
Title VII

Rural Development

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Title VII repeals and amends several provisions of previous legislation related to rural development. In addition, it creates new authority for several activities, notably the Rural Community Advancement Program (RCAP) and the Fund for Rural America.

RCAP is a rural assistance delivery system similar to the Administration's Rural Performance Partnership Initiative that was proposed in the 1996 budget. Under RCAP, State Rural Development Directors will be able to mix, to a degree, funding streams to provide a more flexible package of assistance aimed at meeting local needs. Under the new Fund for Rural America, \$100 million of Treasury money is to be made available in 1997, 1998, and 1999 for a wide variety of rural development activities and applied research projects.

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Subtitle A

Amendments to the Food, Agriculture, Conservation, and Trade Act of 1990

Chapter 1—General Provisions

This chapter of the 1996 Act amends several provisions of the 1990 Rural Development Title. Notably, it:

- Repeals the Rural Investment Partnerships that authorized lines of credit to eligible entities in up to 5 States to establish local revolving loan funds. The program was never funded.
- Reauthorizes and streamlines the Distance Learning and Telemedicine Program. This provision authorizes \$100,000,000 for each of fiscal years 1996 through 2002 for encouraging and improving telemedicine and distance learning services in rural areas through the use of telecommunications, computer networks, and related technologies. The funds are available as grants or cost-of-money loans, or both. Funds are available to assist users of telemedicine or distance learning services as well as providers of those services. Funds can be used by recipients for (1) development and acquisition of instructional programming, (2) development and acquisition of equipment and facilities, (3) provision of technical assistance and instruction, and (4) other uses consistent with the provision as determined by the Secretary.
- Repeals the Monitoring Economic Progress of Rural America provision that called for the Census Bureau

to expand collection efforts on statistically significant data concerning the changing economic condition of rural counties and communities.

- Repeals the Rural Health Infrastructure Improvement grant that was to establish a project to demonstrate a model approach to improving rural health infrastructure.
- Repeals the Demonstration Projects provision, which created a program of competitive grants to rural areas to serve as demonstration areas for rural economic development and as models of such development for other areas.

Chapter 2—Alternative Agricultural Research and Commercialization

This chapter changes the legal organizational status of the Alternative Agricultural Research and Commercialization Center by converting it into the Alternative Agricultural Research and Commercialization Corporation—a wholly-owned government corporation within USDA. The purpose of the Corporation is identical to that of the Center previously. Additional changes to the powers and structure of the organization are made.

Subtitle B

Amendments to the Consolidated Farm and Rural Development Act (P. L. 87-128)

Chapter 1—General Provisions

Several notable provisions are contained in this chapter, including:

- Reauthorizes and increases the annual authorization for Water and Waste Treatment grants from \$500 million to \$590 million. The provision requires that sewer, waste, and water treatment projects funded under this section conform to State standards established under the Safe Drinking Water Act and the Clean Water Act.
- Authorizes Rural Business Opportunity grants (not to exceed \$1.5 million annually) to public bodies, private nonprofit community development corporations, and other entities at the discretion of the Secretary for the purposes of :
 - identifying and analyzing business opportunities, including export opportunities, that will use local rural economic and human resources;
 - identifying, training, and providing technical assistance to existing or prospective rural entrepreneurs and managers;
 - establishing business support centers and otherwise assisting in the creation of new rural businesses, developing ways to finance local businesses, and enhancing the capacity of local individuals and entities to engage in sound economic activities;
 - conducting regional, community, and local economic development planning and coordination, and leadership development; and
 - establishing centers for training, technology, and trade that provide assistance to rural businesses to utilize interactive communications technologies for developing export markets.
- Combines the Emergency Community Water Assistance Grant Program for Small Communities with the same program for smallest communities. Under the new, combined program (same name as above), \$35 million is authorized in fiscal years 1996-2002 for communities with populations of 10,000 or less. At least 50 percent of available funds is to be allocated to communities with populations of less than 3,000.
- Amends the Rural Cooperative and Technology Development Grant Program by renaming it the Rural Cooperative Development Grant Program and refocusing it. The modified program is authorized at \$50 million for each of fiscal years 1996-2002.
- Gives the Secretary authority to reduce debt for loan programs administered by the Rural Utilities Service, the Rural Housing Service, and the Rural Business-Cooperative Service.
- Creates a Rural Development Certified Lenders Program and a Preferred Certified Lenders Program. The first provision allows the Secretary to establish a program under which the Secretary may guarantee a loan for any rural development program that is made by a lender certified by the Secretary. The second enables certain lenders to have more latitude in administering loans guaranteed by the Secretary.
- Repeals the State Rural Economic Development Review Panels that were authorized in the 1990 Farm Bill but never used. These panels were to assess, review, and prioritize requests for USDA rural development funds within the individual States.
- Establishes a National Sheep Industry Improvement Center. The Center will promote ways to improve the sheep and goat industry. The Center's activities will be financed by a revolving fund established in the U.S. Treasury.
- Gives the Secretary specific authority to enter into Cooperative Agreements with other Federal agencies and State and local governments and any other organization or individual to improve the coordination

and effectiveness of Federal programs, services, and actions affecting rural areas, including the establishment and financing of interagency groups.

Chapter 2—Rural Community Advancement Program

This chapter establishes the Rural Community Advancement Program (RCAP), a new rural development program delivery mechanism. The structure is similar to the Administration's Rural Performance Partnership Initiative proposed in the 1996 budget. Its purpose is to provide grants, loans, loan guarantees, and other assistance to meet the rural development needs of local communities and federally recognized Indian tribes.

The objectives of RCAP are to:

- Promote strategic development activities and collaborative efforts by State and local communities, and federally recognized Indian tribes, to maximize the impact of Federal assistance;
- Optimize the use of resources;
- Provide assistance in a manner that reflects the complexity of rural needs, including the needs for business development, health care, education, infrastructure, cultural resources, the environment, and housing;
- Advance activities that empower and build the capacity of States, local communities, and federally recognized Indian tribes to design unique responses to their special needs; and
- Adopt flexible and innovative approaches to solving rural development problems.

Important elements of the RCAP include:

- **Strategic Plan.** The program requires that each Rural Economic and Community Development (RECD) State Director prepare a strategic plan for the State and for each federally recognized Indian tribe within the State. That plan must be prepared with State and local communities acting as full partners in the process and in consultation with other entities including State Rural Development Councils, federally recognized Indian tribes, and community-based organizations. Any assistance provided under

RCAP must be consistent with the State strategic plan. Priority must be given to communities with the smallest populations and lowest per capita income.

- **Rural Development Trust Fund.** Monies for RCAP will be held in this fund containing the following accounts: Rural Communities Facilities Account, Rural Utilities Account, and Rural Business and Cooperative Development Account, the National Reserve Account, and the Federally Recognized Indian Tribe Account.

The Secretary will allocate the amounts in these three accounts among the States taking into consideration rural population, income, unemployment, and other relevant factors. State RECD Directors may, during any fiscal year, transfer up to 25 percent from one account to another, as long as the amount transferred nationally does not exceed 10 percent of the total RCAP funds allocated that fiscal year. No monies from the RCAP may be transferred to or from any housing programs.

The National Reserve Account will receive a percentage of the total contained in the Rural Development Trust Fund (RDTF)—15 percent in fiscal year 1997, decreasing to 5 percent in fiscal year 2002. The account may be used to:

- meet situations of exceptional need;
- meet emergency situations; or
- provide funds to entities whose applications for RCAP funds have been approved and who have not received funds sufficient to meet the needs of approved projects.

The Federally Recognized Indian Tribe Account will receive 3 percent of funds contained in the RDTF. These funds are to be distributed to federally recognized Indian tribes for use according to the tribe's strategic plan.

- **Grants to States.** The Secretary is directed to make a grant of up to 5 percent of a State's RCAP allocation to any State that requests one.
- **Matching Grants.** States may also request an additional 5-percent grant, provided the grant is matched at least 2 for 1 with non-Federal monies.

- **Loan Guarantees.** The Secretary may guarantee loans for financing rural development activities authorized and funded under RCAP. Guarantees are limited, however, to not more than five times the amount given to the State in grants in the above provisions.
- **Rural Development Interagency Working Group.** The Secretary shall establish and chair an interagency working group. The group will establish policy for, coordinate, make recommendations with respect to, and evaluate the performance of, all Federal rural development efforts. The conference agreement specifies that this effort should use the National Rural Development Partnership as a foundation for the group.
- **Rural Venture Capital Demonstration Program.** The Secretary may designate for each fiscal year up

to 10 community development venture capital organizations to demonstrate the value of loan guarantees in attracting private investment in rural businesses. USDA will guarantee up to 30 percent of an organization's investment pool. Total guarantees cannot exceed \$15 million in each of fiscal years 1996-2002.

In addition to RCAP, this chapter also calls for Simplified, Uniform Application for Assistance from All Federal Rural Development Programs. The Secretary is required to develop a streamlined, uniform application process for specified rural development programs.

Finally, the chapter establishes the Community Facilities Grant Program. The Secretary may provide grants (not to exceed \$10 million in a fiscal year) to build specific essential community facilities in rural areas.

Subtitle C

Amendments to the Rural Electrification Act of 1936

In addition to amending and repealing various provisions, the subtitle calls for the Secretary to make or commission studies, investigations, and reports regarding financial, technological, and regulatory matters affecting the condition and progress of electric and

telecommunications service and economic development in rural areas. The subtitle also repeals the Rural Business Incubator Fund from the 1990 Rural Development Title.

Subtitle D

Miscellaneous Rural Development Provisions

The most significant provision in this subtitle is the establishment of the Fund for Rural America. The fund is to receive \$100 million in each of the fiscal years 1997, 1999, and 2000. The first installment will be available January 1, 1997, with subsequent amounts available the first of the latter 2 fiscal years. The money is to come directly from funds in the Treasury and does not depend upon the appropriations process. The Secretary is to use one-third of the funds on rural development activities, one-third on competitive research activities, and one-third distributed between both at the discretion of the Secretary.

A wide range of rural development activities are eligible. However, funds for rural development activities are to be used only for activities that received appropriations for fiscal year 1995. Not more than 20 percent of funds dedicated to rural development activities may be used for housing grants and loans. The conference report language makes clear that water and wastewater loans and grants be made a priority.

Funds for research may be used for research, extension, and education activities that:

- Increase international competitiveness, efficiency, and farm profitability;
- Reduce economic and health risks;
- Conserve and enhance natural resources;
- Develop new crops, new crop uses, and new agricultural applications of biotechnology;

- Enhance animal agricultural resources;
- Preserve plant and animal germplasm;
- Increase economic opportunities in farming and rural communities; and
- Expand locally owned value-added processing.

Funds for research may go to:

- A Federal research agency;
- A national laboratory;
- A college or university or research foundation maintained by a college or university; or
- A private research organization with an established and demonstrated capacity to perform research or technology transfer.

Criteria for allocating research funds will be set in consultation with the National Agricultural Research, Extension, Education, and Economics Advisory Board. Funds will be given in the form of grants, will be awarded on a competitive basis, and will have terms not to exceed 5 years. Grants will be administered through the Cooperative State Research, Education, and Extension Service.

Finally, the Rural Economic and Community Development mission area of USDA is renamed the Rural Development mission area.