

**MEMORANDUM**

**TO:** ATER WYNNE CLIENTS AND FRIENDS

**FROM:** JOEL PAISNER, OF COUNSEL  
ATER WYNNE LLP

**DATE:** JUNE 26, 2002

**RE:** **THE FARM SECURITY AND RURAL INVESTMENT ACT OF 2002**  
TITLE VI - RURAL DEVELOPMENT

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On May 13, 2002, HR 2646, The Farm Security and Rural Investment Act of 2002, was signed into law by President George W. Bush (the "Act"). Among the provisions are a variety of rural economic programs including assistance for broadband deployment.

As an overview, this bill puts bolstered price support programs in place for the commodities such as wheat, corn and soybeans. Specialty crops such as fruits and vegetables, which traditionally had no federal support, are also included. Among the rural development programs funded, the Act includes conservation programs, trade promotion and provides grants, loans and loan guarantees for renewable energy and energy efficient projects.

One of the key strategies of the Act is to encourage rural development through increased deployment of broadband services. Title VI of the Act creates a variety of programs designed to aid, develop and enhance rural infrastructure and create jobs in rural areas. The total amount of dollars appropriated for rural development is \$1.03 billion, and of that \$620 million is specifically designated for rural broadband, cable and business initiatives. While some of these funds are specifically for broadband initiatives, others may be used for more general planning for economic development. The breakdown is as follows:

**BROADBAND SERVICE (SECTION 6103)**

Broadband service for rural areas has been a great concern to many individuals living in rural America. The Act includes a total of \$100 million to provide loans and loan guarantees to allow rural consumers to receive high-speed, high-quality broadband services. The bill provides grants, loans, and loan guarantees to construct, improve and acquire facilities and equipment to provide broadband service to rural communities with less than 20,000 residents. The bill provides \$20 million per year in fiscal years 2002 through 2005 and \$10 million per year in fiscal years 2006 and 2007 for this purpose.

Key details of eligibility to obtain a loan, or loan guarantee, include (1) the ability to furnish, improve or extend a broadband service to an eligible rural community; (2) State and

local governments, including any agency, subdivision or instrumentality, are eligible, *only if* not more than 90 days after the implementation of regulations to carry out this program, no other eligible entity is already offering, or has committed to offer, broadband services to the eligible rural community; and (3) an entity shall not be eligible to obtain a loan or loan guarantee if the entity serves more than 2% of the telephone subscriber lines installed in the aggregate of the United States.

**RURAL STRATEGIC INVESTMENT PROGRAM (SECTION 6030)**

Provides planning and innovation grants up to \$3 million, per board, to assist Certified Regional Investment Boards<sup>1</sup>, develop and implement a rural strategic and economic development plan for a particular rural area. Regional boards will be certified and regional plans will be approved by the National Board on Rural America. The bill provides \$100 million, which will be used for planning and innovation grants.

**RURAL BUSINESS INVESTMENT PROGRAM (SECTION 6029)**

The program establishes a new rural business investment program. It provides \$280 million in loan guarantees for rural business investment companies who themselves will provide equity investments in rural area businesses. There are some fairly complicated requirements for this program, and the Secretary of Agriculture is required to enter into an interagency agreement with another federal agency that has expertise in operating a program of this nature.

**VALUE-ADDED AGRICULTURAL MARKET DEVELOPMENT GRANTS (SECTION 6401)**

Programs have been expanded to meet producers' interests in start-up farmer-owned value added processing facilities while establishing resource centers to assist producers in value-added endeavors. Knowing the importance of enabling producers to capture more of the value of their commodities, the farm bill significantly increases this program. value-added funding have been increased from a total of \$15 million to \$40 million per fiscal year through 2007. The Secretary of Agriculture is expected to consider applications for projects from a variety of agricultural sectors such as renewable energy, wineries, high value products from major crops, agri-marketing ventures and community supported agricultural projects. A portion of the funds will fund an Agricultural Innovation Center Demonstration Program.

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<sup>1</sup> A Regional Investment Board is certified by the National Board on Rural America and is composed of residents of the region that broadly represent diverse public, nonprofit, and private sector interests in an investment in the region including, to the maximum extent practicable, units of local government, Indian tribes, private nonprofit community-based development organizations, regional development organizations, private business organizations, other entities organizations and a consortia of these groups.

**RURAL LOCAL TELEVISION BROADCAST SIGNAL LOAN GUARANTEES (SECTION 6404)**

The bill provides \$80 million for rural residents in unserved or underserved areas to access their local television stations. Available from enactment through December 21, 2006. The amount made available under this section is available to the Secretary to make loans and loan guarantees under Section 601, Access to Broadband Telecommunications Services in Rural Areas.

The following chart breaks down the \$620 million in funding for Rural Broadband, Television and Business initiatives:

<b><u>PROGRAM</u></b>	<b><u>DETAIL</u></b>	<b><u>COST</u></b>
<b>BROADBAND SERVICE IN RURAL AREAS</b>	Provides funds that allow rural consumers to receive high-speed, high-quality broadband service	\$100 million
<b>VALUE-ADDED AGRICULTURAL MARKET DEVELOPMENT GRANTS</b>	Provides \$40 million a year for grants to assist produce owned value-added businesses	\$240 million
<b>RURAL STRATEGIC INVESTMENT PROGRAM</b>	Creates regional investment boards that may receive up to \$3 million each for economic development	\$100 million
<b>RURAL BUSINESS INVESTMENT PROGRAM</b>	Provides \$280 million in loan guarantees for rural business investment companies to provide equity investment for businesses	\$100 million
<b>RURAL LOCAL TELEVISION BROADCAST SIGNAL LOAN GUARANTEES</b>	Provides funds to allow rural residents in unserved or underserved areas to access their local television stations	\$80 million
<b><u>TOTAL:</u></b>		<b>\$620 million</b>

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The “Implementation” section of the bill must be updated within 240 days after the enactment of this Act, and, not later than 180 days after enactment, the Secretary of Agriculture shall promulgate such regulations as are necessary to implement this portion of the bill (which is an Amendment to the 1936 Rural Electrification Act). Further information about implementation of specific sections of the 2002 Farm Bill will be available within thirty (30) days.

Please let me know if you have any questions regarding the foregoing, and whether you would like additional information. If Ater Wynne can be of further assistance, do not hesitate to contact either Joel Paisner and Art Butler in Seattle or Lisa Rackner in Portland, Oregon. Thank you.

NOTE: This memorandum contains a summary of information obtained from laws and regulations, and should not be viewed or relied upon as legal advice. Ater Wynne LLP urges readers of this memorandum to consult legal counsel regarding specific legal issues and factual circumstances.