

6. Rural Development: Creating Opportunity for Rural Americans

USDA Rural Development is forging new partnerships with rural America by funding development projects and providing technical assistance and information to create quality jobs, services, housing, and utilities. The need to revitalize rural America is essential if it is to maintain or regain its posture as a place where millions of rural people can achieve the American dream. This need is evident from the following:

- More than 53 million people live in rural areas of the United States, 16.4 percent of whom live in households with income below the Federal poverty level.
- 45 percent of the rural population lives in relatively isolated communities which often lack access to the same level of services as are available in urbanized areas.
- During the last 20 years, the number of rural workers employed on farms has been cut approximately in half; 80 percent of all rural Americans now earn their living from nonfarm sources. To sustain the economic viability of rural areas, jobs lost to more efficient farming methods need to be replaced with new businesses or industries.
- 535 rural counties endure persistent poverty, with more than 20 percent of their residents living below the poverty level.

USDA's Rural Development mission area was created in 1994 as a result of the reorganization of the Farmers Home Administration, the Rural Development Administration, and the Rural Electrification Administration. Agencies that provide services to rural America were put together so they look alike, act alike, and work alike.

Rural Development is comprised of three sister agencies. The Rural Utilities Service (RUS) addresses rural America's need for basic services such as clean running water, sewers and waste disposal, electricity, and telecommunications. The Rural Housing Service (RHS) addresses rural America's need for single-family and multi-family housing as well as health facilities, fire and police stations, and other community facilities. The Rural Business-Cooperative Service (RBS) addresses rural America's need for help in developing new economic opportunities and allowing businesses and cooperatives to remain viable in a changing economy.

In addition, the Federal Government is seeking to form partnerships with other entities—such as State, local, and tribal governments, private and nonprofit organizations, and member-owned cooperatives—to engage in rural revitalization efforts. Rural Development programs are provided across the Nation through 47 State offices and 1,222 area and local offices. During 1997, Rural Development plans to close or consolidate 399 of its field (area and local) offices.

■ How Rural Development Works

The following examples illustrate ways in which Rural Development agencies are working to serve rural citizens and bolster the quality of life in rural communities:

- In Woodland, CA, a plastic bag manufacturing plant which employed 180 workers closed down. With the help of financing secured under the RBS Business and Industry Loan Guarantee program, the plant was able to reopen under new ownership and rehire many of the workers who lost their jobs. The town's mayor says the reopening of the plant symbolizes what can happen when private industry and Government work as partners.
- In Indianola, MS, residents are fulfilling their dreams of homeownership by participating in the RHS Self-Help Housing program. Participants learn basic construction skills which enable them to invest "sweat equity" to cover the down payment on their own homes. In this way, the program has helped about 25,000 low-income families acquire homes. In Coahoma (population 390), another Mississippi Delta town, USDA/RHS secured funding for a multi-family elderly rental project, the area's first Federal assistance for housing in more than 50 years.
- In East Prairie, MO, the unemployment rate has decreased from 10.3 to 6.7 percent thanks to economic stimulus programs made possible by its inclusion in the Rural Empowerment Zones/Enterprise Communities (EZ/EC) program of USDA. The dramatic decrease is due to the establishment of a plant that employs 161 people to manufacture small motors. The EZ/EC program made it possible to renovate the plant and nearby access roads.
- In Villa Ridge, IL, residents have always obtained drinking water by gathering rain water in a cistern or by buying costly bottled water. Under the Water 2000 program of RUS, they are being supplied with a community water system that will bring safe, clean drinking water into their homes.
- In Frisco City, AL, more than 250 workers lost their jobs when fire destroyed a garment factory. The local electrical cooperative obtained an interest-free loan from RUS, which it used to attract a medical garment factory to town, creating 210 new jobs with a possibility of 200 more jobs to be added later.
- In Zeeland, MI, an \$8 million loan guarantee from RBS is financing construction and purchase of machinery and equipment for a new soybean processing plant. The new plant is expected to add 25 new employees and expand the facilities of Zeeland Farm Services, giving it the capacity to process about 50 percent of the soybeans grown within an 80-mile area of the plant. It will also provide the region with a soybean meal processing facility to help meet the needs of the rapidly expanding poultry and livestock industries of western Michigan.
- In Chico, CA, a small pinto bean-marketing cooperative was suffering from declining membership and changing market conditions. RBS staff members led management of Chico Bean Growers through an extensive strategic planning process. The co-op then launched a new business to serve a growing fertilizer market while continuing to process pinto beans. The cooperative has returned to profitability and has a bright future.

- In New Mexico, the nonprofit Tierra del Sol Corporation used \$530,000 in RHS self-help funds and \$3.8 million in 502 direct homeownership funds, together with more than \$1.1 million in private funding, to make homeownership possible for families earning about \$9,200 annually. This helped to stabilize the community by providing jobs (which the project created) and an increased tax base.
- A medical crisis was created when the last doctor serving 11 communities in a rural area of Massachusetts retired. A modern clinic was built with funding provided by RHS, enabling community leaders to recruit several doctors. This would not have been possible without the new clinic.
- In the Bristol Bay area of Alaska, children from several isolated villages had to be flown to school daily. Using technology grants from RUS, Bristol is establishing a distance-learning link which will allow students to participate in classes without the daily flight to school.

The following overviews describe the three Rural Development Agencies and their main programs.

■ Rural Business-Cooperative Service (RBS)

Creation of viable new and improved businesses and cooperatives in rural America is the top priority of this Agency. RBS works through partnerships with public and private community-based organizations to provide financial assistance, business planning, and technical assistance to rural businesses. It also conducts research into rural economic issues, including rural cooperatives, and provides educational material to the public

Business and Industry (B&I) Loan Guarantees help finance rural business and industry projects that enhance employment opportunities and improve the economic and environmental climate in rural communities, including pollution abatement and control. Loan guarantees are made for projects that foster lasting community benefits and bolster existing private credit structures. Priority for B&I loan guarantees is given to applications for loans from rural areas or cities of 25,000 or less, with loans limited to areas not within the outer boundary of a city having a population of 50,000 or more and its immediately adjacent urbanized or urbanizing area. Loans are limited to \$25 million for any one borrower.

Direct Business and Industry (B&I) Loans are made to public, private, and cooperative organizations, Indian Tribes or tribal groups, corporate entities, or individuals to improve the economic climate in rural areas. The program is an economic stimulus tool which can be delivered to areas of rural America in greatest need.

Intermediary Relending Program Loans finance business facilities and community development projects in rural areas, including cities of less than 25,000. Funds loaned by RBS to intermediaries support new business facilities and community development projects in rural areas.

Rural Economic Development Loans and Grants promote rural economic development and job creation projects, including feasibility studies, startup costs,

and other reasonable project expenses. The maximum amount of a grant or loan is \$400,000. Loans have a maximum term of 10 years and are repaid without interest. These loans and grants are available to existing Rural Utilities Service electric and telecommunications borrowers.

Rural Business Enterprise Grants assist public bodies, nonprofit corporations, and federally recognized Indian Tribal groups to finance small and emerging private business enterprises located in rural areas. A rural area is defined as an area outside the boundary of a city with a population of 50,000 or more and its immediately adjacent urbanized or urbanizing area. Funds may be used to finance and develop small and emerging private business enterprises. Grant funds may be used for acquisition and development of land and the construction of buildings, plants, equipment, access streets and roads, parking areas, and utility and service extensions. In addition, funds may be used for refinancing, fees for professional services, technical assistance, startup costs and working capital, financial assistance to a third party, production of television programs targeted for rural residents, and rural distance-learning networks.

Rural Cooperative Development Grants finance the establishment and operation of centers for cooperative development. The primary purpose of the program is to enhance the economic conditions of rural areas through the development of new cooperatives and improved operations of existing ones.

The **Appropriate Technology Transfer for Rural Areas** program provides information to farmers and other rural users on a variety of sustainable agricultural practices, including crop and livestock operations. It helps agriculture by giving reliable, practical information on production techniques and practices that reduce costs and that are friendly to the environment. Farmers can request information via a toll-free telephone number.

The **National Sheep Industry Improvement Center**, authorized in the Federal Agriculture Improvement and Reform Act of 1996 (called the 1996 Farm Bill), promotes strategic development activities to strengthen and enhance production and marketing of sheep and goat products in the United States. The center, which will have a board of directors to oversee its activities, operates a revolving fund for loans and grants.

Cooperative Services helps improve the performance of the Nation's cooperatives and promotes understanding and use of the cooperative business system. By working together for their mutual benefit in cooperatives, rural residents are often able to reduce costs for production supplies and consumer goods, obtain services that might otherwise be unavailable, and achieve greater returns for their products. Cooperative Services accomplishes its mission by (1) responding to requests for technical assistance from rural residents who want to organize a cooperative or improve operations of an existing cooperative, (2) providing information and educational materials relating to cooperatives, (3) conducting research on cooperative financial, structural, managerial, policy, member governance, legal, and social issues, and (4) collecting and disseminating statistics to support research and technical assistance work.

The mission of the **Alternative Agricultural Research and Commercialization Corporation (AARC)** is to expedite the commercialization of new industrial prod-

ucts or of new uses for agricultural and forestry materials and animal byproducts. The corporation makes repayable investments in small businesses in rural areas. Repayments go into a revolving fund for investment in other projects. Applicants are expected to match AARC funds with an equal amount of funding from other sources.

Rural Business Opportunity Grants, authorized by the 1996 Farm Bill, can be made annually for up to \$1.5 million to establish centers for training, technology, and trade to provide assistance to rural businesses for interactive communication technologies to be used to develop export markets.

A Rural Venture Capital Demonstration Program, authorized by the 1996 Farm Bill, is being developed to provide a guarantee for projects that serve as a catalyst to attract private investments in businesses in rural areas. The amount of the guarantee may not exceed 30 percent of any pool of funds provided by up to 10 community development venture capital organizations.

■ Rural Housing Service

Decent, safe, sanitary, affordable housing and essential community facilities are indispensable to vibrant rural communities. USDA's Rural Housing Service has the responsibility to make these essential elements available to rural Americans. RHS programs help finance new or improved housing for more than 70,000 moderate- or low-income families each year. These programs also help rural communities finance construction, enlargement, or improvement of fire stations, libraries, hospitals, clinics, day-care centers, industrial parks, and other essential community facilities.

In October 1996, a Centralized Service Center in St. Louis, MO, opened to provide automated loan servicing to RHS single-family housing borrowers. This effort is considered a showcase project for the reinvention of government, intended to make government services work better and cost less. The new service, when fully implemented in October 1997, will greatly expand services to borrowers while substantially reducing the amount of staff needed to operate the program nationally.

Home Ownership Loans provide opportunities and assistance to low income households in rural communities, helping them to purchase, construct, repair, or relocate a home. Borrowers are offered 33-year loans at fixed interest rates as low as 1 percent, depending on the family's adjusted income. Moderate-income rural residents can be assisted with loan guarantees offered through private lenders. The loans, both direct and guaranteed, can cover up to 100 percent of market value or acquisition cost, whichever is less.

Home Improvement and Repair Loans and Grants enable very-low-income rural homeowners to remove health and safety hazards from their homes and to make homes accessible for people with disabilities. Loans have a maximum interest rate of 1 percent. Grants are available for people age 62 and older who cannot afford to repay a loan. A combination of funds from a loan and grant can be used by eligible elderly residents. Housing preservation grants are made to nonprofit groups and government agencies to finance rehabilitation of rental units for low-income residents.

Rural Rental Housing Loans finance construction of rental and cooperative housing for low-income individuals and families, including elderly or disabled persons. Loans have a maximum term of 50 years, can equal up to 100 percent of the appraised value or development cost, and can be used to construct new housing or to purchase or rehabilitate existing structures.

Rental Assistance payments subsidize rental costs to ensure that low-income tenants will pay no more than 30 percent of their income for rent.

Community Facilities Loans, Loan Guarantees, and Grants are used to finance the construction, enlargement, extension, or other improvements for community facilities providing essential services in rural areas and towns with a population of 20,000 or less. Funds are available to public entities such as municipalities, counties, special-purpose districts, Indian Tribes, and nonprofit corporations.

■ Rural Utilities Service

The programs of the Rural Utilities Service (RUS) touch the lives of tens of millions of rural Americans daily. Through project financing and technical assistance, RUS builds infrastructure to provide rural businesses and households with modern telecommunications, electric energy, and water. Today, this also means bringing the "information superhighway" to rural America.

A new initiative, Water 2000, is an ambitious undertaking by RUS to extend safe, dependable drinking water to the 1.4 million rural Americans who currently lack this service, and to the 2.4 million people who consistently experience water-related health problems, dry or shallow drinking wells, or frequent orders to boil their drinking water. In the last 2 years, RUS has invested \$300 million in loans and grants to the Nation's highest priority Water 2000 projects.

RUS is more than a new name for the successful programs of predecessor agencies. It is a partner with rural business and economic development efforts, providing infrastructure that is the foundation for competitiveness. It is a technical and financial resource in a time of change for rural utilities.

Rural Telecommunications Loans and Loan Guarantees build modern rural communications systems. They provide rural areas with "ramps" to the information superhighway by making financing available for telecommunications facilities. Loans are made to rural telephone cooperatives and companies which bring reliable and affordable telecommunications services to more than 15 million rural Americans.

Rural Electric Loans and Loan Guarantees provide reliable, safe, and affordable electric energy to rural America by financing power distribution, generation, and transmission systems. Loans are made to nonprofit and cooperative associations, public bodies, and other utilities which serve more than 25 million rural Americans.

Distance Learning and Medical Link Loans and Grants bring distance learning and telemedicine to rural America. Education and adequate medical care are crucial to the survival of rural communities, but are becoming increasingly difficult to provide. This program employs innovative ways to use existing telecommunications infrastructure to extend the reach of educational and medical expertise into communities without that expertise. The new loan program, authorized in the 1996 Farm Bill, is being developed to further expand rural telecommunications infrastructure.

Water and Waste Disposal Loans and Grants develop water and waste disposal systems (including solid waste disposal and storm drainage) in rural areas and towns with populations under 10,000. The funds are available to public entities such as municipalities, counties, special purpose districts, Indian Tribes, and non-profit corporations. RUS also guarantees water and waste disposal loans made by banks and other eligible lenders.

Emergency Community Water Assistance Grants help rural communities that have experienced a significant decline in drinking water quantity or quality to make emergency repairs and replace existing facilities. Grants can be made in rural areas and towns with a population of 10,000 or less and a median household income of no more than 100 percent of the State's median nonmetropolitan household income.

■ Rural Empowerment Zones and Enterprise Communities

USDA Rural Development is involved in an ambitious new effort to help revive the rural economies of some of the Nation's most economically depressed rural areas. USDA Rural Development is now working closely with three Rural Empowerment Zones (EZ) and 30 Rural Enterprise Communities (EC) which are benefiting from special economic stimulus programs to help overcome persistently high poverty rates. These EZ/EC designations are helping to revitalize local communities by putting Americans to work.

The EZ/EC designations are based on strategic plans developed by local leaders, organizations, State officials, and the private sector. Each EZ and EC designation means special consideration for various Federal programs and other assistance, including social service block grants, new tax-exempt facility bonds, tax incentives for employment, and other special consideration for existing Federal programs.

Authority for a second round of EZ/EC designations will be sought in 1997.

The Rural Empowerment Zones are:

- Kentucky Highlands (Clinton, Jackson, and Wayne Counties),
- Mid-Delta in Mississippi (Bolivar, Sunflower, Leflore, Washington, Humphries, and Holmes Counties), and
- Rio Grande Valley in Texas (Starr, Cameron, Hidalgo, and Willacy Counties).

The 30 Enterprise Communities include counties and towns across the Nation. States with one or more ECs include: Alabama, Arizona, Arkansas, California, Florida, Georgia, Louisiana, Michigan, Mississippi, Missouri, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Virginia, Washington, and West Virginia.

Employers in the EZ will qualify for tax credits for each qualified worker who resides in the zone. Each EZ receives \$40 million and each EC receives \$2.95 million to implement the strategic plans. In addition, each EZ and EC receives priority for certain programs available through Rural Development agencies.

For More Information

Rural Development

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