



## Do USDA Rural Development Programs need to be Strengthened?

### BACKGROUND

American well-being is tied to the economic survival of rural America. Healthy rural communities and rural based business are important to the quality of life and economic success of farmers and ranchers. More than 46 million people – about 15 percent of the U.S. population – live in rural America. They provide the food and fiber that feed and clothe the nation, and much of the world. Despite its importance, the rural economy has suffered from a downward spiral caused by economic recessions and a lack of investment in business, infrastructure, and education.

Rural employment remains below pre-recession levels, and rural areas continue to experience population loss, poverty, and lower educational attainment than urban areas. While the rural population increased in scenic and energy-boom areas, it has declined in areas dependent on farming and manufacturing. The loss of jobs and exodus of people helps fuel the downward trend. USDA has implemented several programs to help the rural economy. Since 2009, USDA has invested \$224 billion in rural development efforts in more than 1.2 million communities. However, the use of the USDA programs remains low.

America and the rest of the world need farmers, but they also need strong rural communities. Investments in economic development, infrastructure, and education to help rural communities are investments in food security.

### ISSUE

USDA Rural Development operates more than 50 financial assistance programs for a variety of rural applications. They are designed to enhance rural communities and economic growth. Programs can be divided into two general areas: community infrastructure programs and business development programs. USDA's rural development mission is administered through the Rural Housing Service (RHS), the Rural Business-Cooperative Service (RBS), and the Rural Utilities Services (RUS).

The community infrastructure programs provide financial assistance in the form of grants, loans, and loan guarantees to deal with single- and multi-family housing, community facilities, water and waste disposal, broadband, and electric service. These programs are typically used by local governments and utilities.

Rural Business Development Programs provide financial backing and technical assistance to stimulate business creation and growth. The programs work through partnerships with public and private community based organizations and financial institutions to provide financial assistance, business development, and technical assistance to rural businesses.

Specifically, these programs help to provide capital, equipment, space, job training, and entrepreneurial skills that can help to start and/or grow a business. Business programs also support the creation and preservation of quality jobs in rural areas. Loans, loan guarantees, and grants are available to individuals, businesses, cooperatives, farmers and ranchers, public bodies, non-profit corporations,

Native American Tribes, and private companies in rural communities. The financial resources of the business programs are often leveraged with those of other public and private lenders to meet business and credit needs in under-served areas. The funding is intended to help improve the quality of life in rural communities by enhancing economic opportunities and ensuring self-sustainability for generations to come.

Listed below are brief descriptions of USDA Rural Development's business assistance programs.

**Business and Industry Loan Guarantees (B&I)**

This program bolsters the existing private credit structure by guaranteeing loans for rural businesses, which allows private lenders to extend more credit than they could typically.

**Intermediary Relending Program (IRP)**

Provides one percent low-interest loans to local intermediaries that re-lend to businesses and for community development projects in rural communities.

**Rural Business Development Grants (RBDG)**

RBDG is a competitive grant designed to support targeted technical assistance, training and other activities leading to the development and expansion of small and emerging private businesses in rural areas that have fewer than 50 employees and less than \$1 million in gross revenues.

**Rural Business Investment Program (RBIP)**

This program provides a Rural Business Investment Company (RBIC) license to newly formed venture capital organizations to help meet the equity capital investment needs in rural communities.

**Rural Economic Development Loan & Grant Program (REDLG)**

This program provides funding to rural projects through local utility organizations. Under the loan program, USDA provides zero interest loans to local utilities, which in turn pass funding through to local businesses that will create or retain employment in rural areas. The grant portion of the program provides grant funds to the local utility organizations in order to establish revolving loan funds for projects that retain or create rural jobs.

**Rural Micro-entrepreneur Assistance Program (RMAP)**

Provides loans and grants to Micro-enterprise Development Organizations (MDOs).

**Value Added Producer Grants (VAPG)**

The VAPG program helps agricultural producers enter into value-added activities related to the processing and/or marketing of bio-based, value-added products. Generating new products, creating and expanding marketing opportunities, and increasing producer income are the goals of this program.

**OPTION #1**

Many of the programs offered by USDA Rural Development are underutilized. Business investment is easier to obtain in metropolitan areas, especially on the coasts. Are changes needed to help USDA more aggressively promote and market the business assistance programs offered in rural areas?

**OPTION #2**

Applicants for grant and loan applications often complain that the process is inefficient and not business friendly. One of the specific concerns is the difficulty for applicants to know the status of their application. Is there a change that can be made to keep applicants better informed? Is there a need to improve the process in order to have applications handled with more certainty and in a more timely manner?