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IN THE HOPPER

Senate Passes Rural Development Legislation

A bill emphasizing the role of small businesses in rural economic development was passed by the United States Senate in August. The Rural Partnership Act of 1989 proposes programs that differ from existing federal small-business programs by targeting rural areas and by providing equity (as well as loan) financing. The bill also provides funds for investments in rural infrastructure, particularly water, waste, and telecommunications facilities.

The proposed legislation incorporates elements of 13 rural-development bills proposed earlier in the current session. This bill was formulated earlier in the Agriculture Committee and introduced on the Senate floor by Senator Patrick Leahy and 39 co-sponsors.

Proposed appropriations in the bill include:

- Small-business revolving-loan funds: \$370 million over four-year period
- Rural loan-guarantee program: \$165 million over four-year period
- Business-incubator grants and loans: \$60 million over six-year period
- Water- and waste-facility grants and loans: \$115 million in initial year and \$90 million annually in subsequent years
- Telecommunications grants for schools, rural medical facilities, and rural business centers: \$255 million over five-year period
- County- or state-level employment specialist program: \$30 million dollars for an initial three-year period and \$20

million annually in subsequent years

- Economic development assistance grants to local and state organizations: \$7.5 million annually for an unspecified period.

The above programs would be initiated and administered by local or state organizations. For the small-business revolving-loan fund and the employment specialist program, local matching funds would be required to supplement federal funds.

The Senate bill has important implications for USDA rural-development agencies, especially the Rural Electrification Administration (REA) and the Cooperative Extension Service (CES). The bill expands REA authority for broad rural-development activities, and opens the possibility of overlap with other USDA agencies, particularly the Farmers Home Administration (FmHA). A position of Assistant Administrator for Economic Development within REA is proposed, and 10-20 percent of the REA annual budget must be used for economic development activities not related to the providing of electric or telephone service. The local employment specialist program would broaden the economic development responsibilities of the CES to include technical and managerial assistance concerning advanced telecommunications and computer operations.

On the House side, the agriculture subcommittee on rural development conducted month-long hearings throughout the country in June. Legislation on rural development is expected in the House when Congress reconvenes this fall. Though the outcome of the pending legislation remains uncertain, rural development is receiving more attention in Congress than it has in several years.

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