Andrew Reisig
Office of Management and Budget (OMB)
725 17th St Northwest
Washington, DC 20503
Re: Public Comment on OMB-2023-0017-0001

Mr. Reisig,

The Partners for Rural Transformation (PRT) is grateful for the opportunity to submit a comment to the Office of Management and Budget regarding Guidance for Grants and Agreements.

PRT is a collective of six place-based Community Development Financial Institutions (CDFIs) that live in and serve regions with increased concentrations of persistent poverty counties across the country. A persistent poverty county is defined as a county that has 20% of the population below the poverty line for 30 years or more. 85% of persistently poor counties are non-metro, with 60% of this population identifying as a racial or ethnic minority. Over 50% of rural Black residents and 45% of rural Native American residents live in a distressed county. This deep, systemic, and intentional condition has created pockets or regions where poverty has lingered for generations, compounding rural health, economic, and educational disparities. PRT Partners serve persistently poor regions including Appalachia, the Colonias, the Rural West, the Delta, the South, and Native lands.

PRT investigated the extent of the gaps for these persistently poor regions. The consequences of our history manifest in persistently poor regions today. CDFIs in our regions have spent decades building trust with the communities we live in and serve, creating a stronger network of resources across regions.

PRT urges OMB to consider the following recommendations:

1. Ensuring better alignment between grant guidance and underlying statutes,
2. Increasing audit and technology thresholds (with the condition that the audit is make public to increase transparency),
3. Increasing flexibility in administrative costs, requirements, and capacity through implementation of the 10-20-30 rule and codifying of Justice40 across all federal agencies,
4. Improved flexibility in allocated completion time to disperse federal awards guaranteeing adequate time to use funds to persistently poor communities,
5. Establishing a uniform application for funding to better accessibility and usability,
6. Waiving funding matches for disadvantaged communities, and where a waiver is not possible, adding a flexible definition of cash match,
7. More data and data transparency through a Rural Impact Analysis; and
8. Increasing access to capital through re-drafting applications and NOFOs with plain language

The combination of the extent of need for capital and resources to address the fallout of persistent poverty in these regions with the lack of capital investment creates room for perpetuating circumstances. In the words of Chrystel Cornelius, Oweesta Corporation's CEO and President, "CDFIs are the nation's best kept secret," to fighting poverty in rural and Native communities. Yet, despite wonderful work, their potential remains largely untapped. Banks, a major investor in our nation's economy, invest in rural loan funds at a much lower rate than urban and other loan funds (see Figure 1).

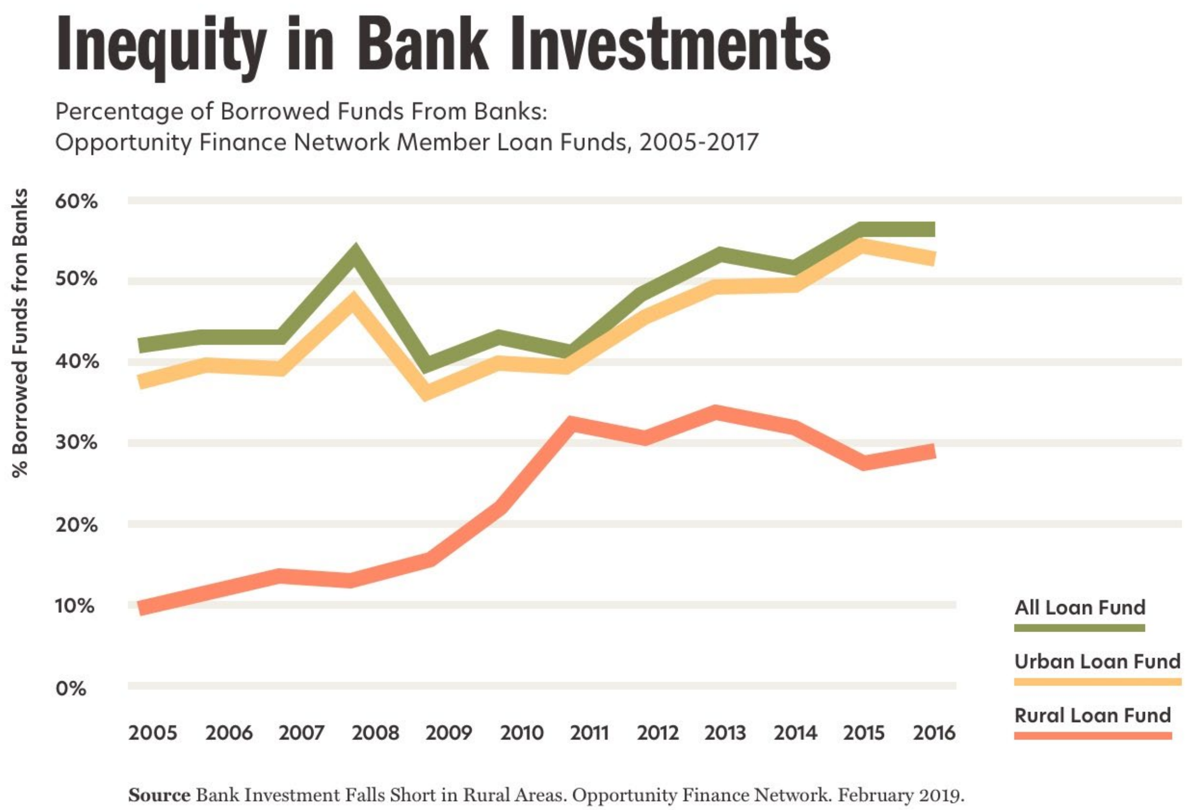
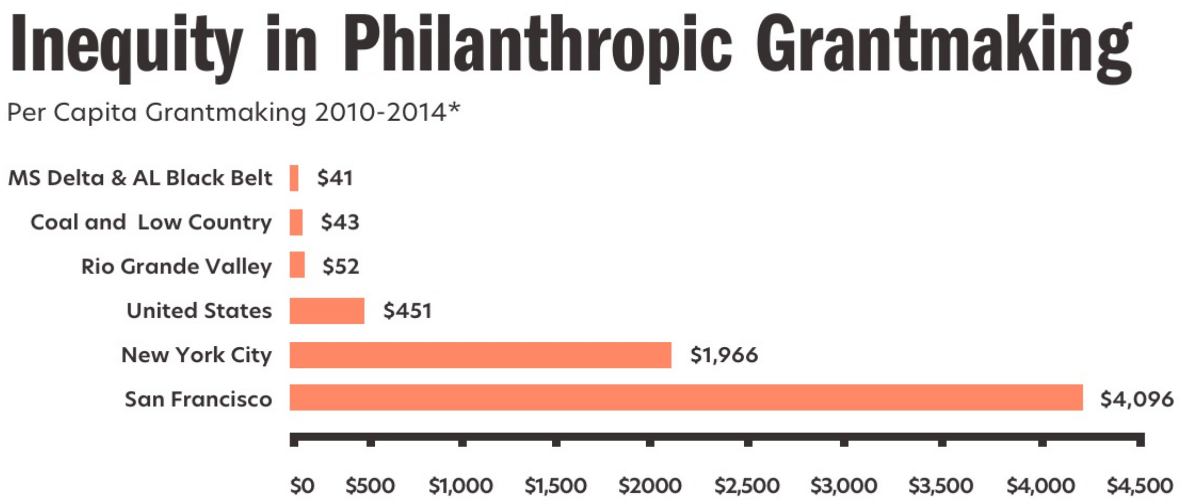


Figure 1

Another major form of investment, philanthropy, also sees a staggering disparity. San Fransisco received $4,096 per capita in philanthropic grantmaking between 2010-2014, compared to the $52 per capita in the Rio Grande Valley, $43 in Coal and Low Country, and $41 dollars in Mississippi Delta and the Alabama Black Belt (see Figure 2). Our National Partner, Opportunity Finance Network (OFN), reported similarly, showing that in 2017, bank-borrowed funds for rural CDFIs was 29% of their total borrowed funds, compared to metropolitan CDFIs, where 56% of borrowed funds were from banks.



Source National Committee for Responsive Philanthropy and Grantmakers for Southern Progress. As the South Grows. 2016-2017.
*Analysis for Native Communities was not available in this format.

Figure 2

With the lower philanthropic and bank investment, rural CDFI's and the people they serve rely on federal grants at a higher rate than metropolitan CDFIs and their borrowers to complete their work. With other avenues of capital less accessible, federal funding specific to rural and Native communities and the CDFIs serving these communities are even more critical. In our regions, federal funding is not only mobilizing capital to recipients to "do good work," or to "fill a gap," these dollars translate to real, tangible impact. Each of our regions, Appalachia, the Colonias, the Rural West, the Delta, the South, and Native land have multiple stories you can read to see the tangible impact these dollars have, and how individual people benefit.

Incorporating Statutory Requirements and Administration Priorities

Alignment between Grant Guidance and Underlying Statutes

PRT supports this proposed change. To complete a project related to a community facility, community infrastructure, investing in a small business, or developing a program in response to a direct community need, complex and dynamic capital stacking is often the only option in Rural America. Given that we are working in regions where access to capital is limited, CDFIs utilize federal funding to fill in the gaps to accomplish life changing, and even lifesaving projects. While there are plenty of rural-CDFI staff who are experts in managing these capital stacks, having more alignment between federal grant guidance and underlying statutes would ease this process, freeing up more capacity for these staff to do the work that needs to be done.

Reducing Agency and Recipient Burden

Increasing Thresholds

PRT is in support of increasing thresholds related to audits up to $1m if these audits are made public on a regular basis. It is imperative that the public has a chance to evaluate the audit findings and respond to increase transparency and accountability. PRT is also in support of increasing thresholds for equipment, as productivity results from both the capability of the staff and efficiency of the resources available to staff. We have heard from federal agencies themselves acknowledge the shortcomings of moving federal dollars out because of equipment, to the extent that some staff do everything handwritten to work faster. This is unacceptable to the staffer and to the recipient(s).

Flexibility in Administrative Costs & Requirements, and Capacity Building

PRT and RRAN (Reimagining Rural Assistance Network), a coalition of rural community developers of which PRT is a part of, acknowledge that rural organizations often operate with one or two staff members and leverage a multitude of various resources to complete projects, referred to commonly as capital stacking. When federal grants have restrictions on administrative and capacity building set-asides, i.e., 15% of staff time, the mayor of a small, rural town applying for a federal grant may need half (50%) of their time to apply and fill out the paperwork. In a recent survey of rural county officials, fifty-two percent reported that their governments experience “moderate” or “significant” levels of fiscal stress. Ensuring streamlined application processes with straightforward, accessible, and simple requirements is a must if rural communities to successfully identify, access, secure, and manage federal resources.

PRT is a strong advocate for the 10-20-30 rule, where 10% of every agency, office or federal program has a dedicated set-aside for Persistent Poverty Counties (20% or more of population in poverty for at least 30 years). This idea, supported by multiple senators, aims to incorporate OMB to ensure the formula is properly evaluated and adjusted to federal programs. This rule, if implemented within each agency and federal program, would transform the efficacy of targeted funding and intentional investment results and result in a prosperous rural America.

PRT recommends codifying the Justice40 requirements from the Executive Order 14008 in OMB regulations for all agencies. Justice40 is a whole-of-government effort to deliver at least 40% of benefits from federal investments in climate and clean energy into disadvantaged communities. This has had a strong impact on mobilizing capital to rural regions of persistent poverty. Having each federal program deliver 40% of their benefits to our communities will help address past failed environmental policy and investment decisions and will start to rebuild the communities hit the hardest by climate hazards, low-income communities and communities of color in PRT regions and beyond.

Flexibility in Allocated Completion Time to Disperse Federal Awards

With respect to Native communities living on Federal Trust and Allotted lands, more often than not, during the application process and upon receival of federal capital (loans, grants, etc.), Native non-profits, Native Community Development Financial Institutions, and Native governments must communicate and receive a confirmation to build or construct on federal lands. Due to the significant workload and lack of capacity at the Bureau of Indian Affairs, the process to receive confirmation can take weeks, months, or even years. When federal programs have a two, three or four year required completion period, this lapse in confirmation hinders and deters Native communities from dispersing and utilizing the federal capital. PRT recommends that OMB give ample flexibility to recipients when the lag is on the program side to disperse funds to the intended targeted areas more efficiently and equitably.

Uniform Applications for Funding

PRT and RRAN both support Uniform funding applications to reduce the burden on both the agency and the recipient. This will make applications for persistently poor rural and Native communities more feasible. Rural communities are facing a large, unwieldy, fragmented ecosystem of federal investment capital for community and economic development. A 2020 analysis estimated over 400 programs are open to rural communities for economic and community development, spanning 13 departments, 10 independent agencies, and over 50 offices and sub-agencies. The IIJA, IRA, and CHIPs and Science act have added at least 70 new programs to that array. Developing a common application form usable across programs and departments would constitute a significant step forward in accessibility and usability.

Funding Matches

A main challenge for small, rural communities is that they don't have the ability to track the match, particularly if it is in kind. A lot of our communities rely on volunteers to advance projects but tracking the in-kind match requires a capacity that they lack. Match funds are typically a non-starter for many rural and Native applications. This in turn causes more burden for the agency to try to spend dollars in the intended regions, but also perpetuates poverty and deters potential eligible recipients. If matches cannot be waived for persistently poor and rural communities, including a flexible definition of a cash match would help CDFIs and other stakeholders contribute to the capital stack to push more projects over the finish line.

Emphasis on Metrics & Reporting

The Aspen Institute, a National Partner of PRT and a member of RRAN, has Six Principles and Recommendations for Government for Measuring Success in the Rural and Native National Development. In line with PRT's and RRAN's commitment to advancing rural prosperity, we underscore the importance of conducting a Rural Audit. This audit, overseen by the OMB, would closely examine eligibility criteria, funding formulas, and spending criteria of community and economic development programs. Our objective is to identify and rectify policies that may disadvantage or create barriers for rural areas. We recognize the need for a "rural impact analysis" during the design phase of regulations and programs. This analysis, facilitated by a Task Force on the Geography of Federal Programs, would operate within the OMB's Office of Information and Regulatory Affairs (OIRA) to ensure a comprehensive understanding of geographic implications, and promote a fair allocation of resources. We acknowledge the significant challenges posed by data quality issues and advocate for increased sources and sample sizes, including access to administrative record data, to enable valid and reliable analysis.

Rewriting Application Sections in Plain Language

PRT commends OMB’s efforts in creating more accessible language applications. As stated earlier, PRT recommends a common application form for funding to help federal agencies and applicants streamline mobilizing funding. In this common application form, PRT also recommends the use of plain language and avoiding jargon as much as possible. This aids in ensuring that smaller communities with less staff and resources to put in applications can better understand what the application is asking for. Avoiding verbiage that may be technical, regional, industry-specific, to otherwise exclusionary in nature would greatly benefit our regions in applying for federal dollars.

The Partners for Rural Transformation thank the OMB for the opportunity to share our expertise and knowledge, and we look forward to seeing the final proposed rule with rural and Native persistently poor communities as a priority.

In partnership,

Jim King, CEO of Fahe

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