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Rural Dev.
Act
(1972)

THE RURAL DEVELOPMENT ACT OF 1972
Section by Section Analysis and Explanation
Public Law 92-419

COMMITTEE ON AGRICULTURE AND
FORESTRY
UNITED STATES SENATE

92d Congress, 2d Session

October 3, 1972

RURAL DEVELOPMENT ACT OF 1972

SECTION-BY-SECTION ANALYSIS

TITLE I - AMENDMENTS TO THE CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961

Section 101. Title

This section amends section 301(a) of the Consolidated Farmers Home Administration Act of 1961 to rename it as the "Consolidated Farm and Rural Development Act."

Section 102. Rural Enterprise Loans

This section amends the Consolidated Farmers Home Administration Act of 1961 to provide that for the purpose of providing residents with essential income, the Secretary of Agriculture is authorized to make or insure real estate loans to rural residents for the purpose of establishing in rural areas small business enterprises. Loans under this provision would be subject to the limitation in Section 305 of the Consolidated Farmers Home Administration Act which states that no loan shall be made which will cause the unpaid indebtedness against the security to exceed \$100,000, as well as other limitations in the Act.

Section 103. Appraisals

This section amends section 305 of the Consolidated Act, which governs the appraisal of security property. Security properties are now appraised at "normal value", which is generally lower than "market value". The proposed legislation would allow the Farmers Home Administration to appraise farm land and other properties at their current market value rather than a "normal value" based on a lagging moving-average.

Section 104. Essential Rural Community Facilities

This section amends Section 306(a) (1) of the Consolidated Farmers Home Administration Act which now authorizes the making or insuring of loans to associations, including grazing districts, cooperatives and other corporations not operated for profit, and public and quasi-public bodies and agencies for a number of rural development activities, including shifts in land use, conservation, development, use and control of water, soil conservation practices, waste disposal facilities, and recreation developments. The amendments preserve the existing authorization and it also extends eligibility to "Indian tribes on Federal and State reservations and other federally recognized Indian tribes."

Also, this section expands the purposes for which a loan can be made to include "essential community facilities including necessary related equipment."

Section 105. Grants for Water and Waste Disposal Systems

This section amends section 306(a) (2) of the Consolidated Farmers Home Administration Act of 1961 by increasing from \$100 to \$300 million the annual appropriation authorization for grants for rural water, sewer, and solid waste disposal systems.

Section 106. Planning Requirements

This section amends section 306(a) (3) of the Consolidated Farmers Home Administration Act of 1961 which now requires the Secretary to determine, before making any grant for a water or waste disposal project, that the project is not inconsistent with any planned development under official state, county, or municipal plans. This section of the Act would extend this requirement to loans as well as grants and to other essential rural community development projects as well as water and waste disposal systems and specifically requires that all proposed projects not be inconsistent with the plan of multi-jurisdictional substate areawide general purpose planning and development agency, if any, having jurisdiction over the area in which the proposed project is to be located and for which the agency has been officially designated as a clearing house agency under Office of Management and Budget Circular A-95.

This agency is limited to 30 days time for review and comment on each application.

The Secretary is authorized to reimburse such agency or government for cost of reviewing the proposed project for consistency with multiple purpose development plans for the area.

Under present authority no grants may be made unless the Secretary determines that the rural area to be served will not decline in population below the population for which the project is designed. This provision is amended to state that the Secretary may approve the project if the area would not decline in population if such project is carried out.

Section 107. Extension

This section extends until October 1, 1973 the authority of the Secretary to make water and waste disposal grants in an area that has not yet completed the required multi-purpose and functional development plans.

Section 108. Water and Waste Disposal Planning Grants

This section amends section 306(a) (6) which authorized an annual appropriation for grants of up to \$15,000,000 to public bodies or other agencies having authority to prepare official comprehensive plans for development of water and sewer systems in rural areas.

This section (i) changes the authorization to \$30,000,000; (ii) extends the purposes for which planning grants may be made from "water or sewer systems" to "water or waste disposal systems"; and (iii) removes the requirement that applicant agencies must have the authority to prepare "official" comprehensive plans.

Section 109. Definitions

This section amends section 306(a) (7) to define rural areas for the purposes of the Act to include open country and towns of up to 10,000 people, except that for loans and grants for private business enterprises under sections 304(b), 310(B), and 312(b), (c), and (d), it includes all areas not within cities of 50,000 or larger and not within immediately adjacent urbanized and urbanizing areas which have a population density of more than one hundred persons per square mile. As for the loans and grants for private business enterprise, special consideration must be given to applicants from areas other than cities having a population of more than 25,000.

Section 110. Repeal of Maximum Size Loan

This section eliminates the \$4 million limitation on the total of indebtedness and grants of any association by repealing paragraph 306 (a) (5).

Section 111. Rural Development Planning Grants

This section adds a new paragraph to section 306(a) to authorize \$10 million annually for comprehensive and other plans for rural development.

Section 112. Priority for Certain Water Facility and Waste Disposal Loans and Grants

This section amends section 306(a), a paragraph which requires that in making loans and grants for community water facilities and waste disposal systems, the Secretary must give priority to (1) communities of not more than 5,500 in which an existing water supply needs immediate action because of unanticipated deterioration and diminution of its water supply; and (2) communities of not more than 5,500 in which an existing waste disposal system is not adequate due to unanticipated occurrences. The Secretary will utilize the Soil Conservation Service in rendering technical assistance to these high priority applicants to the extent he deems appropriate.

Section 113. Interest Rates on Rural Development Loans

This section amends section 307(a) to establish a minimum interest rate on rural development loans under subtitle A of the Farmers Home Administration Act (other than guaranteed loans or loans to public bodies or nonprofit associations for community facilities or loans of a type made under section 306(a) (1) prior to its amendment by this Act) equal to (1) a rate fixed by the Secretary of Treasury after consideration of market yields on U. S. obligations, prevailing private rates, U. S. insurance of the loans, plus (2) a charge to cover losses and costs of administration.

As for guaranteed loans for the new rural development purposes the interest rate will be such rate as is mutually agreeable to the borrower and the lender.

As for loans to public bodies or non-profit associations for community facilities, or loans of a type authorized by section 306(a) (1) prior to its amendment by this Act, the interest rate shall be not in excess of 5 per centum per annum.

Section 114. Escrow Payments

This section amends section 307(a) to authorize the Secretary to require borrowers under Subtitle A to prepay taxes and insurance in escrow.

Section 115. Agricultural Credit Insurance Fund Amendments

This section amends section 309(f) to increase the limit on the Agricultural Credit Insurance Fund from \$100,000,000 to \$500,000,000. It authorized the Secretary to pay noteholders annually or semi-annually even though payments are made by borrowers at shorter intervals.

This section also authorizes the use of the Agricultural Credit Insurance Fund to pay interest subsidies to lenders who make guaranteed loans or who provide funds to make insured loans. At present the ACIF is used for this purpose only for loans sold from the fund.

This section also authorizes use of the Agricultural Credit Insurance Fund to pay for contract services (such as appraisal, management, advisory, administrative, and other services).

It transfers assets and liabilities of the direct and emergency loan accounts to the Agricultural Credit Insurance Fund, thereby making it possible to sell loans on those accounts as insured loans; make the interest on loans for such purposes sold from the fund fully taxable; requires the fund to pay interest on the government's equity therein; and make it clear that the Secretary may guarantee loans made by other lenders for the purposes of the Farmers Home Administration Act.

Section 116. Rural Development Insurance Fund

This section establishes a new revolving fund called the "Rural Development Insurance Fund", which will be used by the Secretary for the purposes of discharging his obligations in connection with rural development loans. These include (1) loans locally originated and serviced by the guaranteed holder, (2) loans made by a local lender that are processed, insured, and serviced by the Secretary, and (3) loans made out of the Fund, sold, insured, and serviced by the Secretary.

The Secretary will utilize this fund only for the type of loans provided for by sections 304(b), 310B, 312(b) and (c), the new type of loans for essential community facilities authorized by the amendment to 306(a) (1) by Section 104(2) of this Act, and the water system and waste disposal loans authorized by section 306(a) (1) prior to enactment of this Act.

The assets and liabilities of the Agricultural Credit Insurance Fund applicable to such water and waste disposal loans, are transferred to the Rural Development Insurance Fund. Such assets and liabilities, the proceeds of such assets, and loans guaranteed or insured under this subtitle are subject to the provisions of this section and section 308. This cross-reference to section 308 makes it clear that all contracts of guarantee or insurance entered into by the Secretary for loans under this section, as well as contracts of guarantee or insurance heretofore or hereafter entered into by the Secretary for water and waste disposal loans under section 306(a) (1), are backed by the Insurance Fund and the full faith and credit of the United States.

If there should be insufficient moneys in the Insurance Fund to enable the Secretary to make loans, advances, and authorized expenditures out of the Insurance Fund, he is authorized to borrow from the Secretary of the Treasury to replenish the Insurance Fund. The Secretary of Treasury is authorized and directed to purchase notes issued by the Secretary for such purpose, which notes would bear interest comparable to the cost of money to the Treasury for obligations having maturities comparable to the notes and to the loans authorized to be guaranteed or insured.

The Secretary is required to deposit in the Insurance Fund all fees and charges collected by him for loan services, such as expenses for obtaining credit and property appraisal reports, and additional charges assessed for losses and administrative costs in connection with guaranteed or insured loans.

Subsection (g) authorizes the Secretary to use the Insurance Fund for the purpose of making and insuring loans authorized under this subtitle whenever he has a reasonable assurance of being able to sell the loans without undue delay.

Subsection (g) also authorizes the Secretary to use the Insurance Fund (1) to make default payments to insured holders and payments to guaranteed holders in compliance with the terms of the guarantee contract; (2) to pay to insured holders interest accruing between the date of any prepayments made by the borrower and the date of transmittal to the holder; (3) to purchase notes and bonds in accordance with repurchase agreements contained in contracts of insurance entered into by the Secretary in connection with loans under this subtitle, including loans transferred to the Insurance Fund; (4) to pay the cost of the Secretary's administration in connection with these loans programs; and (5) to make other expenditures and advances, such as payment of taxes, insurance, prior liens, fiscal adjustments, credit reports, property appraisals, and other expenses and advances to protect security for insured loans, and for guaranteed loans after or in connection with the Secretary's acquisition of guaranteed loans or security, and to acquire security property at foreclosure sale or otherwise.

The Secretary is also authorized to use the Insurance Fund to pay the difference between interest payments by borrowers and interest to which holders of insured and guaranteed loans are entitled under contracts of insurance or guarantee.

Subsection (h) makes the interest or other income from loans sold out of the Fund fully taxable.

Section 117. Insured Watershed and Resource Conservation and Development Loans

This section adds a new section 310A in Subtitle A of the Consolidated Farmers Home Administration Act of 1961 to authorize insurance of loans meeting the requirements of the Watershed Protection and Flood Prevention Act and Title III of the Bankhead-Jones Farm Tenant Act (RC and D Projects). The interest on any such loans sold from the Agricultural Credit Insurance Fund, like other loans sold from that fund, will be fully taxable.

Section 118. Rural Industrialization Assistance

This section adds a new section 310B which establishes a major new rural industrialization and business loan and grant program. The section authorizes the Secretary to guarantee, to insure, or to make loans for the purpose of financing business, industry, and employment and improving the economic and environmental climate in rural communities, including pollution abatement and control. When such loans are originated, held, and served by other lenders, they may be guaranteed by the Secretary without regard to the "credit elsewhere" and "mandatory refinancing" requirements of existing law.

The Secretary is authorized to make grants of up to \$50,000,000 annually for pollution abatement and control projects in rural areas. No such grant may exceed 50 percent of the development cost of such a project.

He is also authorized to make grants of up to \$50,000,000 to public bodies for measures to encourage and facilitate private industrial and business development such as land, buildings, plants, equipment, access streets and roads, parking areas, utility extensions, water and waste disposal facilities, refinancing fees, services, and other support facilities.

The section also authorizes the Secretary of Agriculture to participate in joint financing of eligible applicants with the Economic Development Administration, the Small Business Administration, the Department of Housing and Urban Development, and other Federal and State agencies and with private and quasi-private financial institutions. This joint financing must be for the purpose of facilitating the development of private industrial or business enterprises in rural areas and may be for any of the purposes provided for loans or grants in the new section 310B.

This section prohibits any financial assistance under sections 304(b) and 312(b), as well as 310B, of the Act which is calculated to or likely to result in the transfer from one area to another of any employment or business activity. However, this limitation does not prohibit the expansion of an existing business through the establishing of a new branch, affiliate, or subsidiary if such expansion does not reduce employment in the original location of the business or in any other area where such entity conducts business unless there is reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operation of the existing business entity in any area where it conducts operations.

This section also prohibits any financial assistance under sections 304(b), 310(B), and 312(b), which is calculated to or likely to increase production in the area when there is not sufficient demand to employ the capacity of such existing enterprises in the area.

No financial or other assistance may be extended under sections 304(b), 310B, and 312(b) if the Secretary of Labor certifies within 60 days after an application is submitted to him by the Secretary of Agriculture that the provisions of the preceding two paragraphs have not been complied with. While allowing a maximum of 60 days the conferees felt strongly that, except in unusual circumstances, the Secretary of Labor should act within 30 days. The Secretary of Labor and the Secretary of Agriculture are directed to cooperate in developing a system of certification that will insure the expeditious processing of applications for assistance.

Loans under this section (rural industrialization assistance do not require certification by the Farmers Home Administration county committee.

Section 119. Guaranteed Rural Housing Loans

This section adds a new section 310C to Subtitle A of the Consolidated Farmers Home Administration Act of 1961 which authorizes the Secretary of Agriculture to exempt rural housing loans made by other lenders and guaranteed by the Secretary under section 517(a) (2) of the Housing Act of 1949 from the "credit elsewhere" and "mandatory refinancing" provisions of that Act. The conferees intend that the opportunity to participate in the rural housing loan program extend to the banks and associations of the Farm Credit System as well as other private banks and financial institutions.

This new section also requires the Secretary of Agriculture to accept, in lieu of a legal mortgage, otherwise required by law, a guarantee by the Department of Hawaiian Home Lands of the State of Hawaii as security for any rural housing loan made under Title V of the Housing Act of 1949.

Section 120. Young Farmers' Loans

This section amends section 311 of the Consolidated Farmers Home Administration Act of 1961 to authorize operating loans to rural youths to enable them to establish or expand an enterprise being carried on as part of their participation in 4-H Clubs, Future Farmers of America and similar organizations. The proceeds of such loans may be used for any of the purposes specified in Section 312 of the Consolidated Farmers Home Administration Act of 1961.

It provides that a minor signing a note for such a loan will incur full personal liability; and provides that co-signers can be accepted to supply needed strength for a sound loan.

Section 121. Rural Enterprise Operating Loans

This section amends section 312 of the Consolidated Farmers Home Administration Act of 1961 to authorize operating loans to assist farmers or ranchers to comply with the Occupational Safety and Health Act of 1970 if the Secretary determines that an applicant farmer or rancher is likely to suffer substantial economic injury due to compliance without assistance under this paragraph.

In order to provide rural residents with essential income, this section also amends section 312 to authorize the Secretary to make loans to residents of rural areas to operate small business enterprises.

Such loans are subject to the maximum size of operating loans provided in Section 122. This authorization for operating loans complements Section 102, which authorizes real estate loans for rural small businesses to provide essential income.

Loans under this section may also be made for the purpose of pollution abatement and control in rural areas.

In addition, the Secretary is authorized to make grants of \$25,000,000 annually for pollution abatement and control projects in rural areas. No such grant can exceed 50 percent of the development cost of the project.

Section 122. Maximum Size

This section amends section 313 of the Consolidated Farmers Home Administration Act to increase the maximum size of operating loans from \$35,000 to \$50,000.

Section 123. Insured Operating Loans

Under existing law the operating loan program of Farmers Home Administration is funded by appropriations to the FHA direct loan account. This amendment authorizes the Farmers Home Administration to insure, and in conjunction with section 128(a), to guarantee operating loans made by other creditors, and to make loans and sell them to private investors, thus shifting the funding of the program from appropriations to the private sector.

Section 124. Amendment to Section 331

In order that rural residents may receive the benefits of this Act at the earliest possible date provision is made for the Farmers Home Administration to contract for services to supplement and reinforce these services provided by agency employees. This authority extends to January 1, 1975, by which time it is expected that sufficient personnel will be employed by FHA to provide for the handling of all applications for loans and grants and their servicing in an orderly manner.

The required report to Congress, prior to June 30, 1974, should outline the progress made in obtaining adequate personnel and document any need for contracting for such outside services in the future.

Subsection (2) gives the Secretary discretionary authority to require a fidelity bond of employees of the Farmers Home Administration in lieu of a faithful performance of duty bond. A faithful performance bond as defined in 6 U.S.C.14(a) covers, in addition to proper accounting for all funds or property received by reason of the position of employment of the bonded employees, "all duties and responsibilities imposed

upon such individual or individuals by law or by regulations issued pursuant to law." Thus county supervisors and assistant county supervisors under the terms of their faithful performance of duty bond as described by present law become virtual guarantors of the correctness of all their official actions. This section provides discretionary authority to require only fidelity bonds, which fully protect the government against fraud and dishonesty.

Subsection (2) also prohibits the payment of interest on interest on Farmers Home Administration loans that are not more than 90 days overdue.

The Secretary may consent to the transfer of property securing any loan or financed by any loan or grant under any law administered by the Farmers Home Administration.

Section 125. Credit Elsewhere Determination

This section amends section 333 to require an affirmative determination by the Secretary of Agriculture (or the official to which this authority is delegated) that an applicant is unable to obtain credit elsewhere. Prior to this Act, the law only required that the applicant certify in writing that he is unable to obtain credit elsewhere.

Section 126. Repeal of County Committee Approval Requirement For Association and District Loans

This section also amends section 333. It removes the requirement that the Secretary require the recommendation of county committees as to the approval of a Farmers Home Administration loan under section 306 (association and community facility loans), section 314 (soil conservation district loans) and 310B Insured Rural Industrialization Loans. These sections are already excepted from the general requirement that the county committee certify as to the applicant's character, industry, ability and other eligibility requirements.

Section 127. Disposition of Real Property

This section extends section 335(c) (which deals with disposition of real property administered under the Farmers Home Administration Act) to any law administered by FHA including loans and interest subsidies under Title V of the Housing Act of 1949; repeals the provisions requiring the down payment on sale of such property that is determined not suitable for sale to other eligible borrowers to be at least 20 percent and the remainder to be paid "in not more than five annual" installments; and provides that the terms of such sales to other than eligible borrowers not be more favorable than those permissible for sale to eligible borrowers.

Section 128. Guarantee of Loans

This section amends the Consolidated Farmers Home Administration Act of 1961 to expand the term "insure", as used in the Act, with respect to loans, to include guaranteed loans. To guarantee a loan means to guarantee the payment of a loan originated, held, and serviced by a private financial agency or other lender approved by the Secretary. The amendment also provides that the term "contract of insurance" includes a contract of guarantee.

This section also makes clear that liens securing guaranteed loans may run to the lender rather than the United States.

Section 129. Order of Preference, Extent of Guaranty

This section amends the Consolidated Farmers Home Administration Act of 1961 by adding at its end a provision establishing a mandatory order of preference among certain guaranteed and insured loans authorized by the Act, as amended by the Rural Development Act of 1972.

This section is applicable only to the new loan authorities under the new sections 304(b), 310A, 312(b) and 312(c) and the new types of loans provided by amendments to section 306(a) (1). It would not be applicable to existing loan authorities under section 306(a) (1) nor to loans authorized by other sections of the law. No rural development loans to which this section is applicable is to be made by the Secretary either for sale as an insured loan or otherwise unless he determines that no other lender is willing to make a guaranteed loan and assume 10 percent of any loss. The Secretary cannot assume more than 90 percent of any loss on a guaranteed loan.

TITLE II - AMENDMENTS TO THE WATERSHED PROTECTION AND FLOOD PREVENTION ACT, AS AMENDED

Section 201. Amendments to Public Law 83-566

This section amends section 1 of the Act to broaden its purposes to include the conservation and utilization of land, as well as the conservation, development, utilization and disposal of water. The inclusion of these purposes recognizes the interrelationship between land and water resources, and will permit greater utilization of this Act in the enhancement of the quality of the environment.

Subsection (b) amends section 2 of the Act to include in the definition of "works of improvement" authorized to be included in plans, works of improvement for the conservation and proper utilization of land. This amendment is needed to assure that all authorities under the Act will be consonant with the broadened purposes of the Act.

Subsection (c) amends section 3 of the Act to authorize the Secretary to enter into long term agreements of not to exceed 10 years with landowners, operators, and occupiers in the development and carrying out of conservation plans in project areas which are needed to fully implement the land treatment aspects of work plans required by the Act. Such authority would also be extended to the eleven watershed improvement programs authorized by section 13 of the Flood Control Act of December 22, 1944. Provision is included which would permit the Secretary to preserve cropland, crop acreage, and allotment histories in connection with such agreements.

Subsection (d) amends the strict requirements of paragraph (1) of section 4 of the Act to permit local organizations in the furnishing of required lands, easements, and rights-of way for projects to use Federal funds which otherwise could be made available to them under other Federal programs.

Subsection (e) amends clause (a) of paragraph (2) of section 4 to include works of improvement for water quality management and ground water recharge as eligible for cost-sharing assistance by the Secretary. Such works of improvement currently may be included in plans, but are not eligible for cost-sharing assistance. It also adds, as eligible for cost-sharing assistance, works of improvement for the conservation and proper utilization of land, which is consistent with the broadened objectives of the Act. This subsection limits water quality management under the Watershed Act primarily to streamflow regulation which is not a substitute for adequate treatment of waste at source and is consistent with standards of the Water Resources Council.

Subsection (f) would authorize the Secretary to bear up to 50 percent of the cost of water storage included in any reservoir for present municipal and industrial use. It would also amend the Act to provide, with respect to future water supply, that the Secretary may also accept assurances of repayment by an authorized State agency, which assurances need not be supported by the immediate issuance of bonds or other obligations.

Subsection (g) amends subsection (4) of section 5 of the Act which presently provides interagency consultation on watershed work plans developed under the Act. In addition to consultations presently provided for, consonant with the broadened environmental and rural development purposes of the Act, plans which include features which will affect the public health will receive a review by the Secretary of Health, Education, and Welfare, and plans which include measures for the control and abatement of water pollution will receive the review of the Environmental Protection Agency.

TITLE III - AMENDMENTS TO THE BANKHEAD-JONES
FARM TENANT ACT, AS AMENDED

Section 301. Bankhead-Jones Farm Tenant Act Amendments

This section amends Section 32(e) of Title III of the Bankhead-Jones Farm Tenant Act to broaden the authority of the Secretary to assist in the carrying out of local resource conservation and development and rural renewal plans developed in cooperation with Federal, State, local public agencies, and local non-profit organizations.

Subparagraph (1) authorizes the Secretary to assist in the development of storage of water for present or anticipated future demands or needs for rural community water supply. The cost of storage to meet future demands could not exceed 30 per centum of the total estimated cost of the reservoir structure, and the cooperating local public agency or local nonprofit organization with respect to such future demands as would be required to give reasonable assurances, and there would have to be evidence, that demands for such water supply would be made within a period of time which would permit repayment of the cost of future water supply storage within the life of the reservoir structure. The public agency or local nonprofit agency would be required to pay not less than 50 per centum of the cost of the storage for present water supply needs, and to repay all of the costs of storage for future needs within the life of the structure, but in no event to exceed fifty years. No repayment for future needs would be required until such supply is first used, but in no event would the interest free period exceed ten years. The interest rate would be the average rate payable by the Treasury upon marketable public obligations outstanding at the beginning of the fiscal year in which the first advancement on account of such water supply is made, which are neither due nor callable for redemption for fifteen years from date of issue.

Subparagraph (2) would authorize the Secretary to provide, in carrying out resource conservation and development and rural renewal plans authorized to be made under the Act, for the benefit of rural communities, technical and other assistance, including cost-sharing assistance, for the installation of measures and facilities for water quality management, for the control and abatement of agriculture-related pollution, for the disposal of solid wastes, and for storage of water in reservoirs, farm ponds and other impoundments, together with necessary withdrawal appurtenances, for rural fire protection. The cost-sharing assistance authorized for these measures and facilities would be that determined by the Secretary to be equitable in consideration of National needs, and assistance authorized for similar purposes under other Federal programs.

Section 302. Soil, Water and Related Resource Data

This section directs the Secretary to carry out a new program of land inventory and monitoring for guidance of community development for a balanced rural-urban growth, for identification of prime agriculture producing areas that should be protected, and for use in protecting the quality of the environment. Such program will include studies and surveys of erosion and sediment damages, floodplain identification and utilization, land use changes and trends, and the degradation of the environment resulting from improper use of soil, water and related resources. The Secretary would be required to issue land inventory reports at intervals of not less than five years.

TITLE IV - RURAL COMMUNITY FIRE PROTECTION

Section 401. Wildlife Protection Assistance

This section sets forth the purpose and findings of the title, expressing a need to strengthen and synergize Federal, State, and local efforts to provide for adequate protection of rural natural resources, and of the lives and property of Rural Americans. It finds that inadequate organized wildlife protection is a deterrent to the revitalization of rural America. Further, it authorizes and directs the Secretary of Agriculture to provide financial, technical, and other assistance to State foresters or other appropriate State officials to organize, train, and equip local forces to prevent, control, and suppress the full range of wildfires that occur in rural areas and communities. The program authorized would be limited to rural areas as defined in 306(a) (7) of the Consolidated Farm and Rural Development Act (towns or cities with 10,000 population or less).

Section 402. Matching

This section provides that the program is authorized to be carried out in accordance with cooperative agreements between the Secretary of Agriculture and State officials. It authorizes the Secretary to share fifty percent of the program costs. The calculation of the State share will include expenditures of local public and private non-profit organizations participating in program activities under an agreement. The Secretary may make payments to States on certification by State officials that expenditures provided for under agreements have been made.

Section 403. Report

This section requires the Secretary of Agriculture to report to the President within two years after the date of the enactment of this title detailing the program's contribution toward achieving the purposes of this Title, along with recommendations regarding the program. The President is required to transmit the report to Congress.

Section 404. Appropriations

This section authorizes the appropriation of \$7,000,000 for each of three fiscal years, 1973, 1974, and 1975.

The Conferees expect the Secretary, prior to initiating this pilot program, to designate areas of the United States which are particularly vulnerable to the hazards of wildfires. In addition the Conferees expect the Secretary, in implementing the Rural Community Fire Protection Program, to give special attention to those areas and communities that have inadequate or nonexistent fire protection facilities.

TITLE V - RURAL DEVELOPMENT AND SMALL FARM
RESEARCH AND EDUCATION

Section 501. Purposes

This section sets forth the purposes of title V as the providing of essential knowledge necessary for successful programs of rural development including:

the interpretation and application of information to practical problems and needs in rural development;

the providing of research and investigation in all fields that may contribute to rural development;

enhancing the capabilities of colleges and universities to perform public service roles in support of rural development;

expanded research on innovation approaches to small farm management and technology and extension training and technical assistance to small farmers.

Section 502. Programs Authorized

This section describes the extension, research, and development programs that the Secretary is authorized to conduct in cooperation and coordination with colleges and universities in carrying out the provisions of this Title.

Section 503. Appropriation and Allocation of Funds

This section authorizes the appropriation of \$10,000,000 for fiscal year 1974, \$15,000,000 for fiscal year 1975, and \$20,000,000 for fiscal year 1976.

The formula to distribute these appropriations provides 4 percent to the Secretary for administration, coordination, and program assistance to States; 10 percent for payments to States to finance work serving two or more States; 20 percent equally to all States; 66 percent for payments to States of which one-half is on basis of rural population and one-half is on basis of farm population. Payment would be conditioned upon the Secretary's approval of annual State plans and budgets. Funds may be used to finance programs conducted by or at other public or privately supported colleges and universities which participate in the program authorized by this title.

Section 504. Colleges and Universities

This section requires a coordinated program in each State with responsibility for administration by the institution designated by the State to administer the Smith-Lever Extension program and Hatch Act Experiment Station Program.

However, all private and publicly supported colleges and universities in a state, including the land-grant colleges of 1890, shall be eligible to participate in conducting the programs authorized under this title.

This section requires the university responsible for administration of the program in each State to designate officials responsible for specific programs and an official responsible for the overall coordination of all programs authorized in this title.

The chief administrative officer of the university in each State responsible for administering this program will appoint a State Rural Development Advisory Council to review and approve annual program plans and to advise on the administration of the program. This Council will consist of not more than 15 members and will include representatives of farmers, business, labor, banking, local government, multi-county planning and development districts, public and private colleges, and Federal and State agencies involved in rural development. The administrative head of agriculture in the university responsible for administering the program will be chairman of the Council and the administrative head of a principal school of engineering will be a member.

Section 505. Agreements and Plans

This section requires that the program be conducted according to a memorandum of understanding mutually agreed upon by the Secretary of Agriculture and the university designated to administer the program. This memorandum shall provide for the coordination of the programs authorized by this title and coordination of these programs with other rural development programs of Federal, State, and local government.

The university designated to administer the program must submit an annual program plan for the programs authorized by this title.

Section 506. Withholding Funds

This section provides a procedure for withholding funds from a State because of a failure to satisfy conditions specified in this title or because of failure to comply with regulations issued by the Secretary.

Section 507. Definitions

This section defines rural development as "the planning, financing, and development of facilities and services in rural areas that contribute to making these areas desirable places in which to live and make private and business investments; the planning, development, and expansion of business and industry in rural areas to provide increased employment and income; the planning, development, conservation, and use of land, water, and other natural resources of rural areas to maintain or enhance the quality of the environment for people and business in rural areas; and processes and procedures that have said objectives as their major purposes."

Section 508. Regulations

This section authorizes the Secretary of Agriculture to issue such regulations as may be necessary to carry out the provisions of this title.

TITLE VI - MISCELLANEOUS

Section 601. Location of Offices in Rural Areas

This section amends section 901(b) of the Agricultural Act of 1970 to require the heads of all Executive departments and agencies to give "first priority" to the location in rural areas of all new offices, facilities, and installations. The amendment deletes the words "in so far as practicable" in existing law; however, the Conference Report makes clear that a particular office or facility need not be located in a rural area "if there is an overwhelming reason" for locating it in a non-rural area. In this connection, a "rural area" means a rural area as defined in section 306(a) (7) of the Consolidated Farmers Home Administration Act as amended by the Rural Development Act of 1972 for purposes of industrial and business loans and grants; that is, anywhere in the United States that is not within a city of 50,000 population or greater and its contiguous adjoining build-up or already subdivided suburban territory, whether incorporated or unincorporated. "Rural areas", as thus defined, replaces the term "areas of lower population density" in section 901(b) of the Agricultural Act of 1970 before its amendment by this Act.

Section 602. Desertland Entrymen

This section amends the Act of October 19, 1949, in regard to desertland entrymen. The purpose of this provision is to authorize the Secretary of Agriculture to accord desertland entrymen the same consideration as homestead entrymen with respect to financial assistance available through the Farmers Home Administration, by accepting as security for FHA mortgages the entered desertland prior to issuance of a patent.

Section 603. Coordination of Rural Development Activities

Subsection (a) amends section 502 (7 U.S.C. 2201) by requiring the Secretary of Agriculture to disseminate useful information on "rural development" as well as agriculture.

Subsection (b) amends section 526 (7 U.S.C. 2204) by requiring the Secretary to procure and preserve all information he can obtain with regard to "rural development" as well as agriculture, thus providing a specific statutory authorization for research and statistics gathering (and the publication of the results of such activity) in all phases of the broad field of rural development. The Secretary is also specifically authorized to initiate or expand research and development efforts related to rural water supply, rural sewage and solid waste management, rural housing, and rural industrialization.

The Secretary is directed to provide leadership and coordination within the executive branch and assume responsibility for a nationwide rural development program utilizing all agencies of the executive branch in coordination with rural development programs of state and local governments.

The Secretary is required to establish employment, income, population, housing, and quality of community services and facilities goals for rural development and report annually to Congress on progress toward their attainment.

Subsection (c) directs the Secretary to utilize all USDA field offices to enhance rural development, to provide for the location of all field units of the Federal Government concerned with rural development in such offices, and to provide for the interchange of personnel and facilities in such offices to the extent necessary desirable to achieve the most efficient utilization of such personnel and facilities and provide the most effective assistance in the development of rural areas; and to report to Congress on progress in doing so.

Section 604. Additional Assistant Secretary of Agriculture

This section authorizes an additional position of Assistant Secretary of Agriculture to give high level assistance to the Secretary in carrying out the new responsibilities for leadership and coordination assigned to him by section 603. The new Assistant Secretary of Agriculture brings to four the total number of Assistant Secretaries in that Department and is in addition to the existing three, and to the Administrator of Farmers Home Administration.

The additional Assistant Secretary of Agriculture created by this Act is expected to be employed for purposes of adding emphasis to rural development and to provide for improved direction and for strengthened and broadened rural development efforts of the Department of Agriculture.

Section 605. Long-Term Rural Environmental Protection Contracts

This section amends subsection (b) of Section 8 of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590a) to authorize the Secretary of Agriculture to enter into contracts with agricultural producers for periods not to exceed 10 years to carry out provisions of the Act. Specifically, this includes: preservation and improvement of soil fertility; promotion of economic use and conservation of land; diminution of wasteful uses of national soil resources; protection of rivers and harbors against results of soil erosion; and reestablishment of the ratio between the purchasing power of farmers and non-farmers.

Agreements between the Secretary and producers shall be based on conservation plans approved by the appropriate soil and water conservation district and may be modified or terminated by mutual consent if determined to be in the public interest. The Secretary may unilaterally terminate agreements if determined to be in the national interest and if producers are given reasonable notice.

The Secretary may not create long term obligations on behalf of the government in excess of such amounts as may be specified in annual appropriation Acts.

Section 605 requires that the long-term contracts be based on conservation plans approved by local soil and water conservation districts. These contracts thus made available throughout the entire nation, would be similar to those now available in ten States through the Great Plains Conservation Program.

Such contracts provide for federal cost-sharing and for high priority in getting technical help from professionally trained conservationists. This makes it possible for these farmers and ranchers, working through their local soil and water conservation districts; to develop and apply complete conservation plans on their operating units.

The land owner or operator develops a conservation plan suited to his land and to the kind of operation he desires. He works out a schedule for applying the plan, enters into a contract with the Secretary of Agriculture to apply all needed conservation work on the entire unit within 3 to 10 years, gets help from the professional conservation specialists as he needs it, and receives the federal share of the cost as he completes each conservation step.

Section 606. Cost Sharing for Agriculture-Related Pollution Prevention and Abatement Measures

This section amends the Soil Conservation and Domestic Allotment Act to permit cost-sharing payments by the Secretary of Agriculture for agriculture-related pollution prevention and abatement measures. Under current provision of existing law there is federal money available for a pollution-abatement practice if the practice will also conserve soil and water. Section 606 would authorize similar financial aid for pollution abatement practices which do not necessarily conserve soil or water.

For example, in several States smudge pots are one of the principal methods of protecting fruit and vegetable crops from frost damage. Growers burn a variety of materials such as old tires and cross ties to create the necessary heat - and along with the heat a severe air pollution problem is also created. Section 606 would authorize cost-sharing so growers could convert to smokeless grove-heaters.

This section would also assist in cost-sharing to eliminate burning of slash and other wastes, crop residues, and water, air, noise or land pollution from farm livestock, poultry barns, feedlots and other farm activities.

Clean air and water can no longer be taken for granted in rural America. The program provided by this section would help initiate new air, water and land anti-pollution measures and help solve the serious problem of preventing pollution from agricultural sources.