

Improving the quality of life in rural communities



Community Facilities Technical Assistance

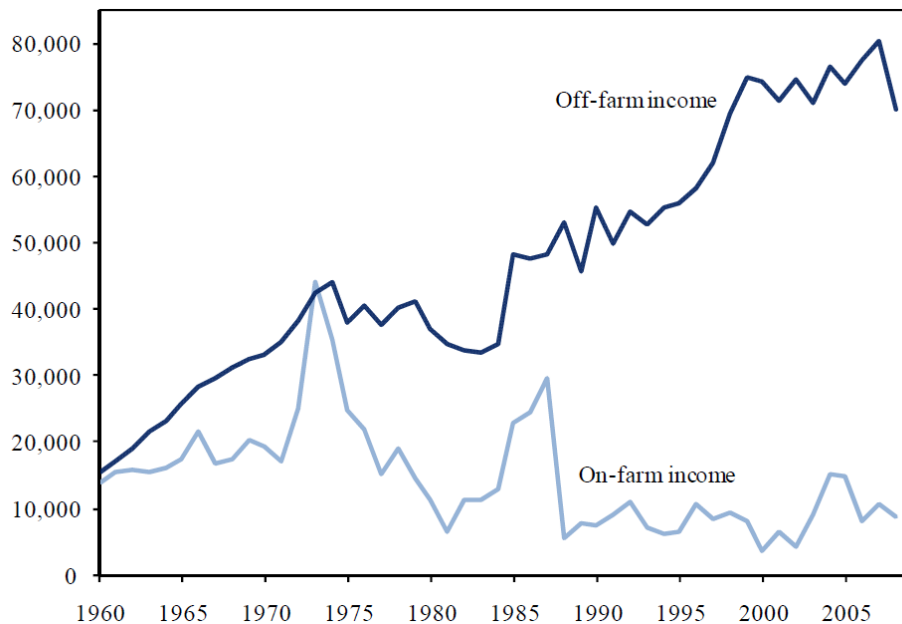
Helping Rural Leaders Provide Basic
Community Services in Small-town America

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Throughout much of our nation’s history, agriculture was a critical economic driver in rural America as towns sprung up to support farmers and ranchers and get commodities to market. Today less than five percent of rural income is earned on the farm,ⁱ and rural economies are diversifying and becoming less reliant on agriculture as their primary industry. Even among farming and ranching families, the sale of agricultural commodities is declining as a percentage of total household income (see Fig. 1).ⁱⁱ As such, it is critical that our national priorities for rural America recognize the importance of the non-farm rural economy as we strive to improve the quality of life in rural communities and diversify rural economies. A national effort to develop and repair rural infrastructure and essential community facilities will bolster the non-farm sector of the rural economy, thereby reinvigorating Main Street and creating an environment that is conducive to economic growth and stability for the more than 50 million Americans who live in rural communities.

Fig.1: Composition of U.S. Farm Household Average Income (2008 dollars)



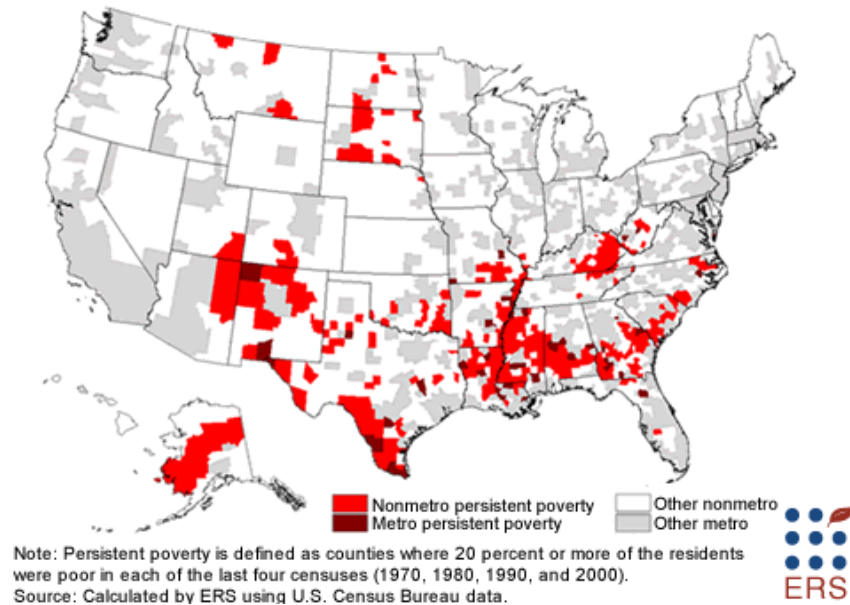
Source: U.S. Department of Agriculture, Economic Research Service, Operator Household Income, cited in Executive Office of the President, Council of Economic Advisors, *Strengthening the Rural Economy*, p. 4 (April 2010)

A prerequisite to a successful economy for any rural community is the availability of adequate infrastructure; water, sewer, roads, electricity, and high-speed internet as well as community services like healthcare, education, and public safety. Without these vital

services, entrepreneurs will not open new small businesses and industry will move to other areas where such necessities are more readily available. In many small towns critical infrastructure and/or essential community facilities are in a state of disrepair or simply do not exist, which inhibits community and economic development. In this time of declining rural populations, many small communities face decreasing tax bases that simply cannot afford the investments required to develop and/or maintain their infrastructure and essential community facilities like police and fire stations, medical clinics, and courthouses.

The net effect of this lack of infrastructure to support the non-farm rural economy has been a steady increase in poverty among rural Americans. Poverty rates in rural areas are much higher than those in urban areas. As the map below (Fig. 2) indicates, eighty-five percent of our nation's high poverty counties are non-metropolitan.ⁱⁱⁱ Recent developments have not made life any easier for rural Americans. Despite the record or near-record commodity prices of late, the recent economic downturn has hit rural communities hard, forcing many shopkeepers to close their doors and resulting in hundreds of thousands of layoffs in rural areas nationwide.^{iv}

Fig. 2: Map of Persistent Poverty Counties (1970-2000)



Source: U.S. Department of Agriculture, Economic Research Service, *Rural Income Poverty and Welfare: Poverty Geography*, available: <http://www.ers.usda.gov/Briefing/incomepovertywelfare/povertygeography.htm>

To revitalize these rural areas and jump-start their economies, federal investment in rural infrastructure and essential community facilities is crucial. Programs to provide precisely this kind of investment already exist within the Department of Agriculture's Rural Development (RD) office. RD operates grant and loan programs for water and wastewater infrastructure, as well as essential community facilities, to provide needed funds that allow small towns to develop and maintain critical services for their residents. Although such programs exist, small community officials generally operate with few or no full-time staff and have little expertise in planning and securing resources for large projects. Many, if not most, have no idea what funds are available or how to access them. Thus, the smallest and most isolated communities that have the greatest need are often left out of the very federal initiatives designed to help them.

In an effort to address this problem, RD has a long-standing technical assistance grant program that enables third-party non-profit organizations to work with small communities to access RD's water and wastewater loan and grant programs, as well as other federal, state, and private resources available to small water systems. For nearly 40 years, the Rural Community Assistance Partnership (RCAP) has helped community leaders in rural communities to develop and improve their water and wastewater infrastructure. With RCAP's help, thousands of rural communities have been able to finance infrastructure projects, comply with federal and state regulations, learn how to operate their water systems, provide their residents with clean drinking water, and put their towns on a path to financial sustainability. These water and wastewater projects have helped towns retain old industry and attract new businesses, and have aided in many downtown revitalization projects.

With their experience working with small communities on water and wastewater issues, RCAP staff are known and trusted by local elected officials and citizens' groups, and are frequently asked to assist with other vital community needs and concerns. Typically, such requests include securing resources for fire and emergency equipment, community centers, courthouses, senior centers, and other essential community facilities. However, available federal funding limits technical assistance providers like RCAP to furnishing support for water and wastewater projects only.

To enable technical assistance providers to deliver the kind of comprehensive rural development assistance that will best serve the needs of rural communities throughout the nation, we must take a diversified approach to providing technical assistance that expands beyond the water/wastewater context and into RD's other program areas as well. Specifically, Congress should authorize and fund a technical assistance program for RD's Community Facilities Loan and Grant Programs that is modeled after the existing rural water and wastewater technical assistance program. In so doing, Congress will allow non-profit organizations to assist rural communities in providing the basic community services that are necessary to attract new businesses, retain industry, reinvigorate Main Street, and create jobs for their residents, thereby improving their quality of life.

Overview of the Community Facilities Program

Authorized in the 1996 Farm Bill (P.L. 104-127), the Community Facilities Grant Program administered by the U.S. Department of Agriculture's Rural Housing Service (RHS) is designed to make essential community facilities available to needy rural communities throughout the nation. Congress designed the program to work in concert with the Community Facilities Loan Program to "maximize the impact of federal assistance" through "flexible and innovative approaches to solving rural development problems."^v Together, the programs support the development of essential community facilities such as fire stations, police stations, city halls, child care centers, and medical clinics.¹ Program funds may also be used to acquire land to construct a facility, pay necessary professional fees, or purchase equipment to operate an essential facility.

The loan program consists both of direct loans, which Rural Development (RD) makes directly to the community and whose payments are remitted back to the agency, and guaranteed loans, which the community receives from a commercial bank and RD promises to pay in the event the community defaults. Applicants must demonstrate that they cannot obtain funding in the commercial market at affordable rates in order to qualify for the program, and interest rates on direct loans are determined by the median

¹Other facility types include: dental clinics, college buildings, libraries, public schools, maintenance buildings, jails, courthouses, community centers, airport hangers, sidewalks, and many more. A complete list is available at <http://www.rurdev.usda.gov/ne/excfsht.pdf>.

family income of the borrowing community (usually 4.5 percent to 5.375 percent^{vi}). In the case of guaranteed loans, the town must negotiate the interest rate directly with the private lender.

In both the loan and grant programs, funding is limited to communities of 20,000 or fewer residents. Grants are further restricted to facilities that serve areas where median household income is below either the poverty line or 90 percent of the state non-metropolitan median household income.^{vii} Additional priority for grant funds is given to communities of 5,000 or fewer people. Grants are authorized on a graduated scale, with higher grant shares for facilities in communities that have lower population and income levels, but in no event may they exceed 75 percent of the total cost of the project. Typically, grants are made in combination with either applicant contributions, funds from state or local government, or direct or guaranteed community facilities loans.

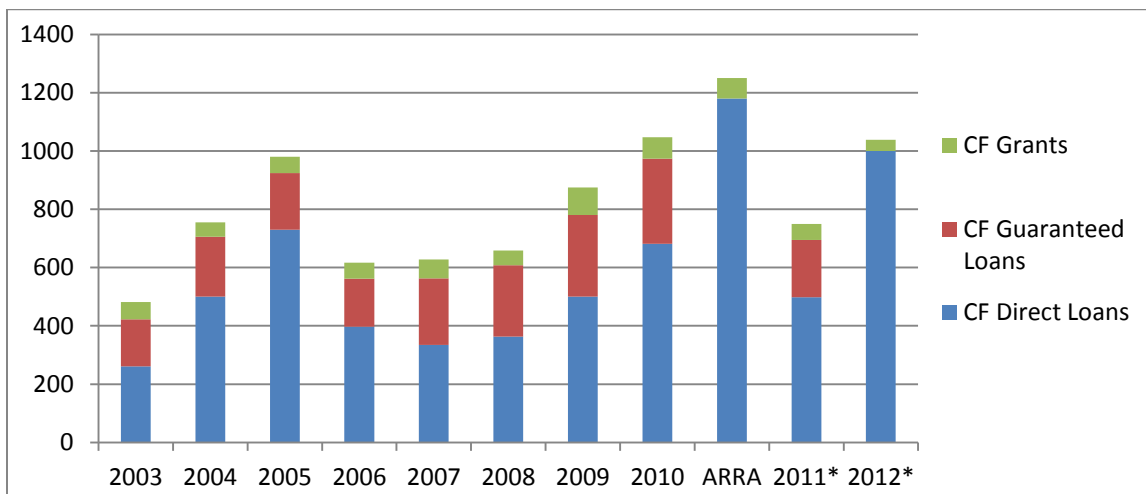
Figure 3: Basic Eligibility Requirements for USDA-RD Community Facilities Programs
(for a complete list of requirements, contact your state RD office)

	Direct Loan Program	Guaranteed Loan Program	Grant Program
Lender/Grantor	USDA Rural Development	Private Bank	USDA Rural Development
Maximum Population	20,000	20,000	20,000 (priority for communities of 5,000 or less)
Income Requirements	Community cannot obtain affordable financing in commercial market	Community cannot obtain affordable financing in commercial market	Median household income is either: <ul style="list-style-type: none"> • Below poverty line OR • Below 90% of state non-metropolitan median household income AND community cannot obtain affordable financing in commercial market
Interest Rate	Determined by median family income of community (usually 4.5% - 5.375%)	Negotiated directly with lending institution	N/A

Funding for the program is subject to the annual Congressional appropriations process in which funds for both loans and grants are placed in the Rural Community

Facilities Program Account, so the total program level may vary over time. So far, however, it has remained fairly steady over time, with a temporary spike in FY2010 due to the American Recovery and Reinvestment Act (ARRA) of 2009 (P.L. 111-5). Figure 4, below, provides a clear illustration of the levels of community facilities funds obligated by RHS over the past eight fiscal years, along with ARRA funds and projections for FY11 and FY12.

Fig. 4: Community Facilities Funds Obligated (projections marked with a *)



Source: U.S. Department of Agriculture, Rural Development, *USDA Rural Development 2010 Progress Report*, p. 32 and President Obama's proposed FY2012 Budget

The funds have enabled the Community Facilities Program to enjoy a fair amount of success in helping rural communities provide basic services to their residents. For example, the town of Jamestown, North Dakota recently received partial funding for a new hospital from the program.^{viii} Jamestown is a community of roughly 14,000 residents about 90 miles west of Fargo. Prior to receiving the funding, Jamestown was served by a hospital that had not been substantially overhauled since it opened in 1935. Because it is the largest town in the area, residents from both Jamestown and the surrounding rural areas relied on the hospital that was aging and outdated. The old building simply was not designed to handle the necessities of modern medicine, like X-ray machines, CT scanners, and other diagnostic technology, which resulted in lower quality care for local citizens at higher costs.

In order to replace the aging hospital, Jamestown applied for funding from the Community Facilities Program and received a 59 percent share of the total project cost from RD. The town made a significant financial contribution to the project and found outside sources to fund the remainder of the project. Construction began in 2010. Set to open August 1, 2011, the new facility will serve as a healthcare hub for Jamestown and the surrounding area and will create an estimated 700 jobs in the local community.^{ix} In addition, it will create greater economic growth for Jamestown as out-of-town patients who come to utilize the new medical facility pay for lodging, food, and other accommodations. The project will improve the health of the region's residents and will revitalize the Jamestown economy in the process, a win-win solution that likely would not have been possible without the Community Facilities Program.

Engaging Technical Assistance Providers Will Improve the Program

With the recent influx of ARRA funds and President Obama's FY2012 request for a direct loan program level of \$1 billion, many projects, like Jamestown, are currently in the works, and many other communities are preparing to apply for assistance with their necessary projects. As small towns consider the Community Facilities application process for new loans or grants, prepare to fulfill their ARRA reporting obligations, or negotiate with contractors for the first time, many are overwhelmed with the extent of the federal requirements and are clamoring for help from technical assistance providers.

Although the Community Facilities Program has enjoyed numerous successes, many rural communities still lack essential community facilities or are faced with dilapidated facilities that neither meet current needs nor support future growth. Many are unaware of Rural Development programs that exist for their benefit. So, while our smallest and poorest towns often have the greatest need for the program, they are usually the ones most likely to be left out. Frequently, neither the mayor, who often serves part-time, nor the city council nor the volunteer or part-time staff members have experience in planning and securing resources for large construction projects. Thus, it is the truly isolated and poor rural communities that usually lack access to the very programs designed to help them, despite their overwhelming needs for essential basic services.

Recognizing the importance of the grant and loan programs, President Obama proposed a total program level of \$1.03 billion in his FY2012 budget proposal, including \$1 billion worth of direct loans and \$30 million in grants.^x This is a great start, but infrastructure funding alone will not address the needs of low-income, rural communities. To maximize the effectiveness of the program, small towns need a partner they can trust to help them navigate the process and work together with them from start to finish—from the first application, through the financing plans, construction and all the way until the facility is opened and loan repayment is underway. Local leaders need someone to answer their questions, from how to apply for a loan to which way to turn the valves or switches to make the facility work. In short, these communities need the help of a technical assistance provider.

Technical assistance providers (TAPs) are the embedded development experts who can make all the difference in the success of an RD project. They go into project communities and start building a relationship with the town's leaders and residents. Once trust is established between the TAP and the community, the TAP can serve as a resource for the mayor or city council to help guide them through the project. From the planning process to the applications for funding to the groundbreaking and all the way through the opening of the new facility, TAPs are on hand to provide “over-the-shoulder” guidance and training. They can assist the community with the technical, managerial, and financial aspects of the project and serve as a liaison between the community and the state RD office. They bring years of experience in planning and executing RD projects to help the community meet all of the conditions of RD funding and ensure that the government gets a good return on its investment. In addition, they utilize their knowledge of outside funding sources to help project communities leverage the funds they receive to maximize the impact of every federal dollar.² Perhaps most importantly, they help put the communities they serve on a fiscally sustainable path for the future, thereby reducing the need for additional federal investment down the road.

The Rural Community Assistance Partnership (RCAP) has been providing technical assistance to RD's water and wastewater grantees and loan recipients for nearly

² For instance, in the 2009-10 program year, for every \$1 RCAP received in federal funds, they leveraged more than \$18 in other funding that went directly to project communities.

25 years. RCAP's TAPs have utilized RD funding to assist more than 13,000 rural communities with water and wastewater projects. Across all of its programs, RCAP provides assistance to more than 2,000 communities annually. By applying the lessons learned through years of experience with water and wastewater projects, RCAP and similar rural development organizations could provide valuable assistance to help rural and low-income rural communities benefit from the Community Facilities Program. As stated earlier, many of RCAP's project communities have asked for assistance with essential community facilities, but have been turned away because existing federal funding limits technical assistance providers to furnishing support for water and wastewater projects only.

To alleviate those restrictions and enable technical assistance providers to deliver the kind of comprehensive rural development assistance that will best serve the needs of rural communities throughout the nation, we must expand technical assistance beyond the water/wastewater context and into RD's other program areas as well. Specifically, Congress should authorize and fund a technical assistance program for RD's Community Facilities Loan and Grant Programs that is modeled after the existing Rural Utilities Service Water and Wastewater Technical Assistance and Training Program.

The program would set-aside a small percentage of the funds appropriated for community facilities to be used for technical assistance. Those funds would then be offered to non-profit organizations under a competitive grant program that would enable awardees to provide on-site technical assistance to applicants for and recipients of funding from the community facilities program. Much like RD's water and wastewater technical assistance, this new community facilities technical assistance program would allow TAPs to assist the community from the early planning stages of the project all the way through to completion. In addition, they would provide technical, managerial, and financial training just as they do under the water and wastewater program. TAPs would also be well-positioned to leverage outside funding resources to make projects more affordable for rural communities and maximize the impact of any federal investment.

In an effort to ascertain the demand for such a program, RCAP conducted a study in the Great Lakes region surveying communities to see how great the demand would be. The map in Figure 5 details the communities that responded affirmatively to RCAP's

survey or who have previously asked RCAP for assistance with a community facilities project. In these seven states alone, there are more than 100 communities that identified a need for technical assistance to utilize the community facilities program to improve public health and safety or provide essential services to their residents. Nationwide, there are likely hundreds, if not thousands, more communities that would benefit from the availability of technical assistance for their essential community facilities projects.

Figure 5: Map of Great Lakes communities requesting technical assistance for community facilities



Compiled using Google Maps™ mapping service from data collected by Great Lakes RCAP (map data © 2011 Google)

A Proposal for a Community Facilities Technical Assistance Program

In order to establish a national technical assistance program for essential rural community facilities, Congress must pass authorizing legislation allowing Rural Development staff to implement it. The most obvious vehicle to do so is the Farm Bill, which is up for reauthorization in 2012. If the program is modeled after RUS's Water and

Wastewater Technical Assistance and Training Program, in which a small percentage of the funds appropriated for the grant program are carved out specifically for technical assistance, it would be deficit-neutral. As is the case for the water/wastewater programs, the community facilities TA grants would be available to technical assistance providers (TAPs) only through a competitive grant process to ensure that the rural communities that are served receive the highest-quality assistance available.

Every year, Congress would have the ability to oversee the program through the appropriations process, but the day-to-day operations of the program would be carried out by staff at the Rural Housing Service (RHS) and grant-receiving TAPs. By partnering with TAPs, RHS would be able to maximize the effectiveness of every federal dollar spent on essential rural community facilities and provide higher quality service to rural residents in communities that most need the assistance. With efficient and effective assistance, many poor, rural towns will be able to finance, maintain, and operate essential community facilities that will improve the quality of life of their residents and provide the support necessary to attract industry or retain existing businesses.

Prior to the passage of the Farm Bill reauthorization, however, Congress could enact a pilot program through the FY2012 or FY2013 appropriations process that would enable a limited number of non-profit TAPs to assist communities in a limited number of states or a particular region to demonstrate the usefulness of technical assistance for community facilities borrowers. Establishing a pilot would be possible through language in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Bill setting aside a small pot of money in the Community Facilities Program Account specifically for a competitive grant to provide assistance for the pilot and specifying the area to be included in the study. One benefit of this approach is that communities that need help today could get it in the near future, rather than a few years down the road. Also, in this time of tightening state and local budgets, communities can benefit from the outside resources that TAPs are able to leverage on their behalf to make improvements that are affordable and fiscally sustainable.

In any event, Congress must act to enable Rural Development to have the flexibility it needs to implement the program. There are hundreds, and possibly thousands, of communities eager to utilize the assistance to leverage outside resources to

provide needed services to their residents at affordable rates. Small-town leaders know that in order to attract industry and investment and revitalize their Main Streets, their towns must be able to provide essential community services, such as public safety and health care, and have adequate infrastructure to support local industry and small businesses as well as residents. A community facilities technical assistance program can help these leaders to improve their local economies and improve the quality of life in their rural communities.

Endnotes

- ⁱ U.S. Department of Agriculture, Rural Development. *USDA Rural Development 2010 Progress Report* (March 2011) at 5.
- ⁱⁱ *Id.* Also, see
- ⁱⁱⁱ Landon, Beth. “Burden of Poverty in Rural America.” *Policy & Practice* (October 2009): 14.
- ^{iv} Murphy, Tim and Bill Bishop. “Job Losses Explode in Rural America.” *The Daily Yonder*, accessed May 4, 2011, <http://www.dailyyonder.com/job-losses-explode-rural-america/2009/02/25/1953>.
- ^v Public Law 104-127. 110 Stat. 1140 §761 (1996) (a.k.a. “1996 Farm Bill”).
- ^{vi} U.S. Library of Congress. Congressional Research Service. *An Overview of USDA Rural Development Programs* by Tadlock Cowan (RL31837; May 3, 2010) at 16.
- ^{vii} *Id.* at 17.
- ^{viii} U.S. Department of Agriculture. Rural Development. *Rural Development and the Recovery Act: Working for Rural Communities* (October 2010) at 12.
- ^{ix} *Id.*
- ^x Executive Office of the President of the United States. Office of Management and Budget. “Budget of the United States Government, Fiscal Year 2012.” (February 14, 2011).