

## **Amendment 800 to reduce funding for Rural Development by \$1 billion.**

This amendment would reduce funding for Rural Development by \$1 billion from what is provided in the text.

### **While serving worthy purposes, Rural Development programs predominately duplicate existing programs of nearly every other agency in the federal government and notably the Department of Commerce's Economic Development Administration**

The Rural Development agency administers 40 housing, business, community infrastructure and facilities programs, as well as energy, healthcare, and telecommunications programs. It employs nearly 7,000.<sup>1</sup>

Many of these programs duplicate initiatives found in other agencies but are administered separately under the guise of serving "rural" residents. Yet, rural populations are generally *not* excluded from programs administered elsewhere with the same purpose and serving the general population.

According to the Congressional Research Service, "More than 88 programs administered by 16 different federal agencies target rural economic development."<sup>2</sup>

Many of these duplicative programs do not even serve the population that they are advertised as serving. In 2008, an investigation into Rural Development loan operations revealed:

*More than three decades after the loan program was created, USDA officials still don't know whether it works. Funds have gone to firms that have hired foreign workers instead of Americans. Millions more have gone to failing and bankrupt businesses. Most of the jobs are not new. Many are low-tech and low-wage.*<sup>3</sup>

---

<sup>1</sup> [http://www.washingtonpost.com/wp-dyn/content/article/2007/04/05/AR2007040502033\\_2.html](http://www.washingtonpost.com/wp-dyn/content/article/2007/04/05/AR2007040502033_2.html)

<sup>2</sup> <http://www.crs.gov/Products/RL/PDF/RL31837.pdf>

<sup>3</sup> <http://www.washingtonpost.com/wp-dyn/content/story/2007/12/04/ST2007120402047.html?hpid=topnews>

The report goes on to detail how the agency has lost nearly \$1.5 billion since its inception while guaranteeing \$14 billion in loans to private banks. Over 1 in 5 loans from the Business and Industry Guaranteed Loan program result in a loss.

Other loans have gone towards: a country club in Montana, a movie theater in North Carolina, a water park in South Carolina, a beach resort in New Jersey, a car wash in Delaware, and forty-seven snowmobile clubs.<sup>4</sup>

Other questionable expenditures from Rural Development Programs:

- \$54 million loan to the Mohegan Indian tribe for its Mohegan Sun Casino, which is one of the highest grossing casinos in the country, earning more than \$1.3 billion in 2009. The loan was intended to help communities with less than 20,000 people.<sup>5</sup>
- \$1.6 million in loans to Aztec Environmental Inc., an asbestos-removal company in Florida that created hundreds of jobs in Guatemala and eventually went out of business.<sup>6</sup>
- \$30 million loan for an “Adventure Center”<sup>7</sup> in New York, which includes a water park, ski lift, “Alpine Coaster,” four zip lines, and a hotel<sup>8</sup>
- In Martha’s Vineyard—one of the wealthiest beach towns in the United States—Rural Development provided a \$1.95 million loan to refurbish a municipal dock, \$3 million in grants and loans to add gallery space and renovate a historic sea captain’s house, and a \$4.5 million loan for a popular tavern.<sup>9</sup>
- “More than three times as much money went to metropolitan areas with populations of 50,000 or more (\$30.3 billion) as to poor or shrinking rural counties (\$8.6 billion). Recreational or retirement communities alone got \$8.8 billion.”

---

<sup>4</sup> <http://www.washingtonpost.com/wp-dyn/content/story/2007/12/04/ST2007120402047.html?hpid=topnews>

<sup>5</sup> <http://abcnews.go.com/Blotter/mohegan-sun-casino-owners-received-54-million-stimulus/story?id=10889408>

<sup>6</sup> <http://www.washingtonpost.com/wp-dyn/content/story/2007/12/04/ST2007120402047.html?hpid=topnews>

<sup>7</sup> <http://theoutdooradventurecenter.com/>

<sup>8</sup> <http://www.rurdev.usda.gov/STELPRD4011030.html>

<sup>9</sup> [http://www.washingtonpost.com/wp-dyn/content/article/2007/04/05/AR2007040502033\\_5.html](http://www.washingtonpost.com/wp-dyn/content/article/2007/04/05/AR2007040502033_5.html)

“An Internet provider in Houston got \$23 million in loans to wire affluent subdivisions, including one that boasts million-dollar houses and an equestrian center.”<sup>10</sup>

- Rural Development’s Business and Industry Guaranteed Loans helped revive the Potosi Brewery in Wisconsin that was previously dormant for over 30 years by providing \$3.3 million (after being increased due to cost overruns). The plan is for those brews to pay off the loans.<sup>11</sup>
- \$2.5 million low-interest loan to the Birthplace of Country Music Association for the construction of its “Smithsonian style” Cultural Heritage Center in downtown Bristol.<sup>12</sup>
- By allowing homebuyers to borrow up to 102 percent of the value of a home to prevent making a down payment, it duplicates other HUD home loan initiatives.<sup>13</sup>
- Duplicates other arms of USDA by providing loans for ethanol plants<sup>14</sup> and funded the failed Green County Biodiesel Inc., biorefinery in Chelsea, Oklahoma.<sup>15</sup> Dallas Tonsager, Undersecretary for Rural Development, stated his agency is having trouble finding lenders willing to make loans even with government guarantees from his programs.<sup>16</sup>
- A Tennessee county spent \$10,000 in federal rural development grants to update its tourism web site<sup>17</sup>
- \$12,500 went to Milk and Honey Soap, LLC for marketing of its soaps and lotions made from goat milk and beeswax online<sup>18</sup>

---

<sup>10</sup> [http://www.washingtonpost.com/wp-dyn/content/article/2007/04/05/AR2007040502033\\_5.html](http://www.washingtonpost.com/wp-dyn/content/article/2007/04/05/AR2007040502033_5.html)

<sup>11</sup> <http://www.rurdev.usda.gov/rd/stories/2009/WI-Potosi.pdf>

<sup>12</sup> <http://believeinbristol.org/blog.php?id=15> and

[http://www2.tricities.com/news/2010/jan/16/bcma\\_receives\\_25\\_million\\_loan\\_for\\_cultural\\_herita-ar-238384/](http://www2.tricities.com/news/2010/jan/16/bcma_receives_25_million_loan_for_cultural_herita-ar-238384/)

<sup>13</sup> <http://www.americanchronicle.com/articles/view/137142>

<sup>14</sup> Agriculture Secretary Vilsack Announces Recovery Act Support to Help Rural Businesses Create Jobs, Department of Agriculture, Funding Announcement, May 7, 2010.

<sup>15</sup> <http://www.biodieselmagazine.com/articles/875/green-country-biodiesel-finishes-expansion>

<sup>16</sup> Hagstron, Jerry, —Going to Waste? Congress Dailey A.M. Edition, June 30, 2010.

<sup>17</sup> <http://crossville-chronicle.com/local/x1440058361/County-accepts-grant-money-for-tourism-Web-site>

<sup>18</sup> <http://www.bizjournals.com/albuquerque/stories/2010/07/26/daily21.html>

- \$15,617 for Red Caboose Winery in Texas that produces 10,000 cases of wine annually<sup>19</sup>
- The Community Facility Grant Program was created in 1996 under the Rural Development agency to be used in conjunction with the loan program to develop community centers, hospitals, and fire stations. For example, it funded the Keweenaw National Historic Park-Village of Calumet Theater Building (Michigan) and the Greening of the Upper Peninsula Children’s Museum (Michigan)<sup>20</sup>
- The Monterey County Vintners and Growers Association received \$276,084 grant from Rural Development to promote a cooperative of local wines across the country. The money was intended to go towards in-store displays and advertising material on paper around the neck of the wine bottles<sup>21</sup>
- Grants in the amounts of \$98,500 and \$199,000 went towards promoting wine tours and developing a signature series of wines respectively<sup>22</sup>

### **Additional Background**

Rural Development began when then-President FDR signed an Executive Order in 1935.<sup>23</sup> The program has grown immensely over the last 70 years and is now involved in nearly every facet of rural economies with little to show for it.

Its mission is “to increase economic opportunity and improve quality of life all rural Americans.”<sup>24</sup> If improving the lives of rural Americans is the measurement that matters in rural areas, this agency has been a failure despite tens of billions of dollars over the years.

<sup>19</sup> <http://blogs.usda.gov/2011/01/11/a-texas-winery-saves-energy-and-money-thanks-to-usda-grant/>

<sup>20</sup> <http://levin.senate.gov/newsroom/press/release/stabenow-levin-senate-approves-more-than-45-million-in-critical-funding-for-michigan/?section=alltypes>

<sup>21</sup>

[https://secure.passport.mnginteractive.com/mngi/servletDispatch/ErightsPassportServlet.dyn?url=http://www.montereyherald.com/business/ci\\_15233641?nclick\\_check=1&forced=true](https://secure.passport.mnginteractive.com/mngi/servletDispatch/ErightsPassportServlet.dyn?url=http://www.montereyherald.com/business/ci_15233641?nclick_check=1&forced=true)

<sup>22</sup> [http://www.montereyherald.com/business/ci\\_15233641?nclick\\_check=1](http://www.montereyherald.com/business/ci_15233641?nclick_check=1)

<sup>23</sup> <http://www.rurdev.usda.gov/rd/70th/eo7027.html>

<sup>24</sup> <http://www.rurdev.usda.gov/rd/70th/legacy.html>

FDR originally created the initiative to relocate displaced families in the Great Depression era. Now, more than half of the \$70 billion in assistance since 2001 that the agency has handed out has gone to metropolitan areas or nearby suburban communities and beach resorts.<sup>25</sup>

**Federal bureaucracy has been no friend of rural America.** A smaller percentage of Americans now live in rural America than when the agency was created. According to USDA, “Between 2000 and 2009, [non-metro median household](#) income decreased from \$40,999 to \$40,135 (in 2009 dollars), while the [non-metro poverty rate](#) rose from 13.4 percent to 16.6 percent.”

“The share of residents with incomes below the poverty level is also greater in non-metro than in metropolitan (metro) areas, a trend that has persisted since the 1960s when poverty rates were first officially recorded ([graph](#)).”

Access to health care is declining:

<http://www.healthreform.gov/reports/hardtimes/>

Health outcomes are dismal: <http://rhr.sph.sc.edu/report/%287-3%29%20Health%20Disparities%20A%20Rural%20Urban%20Chartbook%20-%20Distribution%20Copy.pdf>

President Obama’s Administration has recommended the termination of several Rural Development programs, including: Health Care Services Grant Program, High Energy Cost Grants, Multifamily Housing Revitalization Demonstration Program, Public Broadcasting Grants, and Community Facilities Grants

The Senate text provides \$2.42 billion (\$2.638 in FY 2011). This amendment would provide \$1.42 billion for the Rural Development agency.

---

<sup>25</sup> [http://www.washingtonpost.com/wp-dyn/content/article/2007/04/05/AR2007040502033\\_5.html](http://www.washingtonpost.com/wp-dyn/content/article/2007/04/05/AR2007040502033_5.html)