

## **Farm Bill Does Precious Little to Help Rural Communities Prosper**

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Congress finally passed the Farm Security and Rural Investment Act of 2002, referred to as the Farm Bill, re-authorizing agriculture and rural development programs for the next six years. Total spending for farm subsidies and other programs benefiting farmers and agriculture producers is expected to exceed \$80 billion in new mandatory money at the end of a ten-year period. This is in addition to the more than \$100 billion already set aside for farm spending over the same period.

Of the \$180 billion of spending this Farm Bill authorizes, only \$790 million, or 0.4%, is set aside for non-agriculture related rural development needs. This figure was arrived at by repealing the Fund for Rural America which would have continued \$160 million in rural development spending. By repealing this program, Congress actually provided \$630 million in new spending for non-agriculture programs for rural America. While this figure is an increase from the 1996 Farm Bill, it is woefully inadequate.

The Farm Bill is Congress's policy statement not only on matters relating to America's food and agriculture industry, but also on matters relating to rural America as a whole, and therefore it means a great deal to those involved in rural community development. The 2002 Farm Bill clearly continues Congress's belief that the health and welfare of rural America is intrinsically tied to the health of America's farming communities, particularly large farms. With less than 10% of rural jobs dependent on the farming economy, this view ignores a large segment of rural America and its economic and social problems.

More than 90% of the new spending authorized by this Farm Bill goes to farmers and agricultural producers in the form of loans and loan guarantees, direct payments for crops, and grants for value-added and industrial agriculture production, including \$17.1 billion in grants and direct payments for environmental and land conservation measures; \$1.1 billion for trade measures; and \$1.3 billion for research. Approximately \$6.4 billion is authorized for food and nutrition programs for our nation's poor, including the re-establishment of food stamp benefits to legal immigrants who have lived in this country for five years or longer.

The remaining amount, or \$790 million, is available for non-agriculture related rural community development activities. The allocation of mandatory funding reflects the real interest of Members. In examining the programs that received this spending, one clearly sees several themes emerge that reflect Congressional thinking on matters important to rural America. For rural community development organizations involved in an array of rural development activities, there are several initiatives of interest.

### **Clean Water Tops the Priority List**

High on Congress's priority list is concern over water and its availability to rural households. This is understandable given that nearly 1 million rural households are still without running water, especially in the South. Due to Senate leadership, Congress set aside \$360 million to fund the backlog in pending water and sewer loan and grant applications at the U.S. Department of Agriculture, which translates into approximately \$750 to \$800 million in program level funding.

Congress also authorized several other provisions to address the shortage of resources for small rural communities water and wastewater systems. These authorizations include: a set-aside in discretionary spending to help communities facing emergency drinking water shortages; a revolving fund to be operated by qualified non-profit organizations to provide small loans for items such as small system repairs or extensions; and grants for refurbishing decentralized water well systems. In addition, many of the conservation programs that received an increase in funding, like the Conservation Reserve Program, are also designed to address clean water concerns and to ensure that water supplies remain clean of pollutants, often the result of chemical and pesticide run-off from agricultural lands.

### **Equity Capital for Rural Business Investments Receives Attention**

The lack of private equity capital in rural communities also emerged as a high priority item, at least for Senate members. While the House bill did not contain any funding for equity investing, Senator Harkin, Senate Agriculture Committee Chairman, and Senator Daschle, Senate Majority Leader, were able to keep a Senate-passed initiative in the final package. The Rural Business Investment Program will license close to 70 Rural Business Investment

Companies (RBICs) to provide venture capital financing to small rural businesses. It is funded at \$100 million in mandatory funding, split equally between debenture financing and grants for technical assistance.

The program's design is a hybrid of the Small Business Investment Corporation Program and the New Markets Venture Capital Program both of which are operated by the Small Business Administration. Community development corporations familiar with either program will easily understand how to operate an RBIC licensed under this program. However, the law requires USDA to contract the day-to-day operations of this program to another federal agency, which will likely be the SBA, so it is unlikely the program will be operating anytime soon. It is also unclear, given SBICs' poor investment track record in rural areas, that SBA has the experience necessary to run a successful equity program targeted to these communities. We'll have to see.

### **Availability of High Technology Gets a Boost**

Technology needs for rural communities also prevailed. The original House version contained funding for expanding satellite television to more rural households, the Senate version contained funding for broadband. The final package contained monies for both: \$80 million for expanding satellite television and \$100 million to expand broadband Internet availability to rural communities. Eligible entities could include community development organizations that have the capacity and expertise to be able to furnish broadband services to underserved rural areas.

### **Comprehensive Rural Development Funding is Available**

The conference report also provides \$100 million for the Rural Strategic Investment Program (RSIP). The RSIP is a compromise between the Strategic Planning Initiative passed in the House Bill, and the Rural Endowment Act that was passed in the Senate.

The Rural Endowment Act was designed as a comprehensive community development initiative to help communities create permanent community assets geared toward improving the quality of life of rural residents, whether the asset is a local investment fund for business development activities or improved housing stock. The program would have provided up to \$6 million in matching grant assistance over a five-year period to help implement a comprehensive community development strategy. Rural areas, including tribal communities, as small as a single community of 2,000 residents or as large as a region

of 70,000 residents, could receive an Endowment grant. The Endowment was also open to an array of eligible entities that could apply on behalf of a community effort, including a unit of local government, multi-jurisdiction planning and development organizations, private non-profit community-based organizations, tribal organizations, or a consortium of any of these entities. An application submitted by a partnership between a government entity and a private non-profit community-based organization would have received a preference for funding.

The Endowment relied on an outcome-oriented community-driven process that placed a premium on flexibility, entrepreneurship and community collaboration. It recognized that each rural area, large or small, faced unique challenges that called for unique solutions. As such, the Rural Endowment would have allowed communities to determine themselves how best to develop a comprehensive community development strategy that fit their needs.

The RSIP, on the other hand, is highly process-oriented and restricted mainly to government entities. The RSIP wastes a lot of time. The RSIP requires the Secretary of Agriculture to establish a National Strategies Board appointed by Members of Congress that would develop a national rural investment strategy that would govern grant decisions under the program. The national board would then certify regional investment boards that would submit development plans for approval by the national board. The regional investment boards' membership is required to be at least 50% representatives of local government and required to cover a region of not more than 50,000. Each board must develop a plan that must be approved by the national board. So, after the national board is named, regional boards get organized and write a plan that is approved by the national board, money for rural community development might flow.

The size of grants available under this program is \$3 million with no private match required. Eligible activities for funding under this program are mainly geared toward basic services and infrastructure projects. And, while the RSIP legislation does not prohibit community-based private non-profit organizations from applying to be the fiscal and administrative agents for a regional board, the conference report language and overall program framework indicates a preference for economic development districts and regional planning councils.

Unfortunately, the Rural Strategic Investment Program provides for none of the flexibility or openness that was contained in the Endowment initiative. It duplicates ongoing functions of the federal government, by devoting millions of dollars to new boards, bureaucracies and plans. It will ultimately fund regional economic development districts with a vague set of program responsibilities and with no regard for targeting areas of need or economic distress. It will be years before there are results from the RSIP, if there are results at all.

### **Value-added Agriculture as a Rural Development Strategy**

In addition to non-agriculture rural development initiatives, Congress included funding for value-added agriculture production in part as an economic development mechanism for local rural economies. Congress included approximately \$650 million to increase value-added and bio-energy agriculture production. Agricultural products such as ethanol and bio-diesel fuels provide expanded opportunities for farmers and agriculture producers to increase the value of their crops and farming operations. This in turn should result in increased job opportunities at relatively higher skills and wage levels for rural communities in which these operations exist.

Another example of a growing agricultural sector that Members view as important economic drivers in local rural economies is the area of niche farming and specialty crops. Many small farmers, especially in the Northeast and mid-Atlantic regions, are thriving from strong truck farming and pick-your-own operations. These farmers are taking advantage of growing consumer demand for fresh fruits and vegetables as well as for organically grown local produce in grocery stores and in local restaurants. After many years of not receiving any assistance for fruits and vegetable crops, Congress has finally opened the door to supporting these operations.

Many rural advocates believe that value-added agriculture and smaller community-based farming operations provide more support to the local economy of the communities in which they operate and are therefore critical community businesses. These investments can provide new economic development opportunities for rural communities prepared to take advantage of them.

### **A Lot of Programs, But Little Spending Action**

While Congress created many new programs to address important needs in rural areas, the lack of overall spending on these and other critical needs demonstrates a continued lack of political will on the

part of many in Congress to really help rural America prosper.

Rural communities suffer from a lack of transportation, little access to healthcare, and very few jobs to keep young people from fleeing to the cities. The Farm Bill comes around every five or six years and spends a great deal of money on an industry that provides fewer than 10% of the jobs in rural communities. Congress has followed this spending pattern for over seventy years and yet rural areas continue to lack the most basic living standards – economic opportunity, clean water and adequate housing. This Farm Bill will spend over \$180 billion on farm subsidies and only 0.4% of this spending will help the 90% of rural residents who don't rely on these subsidies for their livelihoods.

Rural America deserves better.