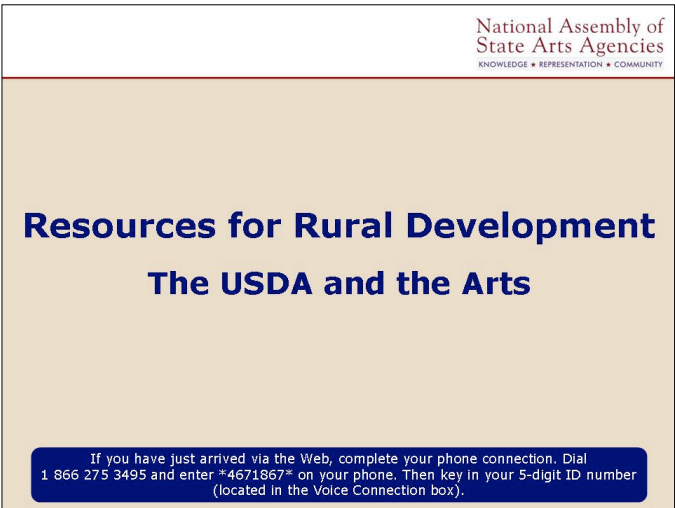


**Resources for Rural Development**

**Wednesday, February 15, 2012**  
Web Seminar  
Abridged Transcript



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## Introduction

**Jonathan Katz:** Hello, everyone. On behalf of the National Assembly of State Arts Agencies, it's my pleasure to welcome you to our web seminar.

As we all know, the arts are a powerful agent for economic productivity and quality of life across all geographies—urban, rural, suburban and exurban. But rural communities are special places in America. They present a distinctive mix of assets, amenities and needs. And they offer very fruitful settings for creative collaborations between the arts and businesses, agriculture, civic organizations and other partners. So supporting the cultural and economic vitality of rural communities is an explicit policy priority for many state arts agencies. We're hoping that our seminar today will introduce you to resources and relationships that can help you achieve those goals.

Today's session will specifically focus on federal support available from the U.S. Department of Agriculture (USDA). NASAA is delighted to be collaborating with the USDA on this seminar, which will orient you to federal rural development funding available to the arts and offer guidance on the support available through regional rural development offices in your area.

Before I turn things over to Sue Struve, our session moderator, I want to thank Arni Fishbaugh, executive director of the Montana Arts Council and president of the NASAA board, for her help in arranging this session. The Montana Arts Council is one current example of a state arts agency that has collaborated with their local economic development authorities to tap into USDA funds. Arni paved the way for this NASAA web seminar during her recent visit to the USDA offices here in Washington, D.C., and both Arni and I are hopeful that this session will pave the way for even more success stories for other states in the future.

Now over to you, Sue.

**Sue:** Thank you, Jonathan, and thanks to everyone who has tuned in to today's session. It's great to see such a great turnout—both from state arts agencies and from many local organizations and constituent groups. Welcome to one and all. As Jonathan mentioned a moment ago, our session today will feature two special guests from the Rural Development Division of the U.S. Department of Agriculture: Doug O'Brien and Tammye Treviño.

Doug is the deputy under secretary for the USDA's Rural Development Agency. Prior to that appointment last August, Doug served as a senior advisor to USDA Secretary Tom Vilsack and as chief of staff to Deputy Secretary Kathleen Merrigan. He's also worked for the Ohio Department of Agriculture, served as an advisor to Iowa Governor Chet Culver and staffed the U.S. Senate Agriculture Committee.

Tammye is an administrator for Housing and Community Facilities Programs. Prior to her appointment at USDA, she ran Futuro, a community and housing development organization in Uvalde, Texas. Before that, she was the economic development director for LaSalle County, Texas. She also was the director of the nine-county region's Area Agency on Aging and spent more than 10 years in the health field managing a rural health clinic.

### Today's Format

National Assembly of  
State Arts Agencies  
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#### I. The USDA and the Arts



**Doug O'Brien**  
Deputy Under Secretary  
U.S. Department of Agriculture,  
Rural Development



**Tammye Treviño**  
Administrator for Housing and  
Community Facilities Programs  
U.S. Department of Agriculture,  
Rural Development

#### II. Your Questions and Comments

Doug and Tammye will tell us more about the value the USDA sees in the arts and will acquaint us with some resources available to support the arts in rural areas. After their overview, you'll have a chance to ask your own questions. And now I'll turn the floor over to Doug and Tammye.

## The USDA and the Arts

**Doug:** Thank you very much, Sue. We really appreciate the opportunity to spend some time with you this afternoon. The arts seem, for a lot of folks, to be a principally urban centered activity. I know that everyone on this call is aware that the arts and culture scene in rural America not only thrives but is an essential component of the community and economy of rural communities. Our economic arm at the USDA, called the Economic Research Service, confirms that the arts are concentrating in other less populated areas in the country, including small, completely rural counties. According to one of our economists, Tim Wojan, "The emergence of these nontraditional arts magnets . . . demonstrates the ability of some rural areas to attract creative talent and is related to the growing number of initiatives we have promoting rural cultural tourism."

### The USDA and the Arts

"The emergence of nontraditional arts magnets . . . demonstrates the ability of some rural areas to attract creative talent and is related to the growing number of initiatives promoting rural cultural tourism."

Source: Tim Wojan, "Arts Employment Is Burgeoning in Some Rural Areas," *Amber Waves*, USDA Economic Research Service, November 2007.



On a personal note, I grew up in eastern Iowa, and to this day the arts and culture scene is certainly one of the main pillars making that area a great place to live, as it is in so many other rural areas. I am able to travel a great deal in my job and three or four months ago, I had the opportunity to spend some time in central Appalachia, in particular southwestern Virginia along the Crooked Road. There I saw some exciting things happening for that region of the state that were rooted in the culture and the history of that mountain region.

I had a great time a couple of months ago meeting with Arni Fishbaugh and others from NASAA. As I told Arni that day, the Rural Development office is committed to helping improve the economy and quality of life in rural America. That is our mission. We take a comprehensive approach to economic and community development in rural areas, with programs addressing housing, infrastructure and business development. If there is one take-away for today, it is that there are federal USDA representatives available to you as resources in your state. We have almost 500 state-based regional offices, mostly in your less populated county seat towns. You can just look them up on Google, find the folks closest to you and engage in a conversation. Tammye will spend a little time talking about a specific program that has some of the greatest potential in terms of partnership with the arts. We have over three dozen programs and many of them can be applied to arts and culture related efforts. But the timing and availability of those resources varies from place to place. So the best thing to do is talk to some of our local program directors about what resources are available in your own community.

### Rural Development and the Arts

A comprehensive approach to economic and community development in rural areas:

**Housing**

**Infrastructure**

**Business Development**



USDA Rural Development has a portfolio of over \$150 billion. We are a big organization that a lot of folks don't really know about. In fiscal year 2011, we invested over \$20 billion in grants and loans in rural communities across the country. Even as the budget has been constrained in the last few years, we have been able to continue to partner and invest in rural America. In fact, in fiscal 2012 we have over \$25 billion for investments, including \$1.3 billion in the community facilities program funds in direct loans. Something I should mention is that we do grants, direct loans and guaranteed loans. The budget constraints in the last few years have moved more of the emphasis to the loan programs. We still have grant programs, but they are getting more and more constrained. The direct loan program that we have has very favorable terms.

Rural development encourages growth in the arts for several reasons. First, it increases the quality of life in rural America. Next, it provides a competitive edge when recruiting for-profit businesses, small manufacturers, service providers, call centers, etc. The fact that there is a vibrant arts scene often plays a significant role in whether a firm locates in a community. And finally, the arts directly provide jobs, often in the form of small entrepreneurs and businesses. The census data shows that there was an increase of arts and design workers, as well as entertainers, in rural areas, and not just rural areas near a city.

One of the USDA programs with the strongest connection to the arts is the Community Facilities (CF) program. CF loans, loan guarantees and grants can be used for cultural and educational facilities and provide opportunities to construct and improve community facilities, including cultural facilities. The purposes range from costs to acquire land for your facility to refinancing existing debt. The ability to pay necessary professional fees or purchase equipment to run the facility may also be financed through CF funds. With that I'd like to hand over the presentation to our rural housing administrator, Tammye Treviño.

## USDA Rural Development Resources

- \$155 billion portfolio of loans
- \$20 billion in loans, loan guarantees and grants administered last fiscal year



## Rural Development and the Arts

### What is our stake in the arts?

- Increases quality of life for an area
- Creates a more competitive place to recruit businesses
- Can directly create jobs

**Census data shows an increase of arts and design workers and entertainers in rural areas not adjacent to cities.**



## Programs to Assist the Arts

### Loans, guarantees and grants:

- May be used to construct, enlarge or improve community facilities
- Can include costs to acquire land needed for a facility, refinance existing debt, pay necessary professional fees and purchase equipment required for its operation



**Tammye:** Thank you, and good afternoon. Let me talk first about the eligibility criteria for applying for Community Facilities funding. The applicant must be a public body, like a municipality, a not-for-profit or a federally recognized Indian tribe. They cannot apply for any enterprise that has commercial business undertakings. So even if it is a nonprofit, if you have a commercial business you cannot apply. For instance, you cannot put up a grocery store as a commercial grocery even if it is run by a nonprofit. The eligible areas for a CF project are cities, towns or census designated places with a populace of 20,000 or less, according to the latest U.S. census. And you must primarily serve rural residents. Those are the two main eligibility criteria for CF funding.

Now, a little about the priorities. Grants are based on the sizes of rural communities and the median household income in those communities. Smaller communities with lower median household incomes receive a higher priority. The other priority areas that the arts will be competing with are health care, public safety and projects consistent with a state strategic plan for economic development. So if your state's strategic plan includes the arts as a quality of life offering, then that will earn you additional points. Loan funds are awarded based on financial feasibility, repayment ability and broad-based community support. Grants are a lot more competitive and our budget constraints limit them. But our loan capacity is \$1.3 billion this year—that is three times the amount of money we normally have, because this program is run efficiently and interest rates are low.

All applications are begun on a local level and are submitted locally, either to an area office or straight to the state office. They do not come into the federal office. They go through the state office first, and if they are projects of \$3 million or more they will come to us at the national level at some point. Otherwise, our state offices control the allocations. Make contact with your local office first. Let them know that you are interested in submitting an application and talk to them about the feasibility of your project. They will ask you questions about your project and walk you through eligibility early on in the process. To find the contact information you need to begin the application process in your state, visit the portion of our website, where you find

## Eligibility Criteria for Community Facilities (CF) Funding

- **Eligible Entity**

Public bodies, not-for-profits and federally recognized Indian tribes AND not including private affairs or commercial business undertakings

- **Eligible Rural Area**

Cities, towns and census designated places (CDPs) of 20,000 or fewer AND primarily serving rural areas



## Priorities for CF Funding

- Size of the rural communities
- Median household income (MHI)
- Health care, public safety and projects consistent with the state strategic plan

Loan funds are awarded based on financial feasibility, repayment ability and broad-based community support.



## Contact Your Rural Development Office

[http://www.rurdev.usda.gov/recd\\_map.html](http://www.rurdev.usda.gov/recd_map.html)





[your rural development office](#); click on your state and that will bring up the information you need.

If you want to submit an application that is more regional in nature, you can do that by joining other communities in submitting an application. Sometimes the feasibility of submitting a larger application makes it easier to get funded. There are a lot of different ways to get your project funded and your local offices are the places to begin.

We have a few projects here to serve as examples of the kinds of arts collaborations that have been funded with USDA resources in the past. These projects really run the gamut of different funding sources and types of activities. USDA resources can support many different types of arts programs and facilities, and we're always interested in looking for a fit. We have lots of flexibility.

The first example is the Ravalli County Economic Development Authority. They received \$175,000 through our Rural Community Development Initiative to implement the Montana Arts Council's artist business development program.

The next example is the Crow's Shadow Institute of the Arts. They are located on Native American land in Oregon. They have received Rural Business Enterprise grants.

The third example is the Lillith Lidseen Performing Arts Association. One of the things we did was give them funding to purchase and renovate a 250-seat playhouse in Hayesville, North Carolina.

### Ravalli County Economic Development Authority

- Received \$175,105 to support the Montana Arts Council's Montana Artrepreneur Program



### Crow's Shadow Institute of the Arts

- Received support from Rural Development and partner organizations
- Provides artistic opportunities for Native Americans on the Umatilla Reservation in Oregon



### Lillith Lidseen Performing Arts Association

- Rural Development helped purchase and renovate a 250-seat Playhouse in Hayesville, North Carolina.



The final example is the Tunica – Biloxi Cultural and Educational Resources Center. They received \$3.5 million for the construction of their new facility on the Tunica – Biloxi Tribe of Louisiana reservation.

### Tunica – Biloxi Cultural and Educational Resources Center

- Received \$3,500,000 for construction on the Tunica-Biloxi Tribe of Louisiana's reservation
- Houses displays of cultural and historical artifacts, library, auditorium, and offices





USDA Rural Development  
Committed to the future of rural communities.

The thing that makes the direct loan program so attractive is that our current interest rates are unbelievable: around 4.125%. These are loans that are fixed for 40 years or the life of the security.

With that, I think we are ready to take questions.

## Audience Q&A

**Sue:** Thanks very much, Doug and Tammye! We have had a lot of questions already come across the wires, so let's start with a nice and easy one: Does the USDA follow a strict definition of what *rural* means? You talked a little about population size, but are there any other criteria?

**Tammye:** No. Not for the CF program. For the CF program it is a population of 20,000 or less.

**Doug:** That's the definition for our facilities program, but this definition can vary for other programs. This is another example of why it is best to speak with your local offices. In the CF program, it is populations of 20,000 or less. But in some of our other programs that support for-profit entities, it is actually 50,000 or less. The definition depends on the program and its aims.

**Sue:** Another participant asks, I want to start a relationship with my state's department of agriculture office, but we don't have any past history of working together. Is there any advice on how to get started?

**Tammye:** I want to clarify something. Our rural development state offices are different than your state's agricultural development office. Our rural development offices are federal offices with headquarters in Washington, D.C. Your state agriculture offices are headquartered with your state government. These are two different entities.

**Doug:** To reach out to one of our local offices just Google USDA "rural development state" and find your state offices. Go ahead and contact them and let them know you are interested in learning more about our programs.

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## Audience Questions

Use the "chat" box.

**Sue:** There have been several questions around the state plan that you mentioned. What entity determines the state plan? Which state plan are you talking about? What is meant by the state plan regarding eligibility: the state rural development plan, the economic development plan or the state arts agency plan?

**Tammye:** It is the state's economic development plan. Every state government has an economic development plan that they create for their state. I am not sure where in your state it originates. But within that state plan there are always goals laid out for housing, job creation and some plans also include quality of life.

**Sue:** We have had several questions regarding regional applications. Regarding the 20,000 populace threshold, if you apply as a region, how does that work?

**Tammye:** If you put together a regional application that includes several communities, each community would need to qualify with a 20,000 or less population. The way to think about it is, where is the service going to happen, and do they have a population of 20,000 or less? If you put together an application for several communities but you are going to have one opera house, the opera house has to be located in a region with a population of 20,000 or less.

**Sue:** Kentucky asks, Would nonprofits with earned income be eligible for CF funding, for instance, nonprofit theaters with ticket sales?

**Tammye:** Yes, as long as they are a nonprofit and not giving out dividends to stockholders or stakeholders.

**Sue:** Several folks have asked about the time line for grant completion. Are there limitations?

**Tammye:** This is year-round funding and you can apply at any time. It will depend on what stage the application is in, how difficult it is going to be and how fast you can get people to work on it. Our rural development loan programs are a budget-neutral program right now, so we expect that we will continue to offer loans year after year. So the timing really depends on your individual project. If you are putting together a \$10 million performing arts center and it will take a year to pull that application together and put together a market study and feasibility study, that is where your time constraints will be.

**Sue:** Here is a question from New Mexico: Would a project like renovating a building to provide live-work space for artists, whether rent or purchase, be considered a commercial enterprise, especially if the rent or purchase price is at cost?

**Tammye:** I think a lot of it will depend on what you are going to do with the income when it comes in and how the building will be used. If you are using it for artists, are they providing some public service or are they strictly using it for their own commercial enterprises? If it is for their own commercial enterprises, then the CF funding will not be appropriate. That sounds more like a business incubator for which they could apply to our Business and Industry program.

**Doug:** That's just one more opportunity to remind folks to explore some of our other programs. We have a few related to for-profits as well.

**Tammye:** That is why it is so important to make that call to your local office before you get too far down the line with any application process. They'll be able to tell you where your project fits best.

**Sue:** Would a business that is somewhat commercial, like a gallery that sells artisan goods, qualify for CF grants?



**Tammye:** Not if it is a private enterprise. If it is a nonprofit gallery it will depend more on the use of that grant.

**Sue:** I see, so the fact that it is selling goods, like a museum shop, would not necessarily affect the grant if the grant money was not related to the shop?

**Tammye:** Correct.

**Sue:** Are state government agencies eligible for USDA support or does it need to come from a local partner?

**Tammye:** A local partner.

**Doug:** We love to partner with a number of different entities as far as financing a particular project. So, for instance, if a state arts agency wanted to help finance a piece of a project, we'd partner with them, but we cannot finance a state entity.

**Sue:** Are there matching requirements for these funds?

**Tammye:** Yes, but that is going to depend on population and median household income. In a grant, we will never fund more than 75% of the project, and it is a sliding scale going down depending on population, funding and median household income.

**Sue:** Does the USDA have arts related grant opportunities that are not facilities related?

**Doug:** We do have a number of technical assistance and strategic planning programs, but I should say that they tend to be sort of on the small side. One of them is called the Rural Community Development Initiative, and that is a grant that can provide an intermediary the capacity to train other parties. Also on the for-profit side, the Rural Business Entrepreneurial grant can provide money for strategic planning. One other thing to mention is that there are a number of revolving loan programs that we offer. For instance, the Intermediary Revolving Loan Program (IRP) allows an organization to seek funds from USDA, and that organization would provide small loans for a particular purpose; like if a nonprofit arts organization wanted to put together a revolving loans program they could come to us, show us that they have capacity to service loans and provide loans, and then in turn they could have a corpus of money they could pay to artists. Those loans would have to be paid back eventually to us, but that could be an interesting tool.

**Tammye:** The nice thing about the IRP is that it has very, very low interest rates. It used to be 1%. You borrow it at 1% and then lend it at market rate, although there is a limit to what you can charge. And the other beautiful thing about the IRP is you can lend to nonprofits and for-profits.

**Sue:** Texas asks whether loans can be used for refinancing.

**Tammye:** Yes.

**Sue:** Are educational entities eligible to apply for grants or loans?

**Tammye:** Yes. We have numerous school boards and charter schools that apply.

**Sue:** We have a specific question from California: We'd like to tour an exhibition to rural communities; would this qualify as a grant?

**Doug:** We are not sure. That is not the type of operating or financing that we typically provide; but that being said, I think there could be some possibilities on a project-by-project basis.

**Sue:** Can you combine a proposal for both a loan and a grant?

**Tammye:** Yes, absolutely. When you apply, you want to use the criteria for the grant because that is where it will be the most competitive, and by meeting that criteria you automatically meet the loan criteria.

**Doug:** Let me mention one other thing that we haven't touched on. In the last six or seven months, Secretary Vilsack has been particularly focused on engaging the philanthropic and foundation sectors on how USDA can better partner with them and attract philanthropic dollars into rural communities. Tammye mentioned earlier that our grant dollars are very small and are likely to be so for the next year or two, so we don't want to raise expectations that there will be significant grant dollars. But we are definitely interested in partnering with the nonprofit community to come in and maybe provide some grant dollars that get another organization to the point where it can service what are pretty favorable terms under the CF direct loan program.

**Sue:** A number of our participants are wondering where they can locate guidelines or find "best of breed" examples of loan or grant applications to use as models. Is there a hub on-line or elsewhere where they can locate this information?

**Tammye:** I don't think there is a centralized location, but your state office can provide you with examples of what has been done. And if they cannot, they can reach out to another member of the network and locate information similar to your project.

**Sue:** Here are a few more questions about loans. Rural communities, being small, may have difficulty paying back the loans. What has been your experience with rural communities and helping them pay back their loans?

**Tammye:** We've had some good experience with cultural arts centers or libraries that tend to get donations or grants from other foundations or buy-in from the community at large. One of the things that smaller communities and sometimes larger ones have is access to Community Development Block Grant (CDBG) funding, even if it is on a competitive level. I have seen many of these projects combine with CDBG, where the loan is minimal and it allows some other revenue stream to act as security for paying back the loan. It is a challenge for very low-income communities to get support from their community, but many times there is other support out there that can be combined and can minimize the amount of loan dollars needed. Then they can use something like ticket sales; although we would definitely want to see some sort of history of the ticket sales to have an idea of what the income would be, or at least a see market study.

**Sue:** Do any of the available grants or loans allow for regranting to constituents within the region?

**Tammye:** If you are asking if a large organization applies for a grant and intends to grant it out to smaller organizations, I'd just like to say that the grants really aren't that big.

**Sue:** A couple of our participants have asked how they can make their applications really stand out.

**Tammye:** Applying for a grant it is highly, highly competitive. The grant funds have become so much smaller the last few years. Outside of the project and the other eligibility requirements of median household income and population, we are required, by statute, to provide extra points to a health care facility, an educational facility or a public safety facility. The other way to get that extra point is to be a part of your state's economic development strategic plan.

**Sue:** How do you as a federal agency measure the results of the investment you have made in the arts? What kind of data or success indicators do you collect?

**Tammye:** That is a good question. Being a part of the federal family, we struggle every year with how we measure our success. We look at how many people we are touching and what folks are being helped. We try to go by the individuals that we are helping and the coverage we are providing. We are going to look at areas that maybe we have never touched before and those will be important to us. If we reach out to an area we have never been before, that indicates to us that our outreach programs are getting out there. It is not just about the numbers, it is also about the types of projects and geography.

**Sue:** Wyoming asks, What recourse do you have if your local USDA officer is not familiar with the arts as part of economic development?

**Tammye:** You can always contact your state office if you are not getting what you need from your local office. There is a program director for CF in every state office. I guarantee that they know exactly what can and cannot be done in CF funding. So if you are not getting anywhere with your local office, call your state office. Barring that, you can certainly e-mail any of us.

**Doug:** By and large, our local office staff are excellent, but with over 500 offices there may be some variation, so feel free to contact your state office or Tammye or me.

**Sue:** Here is a question from Montana: Can you talk a little more about the Rural Business Entrepreneur program?

**Doug:** It is a pretty flexible program that provides both grants and revolving loan funds. It is one of our programs that is administered primarily at the state level. The funding has continued to be fairly strong. In this fiscal year I believe it is still around \$24 million. And that program is designed for the advantage of for-profit entities that can ask for grants or revolving loans. Because it is a revolving loan program, the timing for it is very state specific. It is best if you talk to your state's office about timing and money available.

**Sue:** A participant asks one last question: Which USDA program should people apply to when they want assistance in creating jobs in a rural community?

**Doug:** Any of them. But we do have a program that may be more specifically beneficial to the arts that we have not mentioned yet, Distance Learning Technology. It helps schools, libraries, community facilities, hospitals, etc., put in distance learning technology, and I can see that having some relevance. At the end of the day, all of our programs are intended to improve the quality of life and encourage economic development in rural communities.

**Sue:** Thank you so much, Doug and Tammye.