



*Selected Excerpts*

# **Agriculture, Nutrition, and Rural Provisions in the American Recovery and Reinvestment Act (ARRA) of 2009**

**Jim Monke, Coordinator**  
Specialist in Agricultural Policy

**Joe Richardson**  
Specialist in Social Policy

**Megan Stubbs**  
Analyst in Agricultural Conservation and Natural Resources Policy

**Tadlock Cowan**  
Analyst in Natural Resources and Rural Development

**Ralph M. Chite**  
Section Research Manager

**Geoffrey S. Becker**  
Specialist in Agricultural Policy

**Remy Jurenas**  
Specialist in Agricultural Policy

February 23, 2009

Congressional Research Service

7-5700

[www.crs.gov](http://www.crs.gov)

R40160

## Summary

On February 17, 2009, President Obama signed into law H.R. 1, the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5). The ARRA is a response to the depth of the economic recession facing the United States (and the rest of the world) at the beginning of 2009. It is billed as an economic stimulus package to improve the situation of individuals and businesses. The ARRA boosts government spending on various infrastructure programs and government benefits programs, and offers individual and business tax benefits. The Congressional Budget Office (CBO) estimates that the ARRA will cost \$787 billion over 10 years, although most of its budget authority is slated for two fiscal years (FY2009-FY2010).

Agriculture programs—including nutrition assistance, rural development, farmer assistance, and conservation—would receive about \$26.6 billion of the \$787 billion in the enacted ARRA (about 3.4%). The \$26.6 billion is allocated as follows:

- Nutrition assistance programs receive \$20.8 billion (78% of the total amount for agriculture). Food stamp benefits and eligibility in the newly renamed Supplemental Nutrition Assistance Program (SNAP) represent the largest single increase (nearly \$20 billion); benefits rise 20% on average from current levels.
- Rural development receives a sizeable increase of \$4.4 billion over two years (compared to a regular annual appropriation of about \$2.5 billion). Rural broadband receives \$2.5 billion of this, an amount that allows outlays through FY2015 that are 20-30 times more than recent annual appropriations.
- Assistance for farmers totals \$744 million, including crop insurance/disaster programs (\$674 million), aquaculture feed cost assistance (\$50 million), and farm loan programs (\$20 million).
- Conservation programs receive \$348 million for watershed flood prevention (\$290 million) and dam rehabilitation projects (\$50 million).
- USDA receives \$250 million for its own facilities maintenance (\$200 million) and computer infrastructure (\$50 million).
- The USDA Office of Inspector General receives \$23 million for increased oversight and audits of these supplemental spending programs.
- Trade Adjustment Assistance for Farmers is reauthorized.

This report analyzes the agriculture, nutrition, and rural provisions in the ARRA.

## **Rural Development**

The enacted ARRA authorizes \$4.36 billion in supplemental budget authority over two years for various rural development loan and grant programs. This is \$1.25 billion less than the Senate measure and \$765 million less than the House bill. The enacted law will support a total program level (direct and guaranteed loans and grants) of \$24.37 billion (**Table 2**). These basically two-year amounts represent a sizeable increase compared to a regular annual appropriation of about \$2.5 billion for all USDA Rural Development loan and grant programs and regular annual loan and grant level of about \$16 billion.

Rural broadband and rural water projects account for 89% of the budget authority and 36% of the program level of rural development programs in the ARRA. Rural housing accounts for about half of the program level. The various loan and grant provisions are discussed below.

### **Broadband, Distance Learning, and Telemedicine Support**

The enacted ARRA authorizes \$2.5 billion for rural broadband loans and grants, \$825 million less than the Senate measure and \$325 million less than the House bill. The funds would be administered by the Rural Utilities Service (RUS).

The Senate bill authorized a Technology Opportunities Program (TOP) within the U.S. Department of Commerce and proposed a total of \$6.50 billion in broadband funding for TOP, half of which would have been used to support projects in rural areas. All the Senate funding, however, was to be administered by TOP rather than by RUS. The House bill proposed \$2.8 billion in supplemental budget authority to be administered by RUS. The House bill's proposed funding supported both broadband loans and grants, while the Senate bill supported broadband grants.

Report language for the ARRA states that the funding will be available for broadband infrastructure in any area of the United States, rather than to the more restricted rural definition in the statutory language of Title VI of the Rural Electrification Act of 1936.<sup>8</sup> At least 75% of the area to be served by rural broadband projects, however, must be in rural areas without sufficient access to high speed broadband to facilitate economic development. Priority in applications will go for projects (1) that will deliver end users a choice of more than one service provider; (2) that provide broadband service to the largest proportion of rural residents without access to broadband service; (3) that are from borrowers or former borrowers under the rural telephone loan programs; and (4) that can begin promptly after approval. Unlike the Senate bill, the ARRA does not require a 20% matching amount from applicants.

The House committee report stated an estimated program level of \$5.5 billion in competitive grants and loans for rural broadband development.<sup>9</sup> Based on the loan and grant amount in the House bill, the enacted ARRA may support about \$4.9 billion in loans and grants. The House committee report also projected that new service would be provided to 7,600 rural communities and 3.6 million rural residents and businesses, with 119,000 jobs created.

---

<sup>8</sup> Language in the 2008 farm bill (P.L. 110-246) authorizing broadband loans and loan guarantees excludes rural towns of 20,000 or more and prohibits eligibility to providers serving more than 20% of the market.

<sup>9</sup> House Appropriations Committee, *Report to accompany The American Recovery and Reinvestment Act of 2009*, 111<sup>th</sup> Cong., January 26, 2009, H.Rept. 111-4.

**Table 2. Rural Development in the American Recovery and Reinvestment Act of 2009: Budget and Program Levels**

(dollars in millions; amounts in H.R. 1 reflect 10-year scores)

Rural Development Programs	P.L. 110-161		American Recovery and Reinvestment Act of 2009					
	FY2008 or Baseline		House		Senate		Enacted (P.L. 111-5)	
	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level	Budget Authority	Program Level
Rural broadband infrastructure development	20	298	2,825	5,500	3,325 <sup>a</sup>	3,325	2,500	4,867 <sup>d</sup>
Rural water and waste disposal program	559	1,097	1,500	3,836	1,375	3,783	1,380	3,788
Rural housing fund program	207	5,567	500	22,129	200	11,472	200	11,472
Rural community facilities program	68	501	200	1,239	127	1,546	130	1,234
Rural business program	87	993	100	2,013	150	3,010	150	3,010
Distance learning and telemedicine program	35	35	—	—	100	497 <sup>e</sup>	—	—
Biorefinery program	75 <sup>b</sup>	— <sup>c</sup>	—	—	200	— <sup>c</sup>	—	—
Rural Energy for America program	55 <sup>b</sup>	— <sup>c</sup>	—	—	50	— <sup>c</sup>	—	—
Salaries and expenses	169	—	—	—	80	—	—	—
Other rural development programs	1,060	8,049	—	—	—	—	—	—
<b>Subtotal, Rural Development</b>	<b>2,334</b>	<b>16,540</b>	<b>5,125</b>	<b>34,717</b>	<b>5,607</b>	<b>23,633</b>	<b>4,360</b>	<b>24,371</b>

**Source:** CRS compilation from H.R. 1, H.Rept. 111-4, and S.Rept. 111-3, H.Rept. 111-16. Amounts for FY2008 are from S.Rept. 110-426 (S. 3289) or P.L. 110-246.

**Notes:** *Budget authority* reflects the cost to an agency of salaries, expenses, and the costs of making loans and grants such as interest subsidies and projected non-repayment of loans. *Program level* reflects the benefits derived by recipients, such as the sum of grants, direct loans, and loans guaranteed.

- a. Senate budget authority for the rural broadband amount is 50% of the \$8.65 billion specified for the Department of Commerce National Telecommunications and Information Administration, inferred in the bill as follows: “50% of the funds...shall be used to support projects in rural communities, which in part may be transferred to the Department of Agriculture for administration through the Rural Utilities Service if deemed necessary and appropriate by the Secretary of Commerce.”
- b. Mandatory funding specified in the 2008 farm bill. However, the FY2009 Senate-reported agriculture appropriations bill (S. 3289, S.Rept. 110-426) would reduce the biorefinery program’s \$75 million to \$72 million, and the Rural Energy for America program’s \$55 million to zero.
- c. Not specified in the bill or report language.
- d. Not specified in the bill or report language. Computed assuming the ratio of program level to budget authority in the House bill.
- e. The original Senate bill (S.Amdt. 98) provided \$200 million budget authority for \$993 million program level. The Senate-passed bill cut the budget authority by half.

As part of the TOP funding in the Department of Commerce, the enacted ARRA adopts Senate provisions to target \$200 million to expand public computing capacity at community colleges and libraries, provide \$250 million for grants to encourage adoption of broadband services, and provide \$350 million for the National Telecommunications and Information Administration (NTIA) to carry out a broadband mapping project. While part of TOP, these targeted funds could benefit rural areas. The ARRA also adopts Senate language to provide an additional \$650 million for NTIA's Digital Television (DTV) converter box program, funding that might also benefit rural businesses and residences.

CBO estimates that rural broadband outlays will occur primarily from FY2010 to FY2015, generally ranging from \$300 million to \$600 million in budget authority annually (see footnote 1). Even after accounting for spreading the stimulus budget authority over a longer period than two years, the level of support in the enacted law, as it was in the House and Senate bills, is about 20-30 times more than the rural broadband program has received in recent years. In FY2008, the program received about \$20 million in budget authority to support about \$313 million in loans and grants.

Given the large proposed increases in funding for broadband development (both rural and nonrural), questions may arise regarding the capacity of the designated federal agencies to effectively manage the grant and loan application and oversight process. USDA's RUS has many years of successful management of telecommunication loans and grants, but the sheer size of the proposed expansion and the speed of implementation could prove challenging even for this agency. Moreover, it was concern with RUS's difficulties implementing Enhanced Access to Rural Broadband in the 2002 farm bill that led to the Senate bill putting the rural broadband stimulus funding in the Department of Commerce. That 2002 farm bill provision authorized loan guarantees under conditions that broadband service providers have capital reserve requirements, matching funding, and preparation of a sophisticated business plan, among other requirements. After making some initial loan guarantees and reviewing the quality of applications for funding under the Enhanced Access program, RUS determined that they needed to initiate an education program for would-be providers and reconsider the original program requirements before approving new loan guarantees—fulfilling the agency's due diligence obligations. The program's regulations were substantially revised, and a revised program was reauthorized in the 2008 farm bill (P.L. 110-246).

The appropriation to the TOP in U.S. Department of Commerce's NTIA could prove even more of a challenge for oversight and administration than for RUS. The TOP has not been funded since 2004. Between 1994 and 2004, TOP managed a relatively small grants program (610 grants totaling \$233.5 million) that supported demonstrations of new telecommunications and information technologies. The new \$4.7 billion program of loans and grants will be a major undertaking for TOP and the NTIA.

The enacted ARRA does not provide the broadband investment tax credits that were proposed in the Senate bill. Tax credits in the Senate bill were valued at 10%-20% of broadband expenditures in the respective tax year. The amount of the tax credit was based on a company's expenditures for "current generation" broadband technologies and "next generation technologies," with the latter receiving larger credits for expenditures.<sup>10</sup>

---

<sup>10</sup> CRS Report R40149, *Infrastructure Programs: What's Different About Broadband?*, by Charles B. Goldfarb and (continued...)

The ARRA also does not authorize funding for the rural distance learning and telemedicine (DLTM) program administered by RUS. The Senate bill proposed \$100 million in supplemental budget authority for the DLTM program, which supported a program level of \$497 million in loans and grants for the DLTM program.

### **Rural Water and Waste Water Assistance**

The ARRA authorizes \$1.380 billion for the USDA water and waste water loan and grant program, \$5 million more than the Senate bill and \$120 million less than the House bill. The enacted funding will support a program level of \$3.8 billion (\$2.8 billion in direct loans and \$968 million in grants).

Rural water and waste water disposal loans and grants are administered by USDA's Rural Utilities Service (RUS). Funds support construction of and improvements to community drinking water and wastewater treatment projects serving rural households and businesses. On an annual basis, the enacted funding is more than double the regular annual appropriations for RUS water and waste water programs, which in FY2008 received about \$560 million in budget authority to support about \$1.2 billion of loans. Similar to the backlog in other rural development programs, \$2.4 billion in applications for water and waste loans and \$990 million for water and waste grants went unfunded in FY2008.

### **Rural Housing Assistance**

The enacted ARRA authorizes \$200 million in supplemental budget authority for rural housing, the same as proposed by the Senate bill. The House-passed bill proposed \$500 million. The ARRA's \$200 million of budget authority will support a program level of \$11.5 billion of direct and guaranteed loans. Within this loan authorization level, \$10.5 billion is for Section 502 guaranteed single-family home loans, and \$1.0 billion is for Section 502 direct single-family home loans. In the House bill, \$18 billion was proposed for loan guarantees and \$4 billion for direct loans.

The Section 502 single family housing loan program is the largest part of the RHS portfolio. Section 502 loans are primarily used to help low-income individuals or households purchase modest homes in rural areas. Funds can be used to build, repair, renovate, or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities. In 2008, there was a \$2.6 billion backlog of unfunded applications for the Section 502 housing program.

The enacted ARRA does not include the House measure for rural housing assistance (\$10 million) under the Self-Help and Assisted Homeownership Opportunity Program (SHOP) funded through the Department of Housing and Urban Development. This program supports eligible local and regional nonprofit housing organizations to develop or rehabilitate low-income rural housing.

---

(...continued)

Lennard G. Kruger; CRS Report RL30719, *Broadband Internet Access and the Digital Divide: Federal Assistance Programs*, by Lennard G. Kruger and Angele A. Gilroy.