

House Committee on Agriculture
Farm Bill Audit

1. Program Name

Rural Business Opportunity Grants (RBOG)

2. Subprograms/ Department Initiatives

None.

3. Brief History

RBOG was authorized by Section 306(a)(19)(C)(ii) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(19)(C)(ii) and reauthorized by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), Section 6003 (Pub. L. 110-246).

In addition to a national pool of funds, the program has historically operated two Congressionally Mandated set-asides – one for Native Americans and another for Rural Economic Area Partnership (REAP) zones.

4. Purpose/Goals

RBOG promotes sustainable economic development in rural communities with exceptional needs through provision of training and technical assistance for business development, entrepreneurs, and economic development officials and to assist with economic development planning.

RBOG is primarily a training and technical assistance program. Funds may be provided for development of export markets; feasibility studies; development of long term trade strategies; community economic development planning; business training and business based technical assistance for rural entrepreneurs and business managers; establishment of rural business incubators; and assistance with technology based economic development. The types of projects that may be funded could include identification and analysis of business opportunities that will utilize local material and human resources; leadership development training to existing or prospective rural entrepreneurs and managers; business support centers; centers for training, technology and export trade; and, economic development planning.

5. Success in Meeting Programmatic Purpose/Goals

In Fiscal Year (FY) 2010, the 27 grants awarded to residents and businesses in 17 States totaled \$2.6 million and created or saved more than 990 jobs. A \$249,340 grant was awarded to Ecotrust, an organization based in Portland, Oregon, that seeks to create economic opportunity, social equity and environmental well-being by demonstrating new business models based on economic, social and environmental principles, to support their FoodHub initiative, an online directory and marketplace that makes it easy for regional food buyers and sellers to find each other, connect and do business. The grant will aid Ecotrust in increasing recruitment of producers and buyers in rural communities and providing the training and assistance necessary to ensure FoodHub supports their goals.

6. Annual Budget Authority (FY2007-FY2011)

RBOG buget authority includes:

RBOG (in millions of dollars)					
	2007	2008	2009	2010	2011
Budget Authority	\$2.97	\$2.482	\$2.483	\$2.483	\$2.478

7. Annual Outlays (FY2007-FY2011)

RBOG annual outlays included:

		(in millions of dollars)			
Account Name	Account Number	2007 Actual	2008 Actual	2009 Actual	2010 Actual
Rural Business Program Account	1902 (RBOG line item)	\$3.1	\$4.1	\$4.4	\$2.9M

8. Annual Delivery Cost (FY2007-FY2011)

RBOG annual delivery costs were:

RBOG (in millions of dollars)					
	2007	2008	2009	2010	2011
Program Level	\$2.97	\$2.482	\$2.483	\$2.483	\$2.478
Budget Authority	\$2.97	\$2.482	\$2.483	\$2.483	\$2.478

9. Eligibility Criteria

Rural public bodies, rural nonprofit corporations, rural Indian tribes, and cooperatives with primarily rural members that conduct activities for the mutual benefit of the membership are eligible provided they have sufficient financial strength and expertise to carry out the activity to be funded.

10. Utilization (Participation) Data

The program is annually over-subscribed (applications received exceed available funding). Due to the limited amount of funding available, Rural Development has limited the number of applications individual States may submit and capped the maximum grant amount (applies to the national pool only). In 2010 USDA received 424 eligible applications totaling \$60 million; only 27 awards totaling \$2.6 million could be funded.

11. Duplication or Overlap with Other Programs

The program is unique in that the focus is on provision of technical assistance to priority communities (e.g. persistent poverty and economic distress) as well as sponsoring best practices for economic development activities that are transferable.

While the program objective is unique, RBOG complements multiple other Rural Development (RD) programs including the Rural Business Enterprise Grant, Community Facilities and Rural Community Development Initiative programs. Further, the RBOG project activities can be leveraged with other community development programs outside of the Department.

12. Waste, Fraud and Abuse

There are no reports or audits from GAO and OIG on the RBOG program.

13. Effect of Administrative Pay-go

None.

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1. Program Name

Rural Cooperative Development Grants (RCDG)

2. Subprograms/ Department Initiatives

Appropriate Technology Transfer for Rural Areas (ATTRA)

Cooperative Research Agreements

The Small Socially-Disadvantaged Producer Grants (SSDPG)

Value-Added Agricultural Market Development Grant Program (VAPG)

Agricultural Marketing Resource Center Grants (AgMRC)

3. Brief History

RCDG was authorized by section 310B (e) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932 (e)). Regulations are found in 7 CFR part 4284, subparts A and F.

ATTRA was authorized by P.L. 104-37 and amended by Section 6016 of the Farm Bill. It was first authorized by the 1985 Farm Bill and the Department received its first appropriation to start the project in FY 1987. In FY 1990, ATTRA was transferred to the U.S. Fish and Wildlife Service and then in FY 1996 the authority to the Rural Business-Cooperative Service (RBS) for administration. ATTRA is located on the University of Arkansas campus at Fayetteville, Arkansas, and functions as an information and technical assistance center staffed with sustainable agriculture specialists accessible nationally by toll-free telephone.

Cooperative Research Agreements were authorized by the Cooperative Marketing Act of 1926, (7 U.S.C. 453).

Formerly known as the Small Minority Producer Grant program, SSDPG was authorized by Public Law 109-97 under the rural cooperative development grants authorized under 310(b) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932). FY 2006 was the first year this program was administered.

VAPG was authorized by the Agricultural Risk Protection Act of 2000 and amended by the 2002 and 2008 Farm Bill.

AgMRC was developed in 2001 and is operated by the Value Added Agriculture Program at Iowa State University Extension and the Arthur Capper Cooperative Center at Kansas State University. AgMRC actively recruits other institutions, particularly land-grant institutions and USDA affiliated institutions for special grant projects or subcontracts. More than 22 States have partnered with AgMRC since 2002, and a map of those relationships is available.

4. Purpose/Goals

The purpose of RCDG is to establish and operate centers for cooperative development to improve the economic condition of rural areas through the development of new cooperatives and

improving operations of existing cooperatives. RCDG's improve the economic condition of rural areas by promoting a range of cooperative development activities.

Grants are made to nonprofit corporations and institutions of higher education to operate centers for cooperative development. The centers address rural economic problems in two ways. First, a center brings together expertise in cooperative development and cooperative business operations that would otherwise be more difficult to obtain. Second, these experts in cooperative development facilitate new cooperative businesses and improve the operations of existing cooperatives through technical assistance and educational programs. Consequently, RCDG's promote the creation or retention of jobs in rural areas through the development of new rural cooperatives, value-added processing and other rural businesses.

ATTRA provides information to farmers and other rural users on a variety of sustainable agricultural practices that include both crop and livestock operations. The program encourages agricultural producers to adopt sustainable agricultural practices, which allow for them to maintain or improve profits, produce high quality food and reduce adverse impacts to the environment.

Cooperative Research Agreements Program is a partnership program with the Nation's colleges and universities that leverage our financial and human resources to conduct research on the problems and opportunities for the cooperative form of business. Cooperative agreements are awarded to 1862 and 1890 Land Grant Universities, other institutions of higher education, and to non-profits. Cooperative agreements are used to encourage research on critical issues vital to the development and sustainability of cooperatives as a means of improving the quality of life in America's rural communities.

SSDPG provides grants to assist small, minority agricultural producers in rural areas provides funding for cooperatives or associations of cooperatives whose primary focus is to provide assistance to such producers, and whose governing board and /or membership is comprised of at least 75 percent socially disadvantaged members. Grants may be used for developing business plans, conducting feasibility studies, or developing marketing plans for farmers, ranchers, loggers, agricultural harvesters, and fishermen.

VAPG enable producers of agricultural commodities to participate in the economic returns found in the value-added market. Grants may be used to develop business plans and develop strategies for creating marketing opportunities. Grants may also be used for feasibility studies and to provide capital to establish alliances or business ventures allowing producers to better compete in domestic and international markets. These grants for expansion, modernization or start-up, enhance the local job market mix and improve the local tax base. As a result, the overall local rural economy is stimulated, jobs are created, and quality of life improves.

AgMRC answers questions and provides information to media, investors, bankers, consultants and agricultural students on specific topics.

5. Success in Meeting Programmatic Purpose/Goals

RCDG performance includes:

Performance Measures	2007	2008	2009	2010	2011
Rural Cooperative Development Grants Number of Cooperatives and prospective cooperative groups assisted	200	225	195	300	300
Program Dollars (in thousands)	\$6,217	\$8,933	\$8,765	\$14,290	\$14,487
Value-Added Producer Grants (discretionary) Proposed, new, or expanded Value-Added businesses assisted	185	151	142	0	277
Program Dollars (in thousands)	\$21,203	\$23,801	\$19,389	\$0	\$37,736

6. Annual Budget Authority (FY2007-FY2011)

Annual budget authority was:

RBS Coop Grant Programs (in thousands)	2007	2008	2009	2010	2011
Rural Cooperative Development Grants, Appropriate Technology Transfer, Cooperative Research Agreements, and Grants to Assist Minority Producers	\$6,218	\$8,934	\$8,769	\$14,293	\$14,487
Value-Added Agricultural Market Development Grant Program and Agricultural Marketing Resource Center Grants	23,801	20,333	20,657	17,367	20,367

7. Annual Outlays (FY2007-FY2011)

Annual outlays were:

Account Name	Account Number	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target
Cooperative Development Grants	1900	\$31,488	\$29,685	\$26,955	\$33,880	\$31,732

Annual obligations were:

Account Name	Account Number	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target
Cooperative Development Grants	1900	\$29,875	\$29,506	\$32,399	\$15,393	\$48,589

Note: Outlays are not a one to one correlation with Budget Authority. Some programs disburse over numerous years. Undisbursed balances are carried forward for future year outlays.

8. Annual Delivery Cost (FY2007-FY2011)

Annual delivery costs were:

Rural Cooperative Development Grants, Appropriate Technology Transfer, Cooperative Research Agreements, and Grants to Assist Minority Producers					
	2007	2008	2009	2010	2011
Program Level	\$6,218	\$8,934	\$8,769	\$14,293	\$14,487
Budget Authority	6,218	8,934	8,769	14,293	14,487
Administrative Costs (Direct)	246	214	262	157	157
Administrative Costs (Indirect)	NA	NA	NA	403	403
Total Costs	6,464	9,148	9,031	14,853	15,047
FTEs	2	2	2	2	2
Performance measure: # Groups assisted	187	175	150	300	360
Cost per Measure (unit cost)	34.57	52.27	60.21	49.51	41.80
Value Added Agricultural Product Market Development Grants & Agricultural Mtng. Res. Center Grants					
Program Level	\$23,801	\$20,333	\$20,657	\$17,367	\$20,367
Budget Authority	23,801	20,333	20,657	17,367	20,367
Administrative Costs (Direct)	1,167	1,171	1,311	468	468
Administrative Costs (Indirect)				1,205	1,205
Total Costs	24,968	21,504	21,968	19,040	22,040
FTEs	11	10	11	11	11
Performance Measure: # Number businesses assisted	151	150	192	127	150
Cost per Measure (unit cost)	165.35	143.36	114.42	149.92	146.93

9. Eligibility Criteria

Under RCDG, nonprofit corporations and institutions of higher education are eligible.

For ATTRA, farmers and other rural users or anyone with a need for agricultural related information are eligible.

Regarding Cooperative Research Agreements, research proposals are solicited from institutions of higher education or nonprofit organizations interested in applying for competitively awarded cooperative agreements for research related to agricultural and nonagricultural cooperatives serving rural communities.

For the SSDPG, socially disadvantaged persons or 100 percent socially-disadvantaged producer-owned entities, including farmers, ranchers, loggers, agricultural harvesters, and fishermen, that have averaged \$250,000 or less in annual gross sales of agricultural products in the last 3 years are eligible. A socially-disadvantaged producer for SSDPG purposes means individual agricultural producers who have been subjected to racial, ethnic or gender prejudice because of their identity as members of a group, without regard for their individual qualities.

Under VAPG, eligible applicants are independent producers, farmer and rancher cooperatives, agricultural producer groups, and majority-controlled producer-based business ventures.

AgMRC services are available to independent producers, processors, and service providers with critical information to build successful value-added agricultural enterprises. In order to better serve our core audience, the AgMRC Web site just completed a reorganization and new graphical update, giving users a clean, contemporary design and giving clear organization to files.

10. Utilization (Participation) Data

The last time funding for the Value Added grant program was announced, there were 550 applicants requesting \$56.4 million, but only 196 projects totaling \$22.7 million could be awarded.

11. Duplication or Overlap with Other Programs

The purposes of these programs are unique. RCDG and SSDPG focus on providing technical assistance to existing, new, or developing cooperative businesses. RBS is the sole provider of research, information and technical assistance specifically targeted to support cooperatives.

While these programs are unique, they can complement a number of other programs within USDA, most notably, programs administered by Agricultural Marketing Service (AMS). The AMS Federal-State Marketing Improvement Program (FSMIP), Farmers Market Promotion Program (FMPP) and Specialty Crop Block Grant programs can be used in conjunction with RCDG programs to enhance or expand the scope or scale of a project. Further, programs under RCDG can also compliment a number of other RD programs including, but not limited to, the Rural Business Enterprise Grant, Business and Industry Guaranteed Loan, Community Facilities, and Renewable Energy for America Program.

12. Waste, Fraud and Abuse

There have been no reports of such problems with any of the programs included under RCDG.

13. Effect of Administrative Pay-go

None.

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1. Program Name

Rural Economic Area Partnership (REAP) Zones

2. Subprograms/ Department Initiatives

None.

3. Brief History

Many rural areas face economic and community development issues of a very different character than communities whose needs are mainly defined by poverty. Often, the defining features are geographic isolation of communities separated by long distances, absence of large metropolitan centers, low-density settlement patterns, historic dependence on agriculture, continued population loss, outmigration, and economic upheaval or economic distress.

To address these issues, USDA advocated a pilot concept for rural revitalization and community development called REAP Zones. The REAP Initiative was established to address critical issues related to constraints in economic activity and growth, low density settlement patterns, stagnant or declining employment, and isolation that has led to disconnection from markets, suppliers, and centers of information and finance.

Memoranda of Agreement between the REAP Zones and USDA established the RD mission area as the lead Federal Agency to assist the zones in the implementation of their programs. In 1995, two REAP Zones in North Dakota were initially designated to participate.

Subsequently, in 1999, two areas in upstate New York were added as the third and fourth REAP Zones. In 2000, an area in Vermont was designated as the fifth REAP Zone. The North Dakota Zones and the Vermont Zone are multi-county in size and the two REAP Zones in New York are, for the most part, single counties. Each REAP Zone developed a strategic plan for economic revitalization in their respective geographic areas.

A Presidential Memorandum dated August 5, 1993; variously dated Memoranda of Agreement; Pub. L. No. 106-387, Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2001. 2008 Farm Bill, Section 6017 (J) extends the current REAP Zones to 2012.

4. Purpose/Goals

This pilot project sets up a collaborative and citizen-led effort to enhance economic development in the REAP Zones. This effort will become the model for building a new rural economy for other rural areas with similar problems. The Department of Agriculture has provided modest amounts of money to REAP Zones for planning this program. This contribution has been augmented by USDA community development technical assistance across all areas of REAP Zone endeavor. Further, priority consideration is afforded for REAP Zone applications submitted for funding through RD.

A summary of the REAP Zones' locations includes:

REAP Zone	State	Counties Included	Status Ends
CONAC	ND	McHenry, Bottineau, Rolette, Towner, Pierce and Benson; and the Indian reservations of the Turtle Mountain Chippewa and Spirit Lake Sioux	9/30/12
Southwest	ND	Dunn, Stark, Hettinger, Adams, Bowman, Slope, Golden Valley, Billings, and part of the Fort Berthold Indian Reservation	9/30/12
Sullivan-Wawarsing	NY	Sullivan and the Town of Wawarsing	9/30/12
Tioga	NY	Tioga	9/30/12
Northeast Kingdom	VT	Caledonia, Essex, Orleans	9/30/12

5. Success in Meeting Programmatic Purpose/Goals

Each REAP Zone developed a strategic community & economic development plan with a variety of projects that have been completed or are in the process of being implemented. Given a modest amount of money to develop a strategic, each of the 5 REAP Zones have continued on in vary degrees with their economic development projects for better than 10 years, with the oldest two dating back to 1995.

Leveraged funds from 1999 – 2011 include:

As of: 4/1/2011	
Grant from Designation	0
State Government	\$62,302,055
Non-profit	\$8,494,877
Local or Regional Gov't	\$12,053,461
Federal Gov't	\$221,896,363
Private Sector	\$48,184,764
Tribal Gov't	\$6,086,699
Other	\$4,502,286
REAP Zones	5
Total	\$3,633,398,005
Per Zone Average	\$72,704,101.00

6. Annual Budget Authority (FY 2007-FY 2011)

There is no direct budget authority for REAP Zones. Only funding references in the budget are specific dollar amounts set aside in three RD programs. If funding is not applied for by June 30, the funds are returned to the general pool. Set aside funding for REAPS was eliminated in FY 2011 for the Rural Business Enterprise and Rural Business Opportunity programs, with the only set aside being under the Intermediary Relending Program. This funding is in the form of loans.

7. Annual Outlays (FY 2007-FY 2011)

There were no outlays for REAP Zones during FY 2007 through FT 2011.

8. Annual Delivery Cost (FY 2002-FY2011)

There is no direct funding for REAP zones, thus we cannot provide delivery cost funding levels. Delivery costs are scattered throughout all of the RBS programs; depending on what programs provide funding to the areas in a given year.

9. Eligibility Criteria

The REAP Initiative is a USDA pilot program targeting areas of economic distress not normally addressed by standard RD programs. In some cases this included high population loss, and others sharp economic downturns due to declining industries.

10. Utilization (Participation) Data

The communities and residents of 19 counties and 3 Indian reservations in parts of 3 states: North Dakota, New York, and Vermont.

11. Duplication or Overlap with Other Programs

Within RD, there are no other programs with similar purposes. Within USDA, there are few programs that promote strategic planning on a multi-community or multi-county basis. The closest program to the REAP Initiative would be the Resource, Conservation & Development Program. It also promotes multi-county strategic planning, but is focused on natural resources and resource-based economic development.

12. Waste, Fraud and Abuse

Any actions in these areas around REAP Zones are covered by the specific programs the Zones may have participated in. There is not any direct USDA funding for REAP Zones. For the minimal initial planning grants each Zone received, there were not any instances of waste, fraud, and abuse.

12. Effect of Administrative Pay-go

None.

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1. Program Name

Rural Business Programs

2. Subprograms/ Department Initiatives

Guaranteed Business and Industry Loans

Guaranteed Business and Industry Loans 2008 Disasters Emergency Supplemental

North American Development Bank Guaranteed Business and Industry Loans

Guaranteed Business and Industry-Stimulus

3. Brief History

The mission of the guaranteed Business and Industry (B&I) loan program is to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved by bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits. USDA implements its part of the Community Adjustment Investment Program under the North American Development (NAD) Bank through the B & I Guaranteed Loan Program.

4. Purpose/Goals

The B&I loan guarantee program is authorized by Section 310B of CONACT [7 U.S.C 1921]. Access to capital is key to keeping and increasing the number and size of businesses operating in rural areas. The guaranteed loan program supports financing for business and industrial acquisition, construction, conversion, enlargement, repair or modernization outside a town or city with a population of less than 50,000. Loan funds are used to finance the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, machinery, supplies and materials, and fund to pay startup costs and supply working capital. Individuals, as well as public, private, or cooperative organizations, Indian tribes, and corporations are eligible. The loan guarantee percentage drops from a maximum of 80 percent for loans of up to \$5 million to 60 percent for loans between \$10 million and \$40 million. The aggregate loan amount available to any one borrower under this program is limited to \$25 million. An exception to the limit is for cooperative organizations when the facility is located in a rural area and the facility provides value-added processing of an agricultural commodity. The maximum amount in such cases is \$40 million which must be approved by the Secretary.

5. Success in Meeting Programmatic Purpose/Goals

The B&I loan program is RD's flagship job creation and capital expansion business program. Through \$1.379 billion in annual appropriations and \$1.561 billion appropriated through the AARA, more than 55,000 jobs were created and saved and 1,332 rural businesses were impacted.

For example, Medora Environmental, Inc. (MEI) and its operating company, SolarBee, Inc., manufacture the SolarBee, a solar powered high volume water circulating system. The companies received a B&I guaranteed loan for permanent working capital of \$1,787,100 and existing debt refinance in the amount of \$1,212,900. The permanent working capital allowed the business to supplement its cash needs on a contingency basis. This loan also refinanced term

debt which will save the company approximately \$6,700 each month to help retain 67 jobs paying wages of approximately \$28 per hour.

Another example is Ocean Classroom Foundation (OCF) which received a \$2.2 million B&I guaranteed loan on February 1, 2010. This loan helped the organization restructure its debt and access much-needed working capital. The project also created and saved 14 jobs. OCF is located in Boothbay Harbor, Maine. The non-traditional school contributes to preserving the State’s maritime heritage, while expanding students’ horizons, by combining academic and nautical curriculums with experience at sea. Accredited programs are offered to teenaged and young-adult students as a means of providing academic and technical training, along with life experiences.

The B&I Guaranteed Loan program helps create and maintain employment and improve the economic climate in rural communities. This is accomplished by providing loan guarantees to private lenders of up to 80 percent that can be used to fund business and industrial acquisition, construction, conversion, enlargement, repair or modernization. The number of jobs created or saved in rural communities is a key performance measure and a critical element in determining the viability of a project for funding.

Performance data includes:

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target
Performance Measure #1					
a. Jobs created/saved* total					
Guaranteed Business and Industry					
a. New or saved jobs	12,343	18,703	17,602	21,328	11,705
b. Program Dollars – Loans	\$830,525	\$1,390,532	\$949,010	\$1,322,984	\$813,824
Guaranteed Business and Industry Loans 2008 Disasters Emergency Supplemental					
a. New or saved jobs	0	0		0	0
b. Program Dollars – Loans	\$0	\$0	\$246,197	\$0	\$0
Guaranteed NadBank Business and Industry					
a. New or saved jobs	0	0	0	0	0
b. Program Dollars – Loans	\$3,490	\$0	\$0	\$0	\$0
Guaranteed Business and Industry-Stimulus					
a. New or saved jobs	0	0	0	0	0
b. Program Dollars – Loans	\$0	\$0	\$49,412	\$0	\$0

6. Annual Budget Authority (FY2002-FY2011)

Account Name (Dollars in Thousands)	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Guaranteed Business and Industry Loans					
Budget Authority	\$ 36,211	\$ 60,071	\$ 49,350	\$ 70,515	41,179
Subsidy Rate	4.36%	4.32%	4.35%	5.33%	5.06%
Program Level	\$830,525	\$1,390,532	\$949,010	\$1,322,984	813,824
Guaranteed NadBank Business and Industry					
Budget Authority	\$ 319	\$0	\$351	\$0	\$0
Subsidy Rate	9.15%	7.69%	10.36%		
Program Level	\$ 3,490	\$0	\$ 0	\$0	\$0
Guaranteed Business and Industry Loans 2008 Disasters Emergency Supplemental					

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Budget Authority	\$0	\$0	\$ 19,400	\$ 3,046	\$0
Subsidy Rate			4.35%	5.33%	
Program Level	\$0	\$0	\$445,977	\$ 57,157	\$0
Guaranteed Business and Industry-Stimulus					
Budget Authority	\$0	\$0	\$ 26,100	\$ 125,241	\$0
Subsidy Rate			4.35%	5.33%	
Program Level	\$0	\$0	\$2,898,851	\$1,557,725	\$0

7. Annual Outlays (FY2002-FY2011)

Annual outlays were:

Account Name	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Guaranteed Business and Industry	*\$100,400	\$119,464	\$133,671	\$263,067	244,000

Note: Outlays are not a one to one correlation with Budget Authority. Some programs disburse over numerous years.

Undisbursed balances are carried forward for future year outlays. Also, outlays reflect non-Farm Bill Accounts as well.

8. Annual Delivery Cost (FY2002-FY2011)

BUSINESS AND COOPERATIVE PROGRAMS						
Full Cost by Department Strategic Goal						
Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating and Economically Thriving.						
PROGRAM	PROGRAM ITEMS	2007 AMOUNT (\$000)	2008 AMOUNT (\$000)	2009 AMOUNT (\$000)	2010 AMOUNT (\$000)	2011 AMOUNT (\$000)
Guaranteed Business and Industry Loans						
	Program Level	\$830,525	\$1,390,532	\$949,010	\$1,322,984	\$813,824
	Budget Authority	36,211	60,071	41,282	70,515	41,179
	Admin Costs (Direct)	--	--	--	13,637	12,982
	Admin Costs (Indirect)	--	--	--	35,066	33,381
	Total Admin Costs	49,978	43,523	47,435	48,703	46,363
	Total Costs	\$ 86,189	\$ 103,594	\$ 88,717	\$ 119,218	\$ 87,542
Guaranteed NadBank Business and Industry Loans						
	Program Level	\$3,490	\$0	\$ 0	\$0	\$0
	Budget Authority	319	0	351	0	0
	Admin Costs (Direct)	0	0	0	0	0
	Admin Costs (Indirect)	0	0	0	0	0
	S&E	0	0	0	0	0
	Total Costs	\$ 319	\$0	\$351	\$0	\$0
Business and Industry Guaranteed Loans - Stimulus						
	Program Level	\$0	\$0	\$2,898,851	\$1,557,725	\$0
	Budget Authority	0	0	126,100	125,241	0
	Admin Costs (Direct)	0	0	0	0	0
	Admin Costs (Indirect)	0	0	0	0	0
	S&E	0	0	0	0	0
	Total Costs	\$0	\$0	\$ 126,100	\$ 125,241	\$0
Guaranteed Business and Industry Loans 2008 Disasters Emergency Supplemental						

BUSINESS AND COOPERATIVE PROGRAMS Full Cost by Department Strategic Goal						
Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating and Economically Thriving.						
PROGRAM	PROGRAM ITEMS	2007 AMOUNT	2008 AMOUNT	2009 AMOUNT	2010 AMOUNT	2011 AMOUNT
	Program Level	\$0	\$0	\$445,977	\$57,157	\$0
	Budget Authority	0	0	19,400	3,046	0
	Admin Costs (Direct)	0	0	0	0	0
	Admin Costs (Indirect)	0	0	0	0	0
	S&E	0	0	0	0	0
	Total Costs	\$0	\$0	\$ 19,400	\$ 3,046	\$0

9. Eligibility Criteria

In order to issue a guarantee on a particular project, there are various levels of eligibility that must be satisfied under the program.

First, the project must be eligible. A list of eligible projects can be found in RD Instruction 4279-B, section 4279.113 and they range from small manufacturing plants and hotels to convenience stores and biofuels refineries. One of the major advantages of the program is the variety of projects that are considered eligible.

Second, the project must have an eligible lender willing to offer financing. An eligible lender is any Federal or State chartered bank, Farm Credit Bank, other Farm Credit System institution with direct lending authority, Bank for Cooperatives, Savings and Loan Association, or mortgage company that is part of a bank-holding company. These entities must be subject to credit examination and supervision by either an agency of the United States or a State. Eligible lenders may also include credit unions provided, they are subject to credit examination and supervision by either the National Credit Union Administration or a State agency, and insurance companies provided they are regulated by a State or National insurance regulatory agency.

Third, the project must have an eligible borrower. An eligible borrower is one that is a cooperative organization, corporation, partnership, or other legal entity organized and operated on a profit or nonprofit basis; an Indian tribe on a Federal or State reservation or other federally recognized tribal group; a public body; or an individual.

10. Utilization (Participation) Data

Since the program's inception in 1974, the USDA B&I Guaranteed Loan Program has guaranteed over 16,000 loans, totaling approximately \$24 billion, promoting business activity and entrepreneurship in rural areas.

11. Duplication or Overlap with Other Programs

A number of programs serve to stimulate economic development in rural communities. These include: the Small Business Administration's (SBA) 7(a) and Community Development (504) programs, the Economic Development Administration, the Tennessee Valley Authority's Economic Development Loan Fund, and other USDA programs that support business and

community development. For example, an applicant from the Appalachian region may apply to programs administered by HUD, USDA, and ARC to obtain financing for building construction. In other cases, two agencies may explicitly have the same goals and serve similar applicants both SBA and USDA measure the number of jobs created. However, in some specific cases, programs can be differentiated. For example, SBA's 7(a) loan levels are limited to \$5 million. Although there are a variety of state programs that serve a similar purpose, they also vary in degree of funding and rural availability.

12. Waste, Fraud and Abuse

Though there have been only a few examples of waste, fraud and abuse. All cases are investigated by the Department's Office of the Inspector General, and if necessary, the Federal Bureau of Investigation.

The guarantee is supported by the full faith and credit of the United States and is incontestable except under the circumstances of fraud or misrepresentation of which the lender has actual knowledge at the execution of the guarantee or of which the lender participates in or condones.

In the event the State Office becomes aware of willful lender noncompliance with any provision of the Loan Agreement, Lender's Agreement, Loan Note Guarantee, or other similar document, the lender is to be notified in writing of the Full Faith and Credit provisions as they relate to the enforceability of the Loan Note Guarantee, with a copy of the letter to be included in the case file.

Some examples of the lender noncompliance include:

Hermitage Tomato Cooperative - fraud and misrepresentation – a total of \$9.6 million, 90 percent B&I Guaranteed Loans were made to the Hermitage Tomato Cooperative Association (Hermitage Tomato). The borrower defaulted on the loan payments, and the assets of the cooperative were liquidated in October 2002 by the lender, Farmers Bank of Hamburg (Farmers Bank). The Agency reduced the loss claim based on negligent servicing and diversion of funds from the Cooperative.

Catfish INT, Inc. - negligent servicing - On June 5, 1998, the Agency approved a \$5 million, 70 percent B&I guaranteed loan for this borrower through its lender, Enterprise National Bank of Palm Beach. The lender foreclosed on the account on June 4, 2002. The borrower filed bankruptcy on May 19, 2000. The Agency discovered that the building construction was not to specs as in the Conditional Commitment. The Agency issued Adverse Decision Letter to reduce guarantee and OIG Investigation was initiated. NAD and Federal Court upheld Agency determination to reduce loss claim by \$3,030,000.

Bill Russell Oil - negligent servicing – on June 21, 2000, the Agency issued a \$3 million Loan Note Guarantee to Business Loan Express, now known as Ciena Capital Corporation, for this borrower. The operation soon failed with the last payment received from this borrower in January 2001. On December 19, 2007, the U.S. Attorney sent a draft complaint asserting the False Claims Act and Financial Institution Reform Recovery and Enforcement Act. As a result the loss claim was reduced and a settlement in the amount of \$2.5 million was paid.

The National Office continues to remind the State Offices through training sessions, webinars, monthly conference calls, etc., of their responsibility to monitor the lender's actions. The Agency will work with the Office of the Inspector General in those instances where fraud, misrepresentation, or negligent servicing is suspected in an attempt to collect from the lender.

In addition, when the Agency suspects fraud and misrepresentation, the Agency consults with the Office of General Counsel and the U.S. Attorney's Office as appropriate to pursue matters for the best possible outcome for the government and taxpayer.

13. Effect of Administrative Pay-go

None.

House Committee on Agriculture
Farm Bill Audit

1. Program Name

Rural Microentrepreneur Assistance Program (RMAP)

2. Subprograms/ Department Initiatives

None

3. Brief History

RMAP is authorized under section 379E of the Consolidated Farm and Rural Security Act, as amended by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). The 2008 Farm Bill provided mandatory funding for this program totaling \$15 million from FY 2009 through FY 2012. An interim rule was published for RMAP on May 28, 2010 to implement the program. A Notice of Funding Availability (NOFA) was published on June 3, 2010, announcing \$45.1 million in funding in FY 2010 for direct loans and grants. This available program level includes mandatory and discretionary funding. No funding was provided in FY 2011 through annual appropriations; however, \$4 million in mandatory funding is available. The President's 2012 budget requests \$5.7 million in budget authority for RMAP, in addition to \$3 million in mandatory funds provided by the 2008 Farm Bill.

4. Purpose/Goals

RMAP provides rural microentrepreneurs the opportunity to gain the skills necessary to establish new rural microenterprises, gain training, and receive continuing technical and financial assistance related to the successful operation of rural microenterprises. Loans and grants are made to qualified Microenterprise Development Organizations (MDO's) for the purposes of: 1) providing microloans to rural microentrepreneurs, and 2) providing training and technical assistance to current and/or potential micro entrepreneurs to establish new or sustain existing micro businesses in rural areas.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010, USDA announced \$45.1 million in program level in FY 2010, this level of funding supported 63 loans and 74 grants; about \$13.6 million of the announced amount was unutilized in FY 2010 and is available for use in FY 2011. RBS continues to accept and fund applications from the FY 2010 carryover funding. A NOFA for the FY 2011 mandatory funding is under development. MDO's are projecting to assist 574 microentrepreneurs and create or save 1,391 jobs.

6. Annual Budget Authority (FY2007-FY2011)

RMAP - Discretionary and Mandatory (in millions of dollars)					
	2007	2008	2009	2010	2011
Budget Authority (Mandatory)	N/A	N/A	\$4.0	\$4.0	\$4.0
Budget Authority (Discretionary)	N/A	N/A	\$0	\$5.0	\$0

7. Annual Outlays (FY2002-FY2011)

RMAP - Discretionary and Mandatory Outlays (in millions of dollars)					
	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Estimate
Outlays	N/A	N/A	0	\$9.7	\$7.3

8. Annual Delivery Cost (FY2007-FY2011)

RMAP – Discretionary and Mandatory (in thousands of dollars)					
	2007	2008	2009	2010	2011
Program Level	N/A	N/A	N/A	\$31,628	\$24,961
Budget Authority	N/A	N/A	N/A	\$9,654	\$7,346
Administrative Costs (Direct)				\$130	\$130
Administrative Costs (Indirect)				\$333	\$333
Total Cost				\$10,117	\$7,809
FTEs				4	4

Note: Annual delivery costs are presented consistent with the FY 2012 Budget Explanatory Notes.

9. Eligibility Criteria

Loans and grants are provided to MDOs who, in turn, assist rural micro enterprises and microentrepreneurs. RMAP applicants are non-profit entities, Indian tribes, and public institutions of higher education that, for the benefit of rural microentrepreneurs and microenterprises, provides training and technical assistance, makes microloans or facilitates access to capital or another related service, and/or has demonstrated record of delivering, or an effective plan to develop a program to deliver such services.

10. Utilization (Participation) Data

The RMAP program was implemented in FY 2010 and made 63 loans and 74 grants. Applications are accepted throughout the year and to date 165 loans and/or grants have been awarded.

11. Duplication or Overlap with Other Programs

Small Business Administration administers a newly-implemented Micro Loan program, which is very similar in nature. As is the case with all of the programs operated by RD, RMAP is specifically designed to assistance microentrepreneurs in rural areas. The Rural Business Service also operates the intermediary relending program and the rural economic development program under similar intermediary concepts. While these programs utilize the same basic operational platform, each program is targeted to a specific group of applicants. Streamlining these activities within existing authorizes could generate savings from implementation activities.

12. Waste, Fraud and Abuse

Not applicable as this is a newly-implemented program and has not yet undergone an audit or test of controls

12. Effect of Administrative Pay-go

None.