

Rural Definitions Used for Eligibility Requirements in USDA Rural Development Programs

April 19, 2023

Congressional Research Service

<https://crsreports.congress.gov>

R47510



Rural Definitions Used for Eligibility Requirements in USDA Rural Development Programs

The U.S. Department of Agriculture (USDA) Office of Rural Development (RD) administers more than 40 programs that support economic and community development in rural communities. For many of the programs, the definition of *rural* determines, in part, who is eligible to apply for the program. Congress has set in statute seven rural definitions to be used to determine eligible rural areas for different RD programs. Congress established the rural definitions used in RD programs through the Rural Electrification Act of 1936 (49 Stat. 1367), Housing Act of 1949 (P.L. 81-171), and Consolidated Farm and Rural Development Act of 1961 (P.L. 87-128). The Rural Electrification Act of 1936, as amended, includes rural definitions that are used in RD broadband, electric, and telecommunications programs. The Housing Act of 1949, as amended, includes the rural definition used in RD housing programs. The Consolidated Farm and Rural Development Act, as amended, includes rural definitions that are used in RD business, energy, water and waste disposal, and community facilities programs.

Total population is the primary factor used in rural definitions to determine eligible rural areas for USDA RD programs. The rural definitions provide population thresholds. Areas with populations at or below the population threshold are considered eligible rural areas, whereas areas with populations above the threshold are considered non-rural and therefore ineligible areas. The population thresholds used to determine eligibility vary across programs. In some rural definitions, additional factors, such as proximity to urban areas, also are used to determine eligible rural areas. In addition, Congress has provided flexibility within some of the rural definitions to allow communities with certain characteristics to be considered eligible rural areas even if they do not otherwise meet the rural definitions. Congress has included flexibility for communities through grandfathering; implementing “rural in character” exceptions; making exceptions for development along highways; and creating alternative processes for areas in Hawaii, Puerto Rico, and the U.S. territories.

Some issues raised by the rural definitions used in RD programs are (1) changes in population, (2) non-rural projects that may benefit rural communities, and (3) obstacles to regional planning. Area populations do not necessarily remain consistent over time. Areas may experience population growth or decline that affects their eligibility for RD programs. In addition, some projects located in urban or suburban areas may benefit rural communities but are ineligible for RD program funding. These include projects providing rural businesses access to new markets and funding health clinics that serve rural communities but are located in non-rural areas. Another issue involving the rural definitions is their impact on regional planning. The population thresholds for eligibility may make an area ineligible to participate in an RD program that makes economic sense from a regional perspective. For example, if a group of communities wanted to join together to apply for an RD water infrastructure loan, then each of the communities must have a population of 10,000 or fewer people. Communities that do not meet the population threshold would be ineligible for the RD program.

Congress may be concerned about how the following policy issues affect rural definitions: how eligible rural areas may change due to changes in population over time, the potential benefits of non-rural projects on rural communities, and how rural definitions that rely on population may impact regional planning.

R47510

April 19, 2023

Lisa S. Benson,
Coordinator

Analyst in Agricultural
Policy

Maggie McCarty

Specialist in Housing Policy

Katie Jones

Analyst in Housing Policy

Kelsi Bracmort

Specialist in Natural
Resources and Energy
Policy

Contents

Introduction	1
Rural Definitions	2
The Rural Electrification Act of 1936	2
The Housing Act of 1949	3
The Consolidated Farm and Rural Development Act of 1961	3
Rural in Character	4
String Exception	5
Programs Without a Rural Requirement	5
Factors in Rural Definitions	5
Population	6
Proximity to Urban Areas.....	6
Grandfathering	7
Hawaii, Puerto Rico, and U.S. Territories	7
Policy Considerations for Congress	8
Population Changes.....	8
Non-Rural Projects.....	9
Regional Planning	9

Tables

Table 1. Eligible Rural Area Definitions for Selected USDA Rural Development Programs.....	11
---	----

Contacts

Author Information.....	19
-------------------------	----

Introduction

The U.S. Department of Agriculture (USDA) Office of Rural Development (RD) administers more than 40 programs that support economic and community development in rural communities. RD programs issue grants, loans, and loan guarantees to support business development, utility systems, renewable energy, community facilities, and housing. Congress has limited eligibility for many of these RD programs to rural areas that do not exceed certain population thresholds and meeting other criteria.

Congress has established in statute seven rural definitions that primarily use population thresholds to determine eligible areas for RD programs. USDA staff use these rural definitions to determine eligible rural areas for the agency's RD programs. Each type of RD program uses a different rural definition, with its own population threshold. For example, RD business programs define eligible rural areas as areas of 50,000 or fewer people, whereas RD utility programs define eligible rural areas as areas of 10,000 or fewer people. As a result, a community that is considered an eligible rural area for one RD program may not be considered an eligible rural area for other RD programs.

Using multiple definitions of *rural* is not unique to RD. The USDA Economic Research Service offers six rural definitions that each focus on different factors, such as population, proximity to urban centers, commuting times to urban and suburban areas, level of natural amenities, and economic and social characteristics.¹ The U.S. Census Bureau also offers a series of rural definitions, which include population and population density thresholds.² In some cases, the Office of Management and Budget's designation of counties as being outside of metropolitan statistical areas (referred to as *nonmetro* areas) is used to identify rural areas.³

Multiple definitions over many programs using a similar term—*rural*—can create confusion and generate congressional interest regarding the history, use, and possible exemptions for such definitions. This report provides an overview of the rural definitions used across RD programs, factors considered in the definitions, and common issues impacting the definitions. It also includes some potential policy considerations for Congress concerning rural definitions used in RD programs. **Table 1**, located at the end of the report, provides an overview of the rural definitions used across selected RD programs. The table is organized by program type: broadband, business, community facilities, energy, housing, and utilities. Although this report lays out some of the basic concepts used to determine rurality across USDA RD programs, it is not intended to be an in-depth exploration of the definitions of *rural* used throughout federal policy.

¹ John Cromartie, "Rural Classifications," U.S. Department of Agriculture (USDA), Economic Research Service (ERS) website, last updated November 29, 2022, at <https://www.ers.usda.gov/topics/rural-economy-population/rural-classifications>.

² U.S. Census Bureau, "Rural America: How Does the Census Bureau Define Rural?," U.S. Census Bureau's ArcGIS Story Map, at <https://arcg.is/0ieX00>.

³ For example, "[USDA ERS] researchers and others who analyze conditions in 'rural' America most often use data on nonmetropolitan (nonmetro) areas, defined by the Office of Management and Budget (OMB) on the basis of counties or county-equivalent units (e.g., parishes, boroughs)." USDA, ERS, "What Is Rural?," at <https://www.ers.usda.gov/topics/rural-economy-population/rural-classifications/what-is-rural/>.

Rural Definitions

RD uses various definitions of *rural* to determine eligible rural areas for its programs, as established in various statutes. These definitions have evolved over time and use factors such as population and proximity to urban areas to determine whether an area is rural.

The Rural Electrification Act of 1936

The Rural Electrification Act of 1936 (P.L. 81-171), as amended, includes three rural definitions that apply to RD electric, telecommunications, and broadband programs, respectively.

1. **Electric Program Definition.** This definition is found in Section 13 of the Rural Electrification Act of 1936, as amended.
 - A *rural area* is an area with a population of 20,000 or fewer inhabitants, and any area within a service area of a borrower for which a borrower has an outstanding Rural Utilities Service (RUS) loan (7 U.S.C. §913).⁴
2. **Telecommunications Program Definition.** This definition is found in Section 203b of the Rural Electrification Act of 1936, as amended.
 - A *rural area* is an area in the United States with a population of 5,000 or fewer inhabitants (7 U.S.C. §924).⁵
3. **Broadband Program Definition.** This rural definition is found in Section 601 of the Rural Electrification Act of 1936, as amended.
 - For direct loans and grants, a *rural area* is an area with a population of 20,000 or fewer inhabitants (7 U.S.C. §950bb).⁶
 - For loan guarantees, a *rural area* is an area with a population of 50,000 or fewer inhabitants and not adjacent to a city with a population of over 50,000 inhabitants (7 U.S.C. §950bb).⁷

⁴ 7 U.S.C. §913(3) states, “the term ‘rural area’ means the farm and nonfarm population of (A) any area described in section 1991(a)(13)(C) of this title; and (B) any area within a service area of a borrower for which a borrower has an outstanding loan made under subchapters I through V as of the date of enactment of this paragraph.” 7 C.F.R. §1710.2 provides additional details concerning areas within the service area of Rural Utilities Service (RUS) borrowers. The regulation states that for borrowers with RUS loans issued after June 18, 2008 (the date of enactment), the “‘rural’ character of an area is determined at the time of the initial loan to furnish or improve service in the area.”

⁵ 7 U.S.C. §924(b) states, “the term ‘rural area’ shall be deemed to mean any area of the United States not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population in excess of 5,000 inhabitants.”

⁶ 7 U.S.C. §950bb(b)(3)(A) states, “the term ‘rural area’ means any area other than (i) an area described in clause (i) or (ii) of section 1991(a)(13)(A) of this title; and (ii) in the case of a grant or direct loan, a city, town, or incorporate area that has a population of greater than 20,000 inhabitants.” 7 U.S.C. 1991(a)(13)(A) states, “the terms ‘rural’ and ‘rural area’ mean any area other than (i) a city or town that has a population of greater than 50,000 inhabitants; and (ii) any urbanized area contiguous and adjacent to a city or town described in clause (i).”

⁷ Ibid.

The Housing Act of 1949

Section 520 of the Housing Act of 1949 (P.L. 81-171), as amended,⁸ defines rural for the purposes of all RD rural housing programs.⁹ The definition is based on population thresholds and, in some cases, other characteristics. Specifically, the law defines an area as rural if it is not part of, or associated with, an urban area, and

- has a population not in excess of 2,500 inhabitants; or
- has a population in excess of 2,500 but not in excess of 10,000, if it is “rural in character”; or
- has a population in excess of 10,000 but not in excess of 20,000 and (A) is not contained within a standard metropolitan statistical area;¹⁰ and (B) “has a serious lack of mortgage credit for lower and moderate-income families” (42 U.S.C. §1490).

Additionally, any area that was deemed rural prior to October 1, 1990, or was deemed a rural area between 2000 and 2020, retains that designation through the 2030 census, as long as it has a population not in excess of 35,000; is “rural in character”; and has a serious lack of mortgage credit for low- and moderate-income families.¹¹

The Consolidated Farm and Rural Development Act of 1961

The Consolidated Farm and Rural Development Act of 1961 (ConAct; P.L. 87-128), as amended, includes rural definitions to determine eligibility for RD business, energy, water and waste disposal, and community facilities programs. Section 343(a)(13) of the ConAct includes three rural definitions: a default definition, a water and waste disposal program definition, and a community facilities program definition.

1. **Default Definition.** This definition applies to all existing and new RD programs unless Congress specifically provides an alternative rural definition. In practice, this definition applies to many of the RD business and energy programs, as well as the Community Facilities Program loan guarantees.

⁸ The definition of *rural area* was added to the Housing Act of 1949 by the Housing and Urban Development Act of 1965 (P.L. 89-117). The *U.S. Code* for the rural area definition used in USDA RD housing programs is 42 U.S.C. §1490.

⁹ USDA RD’s Rural Housing Service administers more than a dozen rural housing programs that use the same definition of rural for purposes of eligibility for assistance. For more information, see CRS Report R47044, *USDA Rural Housing Programs: An Overview*. Note that the Farm Labor Housing programs (Section 514 and Section 516) do not base eligibility on rural location and instead base eligibility on employment in agriculture or aquaculture. This definition was enacted in 1965 and amended numerous times over the years. For example, the original definition included only two population tiers; made no mention of a lack of access to mortgage credit or “rural in character”; and initially set at 5,500 the current population threshold of 10,000. The most frequent modifications to the statutory definition of rural area for the RD rural housing programs have been to provide eligibility to, or *grandfather*, certain communities that have had population growth that puts them at risk of losing eligibility for participation in RD rural housing programs. Some version of the grandfathering provision has been included in response to every decennial census since 1980.

¹⁰ Although the statute references standard metropolitan statistical areas (SMSAs), OMB replaced those designations with new metropolitan statistical areas (MSAs) in 1990. See U.S. Census Bureau, “Metropolitan Areas,” at https://www.census.gov/history/www/programs/geography/metropolitan_areas.html.

¹¹ 42 U.S.C. §1490.

- A *rural area* is an area with a population of 50,000 or fewer inhabitants that is not adjacent to a city with a population of more than 50,000 inhabitants (7 U.S.C. §1991(a)(13)(A)).¹²
- 2. **Water and Waste Disposal Program Definition.** This definition applies to water and waste disposal grant and direct loan programs.
 - A *rural area* is an area with a population of 10,000 or fewer inhabitants (7 U.S.C. §1991(a)(13)(B)).¹³
- 3. **Community Facilities Program Loans and Grants Definition.** This definition applies to community facilities grant and direct loan programs.
 - A *rural area* is an area with a population of 20,000 or fewer inhabitants (7 U.S.C. §1991(a)(13)(C)).¹⁴

The ConAct also includes provisions that allow exceptions for some areas that do not otherwise meet the rural definitions to be considered eligible rural areas for RD programs. These particular exceptions are allowed only for RD programs that use the default rural definition. In practice, the exceptions apply primarily to RD business and energy programs. No exceptions are allowed for RD water and waste disposal programs or RD community facilities programs. There are two types of exceptions: “rural in character” and string exceptions. The following sections provide more information about these exceptions.

Rural in Character

Section 343(a)(13)(D) of the ConAct provides authority to the Under Secretary for Rural Development to grant “rural in character” exceptions to areas that otherwise do not meet the requirements of the default rural definition. The provision states that the “rural in character” exception is applicable to

- an area that “has 2 points on its boundary that are at least 40 miles apart” and is not adjacent to a city with a population of more than 150,000 inhabitants; and
- an area within an urbanized area or urban growth area “that is within ¼-mile of a rural area” (7 U.S.C. 1991(a)(13)(D)(i)(II)).

The provision states that units of local government, the Under Secretary for Rural Development, and Rural Development State Directors can petition to have an area considered “rural in character.”¹⁵ The Under Secretary for Rural Development makes the final determination and is not allowed to designate that authority to another entity.¹⁶

¹² 7 U.S.C. §1991(a)(13)(A) states, “the terms ‘rural’ and ‘rural area’ mean any area other than (i) a city or town that has a population of greater than 50,000 inhabitants; and (ii) any urbanized area contiguous and adjacent to a city or town described in clause (i).”

¹³ 7 U.S.C. §1991(a)(13)(B) states, “For the purpose of water and waste disposal grants and direct loans provided under paragraphs (1) and (2) of section 1926(a) of this title, the terms ‘rural’ and ‘rural area’ mean a city, town, or unincorporated area that has a population of no more than 10,000 inhabitants.”

¹⁴ 7 U.S.C. §1991(a)(13)(C) states, “For the purpose of community facility direct loans and grants under paragraphs (1), (19), (20), and (21) of section 1926(a) of this title, the terms ‘rural’ and ‘rural area’ mean any area other than a city, town, or unincorporated area that has a population of greater than 20,000 inhabitants.”

¹⁵ 7 U.S.C. §1991(a)(13)(D) and 7 C.F.R. §5001.3.

¹⁶ 7 U.S.C. §1991(a)(13)(D).

String Exception

Section 343(a)(13)(E) of the ConAct allows USDA to provide exceptions to areas that do not meet the requirements of the default rural definition because they are adjacent to string developments. *String developments* are narrow areas (i.e., not more than 2 census blocks wide) that are connected to urban areas. String developments are often the developments that occur along highways or busy roadways that extend out of urban areas. The provision states that USDA can consider areas adjacent to string developments to be rural areas.¹⁷

The provision does not state which entities can request a string exception for an area. The provision states that USDA makes the final determination of which areas receive string exceptions.

Programs Without a Rural Requirement

Some RD programs do not require that service areas be in eligible rural areas. These programs include some RD business programs, some energy programs, and the Off-Farm Labor Housing Program. One reason for not having a rural siting requirement for some programs is that there may be non-rural projects that benefit rural communities. A 2013 USDA report to Congress stated that Congress did not include rural area eligibility requirements for some RD energy programs because Congress recognized “that proximity to transportation hubs and consumer markets very well could make projects far more successful and far more beneficial to farmers, rural entrepreneurs, and consumers than siting projects solely in rural locations.”¹⁸

Six RD programs do not include rural area requirements:

- Biobased Markets Program
- Bioenergy Program for Advanced Biofuels
- Healthy Food Financing Initiative
- High Energy Cost Program
- Off-Farm Labor Housing Program
- Value-Added Producer Grant Program

In addition to the six programs without a rural requirement, two other programs provide awards to non-rural businesses that meet certain conditions:

- Rural Energy for America Program (REAP)¹⁹
- Business and Industry Loan Guarantee Program²⁰

Factors in Rural Definitions

As discussed above, the rural definitions used in RD programs include factors such as population and proximity to urban areas to determine whether an area is an eligible rural area. In some cases,

¹⁷ 7 U.S.C. §1991(a)(13)(E) states, “Notwithstanding any other provision of this paragraph, in determining which census blocks in an urbanized area are not in a rural area (as defined in this paragraph), the Secretary shall exclude any cluster of census blocks that would otherwise be considered not in a rural area only because the cluster is adjacent to not more than 2 census blocks that are otherwise considered not in a rural area under this paragraph.”

¹⁸ USDA, *Report on the Definition of Rural*, February 2013, p. 8.

¹⁹ 7 U.S.C. §8107.

²⁰ 7 U.S.C. §1932(g)(6).

Congress has provided some flexibility in statute to accommodate certain communities that do not otherwise meet the rural definitions. Provisions in statute provide flexibility through grandfathering, “rural in character” exceptions, and string exceptions. Provisions are also included in statute that provide alternative processes for areas located in Hawaii, Puerto Rico, and the U.S. territories to determine whether they are eligible rural areas.

Population

The primary factor used in rural definitions to determine eligible rural areas is total population. All RD rural definitions include population thresholds. Areas must have populations at or below the population threshold set for a given program to be considered eligible rural areas.

The population thresholds differ across the types of RD programs. For example, RD business and energy programs have a population threshold of 50,000 people and the Telecommunications Infrastructure Program has a population threshold of 5,000 people. **Table 1** at the end of this report provides an overview of the population thresholds for the different categories of RD programs. Thirteen RD programs specify in their regulations that data from the most recent decennial census of the United States should be used to determine population of an area and whether the area should be considered rural.²¹

The default rural definition established under the ConAct, used primarily for RD energy and business programs, allows for the exclusion of certain populations when determining an area’s total population.²² For example, populations of incarcerated individuals are not to be included when determining whether an area is rural.²³ In addition, up to 1,500 individuals living on military bases are excluded when determining whether an area is rural.²⁴ In terms of rural housing programs, prison populations and college populations are excluded when determining the population of an area but individuals living on military bases are not excluded.²⁵

Proximity to Urban Areas

In addition to the population thresholds, the rural definitions that apply to the RD programs often include requirements that a place not be part of, associated with, or adjacent to an urban area. For example, as discussed earlier,

- the ConAct default definition that is used for several RD business and energy programs, and is referenced in the definition used for many broadband programs, requires that areas that are otherwise below the relevant population thresholds not

²¹ The 12 programs are as follows: Community Connect Program, Community Facilities Grant Program, Community Facilities Loan Guarantee Program, Emergency and Imminent Community Water Assistance Program, Renewable Energy for America Program, Rural Economic Development Loan and Grant Program, Rural Innovation Stronger Economy (RISE) Program, Rural Microentrepreneur Assistance Program, Solid Waste Management Grant Program, Telecommunication Infrastructure Program, Water and Waste Disposal Grant Program, and Water and Waste Facility Loans and Grants to Alleviate Health Risks for Colonias and on Tribal Lands.

²² The default rural definition is provided at 7 U.S.C. §1991(a)(13).

²³ 7 U.S.C. §1991(a)(13)(H).

²⁴ 7 U.S.C. §1991(a)(13)(I).

²⁵ USDA, *Direct Single Family Housing Loans and Grants - Field Office Handbook*, HB-1-3550, p. 5-5, at <https://www.rd.usda.gov/files/hb-1-3550.pdf> (hereinafter, USDA Handbook HB-1-3550).

be in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants.²⁶

- the definition used for RD rural housing programs requires that areas that otherwise meet the population thresholds not be “part of or associated with an urban area” and that, for areas with populations between 10,000 and 20,000 people, the area not be contained within a metropolitan statistical area.²⁷

Requirements restricting proximity to urban areas limit the eligibility of smaller communities that are otherwise part of larger urban economies and commuting patterns and that therefore may lack some of the other features generally associated with rural areas. However, such requirements may raise questions about different ways to define *proximity to urban areas*, including questions about how to treat natural barriers such as rivers or mountains.²⁸

Grandfathering

If communities experience a population increase, they risk losing eligibility for RD programs. In the RD rural housing programs, it has been common for Congress to create exceptions to allow communities that have population changes between decennial censuses to retain their eligibility for rural housing programs (i.e., *grandfathering*). None of the other RD programs have grandfathering provisions. These provisions have been in place in one form or another since the 1980 decennial census. They generally do not offer unlimited eligibility; communities can remain eligible only if they are found to be “rural in character,” have a “serious lack of mortgage credit,” and stay within upper population thresholds (most recently, 35,000). For more information on these requirements, see the “The Housing Act of 1949” section earlier in this report.

Grandfathering provisions are common across federal programs. They can help create predictability for communities. However, they also result in more communities being made eligible for what are often limited resources, as well as in differential treatment of otherwise similar communities.

Hawaii, Puerto Rico, and U.S. Territories

The statute for the default rural definition established under the ConAct, which is used primarily for the RD business and energy programs, states that the Secretary of Agriculture may designate any parts of the County of Honolulu, HI, and the Commonwealth of Puerto Rico as rural, except for the Honolulu Census Designated Place and the San Juan Census Designated Place.²⁹

The statute for the default rural definition and other rural definitions used across RD programs does not include specific guidelines for determining eligible rural areas in the U.S. territories and

²⁶ 7 U.S.C. §1991(a)(13)(A).

²⁷ 42 U.S.C. §1490.

²⁸ For example, for the rural housing programs, USDA Handbook HB-1-3550 states, “A site that is in ‘open country not part of or associated with an urban area’ is one that is separated by open space from any adjacent densely populated urban area. Open space includes undeveloped land, agricultural land, or sparsely settled areas. Open space does not include physical barriers (such as rivers or canals), public parks, commercial and industrial developments, small areas reserved for recreational purposes, and open space set aside for future development.” This suggests that areas separated from urban areas by natural physical barriers could be considered part of or associated with an urban area, even if the natural barrier served to limit the area’s integration with the adjacent urban area.

²⁹ 7 U.S.C. §1991(a)(13)(G).

the freely associated states.³⁰ Program regulations for certain RD programs include guidelines concerning specific U.S. territories. Some program regulations require that areas in the U.S. territories and insular possessions, including the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, not exceed a certain population threshold to be considered rural.³¹ Other program regulations specify that USDA will determine what areas within the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau will be considered rural areas.³²

Policy Considerations for Congress

Certain issues that often arise related to the rural definitions used in RD programs and community eligibility include changes in population, non-rural projects that benefit rural areas, and regional planning. These issues could be subjects of debate as Congress considers legislation for the next farm bill.

Population Changes

Population thresholds are a primary component of the rural definitions used in RD programs. Populations generally are determined based on decennial census data. Some rural housing programs also incorporate interim periodic reviews to determine populations.³³

Area populations do not necessarily remain consistent over time. Areas may experience population growth or decline that affects their eligibility for RD programs.³⁴ For this reason, Congress enacted grandfathering provisions for RD rural housing programs that allow certain previously eligible communities to retain eligibility for certain programs for a period of time or if the communities meet certain additional criteria, even if their population exceeds the thresholds that otherwise apply.

³⁰ The U.S. territories and freely associated states include American Samoa, the Commonwealth of Northern Mariana Islands, the Federated States of Micronesia, Guam, the Republic of the Marshall Islands, and the Republic of Palau.

³¹ Emergency and Imminent Community Water Assistance Program (7 C.F.R. §1778.4), Water and Waste Disposal Loans and Grants to Alleviate Health Risks (7 C.F.R. §1777.4), Electric Infrastructure Loan and Loan Guarantee Program (7 C.F.R. §1710.2(a)), Telecommunications Infrastructure Program (7 C.F.R. §1735.2).

³² Business and Industry Loan Guarantee Program (7 C.F.R. §5001.3), Intermediary Relending Program (7 C.F.R. §4274.203), Rural Microentrepreneur Assistance Program (7 C.F.R. §4280.302(a)), and the Renewable Energy for America Program (7 C.F.R. §4280.103).

³³ For example, for rural housing programs, see USDA Handbook HB-1-3550, Paragraph 5.3.C, stating, “Each Field Office must review all areas under its jurisdiction every 5 years to identify areas that no longer qualify as rural. In areas experiencing rapid growth and in eligible communities within MSAs, the review should take place every 3 years.” The handbook also states, “In addition to periodic reviews, the State Director is responsible for implementing re-designations based on the decennial U.S. Census of Population and any biannual updates” (see https://www.rd.usda.gov/sites/default/files/hb-1-3550_2.pdf#page=235). For the purposes of the decennial census, people who reside at two or more residences are counted at their “usual residence,” where they live and sleep most of the time. If they cannot determine a usual residence, however, these people are counted at the place they are staying on April 1 of that year. See U.S. Census Bureau, “Residence Criteria and Residence Situations for the 2020 Census of the United States,” at <https://www.census.gov/content/dam/Census/programs-surveys/decennial/2020-census/2020-Census-Residence-Criteria.pdf>.

³⁴ For example, see USDA, RD, *Report on the Definition of Rural*, February 1, 2013, pp. 12-13, at <https://www.rd.usda.gov/progressreport/report-definition-rural>, discussing certain communities’ changing eligibility for some RD programs due to population changes.

Some areas may be particularly likely to experience rapid population changes or have populations that fluctuate over time. For example, certain areas have significant seasonal tourism that can cause an area's population, and its economic activity, to vary over the course of a year. Although population for the purposes of RD programs is based on decennial census counts, an area with a population that predictably fluctuates over the course of a year may raise questions about its perceived rurality or lack thereof. Other areas might experience rapid population increases for reasons such as discovery of a natural resource in the area, among other factors, and such population increases may or may not be sustained. Such changing populations may affect an area's eligibility for RD programs and can raise questions about which types of communities should be considered *rural* for the purposes of RD programs.

Whether grandfathering provisions should be used more widely to help rural areas retain their eligibility for RD programs could be an issue for congressional consideration.

Non-Rural Projects

Some projects located in non-rural areas may benefit rural communities but are not eligible for RD program funding. For example, some Members of Congress have cited the inability of certain health clinics and fairgrounds that support rural communities to receive funding through the USDA Community Facility Programs because they are located in non-rural areas.³⁵ In addition, some projects located in non-rural areas may benefit rural businesses because they provide access to larger markets. As previously mentioned, USDA stated in its 2013 report on rural definitions that sometimes "proximity to transportation hubs and consumer markets very well could make projects far more successful and far more beneficial to farmers, rural entrepreneurs, and consumers than siting projects solely in rural locations."³⁶ Current RD programs do not allow the rural requirement for program eligibility to be waived for non-rural projects that support rural communities. Whether the rural requirement should be waived when projects would benefit rural communities could be a question for congressional consideration.

Regional Planning

USDA stated in its 2013 report to Congress that the rural definitions used in RD programs may present obstacles to regional planning.³⁷ Regional planning involves considering the assets and deficits within a region as a whole, rather than considering the assets and deficits in a single town or city. Regional planning researchers explain, "The places where we work, live, shop, recreate, and socialize constitute a territory that seldom corresponds to a single town or city."³⁸ The rural definitions use population to determine eligible rural areas, and different RD definitions use different population thresholds. As a result, some communities may qualify for some RD programs but not others. These definitions do not account for how the area fits into the larger region or consider the economies of scale that may be attained by including rural and non-rural areas in a project. Entities that apply for RD programs may have difficulty obtaining funding for

³⁵ Ellyn Ferguson, "Working on Farm Bill, Senators Frustrated by What Counts As Rural," CQ News, November 15, 2022.

³⁶ U.S. Department of Agriculture, *Report on the Definition of Rural*, February 2013, p. 8.

³⁷ *Ibid.*, p. 10.

³⁸ Ethan Seltzer and Armando Carbonell, eds., *Regional Planning in America: Practice and Prospect*, Lincoln Institute of Land Policy, 2011, see p. 1.

projects that take a regional approach, because every community within the region must be within the population thresholds.

USDA stated in its 2013 report to Congress that if “a regional sewer project encounters a municipality of greater than 10,000 population, for example, that community cannot be part of the Rural Development financing application no matter how much sense it might make to project engineers geographically and no matter what the impact of including the larger community might have had on end user rates as fixed costs got spread over a larger number of end users.”³⁹

Whether to allow the rural requirement to be waived for projects that fit into regional plans that benefit rural communities could be an issue for congressional consideration.

³⁹ USDA, *Report on the Definition of Rural*, February 2013, p. 8.

Table 1. Eligible Rural Area Definitions for Selected USDA Rural Development Programs

Program	U.S. Code	Code of Federal Regulations	Program Description	Eligible Rural Area (Citation)	Factors Used in Rural Definition
Broadband Programs^a					
Community Connect Program	7 U.S.C. §950bb-3	7 C.F.R. §1739	Provides grants to help expand rural residents' access to broadband for noncommercial uses.	Areas that have populations of 20,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. (7 U.S.C. §950bb(b)(3)(A))	Population Proximity to urban areas
Distance Learning and Telemedicine Program	7 U.S.C. §950aaa-2	7 C.F.R. §1734	Provides grants to help rural communities acquire the technology and training necessary to connect educational and medical professionals with students, teachers, and patients in rural areas.	Areas that have populations of 20,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. (7 U.S.C. §950bb(b)(3)(A))	Population Proximity to urban areas
ReConnect Program	— ^b	7 C.F.R. §1740	Provides grants, loans, and loan-grant combinations to build and update facilities or equipment needed to provide broadband access to rural areas.	Areas that have populations of 20,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants, as defined in the U.S. Department of Agriculture Rural Utilities Service mapping tool. (7 C.F.R. §1740.2(a))	Population Proximity to urban areas

Program	U.S. Code	Code of Federal Regulations	Program Description	Eligible Rural Area (Citation)	Factors Used in Rural Definition
Rural Broadband Direct Loan and Loan Guarantee Program	7 U.S.C. §950bb	7 C.F.R. §1738	Provides loans and loan guarantees to construct or improve facilities and equipment used to provide broadband access to rural areas.	For direct loans, areas that have populations of 20,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. (7 U.S.C. §950bb(b)(3)(A) and 7 U.S.C. §1991(a)(13)(A)) For loan guarantees, areas that have populations of 50,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. (7 U.S.C. §1991(a)(13))	Population Proximity to urban areas
Telecommunications Infrastructure Program	7 U.S.C. §§901 et seq.	7 C.F.R. §1735	Provides loans and loan guarantees for the construction, maintenance, and expansion of broadband and telephone service in rural areas.	Any area of the United States having a population of 5,000 or fewer inhabitants. (7 U.S.C. §924(b))	Population
Business Programs					
Business and Industry Loan Guarantee Program	7 U.S.C. §1932	7 C.F.R. §5001	Provides loan guarantees to selected financial institutions, which then provide sub-loans to eligible businesses.	Areas that have a population of 50,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. “Rural in character” exceptions are allowed. (7 U.S.C. §§1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed

Program	U.S. Code	Code of Federal Regulations	Program Description	Eligible Rural Area (Citation)	Factors Used in Rural Definition
Intermediary Relending Program	7 U.S.C. §1932	7 C.F.R. §4274, Subpart D	Provides loans to lenders that provide sub-loans to businesses to improve economic conditions and create jobs in rural communities.	Areas that have a population of 50,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. "Rural in character" exceptions are allowed. (7 U.S.C. §§1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed
Rural Business Development Grant Program	7 U.S.C. §1932(c)	7 C.F.R. §4280, Subpart E	Provides grants for technical assistance and training to small rural businesses.	Areas that have a population of 50,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. "Rural in character" exceptions are allowed. (7 U.S.C. §§1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed
Rural Cooperative Development Grant Program	7 U.S.C. §1932(e)	7 C.F.R. §4284, Subpart F	Provides grants to nonprofits and institutions to help individuals and businesses start, expand, or improve rural cooperatives through Cooperative Development Centers.	Areas that have a population of 50,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. "Rural in character" exceptions are allowed. (7 U.S.C. §§1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed
Rural Economic Development Program	7 U.S.C. §940c-2	7 C.F.R. §4280, Subpart A	Provides loans and grants to eligible Rural Utilities Service (RUS) electric and telecommunications borrowers to promote rural economic development.	Areas that have a population of 50,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. "Rural in character" exceptions are allowed. (7 U.S.C. §§1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed

Program	U.S. Code	Code of Federal Regulations	Program Description	Eligible Rural Area (Citation)	Factors Used in Rural Definition
Rural Innovation Stronger Economy (RISE) Program	7 U.S.C. §2008w	7 C.F.R. §4284, Subpart L	Provides grants to create and augment high-wage jobs, accelerate the formation of new businesses, support industry clusters, and maximize the use of local productive assets in eligible low-income, rural areas.	Areas that have a population of 50,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. "Rural in character" exceptions are allowed. (7 U.S.C. §§1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed
Rural Microentrepreneur Assistance Program (RMAP)	7 U.S.C. §2008s	7 C.F.R. §4280, Subpart D	Provides loans and grants to microenterprise development organizations that use the funds to create a rural microloan revolving fund.	Areas that have a population of 50,000 or fewer inhabitants and are not in an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. "Rural in character" exceptions are allowed. (7 U.S.C. §§1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed
Community Facilities Program					
Community Facilities Programs	7 U.S.C. §1926(a)(19)	7 C.F.R. §1942, Subpart A	Provides loans, grants, and loan guarantees to develop or improve essential public services and facilities in rural areas.	For loans and grants, areas that have a population of 20,000 or fewer inhabitants. (7 U.S.C. §1991(a)(13)(C))	Population
		7 C.F.R. §3570, Subpart A 7 C.F.R. §5001		For loan guarantees, areas that have a population of 50,000 or fewer inhabitants and are not an urbanized area that is adjacent or contiguous to a city of more than 50,000 inhabitants. "Rural in character" exceptions are allowed. (7 U.S.C. §1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed

Program	U.S. Code	Code of Federal Regulations	Program Description	Eligible Rural Area (Citation)	Factors Used in Rural Definition
Energy Programs^c					
Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program	7 U.S.C. §8103	7 C.F.R. §4279, Subpart C 7 C.F.R. §4287, Subpart D	Facilitates the development of new and emerging technologies for advanced biofuels, renewable chemicals, and biobased product manufacturing by providing loan guarantees for the development, construction, or retrofitting of commercial-scale biorefineries.	Areas that have populations of 50,000 or fewer inhabitants and are not adjacent or contiguous to an urbanized area with more than 50,000 inhabitants. "Rural in character" exceptions are allowed. (7 U.S.C. §§1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed
Rural Energy for America (REAP) Program	7 U.S.C. §8107	7 C.F.R. §4280, Subpart B 7 C.F.R. §5001, Subpart A	Provides grants for energy audits and renewable energy development assistance, and provides loan guarantees and grants for energy efficiency improvements and renewable energy systems.	Agricultural producers can be in rural or non-rural areas. Non-farm businesses must be located in eligible rural areas. A rural area is defined as "Any area of a State not in a city or town that has a population of more than 50,000 inhabitants, not in the urbanized area contiguous and adjacent to a city or town that has a population of more than 50,000 inhabitants, and excluding certain populations pursuant to 7 U.S.C. 1991(a)(13)(H) and (I)." "Rural in character" exceptions are allowed. (7 C.F.R. §4280.103)	Population Proximity to urban areas Exceptions allowed
Rural Energy Savings Program	7 U.S.C. §8107a	7 C.F.R. §1719	Provides loans to rural households and small businesses to achieve cost savings through the implementation of durable, cost-effective energy efficiency measures.	Any area that has a population of 50,000 or fewer inhabitants or any other area designated eligible by statute. (7 C.F.R. §1719.2)	Population

Program	U.S. Code	Code of Federal Regulations	Program Description	Eligible Rural Area (Citation)	Factors Used in Rural Definition
Housing Programs^d					
Rural Housing Programs	42 U.S.C. Subchapter III	7 C.F.R. Chapter XXXV 7 C.F.R. Chapter XVIII, Subchapter B 7 C.F.R. Chapter XVIII, Subchapter H, Part 1944	Provide loans, loan guarantees, grants, and other assistance to support housing for low-income households in rural areas. Single-family programs include loans to purchase homes, loans and grants to repair homes, and grants to support self-help housing program. Multifamily programs include loans to develop or rehabilitate rental housing and associated rental assistance.	Any open country, place, town, village or city that is not part of an urban area and (1) has a population of 2,500 or fewer; (2) has a population between 2,500 and 10,000, if it is “rural in character”; or (3) has a population greater than 10,000 but fewer than 20,000, if it is not in a standard metropolitan statistical area and has “a serious lack of mortgage credit” for lower and moderate-income families. Select provisions allow communities that were previously designated as rural to retain that designation through the 2030 census, as long as their population does not exceed 35,000, they are “rural in character,” and have “a serious lack of mortgage credit” for lower and moderate-income families. (42 U.S.C. §1490)	Population (including grandfathering provisions) Not in a standard metropolitan statistical area Lack of mortgage credit Exceptions allowed
Utilities Programs					
Electric Infrastructure Loan and Loan Guarantee Program	7 U.S.C. §935 7 U.S.C. §936	7 C.F.R. §1710 7 C.F.R. §1714 7 C.F.R. §1717	Provides loans and loan guarantees for the construction of electric distribution, transmission, and generation facilities, including energy conservation programs and on-grid and off-grid renewable energy systems.	Areas with a population of 20,000 or fewer inhabitants and any area within a service area of a borrower for which a borrower has an outstanding RUS loan. (7 U.S.C. §913)	Population Service area of a borrower with a RUS loan

Program	U.S. Code	Code of Federal Regulations	Program Description	Eligible Rural Area (Citation)	Factors Used in Rural Definition
Emergency and Imminent Community Water Assistance Program	7 U.S.C. §1926a	7 C.F.R. §1778	Provides grants to eligible communities to prepare for, or recover from, an emergency that threatens the availability of safe, reliable drinking water.	Areas with a population of 10,000 or fewer inhabitants. (7 U.S.C. §1991(a)(13)(B))	Population
Rural Decentralized Water Systems Program	7 U.S.C. §1926e	7 C.F.R. §1776	Provides grants to eligible entities to set up revolving loan funds for homeowners. Homeowners can use the loans to construct, refurbish, or service household water well and septic systems.	Areas that have populations of 50,000 or fewer inhabitants and are not adjacent or contiguous to an urbanized area with more than 50,000 inhabitants. "Rural in character" exceptions are allowed. (7 U.S.C. §§1991(a)(13)(A) and (D) et seq.)	Population Proximity to urban areas Exceptions allowed
Solid Waste Management Program	7 U.S.C. §1932	7 C.F.R. §1775	Provides grants to eligible organizations to offer training and technical assistance to improve the planning and management of solid waste sites.	Areas with a population of 10,000 or fewer inhabitants. (7 U.S.C. §1991(a)(13)(B))	Population
Water and Waste Disposal (WWD) Loan and Grant Program	7 U.S.C. §1926	7 C.F.R. §1780	Provides loans and grants for projects that build or enhance clean and reliable drinking water systems, sanitary sewage disposal systems, and stormwater drainage to households and businesses in eligible rural areas.	Areas with a population of 10,000 or fewer inhabitants. (7 U.S.C. §1991(a)(13)(B))	Population
WWD Grant Program for Rural and Native Alaskan Villages	7 U.S.C. §1926d	7 C.F.R. §1784	Provides grants to remote Alaskan villages for safe, reliable drinking water and waste disposal systems for households and businesses.	Areas with a population of 10,000 or fewer inhabitants. (7 U.S.C. §1991(a)(13)(B))	Population

Program	U.S. Code	Code of Federal Regulations	Program Description	Eligible Rural Area (Citation)	Factors Used in Rural Definition
WWD Loans and Grants to Alleviate Health Risks	7 U.S.C. §1926c	7 C.F.R. §1777	Provide low-income communities that are facing significant health risks with loans and grants to provide safe, reliable water and waste disposal facilities.	Areas with a population of 10,000 or fewer inhabitants. (7 U.S.C. §1991(a)(13)(B))	Population
WWD Technical Assistance and Training Grant Program	7 U.S.C. §1926(a)(14)	7 C.F.R. §1775	Provides grants to qualified nonprofits that provide technical assistance and training to identify and evaluate solutions to water and waste problems. Helps applicants prepare applications for water and waste disposal loans and grants.	Areas with a population of 10,000 or fewer inhabitants. (7 U.S.C. §1991(a)(13)(B))	Population

Source: Congressional Research Service, compiled from the *U.S. Code*, the *Code of Federal Regulations*, and U.S. Department of Agriculture (USDA) Rural Development program web pages.

Notes: Information in the columns headed “Program Purpose” and “Eligible Rural Areas” is from the *U.S. Code* and/or pertinent regulations. “Rural in character,” as used in this table, means exceptions for areas that meet certain qualifications to be considered *rural* and eligible for certain USDA Rural Development programs even if they do not meet the rural definition population requirements. Six USDA Rural Development programs do not use rural definitions: The Biobased Markets Program, Bioenergy Program for Advanced Biofuels, Healthy Food Financing Initiative, Higher Energy Cost Program, Off-Farm Labor Housing Program, and the Value-Added Producer Grant Program.

- a. For more information about USDA Rural Development broadband programs, see CRS Report R46912, *USDA Rural Broadband, Electric, and Water Programs: FY2022 Appropriations*.
- b. As of April 2023, the ReConnect Program is a pilot program without specific statutory authority. Congress provided USDA general statutory authority to create the pilot program through the Rural Electrification Act of 1936, as amended (7 U.S.C. §§901 et seq.).
- c. For more information about USDA Rural Development energy programs, see CRS In Focus IF10639, *Farm Bill Primer: Energy Title*.
- d. The Rural Housing Service administers over a dozen rural housing programs that use the same definition of *rural* for purposes of eligibility for assistance. For more information about USDA Rural Development housing programs, see CRS Report R47044, *USDA Rural Housing Programs: An Overview*.

Author Information

Lisa S. Benson, Coordinator
Analyst in Agricultural Policy

Katie Jones
Analyst in Housing Policy

Maggie McCarty
Specialist in Housing Policy

Kelsi Bracmort
Specialist in Natural Resources and Energy Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.