mr. Fluharty's feelings regarding innovation, and that those things cannot be excluded from the rural areas. They are looked at in the metro areas, and that has been one of the criticisms. The rural areas have it as well.

Mr. THOMPSON. Do you believe that more regional input would be helpful when determining eligibility for Rural Development Programs?

Mr. DOZIER. I do. I very much do. Our regional approach with the California Partnership for the San Joaquin Valley is a yardstick for a lot of people to follow. We have a broad—ten work groups that deal with everything from economic development to air quality issues within that region, and I believe that out of that could come a good definition.

Mr. THOMPSON. Right.

Mr. Fluharty, your testimony mentions the need to link rural communities to urban areas. Could you provide more detail on what such a linkage would look like.

Mr. FLUHARTY. Actually this is happening all over right now. And I will use the micropolitan as a concern, because I don't want to suggest that it is only the micropolitan areas.

Those regional growth hubs of 10,000 to 50,000 are non-metropolitan, so they are eligible for non-metropolitan funding. We must

link them to the contiguous rural counties that are non-core and think about distributed energy and renewables, food systems, transportation, health care service, human services.

There are multiple examples out there. I will use one. We worked with AgStar, which is the Farm Credit System in Minnesota, on a 34-county effort led by AgStar, and as a result of that, the Mayo Clinic and the Hormel Institute realized they had huge opportunities in that region that, frankly, would never have occurred in rural innovation had not the initiative funds, which are philanthropies, the mayors of those major cities, the county commissioners, and a regional framework began to think about an innovation strategy. Counties are doing it everywhere right now.

And I want to suggest that that is a great new linkage that absolutely helps us as a committee politically. This Committee must maintain control of rural futures. You must do that because agriculture is so key to it. Linking to our urban sisters and brothers assists us in making that argument to HUD and DOT, *et cetera*.

One last point. You have 50 state directors. This is the only Department with essentially a watchdog, an ombudsman and a collaborator for your programs in a state. I would suggest we really should think about how we link your mandates and your legislative future to directions to a state director that can work with Governors and others in building regionally appropriate strategies. It has to come from the dirt because every place is different.

Mr. THOMPSON. Thank you.

Dr. COLLINS, just real quickly, you mentioned and I heard micropolitan cities mentioned a number of times. You mentioned how they serve for an anchor for development efforts in their region. How do these cities fit into your approach to rural development?

Dr. COLLINS. Well, I will talk about my backyard, I guess, in Macomb. And, by the way, I do have a Pennsylvania connection. I worked in Gettysburg for a while.

Macomb and western Illinois have been losing population now since largely the turn of the century, with the exception of Macomb, where Western Illinois University is located. Our county began to lose population in 1980. It is a university town, and the university numbers are fairly stable.

One, the focus—

The CHAIRMAN. Limit your comments.

Dr. COLLINS. I will be very brief.

There are two ways to do this. One is to use our regional universities, but also to work more closely with our community colleges and perhaps our local school systems.

The CHAIRMAN. We are coming to a point, unfortunately, when the building is no longer going to be ours, or at least the room, so I will certainly entertain any further questions from the Majority or Minority with respect to any of these witnesses, and, if not, proceed to conclude the hearing. Does anybody else have anything they want to address to the panel?

Let me just make a couple of comments. Before I do that, I would like to call on the distinguished Ranking Member, my friend, Mr. Costa for any closing remarks he has. Please turn off the timer here.

Mr. COSTA. Well, I will be very brief. I just want to thank you, Mr. Chairman, for the hearing this morning. I think that we all represent facets of rural America, and as we look toward various efforts to get our nation's fiscal house in order, programs that many of our communities have benefited from in the past and, we hope, in the future are important, and we need to be smart about the cuts we make to ensure that we extend the ability for our rural taxpayers' dollars, who care as much as anybody does about ensuring that their Federal tax dollars comes back home to their needs.

And rural America is challenged every day on a host of issues that we know in terms of economic development, and education, and in other ways that I think this hearing points out, and I want to thank you again for the time and the effort. We will work together in a bipartisan fashion with the United States Department of Agriculture to do a better job.

The CHAIRMAN. Thank you, Ranking Member Costa.

Let me just make a couple of quick concluding remarks and then some business affairs, if you will.

I, too, want to thank both panels and all of the Members of the Committee for some superb questions and great responses. I think we really made some progress here. I think that over the course of the next year, 2 years, even less, we are going to have some clear realities and facts. First of all, as we see this week, we are going to—across the board at all levels of government, we are going to be dealing with spending cuts, and how we fit within the parameters of those, and how this program survives and flourishes despite cuts.

We have the ongoing issue of needs within rural America and how the Department's administration of this program meets or doesn't meet those needs. And then obviously we have the rewrite of the farm bill that will have a dramatic effect on all of the contours that we deal with. And my hope is that we can work individually, but certainly collectively, to meet some mutual goals.

Let me also acknowledge and thank our outstanding staff on both the Republican and Democratic side. They really make us look good, and I am very grateful for their input and their work. They really serve an extremely valuable role in this Committee.

And last, thank you for your attendance at this important hearing. Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witness to any question posed by a Member.

The hearing of the Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture is hereby adjourned.

[Whereupon, at 11:55 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]



SUBMITTED LETTER BY HON. JOE COURTNEY, A REPRESENTATIVE IN CONGRESS FROM  
CONNECTICUT

October 7, 2009

Hon. THOMAS J. VILSACK,  
*Secretary*,  
U.S. Department of Agriculture,  
Washington, D.C.

Dear Secretary Vilsack:

We write to urge you to reconsider and amend USDA's 2004 Administrative Notice that clarifies the definition of the terms "rural" and "rural areas" for certain Rural Development programs.

As you may know, beginning in June, several entities in our states began receiving notification that their applications for Federal grants, loans, and loan guarantees under the Community Facility and the Water and Waste Disposal programs could not be approved because the entities were located in areas that do not conform to USDA's definition of "rural" and "rural areas." Before June, these applicants would have been eligible for the programs for which they applied. Indeed, many applicants had qualified for and received assistance under these programs in the recent past. The denial of these applications stems from a USDA Office of General Counsel (OGC) legal opinion issued on June 29, 2009, which itself was predicated on a prior legal opinion and an Administrative Notice both handed down in 2004.

At issue is how USDA has traditionally viewed rural communities in the Northeast. Under the statute, "rural" and "rural area" means a "city, town, or unincorporated area that has a population of no more than 10,000 inhabitants" for the purposes of Water and Waste Disposal assistance. A similar definition applies to the Community Facility program except that the population cap is 20,000 inhabitants. In the absence of an explicit definition of a "city, town, or unincorporated area," USDA had previously interpreted the statute to include distinct population centers such as boroughs, villages or other subdivisions of incorporated areas. (For brevity's sake these subdivisions will collectively be referred to as "villages.") These villages resulted from the unique development of the Northeast, and in part, reflect the fact that the municipalities, not counties, are the prevailing jurisdictions of local government—with counties merely demarking historical geographical regions. Villages are typically quasi-municipal jurisdictions whose status as distinct communities has been recognized by the Census Bureau as Census Designated Places (CDPs) within larger towns. Arguably, many of the these villages already meet the definition of the cities or towns adopted under USDA's Administrative Notice, since they have special purpose charters from the state, elected leadership, and fixed boundaries. Yet, applications for entities located in these areas were rejected on the basis of the OGC's opinion.

After reviewing the OGC legal opinions, it appears that the change in USDA's interpretation was not required by revisions to the statute made under the 2002 Farm Bill. In fact, the definition of "rural" and "rural area" under the Community Facility and Water and Waste Disposal programs has not changed since the 1990's. Instead it appears that USDA was attempting to develop a workable and consistent national policy for a number of rural development programs. While such an objective is laudable in theory, a universal definition fails to account for the uniqueness of how communities have developed in the Northeast. Knowing the effects on the eligibility of communities in our states, USDA should not have taken such a significant discretionary action without an opportunity for meaningful public scrutiny and comment.

We recognize that this issue did not originate during your tenure. Nonetheless, USDA's policy is creating hardship in communities that have been among those most severely impacted by the economic crisis. We believe that this situation could largely be remedied through a new administrative policy that recognizes the historic view USDA has taken with respect to villages. There is precedent for USDA accommodating such anomalies: the 2004 Administrative Notice itself created a special rule for Puerto Rico. Moreover, the 2004 legal opinion notes that there was at least one other interpretation of the definition of city or town that USDA could have relied on, specifically the use of CDPs.

We believe that it is particularly important for USDA to craft an administrative remedy, since we were not informed of USDA's nearly 6 year old policy change until it began to be enforced at the end of June 2009. As a result, we did not have opportunity to address the issue in the 2008 Farm Bill.

On a related matter, we note that Subsection 6018(b) of the 2008 Farm Bill requires the Secretary to prepare an assessment of the various definitions of "rural" and "rural area" for different USDA programs and the effects these variations have

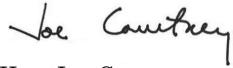
on programs. The Secretary is also required to make recommendations for ways to better target funds through rural development programs and to report on the effect that changes under the 2008 Farm Bill have had on the funding and participation in each state. In light of USDA's unilateral action in this area already, this report has additional interest to us. We ask that you provide us with the status of your progress on this report and request a briefing for our staffs as soon as possible.

Finally, there are several procedural questions related to the Administrative Notice and the OGC legal opinions that we would appreciate answers to:

- (1) After the Administrative Notice and first OGC opinion were issued in 2004, what steps were taken to ensure that the new definitions these documents set forth were applied? Why did it take more than 5 years and second legal opinion for USDA to begin implementing its "new" definition in our states?
- (2) Has this policy been enforced uniformly in all states?
- (3) The 2004 Administrative Notice on which the OGC's legal opinions are based on expired on February 28, 2005. What was the purpose of expiration and what standing does the Administrative Notice have now that it has expired?
- (4) The 2004 legal opinion stated that Rural Development "must revise" its Administrative Notice to define "unincorporated areas"—Did Rural Development ever revise the Administrative Notice as the OGC suggested? If not, why not? Did the OGC make any subsequent requests for Rural Development to amend the Administrative Notice?

Thank you for your attention to this issue and we look forward to your prompt reply. Should you have any questions, please contact John Hollay from Rep. Joe Courtney's staff [**Redacted**].

Sincerely,



Hon. JOE COURTNEY;



Hon. BILL PASCRELL, JR.;



Hon. ROSA L. DELAURO;



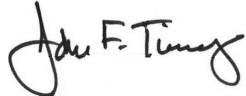
Hon. FRANK A. LOBIONDO;



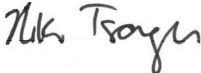
Hon. BILL DELAHUNT;



Hon. BARNEY FRANK;



Hon. JOHN F. TIERNEY;



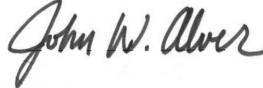
Hon. NIKI TSONGAS;



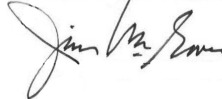
Hon. ALBIO SIRES;



Hon. RUSH D. HOLT;



Hon. JOHN W. OLVER;



Hon. JAMES P. MCGOVERN;



Hon. PATRICK J. KENNEDY;



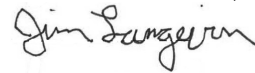
Hon. CHRISTOPHER S. MURPHY;



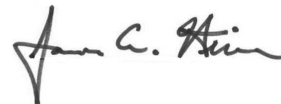
Hon. FRANK PALLONE, JR.;



Hon. JOHN B. LARSON;



Hon. JAMES R. LANGEVIN;



Hon. JAMES A. HIMES.

November 12, 2009

Hon. JOE COURTNEY,  
U.S. House of Representatives,  
Washington, D.C.

Dear Congressman Courtney:

Thank you and your colleagues for your September 23, 2009, letter regarding the definition of "rural" as it applies to the Department of Agriculture (USDA) Rural

Development's community-based programs for water and wastewater disposal systems and for essential community facilities. I truly appreciate your support for these USDA Programs and your passion for ensuring that the areas of your states in need of affordable financing can be served.

I know, too, that you realize the challenge we face in applying a statutory standard nationwide based on the concept of a city or town when our Federal system of government simply requires that states and territories have complete autonomy in defining their municipal structures. While some unique circumstances were addressed by the farm bill directly, notably Hawaii and Puerto Rico, the colonial states' unincorporated villages within incorporated towns were not.

Your letter noted that the circumstances leading to the June 29, 2009, opinion from legal counsel occurred before this Administration took office and that those actions could have been more transparent. I agree. In line with the policies of the Obama Administration, we are committed to a rapid, open process to address your concerns. Because this matter is of the utmost importance to me, I have directed the Under Secretary for Rural Development to take two steps. First, he will provide a revised Administrative Notice to all affected Rural Development State Offices clarifying that unincorporated villages within incorporated municipalities may be considered separate cities or towns for purposes of population thresholds for program eligibility provided that they meet characteristics one might expect to find in a municipality, such as a separately identifiable village name, a post office, or other indicators of a community that will last through the life of the loan that is being requested.

Second, in response to this matter Rural Development will be soliciting public comments through an Advanced Notice of Proposed Rulemaking (ANPR) on defining "rural" in an equitable manner across the nation in the near future. We would appreciate your input on developing a consistent method for determining which areas are considered "rural." We look forward to receiving your comments during the ANPR comment period.

Thank you again. I look forward to working with you to revitalize America's rural economies.

Sincerely,



Hon. THOMAS J. VILSACK,  
Secretary,  
U.S. Department of Agriculture.

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#### SUBMITTED QUESTIONS

#### **Response from Cheryl Cook, Deputy Under Secretary for Rural Development, U.S. Department of Agriculture**

*Question Submitted by Hon. Timothy V. Johnson, a Representative in Congress from Illinois*

*Question.* Ms. Cook, your testimony indicates you feel USDA should have more flexibility in deciding where rural development projects are deployed, and that the current definitions are too prescriptive. Yet, the results of the 2008 Farm Bill debate on this topic are due in large part to projects being cited near urban areas. What is unique about the flexibility you are contemplating that would address concerns this Committee might have about funds being used near urban areas?

*Answer.* The provisions of Section 343(a)(13) of the Consolidated Farm and Rural Development Act (CONACT) address simply the area considered eligible to apply for Rural Development's community and business programs. Other sections of that law, specifically Sections 306–306E and 310B address congressional priorities in funding applications received, and target our funds—particularly grant funds—to the smallest, poorest areas. Changes made to the former would not affect the latter.

For example, the Rural Business Enterprise Grant program is subject to the eligible rural area standard of 343(a)(13)(A)—anywhere except a city or town greater than 50,000 and adjacent urbanized areas. However, Section 310B provides that priority consideration be given to applications for this program from municipalities, tribes, or nonprofit organizations in communities of under 5,000. Similarly, a municipality of 9,500 residents would be eligible to apply for Water & Waste Disposal funding since they would be below the standard in Section 343(a)(13)(B) of 10,000;



however, priority for grant funds and technical assistance goes to applicants with fewer than 5,000 residents under Section 306.

Changing standards for eligibility to apply for Rural Development programs to provide commonality for our customers or to account for features beyond total population does not affect prioritization provided elsewhere in the Act for the smallest, neediest communities.

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) made no changes with respect to areas eligible to apply for community-based programs. The Water & Waste Disposal program and the Community Facilities program remain at 10,000 and 20,000 respectively. The flexibility in Section 6018(a) of the farm bill, which provided for areas remaining “rural in character”, applies only to 50,000 population definition of rural that predominately applies to the business programs, like the Rural Business Enterprise Grant program described above. . What is unique about the possibilities discussed during the hearing and in my written testimony is the broader applicability to all programs in terms of the places from which an application could be accepted.

*Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota*

*Question 1.* Ms. Cook, in your testimony you note that some communities currently eligible for USDA rural development programs because they currently meet the population thresholds may not be eligible in the future depending on the results of the next Census. If a multi-year loan award was made when the recipient fit within the population limit pre-Census, does that loan stay active post-Census? Can you elaborate on any other effects the Census would have on active borrowers?

*Answer.* Rural Development generally does not make multi-year loan awards, though once obligated, appropriations law generally allows a period of five years from the end of the fiscal year in which funds were awarded to fully use the funding. In the few cases where a multi-year grant can be awarded, *e.g.*, the Rural Business Opportunity Grant and the Rural Cooperative Development Grant, both of which allow for 2 year grants, the entire amount is obligated the first year. If an applicant was in an eligible rural area at the time the loan or grant was obligated, that status would continue as the project moves forward and funds are drawn down.

In prior years, new census data created challenges for applicants with large community-based projects that required a series of applications in order to fund multiple project phases over multiple fiscal years. When the only standard for eligibility is total population, a change in that population could affect eligibility for later project phases.

*Question 2.* Ms. Cook, can you describe your points system when evaluating applicants? What criteria are used, and what do you place the highest value on?

*Answer.* Currently, each program regulation identifies the exact evaluation process for that program, drawing from statutory requirements and priorities where provided. Additionally, programs administered by a single nationwide competition normally identify scoring criteria in their regulation or in the body of a Notice of Funds Availability, or NOFA.

In the case of most loan programs under the jurisdiction of this Subcommittee, once the applicant and the area in which the applicant wishes to receive financial assistance are determined eligible, evaluating an application generally turns to: (1) the strength of the idea for which financial assistance is being sought; and (2) whether a particular application is entitled to priority consideration.

With regard to the former, most regulations evaluate various aspects of feasibility. Does the idea use proven technologies? Does the applicant have the management experience to operate successfully (and, if not, do we have technical assistance programs that could be brought to bear)? Does the applicant have a reasonable chance of repayment ability based on financial projections? Is there a market study to suggest sufficient demand for the goods or services to be financed? Is the applicant also financially invested in the project or is the Federal Government being asked to shoulder all the risk? Is the workforce able to meet the needs of this project without jeopardizing the success of others? In the case of community-based programs, does the project as proposed lead to a reasonable end user rate for public services?

With regard to the latter, statutory language in the CONACT especially provides additional prioritization for certain applications in certain programs based on total population size and median household income. Other statutes, such as the Farm Security and Rural Investment Act of 2002, also articulate evaluation criteria and provide priorities for funding for projects offering the best energy “bang for the buck”.

My testimony suggested that perhaps other factors could be considered in this evaluation process to ensure that Rural Development's programs benefit the rural people who need them most. In so doing, perhaps Congress could reevaluate the sin-

gle eligibility standard of total population to also consider other factors that lead to higher priority applications. The model I had in mind was the second NOFA under the Broadband Initiatives Program, or BIP.

The first BIP NOFA, issued in 2009, attempted to invest the largest share of grant funds in those most isolated communities that we had been unable to reach with the regular Broadband program created in the 2002 farm bill, and that were the hardest for the private sector to reach alone. That program offers only loan funds, and applicants generally have come from more populous, economically stronger areas that can afford the debt service rather than sparsely populated isolated communities. In the Water & Waste Disposal program, where projects regularly exceed \$10 million in cost, Rural Utilities Service has been able to assist smaller, poorer communities by supplementing loans with grant funds. In the Broadband program, where projects have exceeded \$100 million, no grant funds are available. The American Recovery and Reinvestment Act authorized the BIP program, and for the first time enabled the Agency to pair loan and grant funds together to arrive at more affordable subscription rates. In the first NOFA, applicants generally could expect to receive up to 50% grant and 50% loan toward their total project, but remote rural areas could receive 100% grant funds.

While the policy objective of the first BIP NOFA was sound, the implementation of a NOFA that limited availability of full grant funding to applicants in remote rural areas proved challenging. As if defining “eligible rural area” weren’t difficult enough, then we had to define “remote”. By contrast, the second BIP NOFA offered most applicants a mix of up to 75% grant, 25% loan, but considered a range of factors and took a more flexible approach in determining when the Administrator could waive that general rule and fully fund a project with grant funds. The NOFA provided that:

The Administrator may grant a request for waiver for a larger grant component based on the following factors:

1. Distance From Non-Rural Areas—The Administrator will consider the distance from the focus of the proposed funded service areas from the closest non-rural area.
2. Rural Area Targeting—The Administrator will consider the percentage of the proposed funded service area that is above the 75 percent [of the service area being rural] requirement.
3. Density—The Administrator will consider the density of the proposed funded service area, calculated from the population and area totals of all proposed funded service areas taken from the mapping tool.
4. Median Household Income—The Administrator will consider the median household income of the proposed funded service area, comparing the county median household income to that of the State median income level. For applications serving multiple counties, the Administrator will weigh the percentages of all counties.
5. Unemployment—The Administrator will consider the state unemployment level compared to the National Unemployment Level in the state of the proposed funded service area. For applications serving multiple states, the Administrator will weigh the percentages in each State.

Using this multi-faceted methodology, the Administrator was able to target remaining BIP grant funds to the most rural areas with the greatest need. Again, the CONACT already provides for some of these types of priority considerations in some, but not all, of our programs. I think this sort of potential exists throughout Rural Development, and look forward to further discussion with the Subcommittee as to how this sort of prioritization could be incorporated to consistently target our resources.

*Question 3.* Ms. Cook, what is the reasoning for the “once rural, always rural” policy as it relates to rural electric cooperatives with a long, continuous borrowing history in some programs? Are there any such borrowers that now primarily serve urban or suburban areas?

*Answer.* The policy you mention is a statutory requirement of the Rural Electrification Act of 1936. While Rural Development seeks to protect taxpayers’ investments by enabling borrowers to meet their existing obligations, our mission is to ensure that the program benefits the rural borrowers who need them most.

Rural electric cooperatives were established to deliver electric power to rural areas because there was no profit for investor-owned utilities to deliver service. The business structure of these cooperatives in many cases precludes their use of the financing available to investor-owned utilities.

Fewer than 10 percent of the consumers served by RUS' electric borrowers could be considered nonrural based on a study completed in 2005 using census bureau delineations. The business structure that rural electric cooperatives employ to provide reliable and affordable power to rural consumers is also a consideration in Rural Development's mission.

*Question Submitted by Hon. Larry Kissell, a Representative in Congress from North Carolina*

*Question.* Ms. Cook, within Rural Development programs both Grants and Loans are often available for our Rural Communities. It is my understanding that if a community does not qualify for a grant, they often can be considered for a loan. Many of the Rural Communities in my district are not eligible for grants, and pursue Rural Development loans. Is my assumption correct that part of your evaluation for some loan programs is the ability of the applicant to pay back the loan? If so, does this mean you would prioritize a rural area that might be in a more secure economic condition versus another? Do you feel that USDA's approach is consistent with the goal of assisting those communities most in need?

*Answer.* USDA's approach is consistent with the goal of assisting those communities most in need. Independent of the discussion of a lack of consistency in the standards for eligible rural areas, which apply equally to loans and grants, applicants from the smallest, poorest communities receive priority for grant funds and the lowest interest rate for loan funds. This is true both for the Water & Waste Disposal program and the Community Facilities program. The Rural Business Enterprise Grant also is targeted by Congress to the smallest areas, providing priority to applications from municipalities, tribes, and nonprofit organizations in communities below 5,000.

Further, in our community programs, especially the Water & Waste Disposal program, communities, normally, receive a combination of loans and grants for a particular project. The mix of loan and grant is generally determined on the ability of the community to support the repayment of the loan. Communities that have a stronger economic foundation will receive a higher loan to grant mix than communities that are in a more fragile economic state. By targeting the loan/grant mix in this manner, Rural Development is able to extend its budget authority to serve more communities while still prioritizing assistance to those communities with the greatest need.

*Questions Submitted by Hon. Joe Courtney, a Representative in Congress from Connecticut*

*Question 1.* Madame Secretary,

As you are aware Connecticut, like other northeastern states, is unique in that we lack unincorporated areas. Additionally, we have townships, villages and other community designations which inhibit our ability to be eligible for and receive funding for community facilities or water and waste projects.

As you know, in 2009, an opinion issued by the Office of General Counsel, which overturned a long standing practice at the department to recognize the unique challenges we in the northeast face when determining eligibility for rural development. This opinion suspended the long standing practice of recognizing villages, townships and boroughs common to Northeast states as separate identifiable communities whom are eligible for rural development funds based on their own populations, not that of the town in which they are encompassed. It should be noted that this was a policy that was in place for more than 40 years.

As you know, I sent a letter in October 2009 cosigned by 17 of my colleagues seeking Sec. Vilsack's support for reversing the decision of the General Counsel which he did. I have submitted a copy of that my letter and the Secretary's response for the record.

However I still have some concerns that I would like to ask you about.

In a letter dated November 12, 2009, Secretary Vilsack wrote that "Rural Development will be soliciting public comments through an Advanced Notice of Proposed Rulemaking on defining 'rural' in an equitable manner across the nation in the near future." It is my understanding that no such proposed rule has been released yet. When does USDA expect to release that proposed rule?

*Answer.* Please see below.

*Question 1a.* Also included in that letter was a statement from Secretary Vilsack indicating that "Municipalities may be considered separate cities or towns for purposes of population thresholds for program eligibility provided that they meet characteristics one might expect to find in a municipality, such as separately identifiable village name, a post office, or other indicators of a community that will last through the life of the loan that is being requested." Does this remain the policy of USDA

in determining eligibility for rural development funds for communities in Connecticut today?

*Answer.* While the majority of states began as unincorporated territories now dotted with incorporated municipalities, most states in the Northeast are entirely incorporated. However, several northeastern states—notably, Massachusetts, New York, and Pennsylvania—recognize in state law the concept of a “village”, an unincorporated population cluster lying wholly within an incorporated municipality. In MA and NY, villages lie within incorporated towns. In PA, villages lie within incorporated townships.

When I was a state director in Pennsylvania during the 1990s, the general rule in the Northeast region was that if a water or sewer project actually would serve fewer than 10,000 people, the project could proceed. Thus, a village of fewer than 10,000 people, where centralized services like water or sewer were more necessary than in the outlying farmland, could be considered even if the total population of the township in which the village was located exceeded 10,000.

In the 2002 Farm Bill, Congress added the words “city, town, or unincorporated area” to the pre-existing eligibility standards of not more than 10,000 for the Water & Waste Disposal program and 20,000 for the Community Facilities program. The legislative history of that addition suggests that Congress specifically intended to curb what had been common practice in Pennsylvania and other northeastern states. With the new language, an applicant is the municipality rather than a portion of a municipality or even a single-purpose sewer or water district. The entire population of the municipality therefore would be applied to the eligibility standard, even if less than the total population would be served. This language was unchanged by the 2008 Farm Bill.

In 2009, the Office of General Counsel determined that instructions given its Northeast regional office in 2004 with respect to this issue had not been fully implemented, and addressed that with additional staff instructions. In the same timeframe, policy leaders in Rural Development determined that additional guidance for state offices was warranted to ensure that we would follow the law as Congress enacted it in 2002 and again in 2008. An Administrative Notice was issued to the northeastern state offices explaining the current state of the law yet recognizing that an “unincorporated area” in the Northeast was something entirely different than in other states. We determined that in using the words “city or town” Congress meant any incorporated municipality. We also acknowledged that, even though states might not have any unincorporated geographic areas, an unincorporated population center within an incorporated municipality might be able to apply in its own right if it met the characteristics of a municipality aside from formal incorporation, such as providing other services or having a separate ZIP Code or separate recognition as a Census-designated place.

That Administrative Notice does remain in effect pending regulatory action on the definition of “city, town, or unincorporated area”. The Advanced Notice of Proposed Rulemaking (ANPR) mentioned in the Secretary’s 2009 letter was placed on hold until final determination was reached on whether a rural area eligibility standard comparable to other business programs of Rural Business-Cooperative Service would or would not be included for the new energy programs authorized in title IX of the farm bill. The statutory language does not apply a rural eligibility standard to the Section 9003, 9004, or 9005 programs of the Farm Security and Rural Investment Act of 2002. In an effort to gain consistency across the Agency with its CONACT programs, proposed rules including that requirement were published in April 2010. Interim final rules reflecting public comment in favor of removing the eligibility standard were published in February 2011, clearing the path to resume work on the ANPR for other programs.

*Question 2.* In 2009, the same year USDA overturned the long standing policy of rural development eligibility in my state of Connecticut and others, the Pennsylvania state rural development office also issued a contradictory opinion (PA AN No. 1238) regarding the state of Pennsylvania. The language in that exemption is as follows “In consultation with the National Office, we have determined that areas in townships in should not be considered as being ‘in a city or town.’ Therefore all townships in Pennsylvania should be considered as rural areas regardless of the population of the township.” I recognize that this was a state office opinion but the fact that it was done so in consultation with the “national office” concerns me. Can you explain why USDA issued this opinion in January 2009 for Pennsylvania and then issued a contradictory opinion later that year for Connecticut and other states? Furthermore, if this was a state office determination, why did the office of general counsel not overrule this decision when they issued a contradictory decision on Connecticut’s eligibility?

*Answer.* In 2009, the new Pennsylvania State Director was asked by his staff to reissue a specific state Administrative Notice that his predecessor had developed in 2003 in response to the “city, town, or unincorporated area” language Congress adopted in the 2002 Farm Bill. That document attempted to declare all Pennsylvania townships as eligible rural areas. Upon my learning of that document in November 2009, it was rescinded. Nevertheless, it underscores some of the challenges in trying to have a single nationwide eligibility standard when that standard is applied to municipal structures created by each state and territory.

PA has about 100 cities of the 1st through 4th class, with class being determined by total population. A few cities of the 4th class would meet the eligible rural area standard of the Community Facilities program (20,000) but generally not the Water & Waste Disposal program (10,000). Further, Pennsylvania has 2,500 incorporated municipalities, exactly one of which is incorporated as a town, the Town of Bloomsburg, a college town whose population is about 12,700. Pennsylvania has no unincorporated geography whatsoever, just the “village” concept of an unincorporated population center within an incorporated township. Pennsylvania has 1,000 boroughs and 1,400 townships, but Congress only mentioned “city or town” in the revised eligibility standard. The State Director in place at that time interpreted “city or town” literally, and knowing that Pennsylvania had one of the largest rural populations not served by public water or sewer, attempted to address townships through an Administrative Notice.

Of the 1,400 townships in Pennsylvania, 1,297 have 10,000 or fewer residents. Assuming that Congress simply listed “city” or “town” as examples of incorporated municipalities rather than literally meaning only municipalities incorporated as cities or as towns could apply, those 1,297 PA townships would meet eligibility standards for the Water & Waste Disposal program and the Community Facilities program. The problem was with the 103 whose populations are over 10,000 and particularly with the 23 in sprawl-affected areas whose populations are over 20,000. A blanket declaration of rurality for all townships was inappropriate, and that Administrative Notice is no longer in effect.

