

**THE IMPORTANCE OF REGIONAL STRATEGIES
IN RURAL ECONOMIC DEVELOPMENT**

JOINT HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY

UNITED STATES SENATE

AND THE

SUBCOMMITTEE ON JOBS,
RURAL ECONOMIC GROWTH
AND ENERGY INNOVATION

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THE IMPORTANCE OF REGIONAL STRATEGIES IN RURAL ECONOMIC DEVELOPMENT

Thursday, May 1, 2014

UNITED STATES SENATE, SUBCOMMITTEE ON JOBS, RURAL
ECONOMIC GROWTH AND ENERGY INNOVATION,
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY,
Washington, DC

The Subcommittee met, pursuant to notice, at 10:01 a.m., in room 328A, Russell Senate Office Building, Hon. Heidi Heitkamp, Chairwoman of the Subcommittee, presiding.

Present: Senators Heitkamp, Brown, Donnelly, Casey, Johanns, and Thune.

STATEMENT OF HON. HEIDI HEITKAMP, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator HEITKAMP. Good morning, and welcome to the first hearing of the Subcommittee on Jobs, Rural Economic Growth and Energy Innovation in the 113th Congress.

I would like to just take a quick moment to give my best wishes and prayers and the support of our Committee members and, really, I am sure the entire Senate to Senator John Boozman, who is recovering from emergency open heart surgery. I look forward to seeing him very soon across the table in the Ag Committee.

We are here to talk about the importance of regional strategies in rural economic development—what has worked to boost economic development in rural communities and what can be done in rural areas to achieve long-term, sustainable economic growth. It is a topic that presents great opportunity for North Dakota and many other States represented here on the panel.

“Regional strategies” may sound vague, but the main point is that they target resources to where they have the most impact locally.

That could mean using resources to modernize a hospital as part of a population retention strategy so it can support more people in a community and state-of-the-art services.

It could mean working with multiple counties and State officials to install high-speed Internet services to support a plan aimed at attracting new businesses.

Or it could mean supporting local nonprofits and businesses by encouraging them to promote job training initiatives that meet the needs of prominent industries in a particular region.

You know, I am a product of a small town in North Dakota. In fact, I love to tell the story that I grew up in a town of 90 people, and my family was one-tenth of the population.

[Laughter.]

Senator HEITKAMP. We certainly understood that the role of those small towns is to support the dominant industry, which is agriculture. But we also know that if we are going to continue to grow and really use every available land resource in our country, we need to diversify rural America.

I think because of my upbringing, I am acutely aware of the economic and growth challenges many rural communities face, low populations, low tax bases, long distances between communities, and rural towns tend to rely more on agricultural production as a main driver of their economic activity, subjecting them to price swings of global markets and exposure to the weather risks inherent in farming.

In order for small communities, like my home town, to continue to survive, it is important that they become connected to the global marketplace and that we continue to build and support our towns. This requires investments in infrastructure such as high-speed Internet and transportation. Equally important, growing small town economies requires careful planning that capitalizes on regional strengths.

The United States Senate Agriculture Committee recognized the importance of these regional strategies by including in the 2014 farm bill new, targeted Federal investments for USDA projects that support long-term regional strategies. Senator Brown, who told me he was coming, in particular, I think, deserves recognition for his leadership in championing the regional language in the farm bill. Through this new approach, the Committee—he was not even here to hear me brag about him.

[Laughter.]

Senator HEITKAMP. Through this new approach, the Committee hopes rural communities target investment to boost economic development by harnessing their strengths.

We need to reinforce the importance of recent economic strides in rural communities and encourage others to do the same. Even though North Dakota has been and continues to be an agriculture State, many of our farmers—in fact, most of the farmers that I know—still get much of their income from off-farm sources. Making investments based on regions' strengths helps everyone.

In North Dakota, we have great examples of regional economic success, whether it is the Jamestown Hospital buildout or whether it is the Dakota College at Bottineau getting help to help mid-sized producers sell locally grown vegetables. There is so much that communities can do working together.

I have to tell you I am particularly excited to hear from Dawn Keeley from Grafton, North Dakota, one of our witnesses today. She has more than 24 years of experience—she does not even look 24, but she has more than 24 years of experience in economic development in our State and was recently named the Executive Director of the Red River Regional Council.

All of us today support our rural communities and want them to grow responsibly. Today we have a chance to hear of excellent examples of how we can do that, learn from the examples across our State, and continue to support rural America.

I now will turn it over to Senator Johanns, our Ranking Member on this Committee, for his opening comments.

**STATEMENT OF HON. MIKE JOHANNNS, U.S. SENATOR FROM
THE STATE OF NEBRASKA**

Senator JOHANNNS. Well, thank you, Madam Chair, for calling this hearing. We are talking about a very important topic today not only to our two States but really across the country.

In Nebraska, all but a handful of our counties are rural, with the nearest metro area oftentimes far away. When I was Governor of our State, I visited all of those counties. I have done that again as a United States Senator. I have witnessed firsthand some real trials, and I have witnessed firsthand some triumphs.

Today we are going to get a chance to hear about Sidney, Nebraska. It is in Cheyenne County, and it is a real rural development success story. Gary Person and his community have made tremendous strides in the Nebraska Panhandle, and I could not be more excited that Gary is here with us today to talk about his community.

As Secretary of Agriculture, I administered USDA Rural Development programs and saw firsthand the challenge of rural development on a national level. It is just simply a very difficult task. Despite decades of work on rural development, we have still seen steady population decline in rural communities across the country. There is no one factor that explains this trend, but most would agree that thriving rural areas are in the best interest of this country, especially in States like ours.

That is why I have made rural development a priority throughout my years of public service. Our communities in Nebraska have so much to offer, small to large, and they contribute greatly to the vibrancy of our great State. It is hard work attracting or growing businesses and jobs anywhere, but that is especially true in our small towns.

It is especially difficult when investors look at you differently because you are from a small community. All too often these communities are written off because the conventional wisdom says that small towns inevitably are losing population as people migrate to the city and, therefore, there is only one path forward for them. I could not disagree more.

The roots of successful development are there in rural communities in Nebraska and across this country. Hard work and determination are a part of it. Rural America is known for these values for a reason, and they are needed to create successful entrepreneurs.

Many rural areas also have an abundance of natural resources. We cannot forget that most rural areas do and will always depend on agriculture as their economic foundation, appropriately so. Livestock production especially is often forgotten in rural development, and sometimes it is even discouraged, even by the rural communities.

In Nebraska, our rural economy has grown as we have increased the number of cattle on feed and ethanol plants. Strong prices across Ag products have helped drive new investments in rural

communities. But we all agree that alone has not stopped the out-migration from rural areas.

So it is clear we need some new approaches. We are here today to talk about one such approach. Regional strategies are efforts by groups of communities to promote their region and its relative strengths. Working together, it is a common value we share.

Too often small towns think that they have to work individually all alone to attract investment and growth. By acting regionally, though, there are opportunities that may do more to promote growth in flourishing communities than limiting investments to the borders of one single town.

We are doing this in Nebraska. Regional economic development groups are working with one another and the State of Nebraska to maximize opportunities. As Governor, I had the pleasure of working with these groups. Now the farm bill we passed earlier this year recognizes this shift by setting aside 10 percent of funds from rural community facilities, utilities, and businesses, and cooperative development categories. These funds are targeted specifically toward multi-jurisdictional projects. It is an effort to offer incentives to communities to work together to find solutions, infrastructure needs, and other economic issues.

In some areas, towns and counties work better than others. That is reality. But maybe this targeted funding will give some fence sitters the push they need to get past those old rivalries and work together within the region.

Still, some rural communities are not content to wait for USDA funds to face the challenges. They have recognized that while funding is a part of the solution, there are issues that also impact their future. While it is generally not in the jurisdiction of this Committee, it would help these towns if the Federal Government would lighten the regulatory burden. Instead, we have seen an onslaught of regulations over the last 5 years that add expense to creating jobs and doing more with our infrastructure dollars. Rural towns and regions often lack the resources to comply.

I think all members of this Committee would agree that agencies should give special attention to impacts on rural areas when considering new regulations. They just oftentimes do not have the resources to deal with that.

So once again, I thank you, Chair Heitkamp, for this hearing, and I thank the panelists for being here. I look forward to the testimonies.

Senator HEITKAMP. I think it is clear that this Committee has been so blessed to not only have a great Senator from a State that we swap back and forth on who is going to be top in wheat and top in a number of our commodities, but he has brought the wisdom of someone who has sat in the chair of the Secretary of Agriculture. I know that I have learned a great deal and always appreciate your comments. Thank you, Senator.

Before we introduce our next panel, I believe Senator Thune, who has joined us, would love to introduce his guest and constituent, Mark Tilsen, CEO of Native American Natural Foods. He is on the second panel, but we wanted to make sure that you had a chance to introduce him.

Senator THUNE. Well, thank you, Madam Chair, and thank you, Ranking Member Johanns. I appreciate very much your holding this hearing today and providing this Subcommittee with an opportunity to hear from leaders in rural America who have established excellent examples of how rural development really should progress. I am pleased that we have with us here today Mr. Mark Tilsen, who is an accomplished businessman and respected member of the South Dakota business community and an enrolled member of the Oglala Sioux Tribe. He is the current president of Native American Natural Foods, which has developed and markets the Tanka Bar, a line of buffalo-and cranberry-based, high-protein, low-carb snacks sold on more than 375 Indian reservations and carried in over 6,000 retail locations in all 50 States.

Mr. Tilsen is a partner at Lakota Express, Inc., which is a direct marketing and customer care management company. In addition to his current work with these organizations, Mr. Tilsen has co-founded a number of community organizations and businesses throughout the region and has led several tribal economic development efforts.

I look forward to Mr. Tilsen offering his firsthand knowledge and experience to the Ag Committee as we consider how to advance economic development strategies in small communities and work with USDA to successfully implement farm bill rural development programs.

Mr. Tilsen is a valued member of the South Dakota business community, and his demonstrated leadership in the economic development world can help the Committee identify areas where we can better provide support to stimulate economic growth in rural areas and Indian reservations. I want to thank Mark for being here today and very much helping inform our thinking and help shape an agenda that would be good for rural America and good for our tribes.

So thanks for taking time from your busy schedule, and thank you, Madam Chairwoman, for inviting Mr. Tilsen and you, Senator Johanns, as well for holding this hearing and what I hope will be a very productive meeting.

I want to point out, this is just for those of you—a little marketing here. This is what Tanka looks like, and very high protein and low fat and healthy. So be sure you look for this when you get out there.

Thank you.

Senator HEITKAMP. Senator Thune, if you could guarantee that everyone would be as fit as you if they ate Tanka Bars—

[Laughter.]

Senator HEITKAMP. You could not keep up with the demand, I am pretty sure.

We have excellent panelists, and in the interest of time, I am going to ask that members' opening statements be submitted for the record. We will recognize Senators based on the order of appearance, and I am going to go ahead and introduce our first panel.

I am pleased to introduce Deputy Under Secretary Doug O'Brien. Mr. O'Brien serves as Deputy Under Secretary for Rural Development at USDA where he is responsible for overseeing policy implementation for the rural development mission area. Prior to his ap-

pointment, Mr. O'Brien served as senior adviser to Secretary Tom Vilsack and Chief of Staff to Deputy Secretary Kathleen Merrigan. Before joining USDA, Mr. O'Brien served as assistant director of the Ohio Department of Agriculture and also served as senior adviser to Iowa Governor Chet Culver; as interim director for the National Agricultural Law Center in Fayetteville, Arkansas; and as a senior staff attorney at Drake Agricultural Law Center in Des Moines, Iowa. He is a former counsel for the U.S. Senate Agriculture Committee where he worked on the 2002 farm bill, and he was raised on a diversified farm in Iowa, so he knows of where he comes.

Welcome Mr. O'Brien. If you could keep your comments to 5 minutes, and then we will go into questions.

STATEMENT OF DOUG O'BRIEN, DEPUTY UNDER SECRETARY FOR RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr O'BRIEN. Absolutely. Thank you. Chairwoman Heitkamp, Ranking Member Johanns, Senator Thune, it is a pleasure to join you today to discuss rural development's use of regional strategies in economic development.

Strong rural communities are the key to a stronger America. To build stronger economies, it is vital that rural places create regional strategies to remain competitive.

Rural America sees historic opportunities because of its unique assets, but it also faces historic challenges. The potential in rural America is vast. The bioeconomy, renewable energy, rural manufacturing, local and regional food systems, and, of course, production agriculture provide new markets and expand the potential for economic growth to spur the Nation's economy. Yet USDA data indicates that the recent economic recession has resulted in the highest rural poverty rates in rural America since the mid-1980s. The USDA's report, "Rural America at a Glance," points to stalled job growth in non-metro counties, an increase in poverty—particularly among children—and a declining population. This combination of challenges and opportunities demands innovative approaches from the Federal Government such as support for regional strategies.

While USDA has worked to support regional rural strategies in recent years, we are excited that Congress provided for a regional authority in the 2014 farm bill. This authority establishes a priority to fund projects that are part of long-term community and economic growth strategies in rural places. Implementation of this new authority will help us continue to better leverage resources and coordinate programs so that USDA can more effectively support rural places that work collaboratively.

This is the right approach. Extensive studies from entities such as the Organization for Economic Cooperation and Development show investments aligned to regional strategies can yield better results. Their recommendations to policymakers include: investment in less economically developed regions; a use of pro-growth strategies based on regional assets; the implementation of education and training for low-skilled workers; coordination of infrastructure investment with other development strategies; and a focus on institutions that facilitate collaboration and communication.

One key way that rural development has been able to better support regional strategies is with its involvement with the White House Rural Council. This collaboration helped develop things such as the Rural Jobs and Innovation Accelerator Challenge, which leverages existing financial resources and technical assistance from various Federal agencies to strengthen regional industry and accelerate economic growth.

For example, in Louisiana, the I-20 Corridor Regional Accelerator will integrate the community capacity building of Winrock's Capacity Assistance for the Regional Economy program with business and economic development led by Louisiana Tech University.

In another example, Rural Development's Stronger Economies Together program, launched with land grant university partners and the regional rural development centers, enables rural communities and counties to work together to implement multi-county economic blueprints to build on a region's current and emerging strengths.

North Carolina's Sandhills Stronger Economies Together planning effort will support agriculture business in the region through training and marketing, business planning, alternative business structures, succession planning, and the creation of a food hub.

Rural Development's history of funding infrastructure has also produced an array of benefits for rural regions. Since 1938, Douglas Electric Cooperative has delivered electricity to customers in southwest Oregon. Concerns over lost economic development led the utility to establish Douglas Fast Net and provide broadband to the region. The result is better education and training, a stronger economy, and a 21st century business environment.

Leveraging Federal resources to strengthen regional economic development efforts is an agency best practice, and in a recent effort, the Federal Government's Promise Zones Initiative coordinated partnerships for investments in high-poverty urban and rural and tribal communities to create jobs and increase economic activity. For instance, Kentucky's Promise Zone road map will reduce contamination in major watersheds, help portions of the region maintain access to quality health care, and expand a food program to low-income residents and multifamily housing complexes to boost economies in this eight-county region.

Initiatives such as these are integral to developing an array of innovative tools to help all regions grow. USDA and Rural Development will continue to build on these successes and help rural communities grow sustainable economies.

I appreciate the opportunity to testify today before members of the Subcommittee. Thank you for your support of Rural Development programs, and I am happy to answer your questions at this time.

[The prepared statement of Mr. O'Brien can be found on page 57 in the appendix.]

Senator HEITKAMP. Thank you so much, Mr. O'Brien.

I am going to start out just kind of with a broad question, which is: How developed is the capacity for regional strategic planning in rural America today?

Mr O'BRIEN. Well, that is a great question, Madam Chair, and I think that the answer has to be it really does vary over geog-

raphy. In my experience, there is not one particular thing that suggests that a place will have more capacity to do regional development. We see regional development in areas of greater need. For instance, in the Promise Zone and the region of southeastern Kentucky that Mr. Fluharty will talk about later, as well as advanced regional economic development efforts in North Dakota or Nebraska, some places with greater resources, some without.

There are, I think, people in nearly every place across the United States who now know about this best economic development practice. Part of the reason we are so excited about the regional provision in the new farm bill, as Senator Johanns talked about is—I think it really will make a difference in terms of some of those community leaders, county commissioners, mayors, even the private business sector, who have thought about going through some of this extra effort.

It is not easy work, regional economic development. It means collaboration. It means time away from some of the other priorities that these different entities have. But we know the results are real. The extra motivation provided by the priority and the set-aside, I really do think, will make a big difference in the long run.

Senator HEITKAMP. Because I have to tell you, I have seen that culture change in North Dakota, even where you see the largest cities doing outreach, realizing that if we can get a biodiesel plant in Velva, that benefits Minot, and so Minot is supporting that kind of effort.

I wanted to turn to the farm bill just quickly. In the farm bill, obviously, we included the first of its kind set-aside for projects like this. Can you explain how USDA plans to implement our regional language, whether applications in the current fiscal year will benefit? Are you going to have to do rulemaking? If so, where are you at with that?

Mr O'BRIEN. Yes, thank you for that question. You know, Secretary Vilsack—

Senator HEITKAMP. I should ask you a question you do not want me to thank you for.

[Laughter.]

Mr O'BRIEN. Oh, okay. I always thank you. I thank you just for being—

Senator HEITKAMP. I always feel like I am not doing my job if people like my questions. That is the prosecutor in me.

[Laughter.]

Mr O'BRIEN. It is okay. I appreciate the opportunity to talk about the implementation of the regional provision in the 2014 farm bill. Secretary Vilsack, when he came in the department understood the value of regional approaches as a former small town mayor, State Senator, and, of course, Governor. So he is very much supportive of implementing the section as quickly as possible.

We have spent a good bit of time in the last 2 months across the Department on all of our farm bill implementation. We have seen good success through disaster assistance and in rural development. We have already been able to obligate the dollars for the water programs.

We will need to promulgate a rule to fully implement Section 6025. We have begun that process already. We will not be able to

fully implement until the 2015 fiscal year. But during 2014, because you and Congress were so clear in the intent, we are examining our programs, particularly those identified in the farm bill, and looking at our current authority and our current discretion, whether it is points with the State director or the administrator, and implementing the intent to the greatest degree possible with the authority we currently have under regulation.

Senator HEITKAMP. Well, I have additional questions, but I am going to turn to Ranking Member Johanns for additional questions he has. Then if Senator Thune still has some time, we will go to him. And, Senator Brown, welcome.

Senator JOHANNNS. Madam Chair, thank you.

If I might just offer a thought to follow up on the Chair's questions, because I believe this is really, really important to keep in mind as this is being implemented, it would be terribly unfortunate if 5 years from now, when we are looking at the next farm bill, if we looked back and saw that this regional concept resulted in the region developing a situation where 90 percent of the economic benefits from this program went to the biggest town in the region, if you know what I am saying, and the other 10 percent was sprinkled around in the other small towns, say to us. We do not see that we got a benefit out of this, and we do not think it did much regionally. I think that is what we are trying to get at, is this notion that truly everybody has got to be in this together in the region. That is what we are driving at. The key issue will be how you implement this.

How are you going to deal with that phenomenon? How are you going to make sure that the small town, maybe the town of 900 or 90 or whatever, is actually paid attention to when there is maybe an area in that region where you have a larger community that is doing a lot of right things right now today? How do you deal with that?

Mr O'BRIEN. Well, that is an excellent question, and certainly a concern of ours and many of the stakeholders. I think one thing to note is that even with the 10-percent set-aside, even when we apply the new preference, the other requirements and preferences within law still apply.

So for instance, in our water and wastewater program, there are particularly preferences for towns of under 2,500, under 5,000, then, of course, under 10,000. Those will still apply in the metric.

We also have in many of our programs, including at least most of the four programs delineated in the regional provision, preference for areas of greater need. Those will still apply.

So in terms of a watershed movement of dollars into the bigger places, into the places of maybe greater resources, I think current law already protects that, and we will certainly implement.

To your point, I have seen both in this country and I have had the opportunity to work with OECD on regional rural strategies. I have seen a number of approaches where smaller places, I certainly do have a voice. I think more and more, whether you are talking about small towns of 7,000 being the county seat that is sort of the powerhouse, or a micropolitan of 70,000 that is kind of the powerhouse, I think a lot of the economic development practitioners realize that it is not in the interest of that bigger town to kind of domi-

nate that regional conversation. There are assets, there are people in those smaller towns where that workforce will be needed for the region. There are natural assets whether it is based on agriculture or forestry or otherwise.

So, I think that we will certainly encourage that in terms of just our community economic development practitioner, but it is a concern that we will continue to keep in mind, and I appreciate that comment.

Senator JOHANNIS. I mentioned in my opening comments the whole issue of regulation and the challenges that presents to communities. Mr. Person is here today. We have worked on these issues together when I was Governor and since I have been in the United States Senate. Sometimes the regulatory requirements to build that road or to do whatever are just so incredibly onerous for a small town. They see their very precious resources being burned up.

How do we deal with that? How can USDA in your judgment, maybe with a boost from a regional standpoint, help our small communities deal with that issue and get on top of that issue?

Mr O'BRIEN. I think actually the encouragement and the proliferation of regional approaches will help address that real concern of the need to have the capacity to address application requirements and regulatory requirements.

As a member of an agency that has application requirements, we have a responsibility--and, in fact, we appreciated the encouragement and the direction in the farm bill--to streamline our regulations and our application systems, and we are working through that and appreciate it, because we had planned to do that anyway.

On the other side of the table, the applicants, the communities, by encouraging them to work together, they can get to a scale so that they can make sure that they have the right type of engineer or architect or planner that can really make the difference to make sure that the project, whether it is a hospital in Jamestown or a four-county regional water system in Arkansas, to make sure that it is truly done right and that it can sustain and serve the people of those communities.

Senator JOHANNIS. Thank you, Madam Chair.

Senator HEITKAMP. Senator Brown.

Senator BROWN. Thank you, Madam Chair, and I appreciate your work on this issue, the work that--some of this work started from a Committee hearing we held a couple of years ago here--Mr. Fluharty was there, another Ohioan was there, and Mr. O'Brien is kind of an honorary Ohioan with the work he has done there, thank you for that--and developed into an amendment that helped us do more forward thinking regional strategies, and I am grateful to Chairwoman Heitkamp for helping to move that forward. We have seen that have an impact in my State, in Athens, in Wilmington, and in Somerset and in Chester Hill, and thank you for that.

My questions are on a couple of issues I want to pursue, Mr. O'Brien. Most of rural Ohio, and especially rural Appalachian Ohio, are people not engaged in agriculture, obviously. How does rural development reach them to sort of figure out how to do these sort of regional programs? How do you find them? How do you commu-

nicate with them? How do you reach them? One of the most challenging places in America, I remember at a veterans hearing sometime ago, we were talking about the challenge that veterans, when they come back to Appalachia, are the sort of least likely to want to check into a local veterans service organization or office or the VSOs to even look at what benefits they might be eligible for. So how do you reach especially in Appalachian Ohio, or Appalachia—any one of these States in that kind of rural America?

Mr O'BRIEN. Well, thank you for that question, Senator. As you know, I am familiar with that footprint, both in my former job with the Ohio Department of Agriculture and now in my work at Rural Development. I think Appalachian Ohio is an excellent example of how Rural Development needs to tailor its approach to the reality of the place. Athens, at University Town, actually has quite a bit of capacity and is really leading a rural angel investor type of effort as well as small business incubation group.

Our job in a place like Athens and the surrounding 20, 30, 40 miles is to plug in support, because there are some folks there, who know how to get to us. They know how to get to the small business development centers outside of their region, and it is maybe like a lot of other more remote or lower-resource areas rural areas across the country. I think we have more of a responsibility to help lead and provide capacity to those places to make sure that they can access Rural Development as well as Farm Service Agency, Natural Resource Conservation, and other USDA programs.

The way that we have done it in Ohio and other places is to identify key local partners. In Ohio, it is the Appalachian Regional Foundation we have worked with, providing more than one grant to make sure that they are helping small communities build wealth in those places. Rural Development is also in the process of looking at other strategies to help build community economic development. In the 2015 budget, in the President's budget for rural development, we propose to create a very small group, perhaps 50 people, to look at building a pilot of a mobile 21st century workforce that can help areas, particularly areas of greater need to have the capacity to build sustainable plans and to access resources, not Federal or State, but private resources.

Senator BROWN. You have noticed from your time in our State and you have seen this all over the country, when an industrial plant closes in a small town, and there are many of them I think throughout Indiana, Ohio, all over, that may pay \$12 to \$15 an hour—they are not the \$20 or \$25 an hour union jobs, but they are decent wages. So often a husband and wife work at the same place, a small plant. If a plant like that closes, as we have seen throughout my State and much of the Midwest and other places, the whole family income—the whole family is turned upside down because the whole family income is lost. We had some provisions in the farm bill on bio-based manufacturing. What do we do there? How do we plug that in, what that does for rural America, obviously, with bio-based manufacturing and what it can do to build a manufacturing base in small town Midwest?

Mr O'BRIEN. In particularly, the opportunity around bio-based manufacturing puts rural places at a competitive advantage in this new and emerging subsector in the industrial sector. The stuff that

we grow, that our farmers grow, or that is grown in our forests in the United States, could be made into high-value products, whether it be plastics or resins or asphalt.

What we can do at Rural Development is leverage the expertise and the knowledge that we have about rural America. We have over 400 offices throughout the United States. We have over 3,800 people that work in the field that know more than any other member of the Federal family about the opportunities and the needs of those rural places. These days a lot of those opportunities, are bio-based.

We think our responsibility is to support those local businesses and those local regional strategies that are created from the grass roots and support them through our financing.

Also, I think USDA Rural Development has the opportunity to bring in other Federal partners, such as the Small Business Administration, or the Economic Development Administration, who, while have all intention to work in rural, simply do not have the footprint that we do. We do that through the White House Rural Council. We do that through our connections through our State offices.

Senator BROWN. Thank you, Madam Chair.

Senator HEITKAMP. Thank you.

Senator Donnelly?

Senator DONNELLY. Thank you, Madam Chair.

Mr. O'Brien, thank you for being here. In regards to the USDA's outreach and assistance, I was wondering if you could talk a little bit about the resources you have available to help rural communities close the skills gap so that businesses can find enough trained people to locate their facilities in these communities.

Mr O'BRIEN. Senator, thank you for that question. The workforce development issues are some of the most critical in rural places. A report that I cited in my testimony actually cites workforce development investments many times in rural places are those that will get the greatest return as long as that investment is tied to a larger, more comprehensive regional economic development strategy.

Within our programs at USDA Rural Development, one particular program, the business grant program, known before the 2014 farm bills the rural business entrepreneur grant program, as well as two other grant programs that we have, can provide resources to intermediaries that have as part of their strategy to do workforce development.

Within the Federal family, I have learned over time that certainly the Department of Labor really has the real resources for workforce development. Also, part of what we have done at Rural Development in the last 4 or 5 years is work much more closely with community colleges. I have found that in many places community colleges, may be the only anchor institution in a rural region that have the capacity to plan and to work with all the different types of entities that are key for a successful strategy. Obviously, their bread and butter is workforce development.

I was in western Tennessee about 3 weeks ago, in Dyersburg Tennessee, and saw a fantastic partnership between the community college there and ten small manufacturers with very tailored classes in workforce development to support the jobs to keep the

people who want to stay in that rural place. We do have some resources and we draw on other Federal resources to support that kind of effort.

Senator DONNELLY. The follow-up, the other key to a lot of this economic development then becomes, okay, we need to have the skills, we need to have the skilled people. Then you look and you go, Do we have the infrastructure to be competitive?

Mr O'BRIEN. Right.

Senator DONNELLY. I was wondering, in regards to the USDA, what are you doing in terms of some of our rural communities to help them put together a comprehensive infrastructure plan so that, okay, a business is willing to take a look, we may have enough skilled people here, but access to market and other infrastructure for the community?

Mr O'BRIEN. That infrastructure plan is key to a small town such as Boley, Oklahoma, where I was last week. It's a small town of 1,100, a very low resource place with deep infrastructure needs. We have been able to help them invest in their water and wastewater infrastructure, but they had not updated their plans I think for at least a decade, if not decades for infrastructure. They had the exact same question you posed.

We have some resources at USDA Rural Development, but I do need to be candid that over the last 4 or 5 years, our grant dollars have diminished, as have a lot of grant dollars across the Federal Government.

I certainly have seen small towns and regions that have been able to put together and leverage dollars, whether that is with their regional planning organization, a COG or an ADD, or whatever it is in that place, with the county and with others to craft those strategies.

I think the new farm bill provision provides that incentive to make sure that towns make those plans so the taxpayer dollars that you provide USDA can go farther and make the biggest impact in rural places.

Senator DONNELLY. One of the things I worry about is losing our young people in a lot of our rural communities, and it is jobs, it is quality of life, it is the chance to have them trained with appropriate skills, to have the infrastructure in the town or community to encourage good jobs to come. But losing the young people, it almost creates a spiral that starts. After skills and after infrastructure, what are the other things that you look at and say here are the kind of elements that are critical to keeping people at home and having them build their future right here?

Mr O'BRIEN. Well, I think the most important element these days is making sure that high-speed broadband is available in rural places. The National Telecom Association has a great report on how the majority of people who grew up in a rural place and this is not going to be a surprise to any of you, but they want to stay in that rural place if they can. They asked about different types of amenities, and right at the top of the list was they simply need to have access to high-speed broadband.

USDA has important programs that have enabled us to push broadband out in areas, particularly with some of the Recovery Act

funding, but there is still work to do, and we work closely with our sister agencies to do that.

I think another thing that people do not talk about as much—and a lot of this can be highlighted in some of the regional strategies—is realizing the cultural and the recreation assets in rural places. Young people more and more actually value the opportunity to ski or snowmobile or hike or fish or hunt. More and more people in urban areas with discretionary income are spending dollars on activities like that.

One of the basic tenets of a lot of the regional strategies is look at the assets you have, focusing on those recreational and natural assets, lifting them up with some relatively low investments—it might be in a bike trail, it might be in a music festival. But it is that extra little bit that will make that mid-level manager for a manufacturer consider living there. I hear a lot about that can be the hardest part for a small manufacturer with 20 or 30 jobs, and they are trying to find that person who is kind of that mid-manager to run the place. They have a hard time getting that family to come to that rural place and stay in that rural place.

There are great things happening in rural America. We know there is a great quality of life and it is lifting it up, and there may be a few key investments to make it an even better place.

Senator DONNELLY. Thank you so much.

Thank you, Madam Chair.

Senator HEITKAMP. Thank you.

Senator CASEY, any questions?

Senator CASEY. Madam Chair, thank you very much.

I was telling the Chairwoman recently I have been wanting to actually be at a hearing where she was chairing, and this is wonderful to see you in that position. I do not have a camera—

Senator HEITKAMP. It is a long story, everyone.

[Laughter.]

Senator CASEY. I do have a phone that has a camera, but I will not take a picture. But this is a great—

Senator DONNELLY. I would also like to add how impressed we are by your nameplate, Madam Chairwoman.

Senator CASEY. That is right.

Senator HEITKAMP. See what I have to put up with? I just want to point that out.

Senator CASEY. But thanks for having this hearing. I know I was late and missed a lot of the hearing, so I will be respectful of both time and substance.

But I wanted to ask one question with regard to—and I know that these are kind of fundamental questions for dealing with constituents and their questions that they have, but kind of the terms of art here, the multi-jurisdictional strategic community plan, how do you—when a constituent says to me, “What does that mean? How does USDA determine what constitutes that?” How do you answer that? Maybe the same question as it relates to the economic development plan.

Mr O'BRIEN. First, I should state something I had an opportunity to state earlier, that in implementing this section, Section 6025, we have determined that we will need to promulgate a rule, so the two

questions—the way we answer those will be in the regulation. I think I can provide some initial reaction.

On the multi-jurisdictional strategy the choice is there. I think the basic choices will be whether we look at that as a number of towns that perhaps are within a county of course, as in Pennsylvania, towns, townships—or is it multi-county.

At least two of our initiatives at USDA are focusing on regional where we have looked for multi-county to try and make sure that we get that type of footprint. But, actually one of the good questions is, does it necessarily need to be multi-county? As you move west, counties get really big, and we certainly have heard from people that sometimes that is not appropriate, and we have made some exceptions.

So we will make that determination. It is an important question, and we will certainly look forward to working with this Committee to make sure that we get it right.

As to the second question on economic development strategy, I think that and, we again will have to do that in regulation, there is a spectrum of the sophistication of these strategies, everything from a very well done community economic development strategy that EDA puts out as a framework to a smaller group of folks that collaborate together to look around a particular opportunity.

My first take is that we go towards the less formal. Also in the statute, it does indicate that there are a couple other really important points—that there be broad-based collaboration. I think that is a real key. You need to have the public sector, the private sector, and in a best-case scenario, the nonprofit sector at the table. You need to have the leaders, whether it is the different towns or the different communities at the table as it is created.

I think if you have that, if the people are honestly looking at the assets there, which is also in the statute, and they have metrics for success, then I think you have a recipe for a good economic development strategy that is based on the vision of the people in that place.

Senator CASEY. Well, I will tell you—and I will wrap up, but, first of all, I want to thank you for your public service and your work on these particular matters. But when I consider what we face in Pennsylvania—the Chairwoman knows something about our State—we are not usually considered a big rural State. But because we have such a big population, we have got literally millions of people that live in rural areas and a lot of counties that are full of a lot of small towns, and a lot of them in rural America. It is interesting. When I look at the economic trauma that people have lived through, some of the highest unemployment numbers in the last couple of years have been some of my home area of north-eastern Pennsylvania, where we have fairly big cities; Philadelphia has been high; but other than those metropolitan areas, the highest unemployment has been in small towns and a lot of rural areas, whole counties devastated, some rescued in a sense by natural gas, but some one or two counties away that have not seen that.

So all of these strategies that lead to better results by way of rural development, economic development, regional approaches are going to be vitally important to help people dig out of that difficult circumstance.

Because I want to make sure the Chairwoman does not get mad at me, I have 13 second left, and I am going to cede that time to someone else.

[Laughter.]

Senator CASEY. Thank you, Madam Chair.

Senator HEITKAMP. Thank you, Senator Casey.

Senator Brown was not here earlier to hear my praise for setting this in motion. I think you can see from the questions this is just the beginning of our discussion with USDA on regional development. There is a lot of concern and a lot of interest in how this program gets implemented, and I want to thank you, Mr. O'Brien, for being a national leader, and I want to thank you for your service. You have a lot on your shoulders when you look at the challenges ahead for rural America.

Mr O'BRIEN. Thank you for having me.

Senator HEITKAMP. Thank you.

We are going to go ahead and call up the next panel. I want to warn everyone. I understand that we are going to receive a—we are going to have to vote at 11:15, and so we are kind of working through those issues. We are hoping we can get through opening statements before we run off and vote, and then come back and probably do some questions and answers. So we will go ahead and call up the next panel.

[Pause.]

Senator HEITKAMP. Welcome, everyone, and thanks for joining us today. I think we are all looking forward to your testimony.

Again, just as a reminder, your testimony should not be any longer than 5 minutes so that we have more time for questions and answers.

I am going to start with one of my introductions, and then we will be switching back and forth, Ranking Member Johanns and myself.

I want to tell you how pleased I am to see Dawn Keeley, executive director of the Red River Regional Council in Grafton, North Dakota, which is a town north of Grand Forks. Dawn has over 23 years of community and economic development experience, serving as the executive director of the Red River Regional Council, a multi-county regional council located in northeastern North Dakota, assisting local government in economic and community development, disaster recovery, housing development, and rehabilitation and strategic planning.

She has been heavily involved in all aspects of rural development in her community and in her region. She and her husband, John, and their beautiful children have a farm north of Grafton that I have been fortunate enough to be a guest at. You certainly are among the best of rural development leaders all across the country, and I thank you so much for attending.

Secretary—why do I always call you “Secretary”?

Senator Johanns will introduce Mr. Person.

Senator JOHANNNS. Gary Person is from Sidney, Nebraska, is city manager, has been in that capacity for years. He grew up on a small farm and a ranch on the Wyoming-Nebraska border, graduated from the University of Nebraska at Kearney, in western Nebraska. Gary manages a \$31 million annual budget, 81 full-time

and 30 part-time employees, and oversees and manages 13 city departments.

I could tell you from personal experience Gary has provided inspired leadership and energetic ideas to transform a community—a community that is a real success story really throughout the Midwest. His unwavering belief in the goodness and strength of rural America, specifically rural Nebraska, helped lay the groundwork for what has become a booming economy in that part of the State.

Gary, I look forward to hearing your thoughts. I thank you for being here today, and to all of our other panelists, let me say also welcome.

Senator HEITKAMP. Our third panelist, Mr. Tilsen, has been very ably introduced by our Senator from South Dakota, but I want to welcome him personally. He is the president of Native American Natural Foods. He has more than 25 years of experience in non-profit fundraising, marketing, community development, and 18 years in special event marketing and production, obviously received a tremendous number of awards, but I want to personally tell you I took your bars on a long hike in Peru and shared them with a lot of people who thought they were pretty darn good. I think that your efforts and your products are well known all across—within that outdoors community, and congratulations on the many awards your products have received.

Our final panelist is Chuck Fluharty. He is the founder and president of Rural Policy Research Institute. He is widely recognized as an expert on regional strategies in rural economic development and has been involved in numerous regional planning efforts throughout our country. It is the only national policy institute in the United States of America solely dedicated to assisting rural impacts and looking at public policy and rural communities. This comprehensive approach to rural policy analysis involves faculty from founding member institutes at Iowa State, the University of Missouri, the University of Nebraska as well as researchers, policy analysts, practitioners from other universities, research institutions, governments, and non-governmental organizations.

Dawn, we will begin with you. Do you want to begin your testimony now?

STATEMENT OF DAWN KEELEY, EXECUTIVE DIRECTOR, RED RIVER REGIONAL COUNCIL, GRAFTON, NORTH DAKOTA

Ms. KEELEY. Thank you very much.

Senator HEITKAMP. Press the button.

Ms. KEELEY. Chairwoman Heidi Heitkamp, Ranking Member Johanns, and members of the Subcommittee, I very much appreciate the opportunity to be here today and discuss the importance of regional development strategies. As Senator Heitkamp said, I am the executive director of the Red River Regional Council. I have been part of this organization since about 1993. I took a 5-year hiatus and went to work for a private engineering firm, and in that experience I was highly involved in the oil patch in North Dakota and dealing with regional strategies in western North Dakota to address rapid growth issues, which is the flip side of much of what we have historically dealt with.

We serve to unite and collaborate with all of the cities in our region, and I am currently under the development of our Regional Economic Development Strategy, so I have been holding those meetings locally in the last few weeks and months and to try to figure out what our regional strategy is and updating that. I have gotten very impressive engagement and involvement in those discussions.

The things I really want to talk about today, I want to bring up three key points that I think are very important as it relates to regional strategies and what will make that happen well in our—as a practitioner and amongst my colleagues here.

The first one is leverage. I like to say that “leverage” is our middle name in rural America. We have to leverage on every front on all days—leverage in our volunteer base, leverage with our communities and our partners. I jest that our private and public sector partners are our Capital SWAT Team, capital with an “A.”

When I have a really great project that I need to bring forward, I call in the SWAT Team, and they show up, and we get the job done. I have been very impressed by that. I think we have a very can-do spirit amongst our economic development personnel and leaders in North Dakota, our State and Federal leaders.

So our tagline is “Moving Ideas to Actions,” so I am all about action. I want to get things done. That requires leveraging and having strong partnerships with all the parties involved.

The regional council is one of those local partners that the Under Secretary referenced as well. We manage multiple Federal grants. We currently have at least seven contracts in place with different Federal agencies, either directly or indirectly.

Maintaining the program funding for some of these Federal relationships is very important to our agency. Without that funding—we have a small staff of six people, and without these key funding elements, we would not even be able to maintain our staff.

The second key foundation is really the ability to integrate programs. We talk about leverage. We need to also be able to integrate programs. Amongst our staff, we have staff that have to have expertise in multiple areas and are funded in multiple ways. So we are always integrating our programs and trying to be innovative in our approaches on how we can even explain to our State and Federal partners how we can make this all work better together.

One of the difficult parts of some of the leverage and program integration that we do is the requirement of the Federal approved indirect cost plan, and for a small agency such as ours to develop the cost plan and regularly update it on an annual basis, it does become an issue. So there are occasions where many of the Federal programs require one-to-one match, which can be a struggle to meet the match requirements. But we also then—if we do not have that federally approved in direct rate, then we are further subsidizing those programs with about another 20 to 25 percent of our humble office setting requirements.

So the SBA does have a policy where they have an indirect rate that they have provided through the agency, so we can recommend that be considered for most of the Federal programs on the smaller award.

The last piece is really about strong, vibrant rural communities, and I see I am running low on time, so I will try to hit some hot spots here. But the agriculture is very important in rural North Dakota. It is 25 percent of our employment base as well as 25 percent of our economic base.

Since 1940, 30 of our 53 rural communities have had 70 years of declined population. So I would like to say I really have given this a lot of thought, and I really think that the efficiencies gained in the farm economy have also led to the demise of our small rural communities. So while the farm has grown, the communities have shrunk. I am looking at my children and wondering how I am going to be able to keep my children interested in staying in this rural community.

Also, the ability of tech—farms have become very high tech. These high-tech farms cannot be supported by low-tech, low-amenity communities. In our regional planning efforts today, we are losing 30 percent of that age group. We have lost—between the ages of 0 to 44, we have lost 30 percent in the last decade alone. So we have some real struggles and challenges.

I would like to put a plug real quick that today we are inspiring youth entrepreneurship, and as I speak, there are 600 kids gathered in the school district in Grafton talking about youth entrepreneurship all day long. So this is hopefully one of our first building blocks to move forward and inspiring our youth to use their technology skills to build these communities.

Thank you.

[The prepared statement of Ms. Keeley can be found on page 44 in the appendix.]

Senator HEITKAMP. Thanks, Dawn.

Mr. Person?

**STATEMENT OF GARY PERSON, CITY MANAGER, CITY OF
SIDNEY, NEBRASKA, CHEYENNE COUNTY**

Mr. PERSON. Thank you, Chairwoman Heitkamp, Ranking Member and our favorite son from Nebraska, Senator Johanns, and other members of the Committee. It is an honor to be here.

Though I come before you with the title of city manager, I am still about as grassroots country boy as it gets. I have spent my adult life trying to find the keys to sustainability and meeting the challenges a rural community faces in America's heartland.

I am the first generation on both sides of my family that no longer is involved in farming or ranching. The farming and ranching way of life we grew up with has practically disappeared from today's landscape, but the preservation of rural lifestyles and values is still critically important for America's future well-being.

In Nebraska, 80 of our 93 counties are considered non-metro. It amazes me in those 80 rural counties there was more population in the 1890 census than in the 2010 census, and only six have shown population growth since 1950.

Rural communities all across America have struggled to survive as their way of life has changed just as dramatically. Drive down any of their main streets. Your eyes will tell you everything. Take a leisurely drive on a country road, and abandoned farmsteads far outnumber those inhabited. The average age of the population has

nearly reached senior citizen status. Most rural communities will not and simply cannot survive if they have not diversified the agriculture revenue stream that is their primary economy.

Today I share a story about one community that found new ways of sustainability, economic diversification, and completely re-invented itself over the past 40 years. It is not a suburb that pretends it is a small community, as it is 100 miles from any population base and 350 miles from the State capital.

Our community was thriving in the 1940s and 1950s, but its primary payrolls were dominated by the Federal Government and Mother Nature. You simply cannot control either one as a small rural community.

By 1970, most of those jobs disappeared, and farming and ranching was about to head into the 1980s crisis mode. The population declined 45 consecutive years, the economy tanked, and the public infrastructure started to erode away.

In the most recent 25 years, four times we have taken economic development initiatives to a vote of the people, and each time the citizens overwhelmingly voted to rebuild their own future, not depend on someone else to do it for them.

We educated ourselves on Federal and State revitalization programs that would give us a hand up, not a handout. We did it with homegrown entrepreneurs like the Cabela's family with its national outfitter reputation and our own knack for recruiting other employers across the country looking to expand into a rural lifestyle.

Even into the 1990s, agriculture has always been the largest industry earner in our local economy. Today it ranks as our 7th leading industry earner.

We have tripled that local economy and valuation base over the last 20 years. We have more jobs per capita than almost any community in America. Every one of our employers needs more workers. We have another \$300 million of new projects on the ground and moving forward this spring. Our most significant challenge is building affordable workforce housing.

Today's new generation is not pulled by the rural emotional heartstrings like those of us who grew up in rural America. They will, however, come back for good jobs, quality of life, and a safe place to raise their families. Our employers have proven it.

I am sharing several statistics provided by the Public Affairs Research Center from the University of Nebraska, Omaha, illustrating the rural outmigration of our State where 75 percent of our 93 counties lost population again just this past decade. I have also provided key excerpts from our 2012 city comprehensive plan on how we have bucked that trend and diversified our economy.

Some of the suggestions I mention in the written testimony I realize you have no control over in this Subcommittee, but I sense what you are all about is the general awareness and future well-being of rural America. There are ways you can influence those outcomes in arenas beyond this Committee with a shift in policy and elimination of bureaucracy.

One of the key advantages rural America had a generation ago was its low cost of utilities and housing. The same is not true today. Our small community has had to endure \$20 million of mandated public infrastructure projects primarily brought on by the in-

creased environmental regulations dealing with water, wastewater, landfill, electrical generation sources, emission standards, and others. Combined with new banking regulations, it will put many small communities out of business and lock the door for any hope of a future rural renaissance.

Regional emphasis is critically important, but it is going to take incentivizing communities and counties to work together to have the impact we must have to achieve consolidation, break down longstanding barriers, and begin to work on regional strategies. USDA programs are critically important to help us balance this ever growing regulatory world with low-interest, long-term financing and guaranteed loans for projects in the public and private sectors. We also need more flexibility within those programs on income standards.

I believe, like you do, that rural America still matters. We just need to have Americans rediscover this opportunity and way of life once again.

Thank you for your dedicated service to our country.

[The prepared statement of Mr. Person can be found on page 62 in the appendix.]

Senator HEITKAMP. Thank you, Mr. Person.

Mr. Tilsen?

**STATEMENT OF MARK TILSEN, PRESIDENT AND CO-FOUNDER,
NATIVE AMERICAN NATURAL FOODS, KYLE, SOUTH DAKOTA**

Mr. TILSEN. I would like to thank Senator Thune for that rather gracious introduction. I only want to make one correction. I am not a tribal member. I am a new guy there. All my kids and grandchildren are tribal members, but I have only been there for 40 years.

I would also like to thank Chairwoman Heitkamp and other distinguished members of the Committee.

I am here today as the co-founder and president of Native American Natural Foods. I have worked on and around the Pine Ridge Reservation for about 30 years. Pine Ridge is well known as one of the poorest places in America where the unemployment rate has never been lower than 65 percent.

This 30-plus years of work has given me a firsthand knowledge of the impact of our Federal Government's economic development programs in Indian country that I will try to share with you today.

As the father of three children who are members of the tribe and six grandchildren, it is their future that motivates me and whose interests I represent here today.

I am also a social entrepreneur who believes that at this critical time in history, we must and can build sustainable, just economies that preserve our air, water, and land. I know that each and every business decision we make has to focus on what is best for the greater good, for your grandchildren, yours and mine alike. As social entrepreneurs, we look at business as a tool to address social needs. We operate on more than just the financial bottom line, and we listen to the market for opportunity to create change.

This is why my business partner, Karlene Hunter, and I launched Native American Natural Foods. We created a national brand in the middle of a food desert in one of the most geographi-

cally, economically isolated places in America—on the Pine Ridge Indian Reservation. We did this with purpose and intention. We understood the social problems, the poverty, and the barriers to business success. We live with them every day.

So we choose to focus on the positive assets in our community. We wanted to see if we could build a brand that could one day become strong enough to break the isolation of the reservation and to have a positive impact on the health of the people, the land, and the buffalo.

This led us to an idea: Could we take the Lakota people's ancestral knowledge of the perfect portable energy food and create a new brand that shared the positive history of healthy food, stewardship of the land, air, water, and respect for the buffalo as the givers of life and turn it into a high-value natural brand?

Then we took the entrepreneurial step of putting everything at risk and created the Tanka Bar. Today I am proud to share with you that the Tanka Bar is sold on over 375 Indian reservations, over 6,000 retailers, including Whole Foods, Costco, Natural Grocers, national parks, and many, many more.

We have created a learning company that is focused on quality natural products, best-in-class customer service, empowering our employees to become owners.

We are an innovator of a new category in this emerging category of meat bar snacks. We created the category over 7 years ago. The Tanka Bar is the first protein bar with real meat in it, the first meat snack with real fruit, and the only 100 percent buffalo and fruit bar. We are also the only certified Native American natural product that is distributed nationally. As you said, we have won many national awards.

We are mission-driven company. We have created nine full-time jobs on the reservation. When we started, none of our employees had ever worked in the natural food industry. But given the opportunity, tied with the training and tools to succeed, our employees are now on track to become managers and soon owners of the company.

We have created a profitable business model, but we have only begun to have our desired impact on the community. Our next step is we need to refinance for growth, expand our product offering, increase our investments in marketing, invest in management-level training, and grow the number of Native American buffalo. We need to recruit more young people into raising buffalo, as it is a fast-growing opportunity.

In order to address this, we have joined forces with the American Indian Land Tenure Foundation to launch the Tanka Fund. It is a new national campaign to return buffalo to the lives, lands, and economy of Indian people. It is critical that we find a way for USDA to play an important role in bringing the buffalo back into the economy.

The challenges of lack of basic infrastructure, shortfalls of capital, lack of training resources, inadequate, undependable Internet, and access to lands and markets for Native American Natural Foods are many. But we are a microcosm of the bigger challenges facing Native American communities.

I want to jump ahead to point out that the Oglala Sioux Tribe with the Thunder Valley Community Development Corporation has completed a regional plan, and they have created—a Regional Plan for Sustainability, and they have created a road map to do this. We are one of the few companies that was able to participate fully in the creation of this regional plan. But then the regional plan is not funded, so it is another example of what happens when you have a lot of young people—over 23 organizations participated in this, but we are not even close to recognizing the needs.

The plan shows every single community on the Pine Ridge Indian Reservation is at capacity, and I want to point out that we have 11 of the poorest counties in the United States in South Dakota, and these are all Native American communities. The thing that is different and the challenges we have is the population of the Native communities is growing faster than anywhere else. It is only the rural communities in our State that are growing. But we lack—it is estimated that the Oglala Sioux Tribe lacks over 5,000 houses. The current HUD funding for houses is not even enough to keep up with the current growth of the population. Whether it is current infrastructure, housing, expanding infrastructure, there is a severe shortfall that this new regional planning initiative is really critical for the next step for our business but the bigger community. We are not just an isolated business. We cannot succeed and grow without the necessary infrastructure.

Did I just go over my time?

Senator HEITKAMP. But it was going so well, we did not see any—

[Laughter.]

Mr. TILSEN. I will just keep going then.

I guess that is my biggest point, is that the average age in Indian country is about 25. People are returning to the reservation, but we are not investing in the future, the hopes, the dreams of these young people. The opportunity is tremendous, but the gap between what is available to them and what is needed is just enormous.

As an interested observer of Federal programs, I have seen many of these types of projects where you get the community excited, there is a lot of research and a lot of planning, but then on the Federal level the follow-through is not there, and we are hopeful that this new change in the farm bill is going to open up the opportunity to help meet that need.

I also want to point out that one of the biggest changes that I think could add to success of entrepreneurial development in Indian country is start to back away from grants and figure out a way to provide—allow people to earn equity. That is what we are doing with our company. If we are going to talk about wealth creation, we have to get beyond job creation. We have to figure out a way to provide equity. I think equity will have a bigger multiplier effect on the local economy. In the long term, it will have a better impact on the national debt. It is really necessary for the next step, which means we are going to have to take more risk. We might have to balance that with the accountability, but we do have to figure out a way to take more risk.

I guess my last thing I just want to say is that climate change is no longer a debate. The only decision left will be: Will you, our elected leaders, have the courage to lead us to a new sustainable economy? We realize that the economic forces to maintain the status quo may seem stronger than gravity itself, but change can happen. The majority of people support it. Native communities across South Dakota are unified in their opposition to uranium mining in the Black Hills and the XL energy fight. But we often ignore Native communities when they stand with the water and land. And, in fact, we have punished them both economically and politically for their position to protect air, water, and land, and I think we now need to take a step back and learn from them. That is what we are doing with our company, and I would like to urge you as our leaders to do the same.

Thank you.

[The prepared statement of Mr. Tilsen can be found on page 70 in the appendix.]

Senator HEITKAMP. Thank you, Mr. Tilsen.
Mr. Fluharty?

**STATEMENT OF CHARLES W. FLUHARTY, PRESIDENT AND
CHIEF EXECUTIVE OFFICER, RURAL POLICY RESEARCH IN-
STITUTE, TRUMAN SCHOOL OF PUBLIC AFFAIRS, UNIVER-
SITY OF MO, COLUMBIA, MISSOURI**

Mr. FLUHARTY. Thank you, Madam Chairman—and congratulations to you—Ranking Member Johanns, and members of the Subcommittee, Senator Casey, I will try to be quick. I know you have the vote coming.

It is an honor to be here today, particularly with three world-class practitioners. If you just listened to these three individuals, I think the road map is fairly clear. I would ask that my comments be in the record.

I want to say I am very pleased to be here today to not talk about my request that you create a regional strategy in a farm bill. Today I want to commend this Committee for your vision, for your acknowledgment of the practical realities in the countryside, and for creating legislation that I think is potentially the most significant entrepreneurial development since the RD Title was put in the farm bill. I want to thank you for that opportunity you created for our rural young people to stay where they live.

But I also want to urge your vigilance, I want to urge your commitment, and I want to urge your oversight. I would like to make three points in that regard.

You have to assure your legislative intent reaches its full potential.

Secondly, the goals that you have created this program for have to be followed closely, and we need an evidence base to assure, when we come back to the next bill, you have a rationale to continue it, deepen it, fund it more deeply. As my colleague just said, the need is very, very great, and the follow-through federally is a challenge still.

Finally, we need to make certain this is exploited by the Department, and that is critical.

This will require some things. It is going to demand your patience, it is going to demand flexibility, and it is going to demand collaboration. This is hard work. Soft infrastructure takes time and great people.

You are going to have to have collaboration with other Federal agencies. This administration has done that very well. We need to deepen it with State agencies, with cities, with counties, with regional governments and organizations, and with the private sector, the NGO community, and particularly the philanthropic community.

But I would just ask this opportunity to not be squandered by small development, small thinking, small politics, or approaches and mythologies that say USDA cannot do this work. It may not have done so until now, but I would argue it is up to the task.

The innovations that have been achieved by this Committee and the Department across the broader farm bill will all be implemented. You intend for that to occur. The spirit should also drive this new innovation in rural development. I have no doubt at all that it is possible. I would argue the risk management tools you have given entrepreneurs in moving from a commodity payment to an insurance payment is the exact same thing you are doing in regional strategies for the counties, regions, and entrepreneurs where these farmers live and work.

Now, this regional approach is so necessary for three reasons. There are longstanding structural deficits. I have talked about them to this Committee many times. I want to re-mention them. They are critical as a rationale for doing this.

The first is the consistent per capita disadvantage in economic and community development in Federal funding, it is \$300 to \$500 per person per year less in rural areas. That is tens of billions of dollars. That is largely because we do not have a place entitlement in CDBG for rural non-metropolitan areas. That means multi-year funding and planning cannot occur.

Finally—and I need to raise the issue—philanthropy today is investing only 1 to 3 percent of its total outlay in rural areas. That creates, those three things, the soft infrastructure to build an innovation economy in our urban areas. These practitioners lack all of that in their work every day.

As you know, I have testified many times about this, and I just would like to end with one example of how it does work. In my testimony, I chatted about the SOAR Initiative in Kentucky. House Appropriations Chair Hal Rogers and Kentucky Governor Steve Beshear came to RPRI last fall and said, “We have to do something. We have lost 7,000 mining jobs in eastern Kentucky in 3 months. Those are \$80,000-a-year jobs. What can we do?”

We are now 5 months in with an amazing regional development plan, 50 counties, cities, development organizations, private firms, the faith community, our universities, and just good Appalachian folk working on 15 different committees, doing what these folks do every day. That is simply possible. It is simply going to take, however, a little flexibility in seeking USDA to take a greater lead. In different places, it will look differently.

We started the journey to ask this Committee to do this 10 years ago. We hosted an international conference with the Federal Re-

serve Bank of Kansas City and the OECD. There is clear international evidence that this is the way rural development is going. I would just urge you to look at the SOAR example. It is a similar example of these three great public servants, and it is occurring right now with zero Federal help. The only way they were able to do that was RPRI is funded by your Committee, and they simply said, "Ask RPRI to come in and start."

I believe the potential is significant for where you are headed, and I commend the Committee at the deepest level for moving forward with this. I think it will be a change agent.

[The prepared statement of Mr. Fluharty can be found on page 38 in the appendix.]

Senator HEITKAMP. I want to thank you all for your excellent testimony.

I am going to turn the Committee over to our Ranking Member, Senator Johanns. I am going to go vote, and then I will be back.

Senator JOHANNNS. [Presiding.] Thank you, Madam Chair.

Let me ask a question, and I think this actually is probably appropriate for any of the panel members, but I will start with Gary, if I could.

As I would travel our State over the years, there would be some communities that just would seem like they had it figured out. They would build one success on another success, and all of a sudden, a lot of energy was happening there. There would be other communities where they just could not get to that first success, just for whatever reason.

I would like to hear your collective opinions on what do you think is a difference maker. What is driving that community that is successful? What is holding back that community that cannot seem to land that first business to create jobs or whatever it is? Gary, get us started here.

Mr. PERSON. Okay. Well, I think most important it starts with the grassroots attitude of a community. You have got to believe in yourself. You have got to sell what you are, not what you are not. You have to get people working together. We did that through some initiatives that we took to the ballot to allow people to decide how they wanted to spend the revenue we had as a community to try to make economic development work.

One thing I have learned is do not ever sell the people short. They get it. Give them an opportunity. You cannot let the naysayers get you down all the time.

Then there are some even smaller tier communities that they have to get over the fact that they might be envious of what goes on a few miles down the road, but if that other community can provide the jobs and they can still take their paychecks back to those communities and keep their houses full and their schools viable, then everybody wins. That is the best regional approach there is: You have to rally around, and being an old farm boy, I call it the "mother hen theory." You know, if the mother hen is healthy and vibrant and doing good things, all the baby chicks are going to continue to grow up and be good as well.

So I think some of those communities have had to realize that maybe their niche is being a bedroom community, but being part of that regional coalition, because those communities like Sidney

need those job holders, too. In our case, 40 percent of our workforce commutes from other communities and to our economy from as far a distance away as 100 miles in every direction.

Senator JOHANNNS. Dawn, do you have thoughts on that?

Ms. KEELEY. Senator Johannns, I truly believe that the core of what makes the difference is just having strong leadership, and strong leadership that has an eye towards the future. I think just having a positive outlook and encouraging folks and supporting folks as they are trying to put ideas forward and kind of creating that can-do spirit, I think it can be contagious. It just needs to be instilled, and it really takes collective encouragement of that spirit.

Senator JOHANNNS. Mr. Tilsen?

Mr. TILSEN. I have to concur that we have to invest in the collective creativity, especially in Indian country, of the young people. I think when we were looking at trying to find a distance-neutral economic development opportunity, we studied several communities around the country. We looked at how did Ben & Jerry's start in Vermont and how did Patagonia start in Portland and how did Cabela's start in Sidney, Nebraska. That is where we came up with the idea of why couldn't we create a national brand even where we were at. We have proven that the model works, but we have not got it to scale yet, and that is where we really need the help.

But even just that has really energized a lot of young people. I mean, the folks that we have working for us, they have never had a job where they get to use their own creativity to succeed. We have never run an ad. We have run this whole company off of social media; 125,000 people a month communicate with our team just through the Internet. We are in a town of 2,500 people.

Senator JOHANNNS. Chuck.

Mr. FLUHARTY. Just two quick things, Senator. I think we need to think about the young men and women that are 15 to 30 right now. They are very, very different people than we are. We think place-making is critical for them. It was mentioned several times. They want to stay. They are going to need some assets.

I will just tell a very, very quick story that reinforces this. When the Chairman and the Governor came to me, I said, "Let us just try to have a regional dialogue." As you all know, Appalachian Kentucky has been beaten down for a century. So we agreed to rent a school gym and just bring people together and say what could we do together to collaborate.

We had 4 weeks. We had to rent the gym at the regional university. We had over 2,000 people show up on an icy, rainy day in eastern Kentucky. Two thousand people. We should not speak down to rural folk. They get this. They want to do it. But we have got to focus on that next generation of young people who want to stay at home. That is the key.

Senator JOHANNNS. That is the key. As you know, in this farm bill we have adopted this regional approach. What we are trying to do and what we are trying to signal is that we believe the future for rural America, in part at least, is going to be a regional approach, everybody kind of working together within a region.

If you were to sit down with Tom Vilsack or the Secretary for Rural Development and say, okay, here are the three things that you need to focus on in implementing this program, or two things,

what would you tell them those are? What should we be looking for to make sure that they get it right as they roll out this program? And, Dawn, why don't I start at your end of the table.

Ms. KEELEY. So I am clear on the question, what do we need to do to support rolling out this program?

Senator JOHANNNS. Yes, yes.

Ms. KEELEY. Okay. I think I need to give it a little more thought. I am sorry.

Senator JOHANNNS. Okay. I will come back around.

Ms. KEELEY. Yes, I would appreciate that.

Senator JOHANNNS. Gary, you were taking some notes there.

Mr. PERSON. Sure, I will jump in. I think there has to be some skin in the game, the local communities and counties, that these programs have to be designed that unless you are a regional player, unless you are part of the team, your community and your companies are not eligible to participate.

I have been part of a regional development group for three decades, been a board member, and it is frustration to get—a lot of times you will see counties or communities leave the fold because they do not think regionalism is important or they do not think communication is important.

You are very familiar with the Panhandle, and you know that the base of the population is in Scotts Bluff County. Well, Scotts Bluff County pulls out of the regional group. What kind of a message does that send to all the other counties in the communities in the region?

Until there is the incentive where the people demand it, why aren't you part of this group? Why aren't you part of trying to find the solutions and that you have an obligation to help all those around you?

We need to break down those old barriers. I look back to the 1890s, the late 1880s, when we probably were at our peak population out in that area of the State. We had one county. Look at the challenges we had with transportation and communication. Today we have got everything you could ask for when it comes to both, and we have 11 counties. I mean, we have just—it seems like we have to get beyond some of these imaginary lines and we have to start thinking about the people who have to support that, and that is the taxpayers. We have to find ways to consolidate but do it through incentivization rather than penalty.

Senator JOHANNNS. Mr. Tilsen, any thoughts how best to roll out this program?

Mr. TILSEN. Well, in addition to the three things that I brought up in terms of infrastructure, housing, water/sewer, and climate change mitigation, I think particularly to Indian country and to disenfranchised communities our reservation probably exports about \$300 million into the region, exports, because the dollar turns over less than once. The model that was created by awarding Thunder Valley Community Development Corporation on Pine Ridge as the coordinating company, as the coordinating group for the regional plan, for the first time in history you had tribal officials, county officials, State officials, Federal officials, people from colleges, universities, the Oglala Lakota College, small businesses

like ours, all at the table planning the future of the region. Normally the tribe would be left out of that process.

So I would encourage you to keep empowering the reservation-based groups and using leverage to try to create these regional plans. This plan that they created has huge potential, and so the follow-up funding is important. But on the tribal level, I would urge you to continue to empower the tribal planners and the tribal community development corporations to break that isolation, because in the past it has sort of been an exploiter-exploited relationship, and that interferes with economic development, and it interferes with progress.

Senator JOHANNIS. Chuck?

Mr. FLUHARTY. Senator, this is the most critical question, I think, for rural development, and I want to spend a minute answering it because we have done this all over the world.

The first challenge we have is cultural. It is always cultural. Every rural region is very different. In almost all of those where success occurs, you have an inclusive model of buy-in at the start. That could be the council churches, it could be a Governor, it could be a mayor, it could be a tribe, it could be a development organization. But the reality is that you have a challenge in your USDA structure right now given the history of the grant and loan programs.

I think it is going to be an uphill slog, but I urge this Committee to stay engaged. Everyone is working really hard to move this, but we need every Federal agency engaged in some way. It is more than scoring. Thunder Valley was a great example, frankly, HUD-funded—HUD-funded, Housing and Urban Development—to do that.

The second thing is I think we need Governors and mayors and county commissioners much more involved.

The last thing I would say is I think any quick answer is wrong, but let me share a quick answer, and that is, scale is so critical. Once you have solved the cultural issue, I think you have to look at convincing that woman who is a mayor of that micropolitan region that her future is not to become an MSA mayor but to become the center of a regional growth hub with 15 or 20 contiguous counties that aligns with that growth hub. We have 700 micropolitan regions, and in the West we have smaller growth regions of four to five thousand. Figuring out a way, to your question, to assure every one of those contiguous rural counties does not suffer from that great sucking sound when that money goes to their regional area, but they begin to build a compact around distributed food, energy, entrepreneurship, workforce education, and health and human services, finding some scale to start I think does advantage your opportunity.

Ms. KEELEY. Thank you. I have a couple of thoughts. I think that we are currently in the development of our SETs, and the approach that I took was to develop four individual county plans first as the foundation for our regional planning.

EDA private sector funding through our planning grant program, which is funding much of the time that I am investing in doing this work, and I supplemented the EDA funding by each of these par-

ticipating counties contributing additional funds so that we could do these individual plans.

But I think there is not—we are still carrying on our day-to-day business while we are in the middle of this extraordinary planning effort, and there are not adequate resources to fund enough time to really do the job really well.

I think that somebody may have mentioned it already, too, but I think that on the flip side of that is making sure there are resources available, and I think there are a lot of project-driven resources that can be made available. I think the most difficult struggle that I have is trying to figure out how I can pay for our staff time, it is just being the champion, being the leader, being the can-do spirit guy on the team, and if I have to figure out nickels and dimes to be that guy, it gets really to be a challenge to just maintain our workforce within my group and then to—I mean, building a can-do spirit means a lot of boots on the ground and a lot of time investment in building that spirit.

So I would love to be that champion. I just struggle a bit sometimes to make sure that we have adequate funding in place so that our staff has the confidence that we are going to be able to keep their job around. It is not just an annual grant-based job.

Senator JOHANNNS. You know, you raise a valid point. It occurred to me years and years ago, as I would work with communities across the State as Governor, that resources were always tough to come by.

Number two, most of the local government was volunteer. You know, your city council person might be getting some insignificant stipend. Gary, I do not know what you pay your city council people there.

Mr. PERSON. It is insignificant.

[Laughter.]

Senator JOHANNNS. I do not mean to embarrass anybody, but typically it was—it just was something to recognize that they had attended the meeting. But, by and large, whether it was the school board, the local city council, or whatever, they were operating as volunteers in setting aside significant amounts of time in that volunteer activity. So your point is extremely well taken.

We have been talking about the relationship at the Federal level with the State and more specifically the local communities. I would like to have you explain what are the challenges in attracting capital or somebody making a loan into a small community so when a business comes to you and says, “I have got this great idea,” how difficult for them is it to get their business up and going, attract the capital, the loan support that they need to open that business and maybe start with two employees or whatever and maybe build Cabela’s someday. And, Gary, I will go to you. What challenges do you face in that?

Mr. PERSON. They are enormous. When we went through that transformation back in 2008 with the banking community and the regulations that come down, the projects, I look back 10 years ago, that would have been a no-brainer to take to the local banking community. Today they are so overregulated now, and it is like there is this scare factor. If you dare make a wrong decision by funding something there is a huge penalty to pay in the end.

I will just give you one critical example in our community. We have grown our economy. We now have 8,000 jobs in a town of 6,700 people. We need market rate housing in the worst sort of way. Developers have wanted to build a tax credit project, and I get that. I understand it. We have a need for it. But we have several now that have openings. We have 100 people every day looking for a place to live, but yet they cannot live there because of the income restrictions.

We have not built a market rate apartment complex in our community for 60 years. We just went through a 10-year cycle trying to build an apartment complex. They see this economy, and they see all these jobs, but it is always the what-if factor when they look at Sidney, Nebraska, because we have got a lot of great employers, but obviously Cabela's is our flagship, and it is the what-if. What if they are not here in 20 years at the end of my mortgage? How are we going to survive? And, consequently, they have to have all these guarantees from the private employers in order to build it.

To make a long story short, we eventually gave up after we worked through three different development groups trying to get an apartment complex built. Cabela's had to wind up building it. Now, it will open in July, and then maybe at that point when it is filed, it is operational, it is successful, we will have an example for the banking community to say—but it just—it was so frustrating, and all the funding agencies even, though they said the right things when you were talking to them, behind the scenes they must not have been, because the projects did not happen. That is a really, really frustrating thing in rural America. We all get categorized into this one little lump sum instead of looking at those of us that are an anomaly out there and that we still need people to take that—I would call it a “minimal risk.” It is an investment in rural America's future, but it is extraordinarily frustrating.

Senator JOHANNNS. I want to hear from everyone on this. Mr. Tilsen, I will go to you next, because I am especially interested how you got your business up and going. But, Gary, it occurs to me that in some respects there is less risk in Sidney, Nebraska, than there would be on some projects whether they are in Omaha, Lincoln, Des Moines, or whatever, just because the employment base is so strong and there is such a tremendous need. I do not know if you have ever analyzed it, but I will bet there is a need for how many apartments, how many houses, in Sidney?

Mr. PERSON. If we build 1,000 tomorrow, they would be all filled. I know when I say that people look at you like you are crazy, but I honest to God believe it. We have people coming in to city hall every single day just begging for a place to live. They know we run the utilities, so they want to know if somebody shut off their utilities today that they are moving out of town.

The other frustrating thing is because the local banks have been so regulated down, they have a cap where they can lend to. So they have to partner with a larger bank. Well, when they look at rural western Nebraska, the percentage rate on financing just went up as a result of just solely from the fact of where you are located, because in Omaha and Lincoln, it would have a lower rate. Then the cash flow starts becoming even more challenging.

Senator JOHANNNS. Mr Tilsen?

Mr. TILSEN. This is a really, really big problem. Three years ago, I went to 11 banks in South Dakota when we were growing so fast, and we could not find anybody to lend us any money. We recently started—our first investor was the local Lakota Fund, which is a CDFI, and using a PRI from a private foundation, we were able to get our first investment of \$61,000. But because we are on an Indian reservation, banks, like most of the banks in Rapid City, which is 100 miles away, consider the reservation to be outside of their service area, so they provide no commercial lending on the reservation without a Federal guarantee.

Now, here is an interesting problem. To have a Federal guaranteed loan, you need to have 20 percent equity. We are in the natural food industry where the key principal driver of the business is your brand value. But the Federal Government loan program does not recognize brand value as an asset. They consider it an intangible when it is considered the only tangible asset in my industry.

So most of what I am building is not recognized, and so I cannot access USDA-guaranteed money, BIA-guaranteed money, or SBA-guaranteed money. So that is a particular problem.

The reason that we are still in business is that the CDFI clearinghouse out of Los Angeles, California, and us put together a complicated transaction that involves investors of a tribe, two foundations, a bank, the Federal Reserve, and the clearinghouse CDFI, and that is just to get us where we are at now. Now we are faced with having—having just done that in the last year, we have to do it again. Like I said earlier, we are experiencing 125 percent growth. We want to add more jobs.

Then the last thing is about 48 percent of the people who work on Pine Ridge cannot find housing, so we have this low-income housing problem, but now we have a workforce housing problem. Just as my colleague from Sidney just outlined, there is a need right now, a market for these houses, and the financial structure to build them and get them on the market is a huge gap.

So we have some real serious challenges being rural. You mentioned that about 3 percent of the foundations in the country give to rural America, and about 3 percent of them give to Native Americans. So that is about one-third of 1 percent of the philanthropy that is going out there.

From a step back, you would think there is a lot of money, but when you actually try to bring a business to scale, it is a huge challenge for us.

Senator JOHANNIS. Chuck?

Mr. FLUHARTY. Just very quickly, every region is going to be different, but the CDFI example, if Gary cannot do it, we have got a huge problem. Let me just say that is an example of what I would urge the Committee to think about in a more integrated scoring or public-private alignment. I would urge you to look at what CDFI in Kentucky—Kentucky Highlands, one of the really good ones—did recently with the houseboat industry that completely crashed down around Somerset. They have started building high-energy-efficiency homes using that facility in the winter when they are not doing houseboats. It is a wonderful model. It is market scalable. The price point is right, and they cannot even get funding to start

because they do not believe they will be sustaining commitment for developers.

That is an issue where some combination of the alignment between HUD and the housing program at USDA and our CDFIs, our philanthropic communities, there must be a way to think about this if you are in a sustaining regional strategy that has been in some way vetted, you can begin to get at these issues that are an impediment to growth that are structural. I think the Committee should think seriously about looking at that issue.

The reverse is the issue in the shale area, is you can get all the housing you want in the shale areas right now, and no one is thinking about the end of that entity, and the history of shale extraction is rather amazing when it ends. Gary's community is much safer, and he cannot get it done. So it is something we could work on.

Senator JOHANNIS. Dawn, have you faced the same challenges?

Ms. KEELEY. I think I have a good example to talk about just a little bit. I think some of our key—many of our communities, even though we are small and have had population decline, are facing housing demand issues that they cannot meet, so there is that need for market rate housing development. The key piece of all that really is in the infrastructure and extending the infrastructure as well as the development.

But I am currently involved in a project right now where we are attempting to reuse an existing building that happens to be owned by the State of North Dakota in our town of Grafton. This project received a 30-percent housing award grant through the State of North Dakota. The lending institutions would like us to have the USDA guarantee on the bank note, even with a 30-percent downpayment on the project.

So I went back to the drawing board, and I said, well, we manage the CDBG program in our region, and I would like to put some CDBG money into it. And, by the way, I think I would like to own the building and I want to build this nonprofit developer capacity right within our office so that we can do more projects.

The CDBG feedback was that you have conflict of interest. You manage the CDBG program; therefore, you cannot invest in your own project. I found this to be a barrier, and I said rather frankly—this was a Monday conversation—that there are only a few of us that are going to be able to step up to the plate, and if we just continue to put barriers before us, we are not going to be able to continue to support these communities in the ways that they need to be supported.

Senator HEITKAMP. [Presiding.] Thanks, Dawn.

Senator Johannis has to go vote, and I have fulfilled my commitment, at least for these two votes, so I have a little more time to spend with you. Thank you all for your patience and the adjustment to schedules.

You know, I have a number of questions that I would love to ask all of you, but we would be here all afternoon, which I do not think would suit anyone's purposes. But one of the things that concerns me—and I hear this among Federal programs that typically get siloed. You know, you have got this program for water development; you have got this program for infrastructure, other kinds of

infrastructure; you have got this program for workforce development, on and on and on. As we divvy out those programs and look at indirect costs of all those Federal programs nonprofits and folks who do work like you do all across the board, not just in rural development, throw up their hands and say, "What are we doing? We are not going to apply for a \$50,000 grant that will cost us \$10,000 to audit. That is just not realistic."

One of the concerns that I have going forward is that we still keep a level of accountability on Federal dollars, but that we do things, we maximize the collaboration and we increase the flexibility.

I want to ask you, Mr. Fluharty, in your experience working across the board, do you think it has gotten better or worse? What recommendations would you have to me as somebody who serves not only on this Committee but also on Government Operations on the kinds of discussions that we should have to maximize Federal dollars?

Mr. FLUHARTY. Madam Chairwoman, I will bet if you stayed the afternoon, these three fine people could fill you with horror stories for 5 hours.

Senator HEITKAMP. Yes.

Mr. FLUHARTY. While you were gone, I raised for your colleague the very real need you have to stay very actively engaged in this. Unless we can address that, this program will definitely not achieve the intent. I would say two or three things.

This administration has really tried to build cross-administration alignments. I commend them for that. They have worked very, very hard. Part of the challenge USDA has is fully statutory. I am in that building a lot. There is a lot of interest. It is statutory. I would say two or three things.

It is absolutely essential that you build a sufficient evaluation and evidence base to provide risk management for yourself as a Committee, the Under Secretary as Under Secretary, and the public entrepreneurs that are going to do it. But we are going to have to solve that one, and I would say that structural thing is more critical than anything you do to work with USDA as they start to think about this rule. I would urge that you stay actively engaged as rulemaking comes.

We have worked across the Federal departments for 20 years, working with development organizations, cities, counties, and Governors. There is a lot that could be done incrementally to alleviate some of that challenge if we would have had a framework to do it, if you would have had some platform upon which to say in this case, with this rule, we will do this. It is not just scoring on a grant because you are going to be precluded, you are going to have to have waivers if you want to go in it, et cetera, et cetera. It is your largest challenge to make this work, frankly; otherwise, you are nibbling at the corners.

The last thing I would say in that regard—and every sector we work in, there would be differences. I think there are three things we can do: really ask philanthropy nationally to step up in the first six or eight regions and say the soft infrastructure necessary, the glue to begin this. If USDA cannot do that, I do not know how these folks are going to free up staff. I will tell you what we did

in Kentucky. I am doing two jobs full-time. My entire staff is in the SOAR region, because everybody else is full-time. It takes that to build this. That could come through Federal regs. I doubt it can legally, so it has to come somewhere. Beyond that, once you have the walk-around potential, I really do think you need to think about very, very serious commitment to some kind of public-private intermediary trust that allows in regions you certify that have strong SETs plans, strong government plans, some variation. I would say housing stock and capital stock are your two most critical questions. I would really think about bold thinking in this. If you do not, this is going to be nibbling at the edges, in my opinion. I think it will be good, but to me that is the most critical question. What could we do in this rule to just take the last five horror stories we had and start to get after them a bit in Federal regulation.

Senator HEITKAMP. Well, I know from my perspective, I serve on the Housing and Banking Committee, I serve on the Small Business Committee, and every Committee that I serve on, when it comes time, I ask questions about what is the impact in rural areas and what is the impact in Indian country. I serve on the Indian Affairs Committee. I think many times I have met with blank stares, like, "We do not know how to do housing." When I ask the affordable housing groups, "What have you done to encourage housing on the reservations in Indian country?" they will tell me what they have done to provide anti-poverty programs in urban areas that do serve Native Americans who live in urban areas, but they have no idea how to build capacity for housing. I share Mr. Tilsen's concern about housing all across Indian country.

I share everyone's concerns that you have here, but I feel like we may be creating, if we do not watch it, a system that we hope will reward people for doing things regionally, doing things strategically, but the reward will not be big enough to really overcome turf discussions, to really overcome the kind of natural competition that you see that grows out of Class B schools sitting across the gym from each other, right?

I mean, we all know, if you grow up in rural communities, you know Hankinson and Ledgerwood are going to fight over who gets the ethanol plant, and they are going to brag for years it was Hankinson—which it was. Never mind.

[Laughter.]

Senator HEITKAMP. Ledgerwood now is going to be mad at me. But these are really, really important questions, because we have an underutilized resource in America. It is called "rural America." We have people—and, Mr. Person and Mr. Tilsen, it is a microcosm, as you talk about aging of your counties and you talk about an average age of 25. It is not one size fits all. But the results and the process has to be regional.

But we need the people who are doing the entrepreneurship, as you point out, Mr. Fluharty, to stay involved, to tell us what lessons you are learning from this process, how this can work better. I think Mr. O'Brien is an excellent person, and I think Secretary Vilsack is very committed to this process, but they cannot do it in a vacuum, and they cannot do it alone. I loved your example of now we are transitioning to crop insurance. We really are transitioning to regional strategies.

You all have been very, very patient with us. I want you to know—I think sometimes people who come to these hearings feel like we came and we testified and that was the end of it. This is a key component for us and certainly for me and Secretary Johanns and a lot of the members here who have seen those rural communities in decline, in what was always a pretty vibrant economic condition now look for alternatives. You are on the cutting edge. You are modeling that opportunity for everyone. You are proving out best practices. We want everyone to learn from those best practices. We want you to teach Congress about what the impediments are for exercising those best practices.

I want to thank you all for coming. We are going to leave the record open for—I have to check out my date here—until Thursday, May 8th. I know that you will be receiving questions from other members on the Committee. The Committee stands adjourned.

[Whereupon, at 12:02 p.m., the Subcommittee was adjourned.]

APPENDIX

MAY 1, 2014



Written Statement for the Record

**Charles W. Fluharty
President and CEO, Rural Policy Research Institute
Truman School of Public Affairs
University of Missouri**

Before the

**United States Senate
Committee on Agriculture, Nutrition, and Forestry**

**Subcommittee on Jobs, Rural Economic Growth,
and Energy Innovation**

Washington, D.C.

May 1, 2014

The Rural Policy Research Institute provides objective analysis and facilitates public dialogue concerning the impacts of public policy on rural people and places.

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Thank you, Chairwoman Heitkamp, Ranking Member Johanns, and members of the Subcommittee. It is an honor to appear before you again, to discuss the importance of regional strategies in rural economic development, with particular attention to emerging opportunities developed by you in the new Farm Bill.

I am Charles W. Fluharty, President and CEO of the Rural Policy Research Institute, and a Research Professor in the Harry S Truman School of Public Affairs at the University of Missouri. RUPRI is a non-partisan, external policy research institute, originally envisioned in 1990 by the Agriculture Committees of the Congress, and funded since then to provide objective analyses regarding the rural implications of public policies and programs.

RUPRI is a national research institute, with founding sponsorship from Iowa State University, the University of Missouri, and the University of Nebraska. Continual service is provided to Congressional members and staff, executive branch agencies, state legislatures and executive agencies, county and municipal officials, community and farm groups, and rural researchers. Collaborative research relationships also exist with numerous institutions, organizations, and individual social scientists worldwide. To date, over 300 scholars representing 16 different disciplines in 100 universities, all U.S. states, and 30 other nations have participated in RUPRI projects, which address the full range of policy and program dynamics affecting rural people and places.

Overview

Madam Chairwoman, as you know, I have been honored to appear before this Committee many times, over the years. With each Farm Bill reauthorization, I have sought to frame a policy perspective which reflects the most critical dynamics to be addressed, to lessen the comparative disadvantage to rural people and places. During earlier Farm Bill hearings, my testimony was quite detailed, and there has not been significant alteration of the RUPRI perspective regarding these elements. In my February 15, 2012 testimony before the full Committee, three specific policy recommendations were advanced to create a more innovative Rural Development framework:

- I. Given current budgetary challenges, it is critical that this Committee create a more innovative, streamlined, flexible, and regional approach to enable USDA RD to administer the remaining suite of recently-downsized, but very effective economic development programs in a more integrated, aligned, and leveraged framework, and wherever possible, in a regional context.**
- II. This regional framework should advance asset-based innovation and entrepreneurship, and above all else, align much more effectively and efficiently with other programs at sister federal agencies addressing similar needs.**
- III. Given past, current and future RD funding reductions, this Committee must ensure a sufficient level of rural debt, venture and equity capital, as well as an appropriate and flexible suite of federal instruments through which they are delivered, to meet rural**

financing need. In addition, this Committee should also explore why there continues to be a glaring lack of rural investment by our nation's major foundations.¹

These recommendations further focused my testimony before the House Committee on Rural Development, Research, Biotechnology, and Foreign Agriculture in 2011:

“It is gratifying to acknowledge major advances on a number of these issues, since passage of the last Farm Bill. However, we are all aware that we are in a very different place today. As tectonic structural shifts in our economy have transformed broader economic policy approaches, driven by global competition, policy innovations to adapt to these dynamics in ways which specifically address our nation’s rural regions have lagged behind. This challenge has been exacerbated by the Great Recession, which has created unprecedented budget deficits for state and local governments, and reduced available resources to support innovative efforts to address these capacity disadvantages.

“For over a decade, RUPRI has encouraged new policy and practice approaches to create a brighter future for rural communities, families, and economies. These have been posited upon asset-based development, entrepreneurship, innovation, and new governance models, within a regional framework. Many of these once misunderstood or resisted approaches are now becoming mainstream rural economic development components. However, if these innovations are to succeed, we must acknowledge that in today’s world, rural and urban outcomes are increasingly intertwined, and are becoming ever more interdependent, as are their citizens and economies.

“Acknowledging this reality will challenge those with entrenched political advantage from continuing reliance upon categorical programs and grants, in both rural and urban constituencies. However, while these categorical grants are very necessary for rural communities, particularly those in underserved regions, they are no longer sufficient. Just as rural communities must unite in regional innovation collaborations, metropolitan policymakers and advocates also must acknowledge the dependence of their citizens upon the rural resources which sustain their urban existence.

“For these innovations to truly advantage rural people and places, the Agriculture Committees of Congress must move to a new Rural Development vision. This must link rural communities, small urban areas, and rural regions, while providing new approaches to scale and leverage federal, state, and local investments, across the public, private, and philanthropic sectors.”³

It is very encouraging that USDA Rural Development has given much greater attention to all three of these opportunities, and that the Agriculture Committees have provided the Agency with much more robust regional innovation flexibility under the new Title.

¹ Fluharty, Charles W. (2012) Written Statement for the Record: Testimony before the United States Senate Committee on Agriculture, Nutrition, and Forestry, February 15, 2012, Washington, D.C.
http://www.rupri.org/Forms/Fluharty_Testimony_Feb152012.pdf

The challenges facing rural communities and counties, as federal and state funding levels continue to decline, are well understood. These structural dynamics, coupled with historic federal rural disadvantages in community and economic development funding, the fact that nonmetropolitan areas have no Community Development Block Grant (CDBG) place entitlement—which enables multi-year, strategic investment alignments in our nation’s metropolitan areas, and the infinitesimal philanthropic investment in rural America, highlight the importance of integrating and leveraging rural investments via regional collaboration.

Historically, USDA Rural Development has lacked the statutory flexibility to fully collaborate with sister agencies in regional innovation. The new Farm Bill offers the Secretary a great opportunity to leverage the advantages which regional innovation offers. To highlight what this new USDA authority could mean, I would like to discuss what such a framework has offered one of our nation’s most challenged rural areas, where an emerging regional innovation and governance culture is taking hold, and truly making a difference.

Lessons from “Shaping Our Appalachian Region”: The SOAR Example

In the fall of 2013, Kentucky Governor Steve Beshear and Fifth District Congressman and House Appropriations Chairman Hal Rogers began to discuss the possibility of collaborating, to create an initiative to address the continuing challenges facing eastern Kentucky. Well aware of the prolonged difficulties facing the region, including the hardships resulting from restructuring in the coal industry, they believed the region was at a tipping point. They also believed that the people of eastern Kentucky were ready, willing, and able to begin an honest dialogue regarding those challenges, and to work together to create a more hopeful future. They understood, as both national and state governments faced severe budgetary cutbacks, that old approaches were no longer possible, and that a new framework for the region’s future would be essential.

The Governor and Congressman invited a diverse group of regional citizens to serve as a Planning Committee charged with designing, developing, and executing a regional dialogue. The committee assembled in Hazard on October 28, 2013, for an intensive, daylong session. At a news conference which followed, they christened the enterprise “Shaping Our Appalachian Region (SOAR).” Out of that session grew a vision for a SOAR Summit, to take place in Pikeville on December 9. To support the event, the Appalachian Regional Commission and USDA Rural Development, among others, offered support. RUPRI agreed to assist the Governor and Congressman, their staffs and the Planning Committee with Summit activities.

The morning of December 9 dawned cold, foggy, and wet in Eastern Kentucky, but the weather did not deter 1,700 citizens from traveling to the East Kentucky Convention Center in Pikeville to participate in the SOAR Summit, designed to foster a new dialogue about the assets and opportunities available to eastern Kentucky and innovative ideas for moving the region forward. Following plenary presentations, participants took the floor in nine “regional opportunity” sessions, led by members of the Planning Committee and other state and regional leaders.

The nine sessions focused on job creation and retention; entrepreneurship and innovation; infrastructure; public and private investment; tourism (including natural resources, culture and

arts, community and regional foods); regional collaboration and identity; leadership development and youth engagement; lifelong learning; and, health/biotechnology/human services. At the end of the day, most realized a new regional innovation commitment was being expressed.

A report that provided a comprehensive chronicle of the summit, released by Gov. Beshear and Congressman Rogers on January 14, 2014, reaffirmed that the people of eastern Kentucky care deeply about the future of their region, have an abundance of creative ideas about how that future might be shaped, and were ready to roll up their sleeves and get to work. The report documents messages and comments submitted throughout the event, as well as conversations held during the event's nine breakout sessions. In all, more than 1,000 comments are captured in the report, including more than 600 written ideas and organizational commitments to support the initiative.² One of the most common themes was that cities and counties must finally stop competing and realize that to be globally competitive, the 50 counties in Appalachian Kentucky share similar assets and must begin to align their futures. The SOAR Region was born that afternoon.

At a news conference in Hazard on March 24, 2014, Governor Beshear and Congressman Rogers released a nine-month plan for advancing the SOAR initiative and named the leadership teams who will move the plan forward. State and local leaders who will invest significant time and energy in building a strong base for a regional development joined the Governor and Congressman and pledged their continued support for the initiative's work and goals.

A 15-member Executive Committee was chosen to oversee design, execution, and funding of SOAR activities, and a larger development committee was appointed to build a sustaining resource base for SOAR, through the creation of integrated private, public, and philanthropic sector investments. Ten working groups of 15-20 regional leaders were established to facilitate regional discussion throughout Eastern Kentucky, in listening sessions designed to engage businesses, local governments, organizations, and interested citizens. All these activities will provide the basis for the work of a Futures Forum Committee, chaired by former Kentucky Governor Paul Patton, charged with building a ten-year vision for the future of the SOAR region, this will build upon innovations and emerging opportunities captured in the content development and public outreach executed by the Working Groups over the next six months. Working Groups were established to address Agriculture, Community & Regional Foods; Broadband; Business Recruitment; Business Incubation; Education & Retraining; Health; Infrastructure; Leadership Development & Youth Engagement; Regional Collaboration & Identity; and Tourism, including Natural Resources, Arts, & Heritage.

Over the past two decades, RUPRI has been honored to assist many of our nation's regions in capturing the benefits of regional approaches. I have never experienced a greater bipartisan commitment to regional collaboration than we are seeing in the SOAR enterprise. Conversely, seldom have we witnessed a greater need for collaboration. But these historic efforts are bearing fruit. Since SOAR has been formed, state and federal leaders have announced the launch of several programs which will result in millions of investment dollars in the region, and create a strong foundation for the multi-year SOAR initiative. In January, Governor Beshear and

² Rural Policy Research Institute (2014). Final Report to the Region: 2013 Shaping Our Appalachian Region Summit, Rural Policy Research Institute, Columbia, MO. <http://governor.ky.gov/Documents/SOAR-report.pdf>

Congressman Rogers jointly announced plans to extend high-speed broadband throughout Kentucky, with Appalachian counties receiving the first investments. This project is expected to take three years, and build 3,000 miles of fiber infrastructure.

In January, the Governor also announced a commitment to extend the Mountain Parkway, to create a four-lane corridor from Interstate 64 near Winchester to Pikeville. Funds to initiate this work were just approved by the Kentucky Legislature. The Kentucky Highlands Investment Corporation recently facilitated the coordination of an eight-county region in southeastern Kentucky that was designated by the White House as a federal "Promise Zone." This came on the heels of a U.S. Department of Education announcement of a \$30 million Race to the Top-District grant for 17 eastern Kentucky school districts. The Kentucky Valley Education Cooperative is leading this effort, which will benefit 43,000 students and 2,500 educators in 14 Appalachian counties.

In late January, Agriculture Secretary Tom Vilsack joined Governor Beshear and Congressman Rogers to announce that USDA's StrikeForce initiative would be extended into Kentucky. This initiative is designed to strengthen partnerships in poverty-stricken rural areas, to ensure equal access to all USDA programs. Like the Promise Zone, the StrikeForce commitment benefits regional collaboration by improving the potential for federal investment through enhanced grant and loan scoring.

While none of these investments were solely the result of the SOAR initiative, the multi-county regional commitment added significantly to the competitive advantage of all, as the new regional innovation culture makes clear the enhanced potential to leverage federal investments for the benefit of all the people and places in Appalachian Kentucky.

We have been honored to assist in this effort, and it has been a profoundly humbling experience. But it offers tremendous guidance regarding how such work should be undertaken, and how important it is that the process be inclusive, bipartisan, not controlled by any one jurisdiction or agency, and always open to the wise and deeply grounded perspectives of the people it seeks to serve. Lessons for all, of course. But also quite hopeful, if USDA can be given the flexibility necessary to initiate such efforts in the same manner, in the future.

Thank you, Madam Chairwoman, Ranking Member Johanns, and members of this Subcommittee, for the opportunity to testify before you today. I would be pleased to answer any questions you may have.



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Senate Agriculture Subcommittee on Jobs, Rural Economic Growth and Energy Innovation

Senator Heidi Heitkamp, Chairwoman

Hearing: Importance of Regional Strategies in Rural Economic Development

Dawn Keeley, Executive Director, Red River Regional Council

May 1, 2014

Chairwoman Heidi Heitkamp, Ranking Member Johanns, and members of the subcommittee, I very much appreciate the opportunity to discuss the importance of regional development strategies and how we, as practitioners, use the cohesiveness of the region as a strategy within northeastern North Dakota. I serve as the Executive Director of the Red River Regional Council. The Red River Regional Council is one of eight regional councils in North Dakota and one of approximately 540 such organizations across the United States. We are the only North Dakota regional council headquartered in a rural area, outside the region's urban center.

I come from a four-county region located in the northern Red River Valley neighboring Minnesota and Manitoba. We serve to unite and collaborate with the cities and counties within the region. Our common goal is to build and embrace a thriving area. We have been doing so for the past 40 years. We impact lives daily and this is truly my passion. It is my personal and professional mission to ensure my elementary and middle school children and their friends have quality opportunities to reside and thrive in our rural area in northeastern North Dakota.

I was a Farmers Union youth program participant and earned the North Dakota Farmers Union Torchbearer Award. This program provided the foundational education on civic engagement and responsibility which resulted in my attraction to regional councils as a career choice. Having started working at a Regional Council while a junior at the University of Jamestown in 1991, I quickly grew to appreciate the strong role an organization such as this can play – particularly in rural areas. As an intern, I worked with local officials to successfully complete grant application materials to the Economic Development Administration (EDA) to fund infrastructure improvements to the Dakota Growers Pasta Company in Carrington, ND. Starting in 1993, I served in several roles at the Red River Regional Council including disaster recovery coordinator, economic developer, housing developer, and business development

Keeley Testimony



director over a 15 year period. I left the agency for five years and in 2013, returned as the Executive Director.

Today, I will highlight three essential key foundations necessary to support regional development strategies. These key foundations are:

1. leverage of private and public partners and resources;
2. program integration; and
3. vibrant rural communities that support production agriculture.

I would also like to highlight three current projects that exemplify the use of regional strategies to both solve local issues as well as set the stage for economic growth and diversification in North Dakota. These projects are:

1. Vision West ND.
2. Western Area Water Supply Project.
3. Current Comprehensive Economic Development Strategic Plan efforts underway in northeastern North Dakota.

THREE KEY FOUNDATIONS TO SUCCESSFUL REGIONAL RURAL DEVELOPMENT STRATEGIES

For successful development and implementation of regional rural development strategies, there are three key foundations that must exist. These foundations include the ability to leverage resources, establish effective partnerships, and strong communities.

#1 Key Foundation: Leverage

Leverage is our middle name in rural America. I have referred to all of our private and public local, regional, state, and federal partners as the "Capital SWAT Team." Rural states like North Dakota, as well as the states each of you represent, have a competitive advantage with its access to our leaders and strong relationships with all of the necessary partners. This is critical when it is time to package and implement a project. Our private and public partners are very eager and responsive to quality economic development project proposals which can require five to ten financial partners to fully implement. Our tagline, Moving Ideas to Actions, requires leverage on multiple fronts all the time. Often, the RRRC staff is the leader of the SWAT Team within the region.

As a regional council, our cities, counties, and business community rely on our expertise to be a liaison between their projects and resources. We manage multiple federal grant awards for economic development, disaster recovery, infrastructure, historic preservation, housing preservation and development, and environmental restoration.

Rural development, by its very essence, requires cooperation of multiple private lending institutions and state and federal agencies in partnership with local governments – very much in concert with the direction provided under Secretary Vilsack’s leadership. Rural regions, counties, and communities do not have adequate capital to execute development projects without these extended partnerships. Maintaining funding during the yearly appropriations process for EDA and USDA Rural Development is vital to organizations such as ours.

#2 Key Foundation: Program Integration

In North Dakota, the regional councils are independent organizations governed largely by regional elected officials. For the Red River Regional Council, member county dues comprise 13 percent of our annual revenues and approximately 87 percent is derived from contracts for grant administration, development services, program management, and funding development. As such, we need to be innovative in our ability to integrate local, state, and federal programs to provide continued services with skilled, experienced staff. We need to mesh multiple funding sources to maintain our small staff. Securing funding to pay for professional staff time to be proactive in project/program development and implementation can be the most difficult.

We currently have contractual agreements with several federal agencies including: USDA Rural Development, EDA, Small Business Administration (SBA via the Small Business Development Center (SBDC)), State Historic Preservation Office (SHPO), Environmental Protection Agency (EPA) (via the North Dakota Department of Health), US Department of Housing and Urban Development (HUD) (via the North Dakota Department of Commerce), Federal Emergency Management Agency (FEMA) (via the North Dakota Department of Homeland Security) and others.

Maintaining funding during the yearly appropriations process for both the EDA USDA Rural Development planning programs is critical to successful regional planning at the local level. Often, maintaining one staff position may require funding from multiple sources – integrating programs with similar missions. Multi-disciplines can be managed more effectively in a rural area if the programs can be integrated on some level.

While demand for our services remains high, our ability to raise the required match can become an issue. Most programs require a 1:1 match as well as prohibit funding for indirect costs without a federally approved indirect cost plan. Without an indirect cost plan, we are forced to subsidize our federally-funded programs at an additional 25 percent in many cases. As a small agency, it would be helpful if the federal government would approve an agency specific indirect cost rate for small awards similar to the SBA policy. SBA provides a nationally agreed upon facilities and administration rate of 24 percent to all recipients and sub recipients of SBDC cooperative agreements.

We are not a university that has major physical facilities – we need overhead to maintain a humble office setting and provide professionally managed services. A federal indirect rate would provide a cleaner accounting than creating line item budgets and additional tracking and reporting requirements for such expenses as rent, phone, copier, utilities, office supplies, etc.

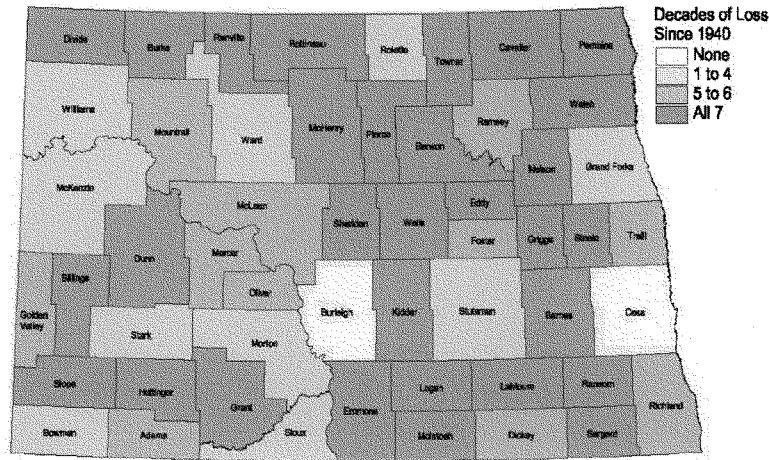
We would like to assure administrative requirements are adequate to provide necessary documentation of efforts and expenses but not so burdensome as to significantly impact our effectiveness in serving our cities and businesses. Today, technology allows us to do very accurate time and progress reporting. Because of technology, grant compliance may be simpler than in the past. We need to leverage both time and money as to most effectively to achieve results locally.

#3 Key Foundation to Successful Regional Rural Development Strategies: Strong, Vibrant Rural Communities

Agriculture has been the historic leading industry in North Dakota with approximately 25 percent of the both State's employment and economy derived from agriculture. Energy development may become the leading industry in North Dakota, if it hasn't already. There are 357 incorporated cities in North Dakota and only 12 of these cities have a population greater than 5,000 people. Ninety percent of North Dakota's approximate 69,000 acre land mass is engaged in production agriculture compared to the national average of 50 percent. We could consider North Dakota a large scale agriculture production factory that has a 1.65 multiplier effect.

As efficiencies were gained through the use of mechanization, technology, and applied biological research, farmers grew both their operations and yields. This modernization required less manual labor, thus leading to population decline in rural counties. Since 1940, 30 of the 53 counties in North Dakota experienced 70 years of population decline (Figure 1). By 1990, the majority of the state's population resided in urban areas of the state. According to the 2010 Census, 47 percent of the state's population resided in a rural area which is down from nearly 80 percent in 1940.

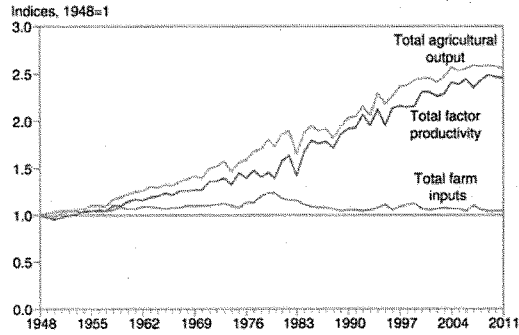
Figure 1: Decades of Population Decline for North Dakota by County Since 1940



Gains in agriculture efficiencies and productivity have been a doubled-edged sword in rural America. Productivity is the source of much of the demise of our communities. The loss of population has had a significant impact on the ability of rural areas to maintain basic services such as infrastructure, healthcare, education, emergency services, retail establishments, utilities, and technology advancements. We're losing our population critical mass to support these services. Rural municipalities need state and federal partnership investments to support these core facilities and services.

Even as farm acreage and manual labor applied to agriculture declined, total farm output more than doubled between 1978 and 2011 in the United States. Our area has a long history of strong production agriculture on some of the richest soils in the world. North Dakota leads the country in production of dry edible beans (25% of national production), canola (83%), flax seed (87%), honey (22%), sunflower oil (40%), durum (36%), and spring wheat (37%). Figure 2 charts the ever increasing productivity of American agriculture production.

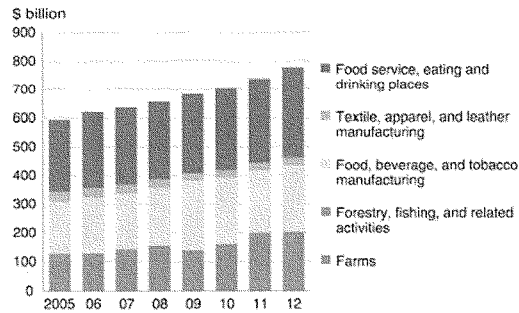
Figure 2: US Agriculture Output, Input, and Total Factor Productivity 1948-2011



Source: USDA, Economic Research Service, Agricultural Productivity in the U.S. data product.

Farming is not only the foundation in our rural communities but is also a keystone to the nation’s economy. In 2012, agriculture provided 9.2 percent of the nation’s employment. Food manufacturing represented 14 percent of the entire nation’s manufacturing industry. It’s rural America that is providing the raw products necessary for food manufacturing. The farmer producing the raw product receives approximately 15 percent of the value-added final product. The greater value of the crop is realized by processors and food services as highlighted in Figure 3.

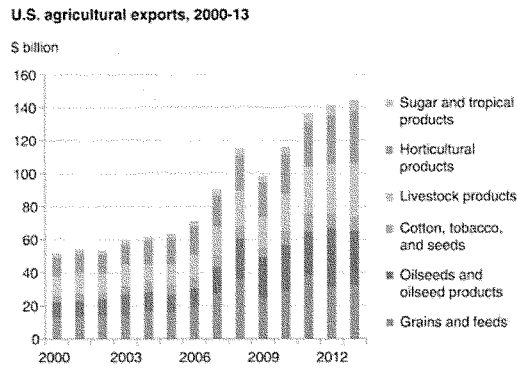
Figure 3: Value Added to GDP by Agriculture and Related Industries, 2005-2012



Note: GDP refers to gross domestic product.
 Source: USDA, Economic Research Service using data from U.S. Department of Commerce, Bureau of Economic Analysis, Value Added by Industry series.

The U.S. has been exporting more and more of its agriculture commodities. These exports greatly enhance the nation’s role in the global community, as well as play an important part in homeland security. Demand from developing countries, along with higher farm commodity prices has led to a more than doubling of exported commodities from 2006 to 2013. Foreign demand for wheat, soybeans, cotton, corn and their processed products accounts for about half of U.S. export value. U.S. farm exports to developing countries are now more than double what are exported to developed countries. These trends widened the U.S. agricultural trade surplus to \$37.1 billion in 2013. A summary of U.S. agricultural exports is provided in Figure 4.

Figure 4: US Agricultural Exports More Than Doubled from 2006 to 2013



Source: USDA, Economic Research Service using data from U.S. Department of Commerce, U.S. Census Bureau, Foreign Trade Database.

Farming is an industry that must simply grow its own replacement leaders. The average age of a North Dakota farmer is 57 years old. The startup costs and high competition for land makes it very difficult for a new farmer to enter the industry without a multi-generational family investment in building that farm. Farming cannot be relocated or easily duplicated and is capital intensive. Farming can only remain an attractive career choice for our youth if the farms are supported by vibrant, thriving rural communities. Living in rural America cannot be a substandard living with less and less basic amenities.

In order to keep a percentage of today’s children in our rural area, it requires local, state, and federal partnership investments in basic necessities...water, sewer, roads, healthcare, education, utilities, telecommunications – all of which are supported in the 2014

Farm Bill. The President's FY15 budget request would cut funding for rural development programs under USDA — a priority for the Red River Regional Council and the National Association of Development Organizations — to \$2.5 billion, which is a \$456 million decrease from the FY14 funding level. The proposed cuts would be achieved, in part, through the elimination of Water and Waste Disposal and Community Facilities guaranteed loans (funded at \$50 million and \$75 million in FY14, respectively).

The country requires strategic investments in its rural communities. Not only do we need farmers, we need their families. These spouses and children assist in developing adequate, quality employment opportunities as the vast majority of small and mid-sized farms require off-farm employment for the family's living. Today's high tech farms cannot be adequately supported with low tech, substandard communities many miles away from even the most basic services.

EXAMPLES OF REGIONAL DEVELOPMENT STRATEGIES AT WORK IN NORTH DAKOTA

Regional strategies for economic development have long been a part of our North Dakota landscape. Three such regional strategies are Vision West ND, Western Area Water Supply Project, and regional Comprehensive Economic Development Strategies. Each of these initiatives is highlighted below.

In 2010, I found many new challenges working for a private engineering firm, Advanced Engineering and Environmental Services (AE₂S), for three years. As a Funding Strategist, I assisted our clients in planning and developing funding packages for large and small water and wastewater infrastructure projects in Minnesota, Montana, and North Dakota. At AE₂S, we worked with cities and rural water districts in the Bakken oil and gas production region in western North Dakota to address the ever-growing municipal and industrial needs.

The Bakken oil and gas development grew at exponential rates beginning in 2008. Since that time, North Dakota has become the second largest oil producing state, and small, rural communities cope with the challenges that come with rapid growth. This adaptation follows a period of 70 years of population decline in this agricultural area of the state. With matching grants provided by the ND Department of Commerce, we developed capital improvement plans for many cities and rural water districts in western North Dakota to determine the most efficient ways to grow water, wastewater and transportation infrastructure.

We also provided financial consulting to assess both current financial condition and project future city revenues based on property tax growth due to new development as well sales tax revenues. Cities, after experiencing decades of population and economic decline,

needed professional guidance and assistance on all fronts to learn how to manage this new opportunity and have confidence in their financial ability to grow.

AE₂S was a partner in two instrumental regional development strategies in the Bakken region: Vision West ND and the Western Area Water Supply Project. Both projects are good examples of regional strategy development which identify needs and solutions that extend beyond city and county boundaries that would be best addressed with on a regional basis.

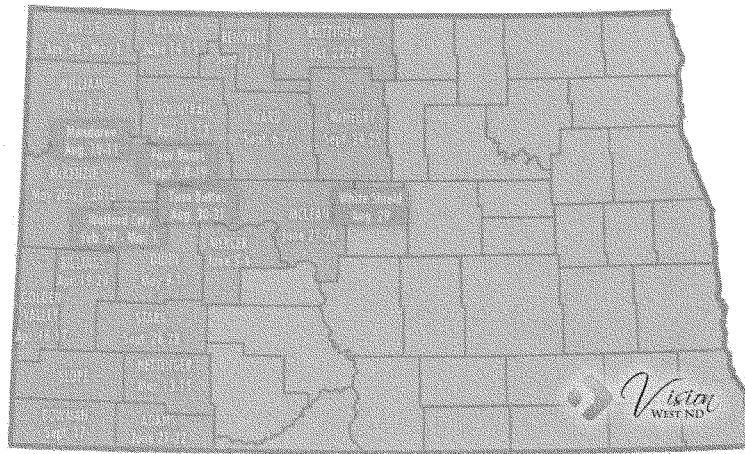
Vision West ND – A Regional Strategy for the Nation’s Fastest Growing Area

One of the top national priorities is energy independence. Due to technological advancements over the past decade, this goal is within reach. For America in general, this is very good news. For the rural people living and working in western North Dakota, however, this means a transformation in how they live their lives. Neither the assurance that the oil boom will lead to sustained economic diversification nor the ability to navigate the impacts of growth are assured.

With the quickly changing needs in western North Dakota, the HUD Regional Sustainable Communities grant program was pursued and granted to a partnership between the ND Association of Oil and Gas Producing Counties, Southwest Rural Economic Area Partnership (REAP), and the REAP Investment Fund. Matching funds were provided by the North Dakota Departments of Trust Lands and Commerce. This funding allowed for the creation of an extensive, regional rural planning project entitled Vision West ND. This effort united 19 counties and the several tribal communities on the Standing Rock Reservation. Only four of the 116 towns in the 19-county Vision West ND region have a population exceeding 3,000 people, thus creating the need for extensive planning assistance.

The project began in late fall 2011. The result of the collaboration is evidenced with a series of 23 economic development strategic plans and 26 municipal infrastructure assessments all completed in eighteen months. Additional components included planning and zoning recommendations, project schematics for priority local projects, comparative economic boom cycle analyses, and a regional plan for sustainable development. It is by implementing the Vision West ND Regional Plan for Sustainable Development that a clear path forward to a sustainable future can be pursued. The Vision West ND Regional Plan has been under development since late 2011 and will be published soon. More information can be found at www.visionwestnd.com. Figure 5 includes a map of the Vision West ND project area and includes dates of the economic development strategic planning session within each county.

Figure 5: Vision West ND Project Area Map and Economic Development Strategic Planning Dates (2012 and 2013)



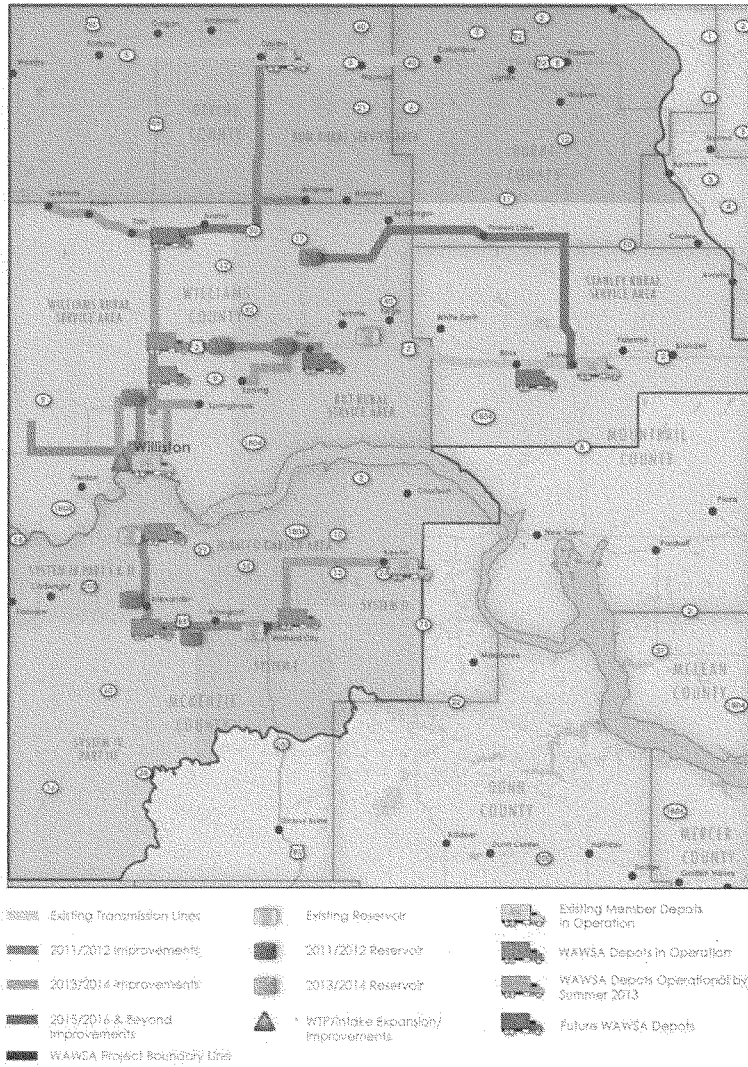
Western Area Water Supply Project – Solving Water Shortages in the Bakken Region

A fine example of a regional rural development strategy is the Western Area Water Supply Project (WAWSP). The explosive population growth resulted in domestic water rationing in some western communities. These counties required significant upgrades in domestic water supply availability in northwestern North Dakota. Four rural water districts and the City of Williston formed WAWSP to address water supply challenges throughout this area. WAWSP has been designed to meet the long-term domestic water supply need for a region that is anticipated to grow from 20,196 people (2000 population) to a projected peak population of 100,000 people.

Oil and gas development in western North Dakota is a thirsty industry. Each well requires upwards of five million gallons of water to complete the initial hydraulic fracturing process. Industrial water sales will assist in debt payments for this \$350 million domestic water supply system. Although the total cost of the project far exceeds available resources through USDA Rural Development, each of the partner rural water districts have utilized USDA Rural Development’s programs to fund portions of the individual water systems. More information can be found at www.wawsp.com. A map of the WAWSP service area is provided as Figure 6.

Figure 6: Western Area Water Supply Project Map

WESTERN AREA WATER SUPPLY PROJECT
 Major Infrastructure Components
 9/25/2013



Keeley Testimony



Building the Comprehensive Economic Development Strategy for Northeast North Dakota

Today, the Red River Regional Council is in the process of developing our five-year regional Comprehensive Economic Development Strategy (CEDS) per a funding requirement of the Economic Development Administration (EDA). All EDA Partnership Planning Grant-funded economic development districts across the country share the same CEDS requirement.

For the Red River Regional Council's CEDS, we have adopted a similar methodology as was used in Vision West ND by starting first with four county economic development strategic plans in partnership with local Job Development Authorities. Each county has created Strategy Committees with broad based public and private membership to analyze key success factors and local capacity relative to 25 different economic and community development strategies. It is my hope that we will create and support development opportunities that will assure that the rising economic tide in North Dakota lifts all ships (regions) in the state.

As EDA requires only a regional strategy, the county strategic plans have been financially supported with additional local funds as well as USDA Rural Development in one of our counties. Our county strategic planning sessions have been well received and have even united our counties from within. From our county plans, we will establish our regional CEDS with significant input from more than 100 county strategy committee members. We like to create win-wins with our partners – our CEDS initiative is just that.

REGIONAL STRATEGIES TO RURAL ECONOMIC DEVELOPMENT ARE ESSENTIAL

Our rural communities are very small and require cross-jurisdictional partnerships to exist and thrive. By conducting regional strategic planning, opportunities and needs for such partnerships rises to the top when our regional leaders are all around the same table. Having lived within the New York City metro area for a few years, I quickly learned the value of leadership in rural areas and having the ability to make a meaningful impact. My parting words to my East Coast friends in 1993, "Someday, North Dakota will be the place to be." Who knew 20 years later, North Dakota would be leading the country with most economic indicators. The strengths of North Dakota have been bolstered by oil and gas, but the heart of North Dakota remains in agriculture which relies on healthy, strong rural communities.

The 2014 Farm Bill supports a regional approach and encourages cross-agency partnerships. We look forward to a continued, strong relationship with USDA Rural Development to implement what we can from the current legislation in our region of the country. We appreciate the ability to partner with the federal government; we appreciate the guidance; and we appreciate that USDA Rural Development supports locally and regionally driven successful projects. Thank you for recognizing the importance of programs such as these

Keeley Testimony



in strengthening and creating vibrant rural communities of today and the future. You are and have been making very cost effective and wise investments in rural America.

There are three things I'd ask you remember today. Regional strategies for rural economic development require these three foundations:

1. The leveraging and partnerships between private, local, regional, state, and federal resources;
2. Effective leverage requires regional practitioners to integrate program delivery to most efficiently and effectively achieve regionally and locally driven results; and
3. The entire country relies on strong, vibrant rural communities for continued excellence in agriculture productivity for both domestic and export use.

For release only by the
Senate Committee on
Agriculture, Nutrition, and Forestry

RURAL DEVELOPMENT

**Statement of Doug O'Brien
Deputy Under Secretary for Rural Development,
Before the Subcommittee on Jobs, Rural Economic Growth and Energy Innovation
May 1, 2014**

Chairwoman Heitkamp, Ranking Member Johanns, it is a pleasure to join you today to discuss USDA Rural Development's use of regional strategies in economic development.

President Obama believes that strong rural communities are key to a stronger America. As our marketplace becomes more global, it is important that we use every opportunity to expand and strengthen rural economies, so that they remain competitive. We applaud Congress for passage of the 2014 Farm Bill, and this committee for recognizing the importance of regional strategies in promoting economic growth.

Rural communities need to create regional strategies to remain competitive in domestic and international markets. Other nations are adopting this approach, both in rural and urban regions across the industrialized world. Regional strategies use assets more effectively, invest more productively, and grow economies more quickly. If rural America does not adapt, people who live there will be left behind. USDA will continue to support rural communities that are doing this challenging and essential work.

Rural America sees historic opportunities because of its unique assets, but it also faces historic challenges. The potential in rural America is vast. The bioeconomy, renewable energy, rural manufacturing, local and regional food systems, and emerging agricultural products provide new markets and expand the potential for economic growth that will spur the nation's economy. Yet, USDA data indicates that the recent economic recession has resulted in the highest rural poverty rates since the mid-1980s. The USDA's report, *Rural America at a Glance*, points to stalled job growth in non-metro counties, an increase in poverty – particularly among children – and a declining population: the first population loss since the Federal Government began tracking that statistic generations ago. These opportunities and challenges facing rural America today demand new and innovative approaches within rural policy.

USDA Rural Development has done much with the resources and authority Congress has provided. Since 2009, Rural Development has directly invested, or guaranteed, more than \$164

billion in broadband, businesses, housing, water, community facilities, and electric infrastructure, that benefit not only rural communities, but our overall economy.

Yet, President Obama and Secretary Vilsack realize that simply providing funding in isolation to entities in a single rural area may not be enough in today's global marketplace. That is why USDA has worked to innovate the way we deliver programs to ensure that taxpayers' dollars make the greatest impact. Rural regions can be important sources of growth; therefore we looked for opportunities to support regional approaches.

Congress recently recognized this when it provided authorities in the 2014 Farm Bill to establish a priority to fund projects that are part of a multi-jurisdictional economic development strategy. Implementation of the Farm Bill's new authority will help USDA continue to better leverage resources and coordinate programs that encourage rural economic growth. By providing a set-aside and preference for projects that are part of a regional approach, USDA will be able to more effectively support rural places that are working collaboratively.

We fully recognize the advantages of targeting resources to strengthen regional economies. We are also aware of the challenges. Our years of expertise in providing funding to improve rural economies and our partnerships with rural stakeholders, state and regional officials, and other federal agencies will have considerable impact on how we implement this new multijurisdictional strategy. In particular, this new authority will allow us to incorporate best practices to fully develop programs to respond to rural needs on a regional basis.

The Organization for Economic Cooperation and Development (OECD) has used extensive analysis across the industrialized world to demonstrate that investments aligned to regional strategies are more likely to yield better results. In 2012, OECD released a ground-breaking report entitled *Promoting Growth in All Regions*, which concluded, among other things, that:

- Investing in less-developed regions makes good economic sense;
- A pro-growth strategy focused on the assets of the region is the most beneficial and sustainable approach;
- Policies that support education and training for low-skilled workers are critical;
- Infrastructure development has the greatest impact when coordinated with other development policies;
- And formal and informal institutions that facilitate communication and collaboration in the region are vital.

Rural places that are looking to create and implement regional strategies can look to a number of best practices, as outlined in the 2014 Farm Bill, including: broad-based collaboration, plans based on the region's assets, leveraged investment, and measurable success. Strategic investment is particularly important in areas of greater need - missed growth opportunities often trigger social problems, including higher unemployment and poverty. This is why our efforts to promote growth in rural communities—especially in persistent poverty areas—is necessary for a stronger economy.

One key way that Rural Development has been better able to support regional strategies is with its involvement with the White House Rural Council. This increased collaboration and coordination with rural stakeholders and other federal agencies has helped develop strategies to create jobs and boost economic development. Proposals that have shown significant potential include the Rural Jobs and Innovation Accelerator challenge (RJIA) and the Stronger Economies Together (SET) initiative.

The RJIA leverages existing financial and technical assistance resources from 13 federal agencies and bureaus. Federal funds will help strengthen regional industry clusters by identifying and maximizing local assets, connecting to regional opportunities, and accelerating economic and job growth across rural regions. For example, in Louisiana, the I-20 Corridor Regional Accelerator will integrate the community capacity building of Winrock's Capacity Assistance for the Regional Economy (CARE) program with business and economic development led by Louisiana Tech University. The project will leverage the ability of both organizations to bring key players to the table to engage small towns and rural communities to stimulate new economic activity and quality job growth in key regional economic clusters through the provision of services, local award packages and/or locally-funded business investment strategies.

Meanwhile, the SET initiative enables rural places to work together to develop and implement economic blueprints for multi-county organization that builds on a region's current and emerging strengths. USDA Rural Development launched SET with Regional Rural Development Centers and land-grant university partners in 2009. As of the end of 2013, SET has served 55 regions in 28 states. The Sandhills "Stronger Economies Together" planning effort in North Carolina triggered the launch of a three-pronged plan to support agriculture and agriculture business in the region. Strategies include training in marketing, business planning, cooperative business models, succession planning, creation of a food hub, and encouraging niche revenue streams and alternative crop production.

Rural Development's history of funding infrastructure has produced an array of benefits for rural areas. In addition to the services they offer, utilities are often leaders in promoting rural economic development needs. Because utility infrastructure projects tend to be regional in nature, electric, telecommunications, and water and waste utilities understand the benefits of using a regional approach to develop services that can bolster economies.

For example, clean water is necessary for the health and vitality of a region and is critical to drawing new business investment. That is why Rural Development funded a regional water system for Arkansas' Ozark Mountain Regional Treatment Plant on Bull Shoals Lake. Construction of this plant was the result of years of work and cooperation between county, state, and federal governments to address insufficient water quantity and poor quality groundwater supplies. Over \$62 million in USDA Rural Utilities Service loan and grant funds—combined with nearly \$10 million from the Arkansas Natural Resources Commission—built over 120 miles of water pipeline, nine booster pumping stations, and six elevated water tanks to provide safe and dependable water to 18 rural water systems serving over 20,000 residents, including persistent poverty areas.

Similarly, Oregon's Douglas Electric Cooperative has delivered electricity to business and residential customers in Southwest Oregon since 1938. Because of concerns over lost economic development, ten years ago the rural electric cooperative set up a subsidiary—Douglas Fast Net—to deliver broadband service to the region. This cooperative provided many new opportunities to the region: Schools now deliver advanced educational content, telehealth services for specialty medical care are available from the medical center, Internet can be accessed at the library, the community has 911 service, and businesses operate more effectively and efficiently.

Leveraging federal resources to more effectively support regional economic development efforts continues to be an Agency best practice. The Investing in Manufacturing Communities Partnership (IMCP) is an interagency effort focused on helping communities adopt best practices to cultivate ecosystems that develop and coordinate an array of public goods, including specialized work force training, research institutions, and transportation and energy networks. In addition to the Executive Office of the President, the Departments of Agriculture and Commerce, the Environmental Protection Agency, and the National Science Foundation have dedicated resources to the initiative. USDA Rural Development has awarded several planning grants as part of this initiative to assist local governments, nonprofits, and community development agencies in producing comprehensive economic development plans.

The Promise Zones initiative is another example of interagency cooperation. The federal government is investing and partnering with high-poverty urban, rural, and tribal communities to create jobs, increase economic activity, improve educational opportunities, leverage private investment, and reduce violent crime. The first five Promise Zones are in San Antonio, Philadelphia, Los Angeles, Southeastern Kentucky, and the Choctaw Nation of Oklahoma. This designation highlights the federal government's commitment to partnering with local leaders who are addressing multiple community revitalization challenges. We do this by providing on-the-ground technical assistance to navigate federal programs and regulations. This intensive engagement will help communities make the most of funding already available.

Kentucky's Promise Zone regional effort, for example, has culminated in a strategic plan to prioritize assistance to an eight-county region, including projects to alleviate significant contamination in a major watershed, ensure that portions of the region maintain access to quality health care, and expand a food program to low-income residents in multi-family dwellings.

While poverty is a nationwide challenge, the reality is nearly 85 percent of America's persistent poverty counties are in rural areas. USDA's StrikeForce for Rural Growth and Opportunity Initiative is part of our commitment to increase coordination and leverage partnerships in rural areas with persistent poverty, and helps ensure awareness of and access to USDA programs designed to promote economic development and job creation. In Arkansas, StrikeForce efforts helped "Seeds of Change," created by Heifer International, set up a local food system, which provides food for the community, education about nutrition, and increased farm income. StrikeForce also funded hoop houses so that small farmers and gardeners can grow produce year round, and purchased processing equipment to expand marketing opportunities. In keeping with regional strategies to improve economies, StrikeForce can shift funding from subsidies to investments that develop an area's most productive activities.

Initiatives such as these will be useful in developing an array of innovative tools and programs to help all regions become sources of growth. USDA and Rural Development will continue to build on the successes of these efforts and work to assist rural communities in creating sustainable economies that support the growth of emerging markets.

I appreciate the opportunity to testify today before Members of the Subcommittee. Thank you for your support of Rural Development programs. I am happy to answer your questions at this time.

WRITTEN STATEMENT FOR THE RECORD

Gary Person

**City Manager / Economic Development Director
City of Sidney, Nebraska / Cheyenne County**

**Before the
U.S. Senate Agriculture Subcommittee on Jobs, Rural Economic Growth
and Energy Innovation**

**Washington D.C.
May 1, 2014**

Thank you, Chairwoman Stabenow, Senator Heitkamp for organizing the meeting, Ranking Member and our favorite son from Nebraska, Sen. Johanns and members of the committee. It's an honor to come before this distinguished body. Sen. Mike Johanns is someone I have long admired and deeply respected for never forgetting his rural roots as a Mayor, Governor, U.S. Secretary of Agriculture and our Senior U.S. Senator from Nebraska, and who asked me to appear here today.

Though I come before you with a title of "city manager", I'm still about as grassroots "country boy" as it gets. No one has to explain rural America's challenges to me. I've spent my adult life trying to find the keys of sustainability and meeting community challenges in America's heartland.

I'm the first generation on both sides of my family that no longer is involved in farming or ranching. I grew up in a western Nebraska county that was so rural, it has never had an incorporated town in its entire history. I spent almost three hours a day for 12 years riding a school bus to attend a consolidated K-12 educational system. Like Sen. Johanns, I grew up milking cows, a task that was part of every single morning and night every day of the year. What we raised and grew on the farm was what we ate and how we lived day to day. Going to a grocery store, came about as often as Christmas. Today's population wouldn't dream of living the way we did. Our over regulated America will never allow us to live like that again. My 80-plus year old parents still live on the old family farmstead far away from any modern conveniences. They can't even get cell phone or internet reception at the 125 year old home they live in. Their parents had also worked every day into their 90's on the farm trying to preserve the rural America they loved. My parents will be the last generation to live there.

I have an old weathered and worn out wagon wheel that belonged to my great-grandfather when he came to Nebraska from Sweden, dug a hole in the ground and called it home. There's also a 154 year old Church in rural Iowa still standing and used today that another great-great-

grandfather from Ireland built by hand. He hauled native sandstone from a nearby quarry with his team of horses laboring as a volunteer for 10 years to construct the church when time away from the farm would allow.

Those two reminders are endearing symbols of the sacrifice, hardships and the faith of the rural American people and way of life that molded who I am, as well as millions of other Americans who trace their roots to the family farm.

The rural way of life I knew and the rural lifestyle of my ancestors has practically disappeared from today's landscape, but the preservation of rural lifestyles and values is still critically important for America's future well-being. Farms and ranches had to grow bigger to survive and the small self-supporting farms and ranches are no longer evident in this generation or those to follow. In Nebraska 80 of our 93 counties are considered non-metro. It amazes me that in those 80 counties there was more population in the 1890 census than in the 2010 census. The population in those 80 counties is also 25 percent below its collective peak population in 1930 and only six (6) have shown population growth since 1950.

Just as we have seen rural America's voice weaken in Congress due to population shifts, the same is true of rural States. In Nebraska's unicameral system, greater than half of the legislators represent five percent of the land mass and hail from only three of Nebraska's 93 counties.

Consequently, rural communities across America have struggled to survive, as their way of life has changed just as dramatically. Drive down any of their main streets and no one has to quote you any statistics. Your eyes will tell you everything. Take a leisurely drive on a country road and abandoned farmsteads far outnumber those inhabited. The average age of the population has nearly reached senior citizen status. Most rural communities won't and simply can't survive if they have not diversified the agriculture revenue stream that previously was their primary source of sustainability. As every generation gets one step further removed from the grassroots that built this country, it will become even more challenging. The time to act is now, not later. When communities diversify their economies, the rural partners that still provide our agriculture production also greatly benefit so their schools and communities can continue to offer much needed services as well as provide off the farm / ranch jobs and benefits to spouses and other family members.

Today I want to share a story about one community that found new ways of sustainability, economic diversification and completely reinvented itself over the past 40 years. Sidney, Nebraska is nearing its 150th birthday. It's not a suburb that pretends it's a small community, as it is 100 miles from any population base over 15,000 residents, and 350 miles from the state capitol.

The community was thriving in the 1940's and 1950's when an Army Ammunition Depot was constructed and operated northwest of town; oil and gas had also been discovered bringing exploration and production; the two railroads that served it had a heavy presence of labor;

minuteman missile bases were being constructed; farming and ranching was at an all-time productive high and commodity prices were fair.

By 1970, the Depot closed and its 2,000 jobs were eliminated. Oil and gas exploration was beginning to significantly decline. The missile base construction boom was over. The railroads moved their jobs 100 miles down the road. Farming and ranching was about to head into the 1980's crisis mode. The Interstate moved all of the traffic south of the community.

Those factors had common denominators called the federal government and Mother Nature. You simply can't influence either one as a small rural community. As a result jobs left in mass exodus, population declined 45 consecutive years, the economy tanked and the public infrastructure started to erode away as the community simply could not afford to meet its overwhelming challenges.

The community's attitude reflected the economy, as it even refused for 15 years to run utilities to the Interstate a mile to the south because it could not afford to take the risk. Every community only has so much internal energy and when people work against each other, instead of working together for progress, internal stagnation and degradation will prevail.

When our citizens finally figured out the goose was no longer going to lay another golden egg, the community refused to die like so many of its neighbors. It found some of those same principles of the homesteader's pioneer spirit that settled in America's heartland. We did it through hard work, one new job at a time, one new business at a time and one challenge to overcome at a time. We created an environment for entrepreneurial spirit to thrive and grow.

Four times we took economic development initiatives to a vote of the people and four consecutive times the citizens overwhelming voted to rebuild its own future - not depend on someone else to do it for them. In addition to our own hard work and relentless effort, we educated ourselves on revitalization programs we could implement in our community and sought out federal and state laws and programs that would give us a "hand up", not a "hand out"! Those programs helped finance public infrastructure and improvements, along with providing performance based incentives that reward job growth. We took risks and turned failures into the educational blocks that built successes of the future.

We did it with home grown entrepreneurs like the Cabela's family that has placed our community on the world wide map as the foremost outdoor outfitter, and other companies that invented products in our backyard like the first tractor cab and the convert-a-ball hitch, among many others. We did it with a rural work ethic and a knack for recruiting other employers across the country looking to expand into a rural lifestyle, and appreciating a hard-working labor force and a community that "gets it." We can sit across the table, eye ball to eye ball to converse and negotiate with the decision makers, instead of trying to outguess the future or speculate on the great unknown. These are private sector jobs, not solely dependent upon the local farming and ranching revenue stream, and certainly not government payrolls.

Agriculture had always been the largest industry earner in the Sidney / Cheyenne County economy clear up into the early 1990's. Today it ranks as the 7th leading industry earner in our local economy. The percentage of government payrolls in our economy in comparison to the private sector are also well below the state and national averages and well below our neighbors.

We have also prepared for the future with a new water well field and 22 mile distribution system, a new and expanded regional landfill, a new wastewater treatment facility and are in the process of rebuilding and expanding our electrical infrastructure and street systems. We built a new high school and next week we decide on constructing a new grade school. We've taken that old Army Depot and through the private sector turned it into a unique rail logistics, distribution and warehousing industrial park that will continue to transform us into the future. Our Interstate is now full of successful business ventures. We have taken advantage of the energy diversity being driven in rural America as our transportation dynamics allow us to capitalize on the oil boom from our neighbors to the north in the Dakotas and the wind energy boom that our southern and western neighbors in Colorado and Wyoming have seen.

We have tripled our local economy and local valuation base over the past 20 years. We have more jobs per capita than almost any community in America. There is no legitimate excuse for not having a job in Sidney. Every employer in our economy needs more workers. Our unemployment rate usually is under 3 percent, but that statistic mostly reflects workers in transition. We currently have over \$300 million of new projects on the ground and moving forward this Spring. Our most significant challenge is now building affordable workforce housing. Unfortunately most federal housing programs discourage people from earning higher income. I realize it is important to have standards, but flexibility within those programs that mirror a community's progress would be significantly beneficial to communities like Sidney. When we have hundreds of workers looking for a place to live, yet we have empty federal tax credit rentals because of its low income restricted standards, something is amiss. We must find a way to appreciate people and communities who work hard to get ahead and pay their workers good decent wages.

With a community theme, "*Small Town Values, Big Time Opportunities*", we live, breathe and bring that winning attitude and our game face every single day. We practice what we preach. We work hard to never take for granted those companies that call Sidney, Nebraska home, and we continuously reach out to others to help us build a community of the future.

We double our population each day from those who work, commute or stay here for business or travel purposes and our economy reflects it. We will always be "small and rural" by anybody's standards, but we have employers who do business world-wide and their success and job creation keeps dozens of other neighboring rural communities afloat. Regionalism works when the "mother hen" community churns out the jobs and the economy and smaller communities help provide the work force in exchange for the paychecks and their continued viability.

I've been part of regional planning groups for almost 3 decades. When the larger communities within those regional pockets thrive, so does the flock of very small communities that surround it. Distance is always a challenge and the more connectivity and sharing that goes on the better for all. States must become more engaged in helping us incentivize consolidation of services, elimination of boundary lines that constrain us and entice young people to live in and businesses to locate to rural areas. There's a lot of existing infrastructure out there in rural America and for the most part, it is being vastly underutilized and it is showing significant deterioration as it ages. The general nature of people and small communities is to view consolidation as a loss of services, and their identity as well as one step closer to irrelevancy. Incentivizing such consolidation efforts require an entirely different mindset. One shining example is when the Panhandle of Nebraska was at its peak population in the late 1880's there was only one county and the transportation and communication methods were very limited. Today there are eleven counties in the same geographic location despite having instant communication.

Today's generation and those to follow are not pulled by the rural emotional heartstrings like those of my generation who grew up in rural America. They will, however, come back for good jobs, quality of life and a safe place to raise their families. Our employers have proven they can recruit new employees and prove those young adults are willing to come back to rural America.

As hard as we have worked in Sidney, Nebraska and as successful as we have been, I want to share a startling statistic. Today we are still 33 percent below our population peak of 50 years ago. I am also providing you several graphs from a Power Point presentation made by Jerry Deichert of the University of Nebraska Omaha's Public Affairs Research Center, illustrating the outmigration of the rural areas of our State where 75 percent of our 93 counties lost population again this past decade and over 50 percent of Nebraska's population are now in three counties on the eastern border, 400 miles from Sidney. We are one of the very few rural counties that bucked that trend, but only in recent years. To illustrate, I have included demographic information highlights from our local community's 2012 comprehensive plan.

Some of the suggestions I mention in this testimony, I realize you have absolutely no control over in this subcommittee, but I sense what you are all about is the general awareness and future well-being of rural America, I sense is what you are all about. There are ways you can influence those outcomes in arenas beyond this committee with a shift in policy and elimination of bureaucracy. I believe these philosophies would assist in accomplishing your goals:

- Flexibility is needed from some of the existing income standards that affect your programs' community eligibility standards. I am totally aware how critical these programs work for several of our neighboring smaller communities, but flexibility for communities that have continued to work hard to improve their situations is also needed. Don't lump us all into the same category.
- Revolving regional loan funds at an attractive low interest to provide supplemental or gap financing for business projects are needed. New Banking regulations have substantially, if not dramatically, reduced the ability of small community banks to finance the business projects they once did. A lot of our federal programs are also tied to low and moderate

income jobs or standards, but relieving some of those restrictions once the funds are paid back into the loan fund to gain more flexibility for the next recipients would be beneficial.

- Further develop regional strategies by pooling the funding resources on a regional basis and requiring some "skin in the game" by local participating entities. This would strengthen the regional approach and spread out resources. Require local municipalities and counties to become regional partners for their participating businesses to be eligible for funding, but make it so attractive the people demand it. I've seen too many entities leave the fold declining to be part of solving issues on a regional basis and unwilling to work on regional strategies.
- Partial forgivable loans, based solely on performance of job creation and investment would continue to give companies the incentive to perform in rural areas.
- Incentivize new and existing companies adding new jobs in rural counties under 25,000 population. The challenge is significant for employers to recruit to rural areas. Help us find ways that make it more attractive.
- Student federal loan forgiveness for living and working in a county under 25,000 population based on the old homestead formula where so much is forgiven for each year up to 7 years. Interest on loans could be frozen and then a percentage is forgiven each year. A cap of a standard for example such as \$21,000, with \$3,000 forgiven each year. If they leave in year 3, then it is pro-rated. Rural lifestyles can be contagious, but too few get the opportunity to experience it in today's world.
- Create USDA "Opportunity Zones" that somewhat act like "Enterprise Zones" that would add to the desire and incentives to locate in those zones for both employers and employees. Provided a community meets certain growth standards, eligibility can be gained. I've recently witnessed the partnership of USDA and HUD in establishing neighborhood "Promise Zones" to revitalize neighborhoods and actually look at financing market rate housing projects. We're anxious to see how those programs will work.
- Help establish "Rural Trade Zones" that would work much like the Federal Trade Zones to provide tariff relief for those importing and exporting merchandise within the zones, bringing manufacturing, warehousing and distribution jobs back to rural America.
- Broadband fiber-optic connectivity to rural areas is increasingly critical for companies and employees. It is just as critically important to the success of rural America today as the generations of the past benefiting from federal aid road systems improvements, the rural electric system bringing light to the masses, and communication improvement tearing down previous distance barriers. We need USDA to continue strengthening the programs that help revitalize rural America's infrastructure. Just as important as electricity was for the generation nearly a century ago, the same is true of broadband fiber connectivity today.

If you reward those that are your performers, who work hard to create new jobs and create new economic wealth, then all those around them will be successful as well. I've seen it happen over and over in our community. On the contrary my youngest daughter is in the *Teach for America* program in one of our country's most impoverished rural areas. She also has done a lot of

volunteer work on reservations. As a result of her experiences, I have seen what happens with my own two eyes, when the federal government has too much influence and the incentive to work disappears in economies. Her experience has been extraordinarily challenging, but she believes with all her heart and soul she is making a difference by influencing young people's lives and goals. While her primary reason for involvement was not student loan forgiveness, in the end, it is a reward for her efforts. If rural communities could also see rewards for their efforts to diversify and grow by recruiting young people back to rural America, then our country wins.

Our community has been featured from the *Wall Street Journal* to the *Washington Post* to national economic publications for our determination and grit in overcoming challenges and finding success. There is no magic formula. It's called hard work and believing in each other, working together and enduring the test of time. We are building on those projects that are three to five years down the road right now, never resting on our laurels for a split second.

We have used USDA funding for low interest long term financing for projects in the public and private sector, including housing. USDA's long term financing made the total difference for our community to begin constructing this week a new modern state of the art medical center that will replace a facility nearing 70 years old and technology deprived. This is just one of many examples where USDA is making a difference in rural America. I will never be a fan of financial give away programs. It turns people into unproductive citizens and communities away from an attitude of self-sufficiency. I do believe, wholeheartedly in anything that is performance based. Help those who help themselves. Take the long and proud history of USDA programs and continue to make the programs stronger and more rewarding to America's performers.

We have utilized many other federal and state programs. These programs will always remain critically important to help us balance the ever increasing environmental regulations and banking regulations that will continue to put small communities out of business and lock the door for any hope of a future rural renaissance.

As successful as Sidney has been, because we continue to carry that "small town rural community" status, we have found it extraordinarily tough and disheartening to finance market rate housing projects. We are now building our first market rate rental housing complex in 60 years. We had to do it through private resources. If I had the ability to convince you of just one thing today, it would be to enhance flexibility in your funding programs by just adding more common sense to the equation and not scaring and forcing the financial community out of rural America because of the extreme penalties to embrace risk simply because we are categorized as "rural."

As our governing body that impacts America's future, I would ask you to help influence others that holding rural America to metropolitan regulatory standards is costly and counterproductive. Every one of our community's infrastructure problems resulted from increased regulatory standards. Standards are necessary and important, but somewhere common sense left the

equation when it comes to some of the environmental overreactions we have experienced with our projects, especially in recent years. While we have addressed the challenges and prepare for today's regulatory world, our utility rates are now abnormally high.

One of the key advantages rural America had a generation ago was its low cost of utilities and housing costs. The same is not true today. Our small community has had to endure \$20 million of new mandated public infrastructure projects primarily brought on by the increased environmental regulations dealing with water, wastewater, landfill, emission standards that closed our power plant and the list of future issues continues to grow. If we accept federal funds in any manner, the list of environmental studies that have to be performed adds an extraordinary amount of costs to the bottom line, along with critical time delays. We just spent 10 years trying to build a sidewalk, called a public trails system because of such bureaucratic requirements. That should embarrass any federal bureaucrat. Many of these over regulated programs make absolutely no sense in rural America or in anybody's America for that manner. We estimate over 30 percent of electrical costs are now due to new environmental regulations. All we can see on the future horizon is fewer options of reliable or available energy and 10 percent rate increases every year well into the future.

Despite agriculture going through a major transformation in the past 50 years on how it operates and functions in continuing to feed the world, there is still a lot of hope and promise for population sustainability in rural America. Sidney, Nebraska is an example of what can happen. Rural America today is not the same as your father or grandfather's rural roots, but it can continue to be special. If rural America still matters in today's world, the United States will continue to be the envy of the world. If we lose that cultural fabric, or that understanding of how Mother Nature interacts with mankind, then we will lose our understanding completely in the next generation of what rural America meant to our country's heritage and what it still means to our success today. Shame on all of us if that happens. I believe, like you do, that rural America still matters, and we can sustain a population base once again and a home for future generations. We just need to have Americans rediscover this opportunity and way of life. Thank you for your service to our country!

Statement of Mark Tilsen, President
Co-founder Native American Natural Foods
To the
Senate Agriculture Subcommittee on Jobs, Rural Economic Growth and
Energy Innovation

Hearing: The Importance of Regional Strategies in Rural Economic
Development
May1, 2014 at 10:00am
328A Russell Senate Office Building

I would like to Thank Senator Thune for inviting me here today And Chairwoman Heidi Heitkamp as well as respected Members of the Committee.

Senator Heitkamp, I am a descendent of North Dakota. My late father Ken Tilsen was born there and proud of it. I dedicate today's testimony to him.

I am Mark Tilsen, I am here today as President and Co-founder of Native American Natural Foods. I have worked on and around the Pine Ridge Indian Reservation since the 70's working with a variety of Lakota led organizations, institutions and businesses.

Most notably The Black Hills Alliance, KILI Radio, Oglala Lakota College, Lakota Funds, The Pine Ridge Area Chamber of Commerce, Lakota Express and Native American Natural Foods, all focused on improving the lives of Indian people.

This 30 plus years of work, has given me firsthand knowledge of the impact of our Federal government's economic development programs in Indian country that I will try and share with you today.

I am the father of 3 children who are members of the Oglala Sioux Tribe and 6 grandchildren. It is their future that motivates me and who's interests I represent.

For this reason; I must start by saying I am a social entrepreneur who believes that at this critical time in history, we must and can build a sustainable just economy that preserves our Water, Air, and Lands.

I know that each and every business decision we make has to focus on what is best for the greater good, for your grandchildren and mine.

As Social Entrepreneurs, we look at business as a tool to address social needs. We operate on more than just the financial bottom line. We listen to the market for opportunity to create change.

This is why my business partner Karlene Hunter and I launched Native American Natural Foods. We created a National brand, in the middle of a food desert from one of the most geographically, economically isolated places in America. We did this with purpose and intention.

After studying, Distance Neutral business Opportunities and The Value Chain of the food industry, we learned that the most secure, stable and profitable companies were the brands themselves. The internet made it possible to launch a brand from anywhere even Kyle, South Dakota.

We understood The Social problems, The Poverty and The Barriers to success, all too well. We live with them every day.

So we choose to focus on the positive assets in our community. We wanted to see if we could build a brand that one day could become strong enough to break the isolation of the reservation and to have a positive impact on the Health of the People, The Land, and the Buffalo.

We learned the history and science of traditional healthy Lakota food systems and foods like "Wasna". We recognized the creative power and spirit of the Lakota people.

We saw the growth of the buffalo industry throughout the region, but saw few Native American producers.

We recognized the fact that despite having the lowest average life span in the US, the population on South Dakota Indian Reservations are growing when most rural counties in the state are on a rapid decline.

This led us to a key question, which I would like to pose to you today.

Why is growth everywhere in the world viewed at as an opportunity, but in the Indian community it is viewed as a problem?

Lack of Courage? Investment? Infrastructure? Entrenched interests; who profit from historic poverty? Lack of opportunity for this growing population?

This led us to the idea could we take the Lakota peoples ancestral knowledge of the perfect portable energy food and create a new brand that shared the positive history of healthy foods, stewardship of the Land, Air, Water, and Respect for the Buffalo as the givers of life and health and build it into a high value Natural Food Brand.

After gaining input and encouragement from more than 600 people from across the reservation, we created The Tanka Branding shield * to include the community's aspirations, values, with our brand promise and goals.

Then we took the entrepreneurial step of putting everything at risk.

The Tanka bar was born!

Today I am proud to share with you that The Tanka line of buffalo and cranberry based high protein, low carb snacks are sold in more than 375 Indian Reservations and are carried in over 6,000 retailers in every state in the Nation. Including REI, WHOLE FOODS, Costco.com, Natural Grocers, National parks and many more.

We have created a learning company that is focused on: Quality Natural Products, Best in Class Customer Service, Empowering our employees to become managers and owners.

We are the innovative leader in the new emerging category of meat bar snacks. We created this category almost 7 years ago when we introduced our 100% natural buffalo and cranberry Tanka Bar.

TANKA products are:

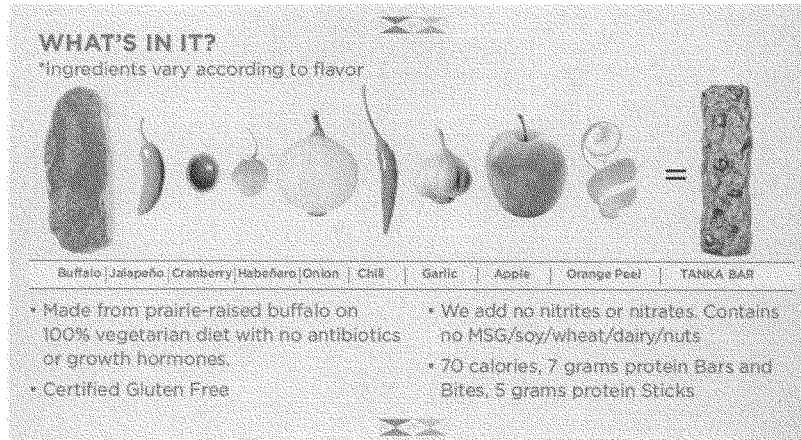
- The first protein bar with real meat.
- The first meat snack with real fruit.
- The only 100% Buffalo and fruit bar in the industry.
- The industry leader in natural Buffalo snacks, The only certified authentic Native American snack in the category.
- One of the recognized leaders in the emerging healthy Food for Men and Food as Fuel trends.
- All Tanka products are certified gluten free and sustainable produced.
- We are the Official snack of the Oglala Sioux Tribe

In 2014, we are experiencing more than 125% growth.

We are an Award Winning Brand:

2013 Vision Leadership Award, National Association for the Specialty Food Trade (NASFT);
Backpacker Magazine's 2010 Editor's Choice Award;
2011 Social Venture Network Innovation Award;
2010 Cliff Adler 'Heart in Business' Award;
2009 Award Pine Ridge Area Chamber of Commerce Aspiring Entrepreneur Award.

Based on a Traditional Lakota Recipe of dried meat and fruit called "Wasna", The Tanka Bars, Bites and Sticks are 100% natural buffalo meat with tart-sweet cranberries. Simple recipe based on real food.



A mission-driven company where the community shares ownership.

We have created 9 full time jobs on the reservation in sales, marketing, fulfillment, bookkeeping, supply chain management and customer service.

None of our employees have ever worked in the Natural Food Industry and most had never had a private sector job. But given the opportunity, tied with the training and tools to succeed our employees are now on track to become managers and owners of the company.

Becoming a model of wealth creation on the reservation and assuring that Native American Natural Foods stays on the reservation as a community asset for future generations.

We have built this company on Social media. We have never purchased an ad. Over 125,000 people interact with our brand through the Internet monthly. We support our retailers through social media and thousands of product tastings across the country. All from Kyle, South Dakota in the middle of The Pine Ridge Indian Reservations.

We have created a proven profitable business model. But we have only begun to have our desired impact on the health of the people, land and economy.

We did not do this alone. Tanka is a brand deeply rooted in the community from our very first Buffalo a gift from The Oglala Sioux Tribe's Parks and Recreation Department, to our first investor, The Lakota Funds CDFI still the only commercial lender on the reservation.

The challenges we have had to overcome were and still are formidable. We could not have gotten this far, if it had not been for the support from our investors:

The Lakota Fund CDFI
Oglala Oyate Woitanean Empowerment Zone (USDA FUNDED)
The Clearinghouse CDFI
The BIA Guaranteed Loan Program.
The American Indian land tenure foundation
The swift foundation

We have received critical support from:

The South Dakota added Value agriculture development center (USDA FUNDED)
The Northwest Area Foundation
The Midewakaton Sioux Tribe.
Natural Specialty sales (New brands Team)
UNFI
Patton and Boggs LLC
Lakota Express.
The Inter tribal Agriculture council, American Indian food program (USDA Funded)

We are just getting started, Tanka is Returning

In order to keep building the Tanka brand and increase our impact on the reservation and the region we need to do the following:

- Refinance for growth
- Expand our products offerings.
- Increase our investments in marketing
- Invest in Management level training
- Grow the number of Native American Buffalo producers.

The Intertribal Bison Cooperative has done a great job of restoring buffalo to over 54 Tribal Nations and they play a critical role in the growth of Buffalo on the tribal level.

The challenge we have, is that there is not enough Native American Commercial Buffalo Producers. We have only been able to buy about 20% of our meat from Native American buffalo producers. Many of the local producers do not have the required birth to plate animal identification program that provides the necessary transparency to be able to sell their products into the added value natural food channel which is the fastest growing part of the food retail food market.

This means that there is over \$600,000 annually of economic impact from just Native American Natural Foods that could and should be going into the reservation economies.

We need to recruit more young Native people into raising buffalo. We have created the market opportunity, now we need to provide capital and technical assistance to make this happen.

In order to address these needs we have joined forces with The American Indian Land Tenure Foundation and created the Tanka Fund to help raise funds to return buffalo to the Lands, Lives and Economy of Indian people.

The Tanka Fund is our non-profit campaign to return the Buffalo to 1 million acres of Native lands

Returning the buffalo to Native communities offers a traditional, all-natural food source as well as a healthy alternative to snack foods. Buffalo meat is praised for its nutritional value. Reintroducing buffalo into the diets, economy and lands of Native American people is an important step toward achieving cultural and physical healing and wellness in our communities. Buffalo are a part of the natural ecosystems of the Great Plains, and returning buffalo is necessary in order to restore American grasslands. Buffalo restoration is prairie restoration.

Cris Stainbrook, President of The American Indian Land Tenure Foundations told *Newsweek* he estimates that the campaign will need to raise about \$100 million to buy all the land and Buffalo needed.

This will transform our regional economy, improve the health of the land and the people while helping to mitigate the growing impact of climate change.

Our short-term goal is to raise ten million dollars to launch the fund. In order to do this we have created the first annual Tanka Returns Month - November 2014, to educate the public about Native Americans, Buffalo and to raise funds for the Tanka Fund.

Native American Natural Foods will donate 10% of our gross sales of Tanka Products during the month of November.

We have also created three new TANKA products to help raise awareness and funds.

We are now recruiting distributors, retailers and celebrities to get involved with this campaign. While we are going to reach out to the private sector as much as possible for Funds we need to find a way for USDA to play a much bigger role in the development of buffalo production on reservations. We would like to see a ten million dollars set aside that would require us to match it dollar for dollar to help launch this campaign.

The Challenges Ahead:

The challenges of the lack of basic infrastructure, shortfalls of capital, lack of training resources, inadequate dependable internet, access to lands and markets for Native American Natural Foods are many. But we are just a microcosm, of the bigger challenges facing Native American communities across the Dakotas.

Native American Natural Foods is part of a much larger movement of people working to transform Native Community from dependency to opportunity, from disease plagued to a healthy society, from being exploited to a just economic system.

Each Native community has one or more groups that are staffed by hardworking, dedicated people trying to help pull their community towards a healthier way of life. But they are often under staffed, over worked and underfunded.

But we seem to live in a state that is comfortable with a form of Economic apartheid, a system that I and many others find unacceptable

Yes, there are 2 economic systems in South Dakota. The National media looks at South Dakota as “the top state for business” showing growth in our urban centers. But seldom mentioned is the fact that seven of the 11 most impoverished communities in the United States are all in South Dakota and are all Indian Reservations!

When it is addressed, we focus on investments to managing the symptoms of poverty. So we build more jails, prisons and treatment facilities. This is the result of looking at the growth of Native Community as a problem and not an opportunity.

I urge you to recognize the fast growing rural population of native people as an opportunity and invest in the creative energy and dreams of these young people. We need to build the necessary infrastructure that is commensurate with the size of the challenge and the scope of the problems. So we can create solutions to historic poverty instead of just reacting to the problems of it.

In 2010 Thunder Valley Community Development Corporation in partnership with the Oglala Sioux Tribe and a 23 member consortium embarked on a historic endeavor to create a Regional Plan for Sustainable Development for the Pine Ridge Indian Reservation. Native American Natural Foods is proud to be one of the participants in this work.

This process was funded by category 1 Regional Planning Grant from the HUD Office of Sustainable Housing & Communities. Through this placed based initiative the region looked at the challenges that exist and where there is opportunity to improve as well.

Through the regional planning process that Pine Ridge has undertaken there is now a road map for the future. According to the 2010 Census there are approximately 5,200 employed people on Pine Ridge yet only 49% of that workforce actually lives on the

Reservation. There's a need for workforce housing, in fact creating workforce housing will build upon the already existing jobs in the region, create more economic opportunities and begin turning the dollar over in our communities.

The reservation communities have to be part of the solution. There are three major areas of investment that are "ESSENTIAL" in order for this strategy to work.

Infrastructure Investment:

On the Pine Ridge Indian Reservation almost every single community within Pine Ridge current physical infrastructure is at capacity. There needs to be strategic investment into Water, Sewer, Electrical and road infrastructure. This investment is needed in order to build businesses, housing developments and for attracting new investments into our communities. The USDA RUS Environmental Programs provides investment into our communities for water and sewer, but this needs to be substantially increased and this investment tool needs to provide more and more grant dollars and less loan because reservation communities are often operating in a climate where very little lands are tax so infrastructure repayment is challenging. Infrastructure investments need to be at least as big as the challenges we are facing. Further more the USDA Water and Sewer investment programs need to be responsive to mitigate climate change by improving their investments to include sustainable reuse water systems. According the National Drought Mitigation Center the climate change projections for the Region of Pine Ridge include an increase of rainfall each year but that rainfall coming in denser periods of time the result being desertification of land. This is a reality and the current weather trends are beginning to prove these predictions correct. In order to respond to the changing climate the USDA needs to consider increasing their funding limits in the USDA Water and Sewer Infrastructure program to include the implementation of Sustainable Water and Reuse Water systems. There are many existing proven technologies used widely around the United States and the world that are safely using reuse water system. Although more expensive upfront these Sustainable Reuse Water Systems pay off in the long run.

Workforce Development & Training:

It is essential that a functioning economy to have a trained work force ready to engage with for-profit businesses to grow the private sector. Our reservation needs training in the areas of For-Profit: Business financial literacy, Management based on values and mission driven Social Entrepreneurship, Financial/Business Management, and Marketing.

Implementing evidence based workforce development and training programs are essential to improve the existing workforce and prepare them for success. One of these programs that has proven to work in low income communities is the U.S. Department of Labor's Youth Build program. Youth Build is a nonresidential, community-based alternative education program that provides classroom instruction and occupational skills training to at-risk individuals ages 16-24. Participants have been in the juvenile justice system, are aging out of foster care, are high school dropouts, and are otherwise at-risk of failing to reach key educational milestones and opportunities that lead to career fulfillment. Participants learn valuable skills as they build affordable

housing for low-income or homeless individuals and families in their communities. Non-construction skills training will also include leadership development and community service elements to ensure that youth maintain a connection to their communities through service and volunteerism. Programs like Youth Build need to be instituted in order to build the capacity of the younger generation and prepare them to enter the work force.

Non-profit's, Government Agencies and companies need to partner with one another to create public/ private partnerships to address specific workforce development needs. The government agencies can give grants to the non-profits to create specific needs created by the private sector to meet their needs for growth and jobs. Together this type of collaboration can create a pipeline of workers prepared to enter the workforce at levels that are sufficient for companies to higher.

Housing Development

Paul Iron Cloud, Housing Director at the Oglala Sioux Lakota Housing Authority (OSLHA), looked across the Capitol Reflecting Pool at the dome of the Capitol Building and said, "Since Congress is not coming to see the need that is out there, we brought the house to them." Behind him sat a trailer holding a gray wooden structure with dilapidated windows and peeling siding that had been transported over 1,500 miles from the Pine Ridge Reservation as part of *The Trail of Hope for Indian Housing*.

The housing need is between 3,500-4,000 units of housing needed on the reservation and this represents an investment of between \$750 million – 1 billion dollars. The NAHASDA allocations need to be increased and their needs to be other opportunities and loans invested into multiple types of housing developers, agencies, businesses and organizations to address the need and appropriately address the challenge

Through Rural Development Staff Leadership and housing practitioners throughout the region a new state wide initiative has been formed to focus on Native American home ownership. The South Dakota Native Home Ownership Coalition (SDNHOP) was formed in 2013 to increase the capacity of non-profits, housing developers, state, federal agencies and CDFI's to increase home ownership to Native Americans. This state wide initiative is beginning to create promising collaborations that will need substantial investment from the USDA in their housing and infrastructure programs so increased funding amounts into these programs are essential to implement coalition goals.

Following through on place based initiative investments

As an interested observer of federal programs, I have seen many planning and research projects that create important tools for local and tribal planners like the Regional Sustainability plan that the Oglala Sioux tribe passed last year. But there is no follow through funding to execute the plan on behalf of the federal government.

I would like to add that the South Dakota Indian Business Alliance 2012 report on Native American entrepreneurship is a valuable source of data and their recommendations are still valid today. So I am including them here:

1. Expand the scale of existing sources of capital, training, and technical assistance.
2. Foster community support for individual Native entrepreneurs.
3. Support financial and human capital needs of emerging and existing Native CDFIs.
4. Establish and improve banking relationships between mainstream financial institutions and Tribal members residing in reservation communities.
5. Establish and improve outreach efforts and partnerships among state government economic development agencies, Tribes, and private organizations serving Native entrepreneurs—specifically Native CDFIs, Tribal colleges, and Native-specific support organizations.

For a full version of these recommendations please refer to the report online at: sdibaonline.org/docs/NativeAmericanEShipinSouthDakotas9Reservations.pdf

Senator Heitkamp I wanted to point to you that Like North Dakota. The Oglala Sioux Tribe, passed an Ordinance authorizing the commercial and regulated production of hemp on the Pine Ridge Indian Reservation. Federal recognition of this Ordinance would permit many unemployed Lakota men and women to become farmers of a plant producing non-drug raw materials for a product increasingly demanded by the manufacturing industry. It would also therefore produce potential manufacturing opportunities on Reservations. Recent DEA testing of cultivated crops grown from the seeds of this ferel hemp on the Pine Ridge Reservation revealed it to contain virtually no THC (the canabanoid containing a psychoactive) and where present, too little to be used as a drug. The three Families attempting to commercially cultivate that hemp crop for its raw materials of oils and fibers, had a combined annually income (3 households of grandparents, parents and children) of approximately \$40,000 a year. The year the crop was seized by federal authorities, the Families had existing contracts from manufacturers of hemp products amounting to approximately \$450,000. Since the hemp had no THC, no criminal charges were ever brought.

We have received critical support from several programs that were funded by USDA and we thank you for this but each of these programs are still under resourced and struggling to keep up with the growing demand for their services.

The Inter tribal Agriculture council, American Indian food program. has been a big help to use to gain market access. Thy had to cancel their participation in Expo West, one of the world's largest natural food shows, because of the government shut down. This had a negative impact on our business and prevented many other Native food businesses from participating. This important project needs to be fully funded and expanded to be

able to provide much needed domestic marketing dollars as well as their current international marketing.

The South Dakota Value added Agriculture Development Center is a critical resource to small food companies like ours. While they have been a great help to us they are under staffed and severally underfunded.

Lakota Funds, is a model Native Community Development Financial Institution (CDFI), has helped finance more than 660 businesses owned by tribal members, including Native American Natural Foods in turn creating more than 1100 jobs. They have built a much needed and very successful credit union on the reservation but here again they are under staffed and underfunded.

The USDA Office of Tribal Relations has done a great job of expanding programs and work. To Tribal and Native owned Business across the country. Not to sound like a parrot. But I have been told that they have a budget short fall of close to three million dollars, in the coming year.

The Time to Act is Now

Climate change is no longer a debate. The only decision left is will you, our elected leaders, have the courage to lead us in to a new and sustainable economy? We realize that the economic force to maintain the status quo may seem to feel stronger than gravity itself at times. But change can happen. The majority of the people support it. Native communities across South Dakota are unified in their opposition to Uranium Mining in the Black Hills and the XL Energy Pipeline. Native communities in the past and today have tried to teach us to protect our Water, Land and Air and live in a sustainable way on this earth.

But as a society we have not listened and often even punished them for speaking the truth. Now it is time to listen and take place based planning and economic development to the next level, so we can build sustainable communities.

I am not a policy expert but as a businessperson it is clear to me that we need a common sense approach to this problem. We have to change the economic equation to reward efficiency and punish waste.

When we start applying the real cost to every part of the economy and rewarding efficiency the result will be tremendous economic growth. This growth will be lead by small business and empower rural communities across this county. Most importantly it will be sustainable and help the United States meet the necessary carbon reduction goals required to mitigate the effects of clement change.

I know that there are strong political and economic interests that make such a common sense approach seem naive.

But you have the support of the majority of people who want change, and need a common sense approach to these problems.

Conclusions

Reservation communities are bursting at the seams with organization and creative ideas. Struggling to overcome the many obstacles. It is an exciting time to see this new generation of tribal leaders set new paths for their people.

But we have to stop blocking and frustrating their creative energy and greatly increase their access to resources so they can build healthy, sustainable communities. I do believe in accountability but we have to balance that with overall effectiveness. I believe that you need to give more power to the local administrators of federal programs to take more chance and reward risk takers. With no risk there is no Gain!

One small idea, that can turn change in to Dollars.

It is so clear to me that we cannot just do this with debt. We have to create ways for Entrepreneurs to convert debt to equity. I can assure you that each dollar injected into small businesses as equity from the Federal Government has a much larger economic multiplier effect than debt as a result will have a greater positive impact on the local economy and the national debt.

The original investment of \$61,000 from The Lakota funds into Native American Natural Foods has helped to build a food company that is on track to gross over 3 million dollars this year with an annual payroll of over \$300,000 and we have put back over \$500,000 into other Native suppliers.

Many USDA and other Government programs seem to have guidelines that prevent the program from providing equity or direct aid to a business. While there is money for work shops some technical assistance or debt guarantees, seldom is there money for what the entrepreneur needs most, Equity. We cannot create economic growth if our only focus is on short-term low paying jobs. We need to create a path to economic independence for these hard working families.

So we have to find a path for ownership. We are trying this at Native American Natural Foods.

I am confident we can do it. We just need to use common sense
Thank you for your time.

QUESTIONS AND ANSWERS

MAY 1, 2014

Senate Committee on Agriculture, Nutrition & Forestry
Subcommittee on Jobs, Rural Economic Growth and Energy Innovation
The Importance of Regional Strategies in Rural Economic Development
Questions for the Record
May 1, 2014
Mr. Chuck Fluharty

Chairwoman Debbie Stabenow

1. In your testimony, you mention the importance of regional or multijurisdictional strategies not just in terms of collaboration between neighboring communities, but in terms of program integration on the local, state, and Federal levels. Can you elaborate on how USDA Rural Development programs have been integrated with state and local programs in your region? Do you have any suggestions on how Federal resources can be more effectively integrated with state and local programs to support the goal of long-term economic growth in rural America?

Chairwoman Stabenow, thank you for your continuing commitment to a more innovative framework for rural and regional innovation, and for this question. As you no doubt know from my many appearances before the Committee, I believe the alignment and integration of Federal resources with local and state program commitments is vital to sustaining the capacity of rural regions over the next decade.

In this era of continuing Federal budgetary challenge, and resultant rural capacity decline, it is essential that policy and program priorities drive and/or advantage greater investment and program integration, to ensure long-term economic growth in rural America.

In my Written Statement for the Record during the Subcommittee Hearing, I included a significant update on the Shaping Our Appalachian Region (SOAR) Initiative in the 50-plus counties of Eastern Kentucky. This regional innovation model is a proof text for naysayers who suggest such an integration is simply impossible. I have been humbled and honored to serve as SOAR's Interim Executive Director, and RUPRI has made a significant contribution to this enterprise, as part of our Cooperative Agreement with the Office of the Chief Economist/USDA.

I'm pleased to report that during an Executive Committee meeting on May 19, the SOAR Articles of Incorporation were approved, and have now been filed, by-laws will be finalized next week, and the search for the Founding Executive Director will begin, with a hiring date of August 1, 2014. Currently, over 250 regional leaders are engaged in 12 working groups and committees, framing a set of public, private, and philanthropic priorities for the longer-term SOAR vision, in collaboration with state government, counties, Area Development Districts, mayors, the NGO community, and the private sector and Chambers of the region. Major private sector investment has already been committed, as a result of SOAR, and this platform is enabling multiple jurisdictions, organizations, and entities to align investment streams, programs of work, grant proposals, and outcomes desired.

It would be inaccurate to suggest this could have occurred without the support of Governor Steve Beshear and House Appropriations Chairman Hal Rogers, as their bipartisan commitment definitely provided a risk management buffer, to break the historic domination of turf and party in the Mountains. However, this initiative has now moved far beyond them, from political control to regional vision and engagement. As you will note in the enclosed recitation of commitments made since the SOAR collaboration ensued, this process has also energized a new regional identity and collaborative spirit.

While your question did not directly request counsel concerning how statute or program administration could most advance regional outcomes such as SOAR is effectuating, I would offer several responses to your final question:

1. The Interim Rule developed to implement Title VI, § 6025, Strategic Economic and Community Development, must move beyond project identification and funding, which could comply with an existing regional plan, to actual prioritization of program investment based upon identified regional need and gap assessment.

2. There is insufficient human resource capacity and regional innovation knowledge currently residing within USDA RD personnel to fully exploit this potential. This implies that aligning these evaluative frameworks with those of sister agencies across the Federal partnership, or the creation of specific external professional assessment contracts, could be beneficial.

3. Because capacity/technical assistance for regional innovation is limited in many underserved and disadvantaged regions, efforts should be made to create a level playing field for these geographies. However, poor people and places will not extricate themselves from that condition until they are linked with those less unfortunate, and this regional value chain and cluster potential will not be realized unless these innovation standards are enforced equally in disadvantaged regions. This is where carve-outs or set-asides for specific regional thinking should be considered, either with Commerce/EDA, Labor/WIB, Governors, State Legislatures, Area Development Districts, or cities.

4. Finally, I have little patience for those which argue this program will only enhance thriving regional clusters, and will disadvantage the regions most in need. If we are unable to ensure this outcome, this program should not exist in USDA. The Obama Administration has made major investment in creating strong place-based policy innovation in our nation's cities and urbanized areas, through full utilization of CDBG, the philanthropic community, and our regional and Tier I universities, in alignment with urban community college systems. None of these dynamics, of necessity, are precluded in rural regions. In fact, miraculous analogues can be pointed toward. In this regard, I would recommend the Iron Range Resources and Rehabilitation Board in northern Minnesota as a case in point, along with many other innovative regional collaboratories in other states.

Finally, I would like to commend you and this Committee for the courage and perseverance to advance this agenda, in a space and Department which has historically been very resistant to these types of program changes. The future of rural regions will be largely determined by the extent to which regional innovation, entrepreneurship, creativity, and next-generation ethos is

imbued within the policy process. Where it is absent, the negative trend lines will only exacerbate.

Thank you for your consideration of this answer. The SOAR addendum is enclosed below.



SOAR Press Announcements, Short Summaries (post Dec. 9 SOAR Summit)

\$30 million 'Race to the Top' award to boost K-12 education

(Dec. 19, 2013) [Link to release of overall announcement](#)

The U.S. Department of Education announced a \$30 million grant to provide quality education for K-12 children in 17 eastern Kentucky school districts. Race to the Top district grants are awarded to regions with innovative plans to drive education reform and improve student achievement. The Kentucky Valley Educational Cooperative is leading the effort, affecting some 43,000 students and 2,500 educators in 14 counties.

Eight southeastern counties designated as federal 'Promise Zone'

(Jan. 8, 2014) [Link to release](#). [White House Fact Sheet](#)

An eight-county region in southeastern Kentucky, hard hit by poverty and loss of coal jobs, is among the first five sites in the country to be designated as a federal "Promise Zone" by the White House. The designation means the federal government will partner with these zones to accelerate public-private partnerships, promote job creation and education opportunities, and improve access to federal grant programs.

Governor calls for extending a four-lane Mountain Parkway by 2020

(Jan. 15, 2014) [Link to release](#)

Governor Beshear released a proposal in January to widen, modernize, and extend the Mountain Parkway, which has long served as the main connector between eastern Kentucky and the Bluegrass region.

The state legislature approved funding as part of the Kentucky Highway Plan for a series of projects, totaling \$381.7 million over six years, to create a four-lane corridor from Interstate 64 near Winchester to Pikeville. The westernmost part of the Mountain Parkway has long been four lanes, but the remaining 29.8 miles is two lanes, with an occasional passing lane. The Governor's plan would four-lane the section from Campton to Salyersville and extend the parkway from Salyersville to Prestonsburg by four-laning 16.2 additional miles.

\$2.6 million loan pool to spur small business start-ups and expansions

(Jan. 16, 2014) [Link to release](#)

Businesses in southeastern Kentucky recently gained access to a new source of business capital to encourage economic growth in the region through the SOAR initiative. The loan program was made possible by a \$400,000 grant announced by Gov. Beshear; \$900,000 in private funds raised by Kentucky Highlands Investment Corporation; and a \$1.3 million matching grant from the Community Development Financial Institutions Fund of the U.S. Department of the Treasury.

The \$2.6 million loan program will be available within 22 counties (Bell, Clay, Clinton, Cumberland, Estill, Harlan, Jackson, Knox, Laurel, Lee, Leslie, Letcher, Lincoln, Madison, McCreary, Owsley, Perry, Pulaski, Rockcastle, Russell, Wayne and Whitley).

Vilsack: 'StrikeForce' initiative will increase region's access to USDA resources
(Jan. 17, 2014) [Link to release](#)

Agriculture Secretary Tom Vilsack joined Gov. Beshear and Congressman Rogers in Pineville to announce the expansion of the U.S. Department of Agriculture's StrikeForce Initiative, which will serve 73 Kentucky counties. USDA will seek to increase its investments to the targeted counties through intensive outreach and partnership. The purpose of the initiative is to strengthen partnerships in poverty-stricken rural areas to ensure that every community has equal access to USDA programs.

Gov. Beshear, Congressman Rogers announce plan for high-speed broadband
(Jan. 22, 2014) [Link to release](#)

Gov. Beshear and Congressman Rogers announced an ambitious plan to extend access to high-speed broadband throughout Kentucky. Underserved EKY is to be the first area for the statewide project, which will be supported by \$60 million in state bonds and \$40 million in federal and private sources. The "Next Generation Kentucky Information Highway" project is expected to take up to three years to build nearly 3,000 miles of fiber infrastructure, including 600 miles in eastern Kentucky.

USDA Funding to Upgrade 4 KET Transmitters to Digital
(Jan. 29, 2014) [Link to release](#)

A \$358,000 federal grant was announced to upgrade four Kentucky Educational Television transmitters in southeastern and eastern Kentucky. The funding will replace 20 analog microwave communication systems with digital systems to connect the KET Network Center to WKSO in Somerset, WKMR in Morehead, WKHA in Hazard and WKPI in Pikeville. The digital equipment will enhance KET's ability to serve its viewers in these rural areas of the state with better, more reliable access to KET's educational programs and services.

SOAR Organizational Structure, Action Plan Announced
(March 24, 2014) [Link to release](#)

- The 15 member SOAR executive committee met in Hazard and the group developed a **nine-month action plan** that calls for large-scale outreach to eastern Kentucky businesses, local governments, organizations, and citizens this summer through 'listening sessions' to be held throughout the region.
- **Ten working groups** will be responsible for leading discussions throughout the region on topics related to eastern Kentucky's future economic well-being and quality of life.
- **The Futures Forum**, to be chaired by former Governor Paul Patton, will focus on long-term strategies to improve the region. Members of this group will work with the executive committee and work groups to translate immediate and ongoing efforts into future strategies. The Futures Forum will also develop a SOAR 2025 Vision to be presented to the region in a spring 2015 SOAR Futures Forum.

Innovation Network Office in Pikeville(April 16, 2014) [Link to release](#)

The Kentucky Cabinet for Economic Development is establishing a Kentucky Innovation Network office in Pikeville. The office, on the University of Pikeville campus, will provide much-needed assistance to startup companies in the Appalachian region. The Pikeville office will operate in the university's Community Technology Center and will serve nine counties, including Pike, Martin, Johnson, Floyd, Knott, Letcher, Perry, Breathitt and Magoffin.

Last year, the Kentucky Innovation Network helped support 240 new companies create more than 1,000 new jobs and assist businesses in raising more than \$100 million in private investments.

Gov. Beshear Signs Final Bills of Legislative Session(April 25, 2014) [Link to Release](#)

Areas targeted towards SOAR:

- **Tourism Development Act revision for distressed counties:** House Bill 493 creates opportunities for smaller-scale tourism projects to earn incentives in order to encourage such projects to locate in economically distressed counties.
- **Mountain Parkway:** House Bill 237 and the Road Plan include funding and support for the four-laning of the Mountain Parkway
- **Broadband:** \$30 million in bonds to extend high-speed broadband access across the state via the Next Generation Information Highway, beginning in Eastern Kentucky.
- **SOAR Development:** \$200,000 each year to fund administrative costs of SOAR and \$2 million each year for a new Regional Strategic Development Fund.

Free Workshop Planned to Grow Eastern Kentucky's Small Businesses(May 7, 2014) [Link to release](#)

International Economic Development Council (IEDC) offered a free one-day workshop on May 9 on the "Tools for Supporting Local Businesses for Economic Resiliency" in at the Big Sandy Area Development District Prestonsburg. During the workshop, IEDC provided strategies and tools to local leaders who work with small businesses to promote expansion and create more jobs. Growth within these businesses will help the region diversify its economy and be resilient to future job losses in the coal industry or when impacted by other disasters.

###

Senate Committee on Agriculture, Nutrition & Forestry
 Subcommittee on Jobs, Rural Economic Growth and Energy Innovation
 The Importance of Regional Strategies in Rural Economic Development
 Questions for the Record
 May 1, 2014
 Ms. Dawn Keeley

Chairwoman Debbie Stabenow

1. In your testimony, you mention the importance of regional or multijurisdictional strategies not just in terms of collaboration between neighboring communities, but in terms of program integration on the local, state, and Federal levels. Can you elaborate on how USDA Rural Development programs have been integrated with state and local programs in your region? Do you have any suggestions on how Federal resources can be more effectively integrated with state and local programs to support the goal of long-term economic growth in rural America?

Keeley Response – June 27, 2014

Thank you for your question Chairwoman Stabenow. We continually seek to integrate programs to the best of our ability to deliver high-quality, results-driven approaches. We strive to leverage funding from multiple sources in nearly every community and economic development project we implement. I have a few recent examples to illustrate our success in this regard.

Integration Example #1: Strategic Planning Partnerships – Federal, State, Local

The Red River Regional Council has a long-standing relationship with the **US Department of Commerce, Economic Development Administration** to provide economic development personnel in northeastern North Dakota. Through this relationship, we are required to complete a regional Comprehensive Economic Development Strategy (CEDS) every five years. We are currently in the process of completing a CEDS planning effort with a deadline of September 30, 2014. The approach we developed to complete our CEDS this year has included the development of county-level economic development strategic plans which will be aggregated as part of our regional plan.

USDA Rural Development provided funding through the **Rural Business Opportunity Grant (RBOG)** program to one of our counties, Pembina County, for the purpose of the development of a strategic plan. The RBOG was matched dollar for dollar with local funds. We have used the RBOG funding to develop the Pembina County Economic Development Strategic Plan. This plan has been created by a county Steering Committee comprised of representation from many sectors of the Pembina County economy with a majority from the private sector.

As part of our regional CEDS, we have also received funding from the **ND Department of Commerce** via the **Community Development Block Grant Program through US Department of Housing and Urban Development**, to complete an infrastructure survey. This survey will be a compilation of infrastructure and community needs from which we will assist in development of a strategy to work with our communities to complete needed improvements. Many of our communities are working to replace 70+ year old water and sewer infrastructure.

Finally, in the spirit of leverage, we worked with the **ND Small Business Development Center, partially funded through the Small Business Administration** to support our strategic planning approach. The NDSBDC program provided locally-matched funding for business consulting services. With our SBDC funding, we are able to provide professional business consulting services to implement portions of the strategic plans.

Further, the partnerships we created to complete the county and regional strategic plans include several local and county development organizations: Nelson, Pembina, and Walsh County Job Development Authorities, Grand Forks County, City of Grand Forks Office of Urban Development, Grand Forks Region Economic Development Corporation, and Red River Regional Council.

Integration Example #2: Housing Rehabilitation – Federal, State, Local

In the past six years, the Red River Regional Council has completed over \$1 million of housing rehabilitation projects throughout our region. **USDA Rural Development** was a key partner in these projects through the **Housing Preservation Grant Program**. Within these projects, we have received funding from USDA Rural Development, **US Department of Housing and Urban Development (CDBG)**, **Federal Home Loan Bank**, and **local governments**.

As we assess the rehabilitation needs of each individual home, we are able to package funding from the appropriate source(s) to complete each project. We attempt to match the intent of each funding program with the needs of the local low income homeowners. Ultimately, the rehabilitation projects serve to better the overall community. With North Dakota in a period of growth, we believe maintaining a high quality housing supply is necessary to support economic and community growth.

Suggestion for Program Integration – Provide Funding for Professional Staff and Regulatory Burdens

Program integration is only possible when led by quality, professional staff that can package programs and projects, comply with regulation, and lead collaborative partnerships for economic growth. Good program integration requires a high level of staff expertise, experience, and strong working relationships with local, state, and federal partners. Leading collaborative projects is often left to a regional organization such as ours in a rural area given the range and consistent project stream we have used to build our knowledge. Funding for professional staff is commonly our biggest challenge.

Economic development often includes a variety of community development activities such as housing, education, infrastructure planning and development, disaster recovery, leadership development, grant writing, and funding development. These community development needs are great and resources for professional staff are very limited. We have to use a fee-for-service model and with many of our communities with a population base of fewer than 500 people, it is difficult to charge fees. Without adequate and consistent staff funding, we are unable to build and retain the expertise needed to provide high quality services to our communities and clientele and yet we are often one of the first points of contact for our communities. This month, we are laying off our 32-year community development coordinator due to budget constraints in this program area.

Finally, accounting for federal funds requires sophisticated expertise. Cognizant agency indirect calculations and negotiations, the implementation of the new federal Omni Circular, (see: <http://www.ecfr.gov/cgi-bin/text-idx?node=2:1.1.2.2.1&rgn=div5#2:1.1.2.2.1.3.29.2>) and the cost of compliance requires consistent, educated, and qualified professional staff. Allocating those funds for such rural program administration is crucial to the integration we all desire.

Senate Committee on Agriculture, Nutrition & Forestry
Subcommittee on Jobs, Rural Economic Growth and Energy Innovation
The Importance of Regional Strategies in Rural Economic Development
Questions for the Record
May 1, 2014
Mr. Doug O'Brien

Chairwoman Debbie Stabenow

1. As you know, the 2014 Farm Bill provided USDA with the authority to establish a priority to fund applications that reflect a regional or multi-jurisdictional economic development strategy. Please describe the efforts being taken to help implement this important policy. Is rule-making required for each program the priority can be applied to? Is USDA doing, or does it plan to do, outreach to rural communities to help them develop applications that can receive the priority designation?

Response: To fully implement Section 6025 of the Farm Bill, RD needs to promulgate a new rule. Work is ongoing in promulgating the rule with a plan to have it in place for all programs by FY15. As with any significant program changes, and particularly with program changes prompted in the new Farm Bill, we will conduct extensive training and outreach to our staff and rural communities, respectively, so that the communities we serve are well-positioned to take advantage of the new priority and set-aside. As a first step, on June 5th we held a public listening session with stakeholders to ensure we have a full understanding of the current environment and how best to implement this provision in a way that works well for the many people across the country who are doing regional economic development work in their communities.

2. What impact do you expect the priority for applications reflecting a regional or multi-jurisdictional economic development strategy to have on the smallest, most rural communities? Do you believe the new policy will benefit these communities as well?

Response: The new priority for applications reflecting a regional or multi-jurisdictional economic development strategy will have no effect on statutory provisions that currently delineate preference for smaller and more impoverished communities. For example, the current preference for very small communities in our waste and water program is statutory and will remain unchanged. Additionally, RD has found both anecdotally and in academic research that a regional economic development approach benefits all types of rural communities - rich or poor, big or small - involved, as each participating community can leverage its unique assets.

3. One outcome that Congress hopes to see as a result of the new priority for regional or multi-jurisdictional applications is a maximization of Rural Development investment into our communities. A key to achieving that goal is for rural communities to be successful in leveraging resources from USDA with funding from other Federal agencies to complete infrastructure projects or implement other development initiatives. I understand that USDA has initiatives like Stronger Economies Together and Promise Zones that are helping some

communities in this way. But generally speaking, how is USDA's Rural Development staff in the State Offices helping communities in each state do this?

Response: USDA Rural Development is engaged in a number of interagency efforts designed to leverage USDA resources with funding from other Federal partners. Initiatives like Promise Zones and the Rural Jobs and Innovation Accelerator Challenge, for example, offer additional resources through priority preference points and targeted grants to communities with plans involving multiple federal agencies as permissible under the rules and statutes of the individual programs and subject to appropriations. Additionally, programs like Stronger Economies Together strengthen community capacity so that they can develop an economic development blueprint that builds on the economic assets of the region. These efforts not only spur economic development in the communities served, but serve as valuable sources of insight and best practices to USDA field staff on inter-agency collaboration and communication. In addition, Rural Development staff are uniquely positioned to know what is happening on the ground across the nation, as they work directly with local organizations and communities; with full implementation of this provision, we expect staff will, in time, also become increasingly familiar with regional economic development plans and the fundamentals of long term, strategic economic development planning.

Senate Committee on Agriculture, Nutrition & Forestry
Subcommittee on Jobs, Rural Economic Growth and Energy Innovation
The Importance of Regional Strategies in Rural Economic Development
Questions for the Record
May 1, 2014
Mr. Gary Person

Chairwoman Debbie Stabenow

- 1. In your testimony, you mention the importance of regional or multijurisdictional strategies not just in terms of collaboration between neighboring communities, but in terms of program integration on the local, state, and Federal levels. Can you elaborate on how USDA Rural Development programs have been integrated with state and local programs in your region? Do you have any suggestions on how Federal resources can be more effectively integrated with state and local programs to support the goal of long-term economic growth in rural America?**

Senator Stabenow,

I believe if additional funding could be made available to do small business low interest loans on a regional basis through existing regional coalitions, it would greatly benefit rural areas. The programs I have been exposed to in three decades of serving on a regional development district board, funding programs have all been tied to providing gap financing for banks financing projects, with relatively high interest rates.

With the changes we have seen in the banking industry in the past six years, rarely is a rural bank now willing to take the loan risk on a small business, especially those with no track records. I strongly believe the "would be" entrepreneurs still need to do proper business plans and fully analyze the potential success or failure of a business venture, but the vast majority never get to first base with the financing. It's hard to blame the banks either because of the high failure rate of small business ventures. That's another reason for the "low interest" or "no interest" concept, especially in the first two to three years of operation. The funding programs I am familiar with often times have a higher interest rate than the open market. Every dollar makes a difference on the small business road to success.

Providing incentives for retiring small business owners to transition someone into the business in a succession plan would be enormous. So many that have been in business for years in rural communities, wind up liquidating rather than bother with a succession plan because of the financing struggles of finding business finance, as well as the lack of entrepreneurial training for young people coming out of high schools in today's world. When rural communities lose those key small businesses and the larger franchise businesses want nothing to do with the rural communities any longer, it adds momentum to the swift outmigration of the population in rural communities. New programs have been introduced over the past decade to help young people

get established once again in farming or ranching ventures. We need that same type of incentive for young people to enter into the rural business world.

If USDA could create "rural enterprise zones" for regions that have suffered long term outmigration and as long as existing counties and cities in those zones have some "skin in the game" with local match dollars, it could provide the impetus for a rebuilding effort. If base employers received a federal tax credit for creating or retaining jobs in these regional zones, it would entice those companies to not only stay, but to expand in the rural economy.

Incentivizing, rather than penalizing, works far better for regional cooperation. My frustration with current regional efforts is seeing our largest populated county and our second largest populated community both leave our regional collaboration in the development districts because they see "no value" in regional collaboration. Something has to change that mindset. Membership fee structures are minimal, but it seems every time there are budget struggles, the first thing to go is the regional memberships.

USDA recently introduced the SET program for "Stronger Economies Together". While the concept seemed workable in breaking down imaginary lines between states and rural communities, the amount of meetings and paper work involved seemed extraordinarily cumbersome. Remember when you are dealing with rural communities, all have limited staffs and spending a great deal of time in meeting formats and creating paper work trails, scare off many from being willing to participate. Development officials are being paid to produce and devoting time to a long term process, is perceived to be counterproductive. A case in point, I spent 13 years being a city manager, who also served as our economic development specialist for our entire county. I had no support staff for economic development while still trying to perform the duties of a city manager. Spending additional time in more meetings seeming to go nowhere with no reward in the end for the community, becomes no priority whatsoever.

From environmental policies to economic development initiatives, too often I see the mentality of putting all of us into one category. When rural communities are held to metropolitan standards for environmental studies, rules, regulations and policy implementation, it's easy to just give up and not go through all the brain damage trying to get something accomplished. In the end public services become so expensive to provide the constituents that any "lower cost of living" rural communities once enjoyed, is no longer the case.

USDA does provide much needed support for housing and public projects. Without USDA's outstanding support and low interest financing, our community would not be constructing a new regional medical center, which broke ground this week on a \$53 million facility. I like the "fix up" programs as well offered to low and moderate income home owners, but very few are able or willing to take advantage of it. USDA at one time was committed to providing personnel in communities dealing with housing and when that local assistance has a face and presence, programs tend to be more widely used and become successful. Our community has completed \$300 million of new projects over the past 20 years and another \$300 million of additional projects are now on the ground moving forward this spring that will set the stage for continued growth for the next several years. We tripled our valuation and economic indicators and housing remains our greatest challenge and need, yet remains our greatest frustration. USDA's response

was to eliminate our point person for housing in our community about five years ago. When this happens in a growing prosperous rural community, what does that say about the program's real commitment to rural America?

The thresholds of qualifying for the various programs should also be based on "community factors" not just categorizing all of us in to one "rural category." Our community is an anomaly. We don't fit the "typical" and yet the programs are structured based on our state or regional averages, not community standards.

I very much appreciated the opportunity to be a part of the hearing. I commend your committee for wanting to find more answers to help rural America's viability in the future. Keep working hard at it. People must be listening. I couldn't believe the amount of response I have received from the very small part I played in the hearing. Rural America still matters. Thank you for your service to your country.

Senate Committee on Agriculture, Nutrition & Forestry
Subcommittee on Jobs, Rural Economic Growth and Energy Innovation
The Importance of Regional Strategies in Rural Economic Development
Questions for the Record
May 1, 2014
Mr. Mark Tilsen

Chairwoman Debbie Stabenow

1. In your testimony, you mention the importance of regional or multijurisdictional strategies not just in terms of collaboration between neighboring communities, but in terms of program integration on the local, state, and Federal levels. Can you elaborate on how USDA Rural Development programs have been integrated with state and local programs in your region? Do you have any suggestions on how Federal resources can be more effectively integrated with state and local programs to support the goal of long-term economic growth in rural America?

Dear Chairwoman Stabenow,

Thank you for your question.

When looking for multijurisdictional strategies for rural economic development in Indian country, I would strongly recommend that you spend some time looking at the Oyate Omniciye Oglala Lakota plan.

The Official Regional Sustainable Development plan of the Oglala Sioux Tribe.

In 2010, Thunder Valley Community Development Corporation in partnership with the Oglala Sioux Tribe and a 23 member consortium that included agencies from the Tribe, county, state, federal government, foundations and private business's embarked on a historic endeavor to create a Regional Plan for Sustainable Development for the Pine Ridge Indian Reservation. Native American Natural Foods is proud to be one of the participants in this work.

This process was funded by category 1 Regional Planning Grant from the HUD Office of Sustainable Housing & Communities. Through this place based initiative the region looked at the challenges that exist and where there is opportunity to improve as well.

Through the regional planning process that Pine Ridge has undertaken there is now a road map for the future. But there is no follow up funding in place to execute this plan. So the community became very motivated through the planning process. Doors of communication and calibration were opened to see a new Vision for the Region.

But this work is being frustrated and frozen by the lack of funding from the Federal government to execute this plan. The plan is too large to post here but you can see the entire plan at <http://www.oglalalakotaplan.org>.

This plan is the best road map we have to deal with the fact that the population in Rural counties that

Include Indian reservation are some of the only rural country growing. I strongly urge you to invest heavy in creating opportunity. Continued neglect will only grow more poverty.

Infrastructure Investment: On the Pine Ridge Indian Reservation almost every single community within Pine Ridge current physical infrastructure is at capacity. There needs to be strategic investment into Water, Sewer, Electrical and road infrastructure. This investment is needed in order to build businesses, housing developments and for attracting new investments into our communities. The USDA rural Environmental Programs provides investment into our communities for water and sewer, but this needs to be substantially increased and this investment tool needs to provide more and more grant dollars and less loan because reservation communities are often operating in a climate where very little lands are tax so infrastructure repayment is challenging. Infrastructure investments need to be at least as big as the challenges we are facing. Further more the USDA Water and Sewer investment programs need to be responsive to mitigate climate change by improving their investments to include sustainable reuse water systems. According the National Drought Mitigation Center the climate change projections for the Region of Pine Ridge include an increase of rainfall each year but that rainfall coming in denser periods of time the result being desertification of land. This is a reality and the current weather trends are beginning to prove these predictions correct. In order to respond to the changing climate the USDA needs to consider increasing their funding limits in the USDA Water and Sewer Infrastructure program to include the implementation of Sustainable Water and Reuse Water systems. There are many existing proven technologies used widely around the United States and the world that are safely using reuse water system. Although more expensive upfront these Sustainable Reuse Water Systems pay off in the long run.

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Last Native American Natural Foods is good examples of collaborations.we have received support from USDA through our partnership with the South Dakota agriculture development center. To create a new flavor and now work on expanding resources for new Native American Buffalo producer. We have received a BIA guaranteed loan and created working partnership with the largest natural food distributors in the country. In order to keep up with are over 100% growth rate we work with CDFIs tribes and private foundations. All focused on building the Tanka brand to become large enough to have a positive impact on the land live and economy of

Indian people. Tanka bar are sold in over 6000 stores in every state of the nation. We are one of the top selling meat snacks in the natural food channel.

We are looking for more ways to work with USDA to continue to have a larger positive impact on the community.

I want to thank you for your support of rural communities.

Sincerely
Mark A Tilsen

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Subcommittee on Jobs, Rural Economic Growth and Energy Innovation
The Importance of Regional Strategies in Rural Economic Development
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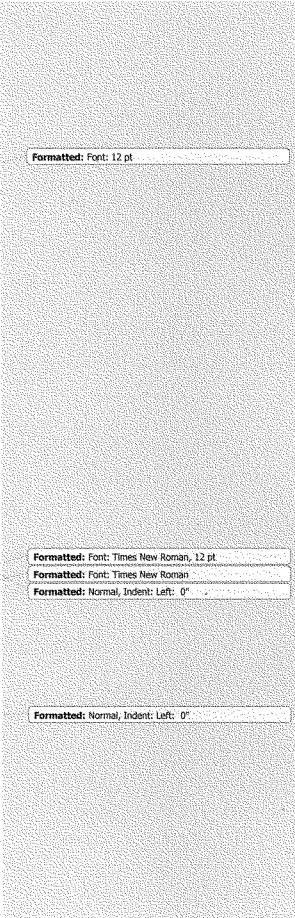
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Sincerely
Mark A Tilsen

