

Thank you Chairman Chambliss, Ranking Member Harkin and Members of the committee. My name is Jane Halliburton, I am a County Supervisor from Story County, Iowa. I have served as a County Supervisor in Story County since 1987. Today, I have the opportunity and privilege to represent NACo, as well as the National Association of Development Organizations (NADO).

About the National Association of Counties

Established in 1935, the National Association of Counties (NACo) is the only national organization representing county governments in Washington, DC. Over 2,000 of the 3,066 counties in the United States are members of NACo, representing over 85 percent of the population. NACo provides an extensive line of services including legislative, research, technical, and public affairs assistance, as well as enterprise services to its members. The association acts as a liaison with other levels of government, works to improve public understanding of counties, serves as a national advocate for counties and provides them with resources to help them find innovative methods to meet the challenges they face. In addition, NACo is involved in a number of special projects that deal with such issues as the environment, sustainable communities, volunteerism and intergenerational studies.

NACo's membership drives the policymaking process in the association through 11 policy steering committees that focus on a variety of issues including agriculture and rural affairs, human services, health, justice and public safety and transportation. Complementing these committees are two bi-partisan caucuses--the Large Urban County Caucus and the Rural Action Caucus--to articulate the positions of the association. The Large Urban County Caucus represents the 100 largest populated counties across the nation, which is approximately 49 percent of the nation's population. Similarly, the Rural Action Caucus (RAC) represents rural county elected officials from any of the 2,187 non-metropolitan or rural counties. Since its inception in 1997, RAC has grown substantially and now includes approximately 1,000 rural county officials.

About the National Association of Development Organizations

The National Association of Development Organizations (NADO) provides training, information and representation for regional development organizations serving the 82 million residents of small metropolitan and rural America. The association, founded in 1967 as a national public interest group, is a leading advocate for a regional approach to community and economic development.

NADO members--known locally as councils of government, economic development districts, local development districts, regional planning commissions and regional councils--provide valuable professional and technical assistance to over 2,000 counties and 15,000 small cities and towns. They also administer and deliver a variety of federal and state programs, based on local needs. Programs include aging, census, community and economic development, emergency management, small business financing, transportation and workforce development. Each region is governed by a policy board of elected officials, business leaders and citizen representatives. Associate members of NADO include state, county, city and town officials; educational and nonprofit organizations; utilities; and businesses and individuals.

This morning, I would like to make three key points on the status of rural development

programs in the farm bill:

? First, rural communities need federal development assistance programs and policies that allow them to identify, address and meet local needs.

? Second, federal rural development policies need to build on the genuine intent but unfulfilled promise of the 2002 farm bill.

? Third, USDA rural development programs should support the basic needs of local communities, such as water and wastewater systems, telecommunications and housing, while also tapping into the rural competitive advantage for innovation, entrepreneurship and alternative solutions such as renewable energy.

First, Mr. Chairman, rural communities need federal development assistance programs and policies that allow them to identify, address and meet local needs, whether they are basic infrastructure, education, health care, small business development, telecommunications or transportation related. As the following data demonstrates, rural America is a diverse, complex and constantly evolving place. That is why federal rural development policy is most effective when it is flexible and responsive to evolving and shifting local needs and priorities.

Home to almost one-third of the nation's population (equivalent to the urban population), small town and rural America is a diverse and constantly changing place. Rural America comprises 2,187 of the nation's 3,066 counties (counties of 50,000 and below), 75 percent of all local governments and 83 percent of the nation's land.

Rural communities are dealing with many of the same challenges as suburban or metropolitan centers such as economic development, increasing healthcare costs, aging infrastructure and growing methamphetamine epidemic. However, in rural America these challenges bring added dimensions.

While the common perception is that rural Americans only live in the South, Midwest and Great Plains, more rural Americans live in Pennsylvania, for example, than rural Idaho, Montana, Nebraska, Nevada, North Dakota, South Dakota, Utah and Wyoming combined. States with the largest total rural populations include Pennsylvania, Texas, North Carolina and Ohio.

While no one industry dominates the entire rural economy, the service sector now accounts for almost 50 percent of employment, with manufacturing employing twice as many people as all natural resource production activities combined, including agriculture, forestry, fishing and mining. While still an important fabric of rural life, farming represents less than eight percent of rural jobs and 50 percent of farm families rely heavily on off-farm income.

Demographic trends also suggest that rural Americans are proportionally older, more likely to live in poverty and less educated than their urban counterparts. However, individual rural communities are constantly changing and evolving, as many are becoming booming retirement destinations and tourist attractions, while others are struggling to diversify away from a one-industry town.

While USDA's rural development mission area has a comprehensive menu of much needed

loan and grant programs for rural communities, it still lacks the scale, efficiency and innovation required to make annual and long-term funding investments in individual rural communities and regions. Under current federal policies and programs, our nation's urban communities can rely on annual federal grant funds and entitlements for transportation, economic and community improvement initiatives that are designed to enhance the area's competitiveness and quality of life. Meanwhile, the bulk of federal assistance for rural communities is concentrated on maintaining the status quo for citizens and communities through transfer payments and access to loans and loan guarantees for infrastructure upgrades.

As confirmed in a July 2004 study by the W.K. Kellogg Foundation, the federal government spent more than two times (and sometimes up to five times) as much per capita on metropolitan community development as it did on rural community development from 1994 through 2001. In addition, overall federal per capita spending is typically more than \$100 greater each year for metropolitan citizens than non-metropolitan residents.

This is compounded by the fact that, according to the Rural Policy Research Institute, nearly 22 percent of total personal income in rural America comes from federal transfers, such as Social Security, Medicaid and agricultural payments. By comparison, only 13.6 percent of urban personal income is from federal transfer payments.

The U.S. Department of Housing and Urban Development's (HUD's) \$3.7 billion Community Development Block Grant (CDBG) program is one of the largest federal domestic assistance programs. Under the program, approximately 1,111 of the nation's largest cities and counties divide over \$3 billion each year in entitlement spending. This flexible and stable funding allows them to meet important local needs. Meanwhile, the other 30 percent of funding is distributed to states for the small cities program. While an essential and effective program, the nation's 14,000-plus rural communities must compete for one-time and sporadic assistance within their state for these CDBG funds.

Adding further to the discrepancy between urban and rural areas is the type of assistance available to rural communities. Many of the federal economic development programs targeted to urban areas are in the form of grant assistance, while many rural programs, including USDA rural development programs, rely heavily on loans and loan guarantees with minimal grant support. Urban communities typically also have more access to capacity building and technical assistance dollars from HUD and other agencies, whereas most rural economic development planning is funded through the U.S. Economic Development Administration's effective but small planning program.

Without a greater commitment by this committee and Congress to a stronger USDA rural development program, rural communities will continue to be at a marked disadvantage in trying to build and sustain viable local economies.

Second, federal rural development policies need to build on the genuine intent but unfulfilled promise of the 2002 farm bill.

We appreciate and recognize this committee's leadership in placing a new emphasis on rural development in the Farm Security and Rural Investment Act of 2002 by allocating a record \$1

billion in mandatory funds for the rural development title. This funding reflected the changing face of rural America. However, much of this funding never materialized.

One of the most innovative and forward-thinking programs, the Rural Strategic Investment Program, was an attempt to build local capacity within multi-jurisdictional regions by bringing the public and private sectors together. The underlying goal was to place rural regions and communities in the driver's seat to chart their future. Planning grants would be given and then followed up by project funding to implement the plans. The Rural Strategic Investment Program was one of few federal incentives to promote regional collaborations and public-private investments.

Another example is the broadband loan and loan guarantee program. The 2002 farm bill committed \$100 million of Commodity Credit Corporation funds for this program; however, much of the funding was either rescinded or repealed in later spending bills. This is in contrast to a recent study by the Pew Internet & American Life Project that showed that rural America continues to lag behind urban areas in broadband adoption. Specifically, the study found that only 24 percent of rural Americans have high-speed connections in their homes compared to 39 percent of urban Americans. The study further states that progress has been made in broadband adoption, as only 9 percent of rural Americans had broadband in 2003, but work must continue. A consequence of this gap in broadband capability is that rural Americans use the Internet less frequently and do not utilize the Internet's full potential.

When the Internet is available to rural communities, many residents will take full advantage of the opportunity. For example, a June 14 article in the Des Moines Register noted the success of rural online businesses. The article noted an entire building in Nevada, Iowa that is dedicated to quilting supplies. In Soldier, Iowa, a family owned bookstore called, Sheri's Book Treasures, now sells 95 percent of its inventory on the Internet to customers around the world. Another example is Prairieland Herbs, which is a company that sells herbal bath and body products. Prairieland Herbs is owned by a mother-daughter team that opened in 1998 and went online in 2000. They now attribute 75 percent of their sales to the Internet. The success of these businesses can be attributed to the connection between the necessary infrastructure in place and the entrepreneurial spirit of rural America.

As the committee looks forward to the farm bill reauthorization, we encourage you to place an emphasis on retaining and reshaping USDA rural development programs to address the basic community and infrastructure needs of rural America while also providing leadership, vision and resources for rural innovation, capacity, entrepreneurship and strategic planning.

Third, USDA rural development programs should support the basic needs of local communities, such as water and wastewater systems, telecommunications and housing, while also tapping into the rural competitive advantage for innovation, entrepreneurship and alternative solutions such as renewable energy.

All of these are essential building blocks for local economic development efforts, which eventually result in better paying jobs and an improved quality of life for local residents.

In August 2004, the NADO Research Foundation (with assistance from the W.K. Kellogg

Foundation) conducted an eForum that was entitled the, "Pulse of Small Town and Rural America." More than 200 regional development professionals and local government officials, equipped with electronic keypads for instantaneous feedback, were led through a series of national and rural policy questions.

Of the audience members, 77 percent hailed from a small metropolitan or rural region. In addition, 30 percent of the attendees were executive directors of regional development organizations, 22 percent were local elected officials and 28 percent were staff of regional development organizations. I would like to detail several of the questions and the responses as they are illustrative of what is needed in rural America.

Most notably, attendees identified inadequate public infrastructure as the leading roadblock to economic development in their rural regions. Another highly rated response was limited access to venture capital. When asked the second leading roadblock to economic development, an even greater number answered inadequate public infrastructure. This reflects the fact that private sector investors and businesses expect and demand that local governments and communities have the public infrastructure in place before they will locate and remain at a business site or within a community.

This eForum confirmed other surveys conducted by NACo and NADO that concluded funding for critical infrastructure is of paramount importance. The overwhelming majority of a 2001 NACo survey sample of county elected officials from 20 states listed water and wastewater grants as a top priority. That same year, NADO conducted a survey of 320 regional development organizations serving small metropolitan and rural America about their existing programs, organizational structure and regional needs. Nationally, the overwhelming response for the area of greatest need was for water and wastewater improvements, with transportation and workforce development rounding out the top three. The other most commonly mentioned needs involved funding for capacity building and access to advanced telecommunications.

NADO members were also asked to identify the USDA rural development programs they use most frequently to assist their rural communities. The top three programs were: water and wastewater program, rural business enterprise grants (RBEG) program and intermediary relending program (IRP). Other key programs included: community facilities, rural business opportunity grants (RBOG), solid waste management and rural housing programs.

It is also important to note that the vast majority of rural local governments rely on regional development organizations to help them understand the complex menu of USDA programs, required matching requirements and, often times, burdensome paperwork. (Note: Over 33,000 of the nation's 39,000 units of local government have populations below 3,000 and 11,500 employ no fulltime professional employees.)

Therefore, it is essential that public non-profit entities, such as regional development organizations, and county governments remain eligible for the full range of USDA rural development programs. Over the years, local governments and regional development organizations have used the diverse portfolio of USDA rural development programs to improve community services, create quality jobs and pursue a strategic vision for their areas:

? In Minnesota, a partnership between, EDA and USDA rural development, the regional planning commission, a local rural electric cooperative and the City of Cambridge clearly demonstrates the power of planning and infrastructure development. The community has managed to preserve its small-town charm while attracting a healthy economic base. The historic downtown district supports an eclectic mix of shops, tech start-ups and service businesses - all catering to a growing population of 7,000 residents. It is now home to roughly 25 technology-intensive manufacturing companies and at the forefront of creating hundreds of new living-wage jobs in East Central Minnesota. At the core of the success story was the development of a cutting-edge industrial park with state-of-the-art energy and telecommunications infrastructure.

? The South Delta Development District in Leland, Mississippi recently received funds through USDA Rural Development, Economic Development Administration and the Delta Regional Authority to construct and operate the Delta Workforce and Business Innovation Center, which is located in the highly distressed Mid-Delta Empowerment Zone. The facility will provide critical workforce development, business formation and business incubator services to build and sustain quality jobs in an area plagued by double digit unemployment.

? In Alabama, the Alabama-Tombigbee Regional Council, headquartered in Camden, received a \$28,000 RBOG grant to develop a strategic plan for their ten-county region. This project enabled local leaders to work together on a regional basis to identify their strengths and weaknesses. The end product was a strategic plan that is serving as the local roadmap for future development in this highly distressed region.

? In Maine, the policy board members of the Northern Maine Development Commission identified business development and retention as a top priority during their comprehensive development strategy planning. In response, USDA awarded them with a small RBOG grant to establish a technical assistance support center for small businesses. By addressing this locally identified need, the technical assistance center is investing in the start-up, retention and expansion of local businesses, all resulting in the creation of new jobs in this distressed and isolated rural region.

? Headquartered in North Fort Meyers, the Southwest Florida Regional Planning Council is leveraging a \$95,000 RBOG grant to support a \$250,000 regional strategic initiative for rural development. This multi-faceted program is helping the region assess the skills of the local workforce and identify areas of needed training; pinpoint new industries to complement the area and develop a marketing plan for attracting those new businesses; and establish a business development specialist in the local Small Business Development Center to assist local entrepreneurs.

? In Pennsylvania, the loan programs of the North Central Pennsylvania Regional Planning and Development Commission have helped create or retain over 3,000 jobs since 1984, including its highly successful IRP fund. The local company Gasbarre Products, for example, has used five loans over the past 12 years to expand from 55 employees to almost 300.

Additionally, renewable energy has shown great promise for many rural communities. Whether it is ethanol, bio-diesel, wind energy or geo-thermal, many in rural America view renewable energy as a key to economic development and a strategy to reduce reliance on foreign sources

of energy. We have embraced renewable energy in Story County and it has been a huge success. For example, we have an ethanol plant in operation now which will produce 50 million gallons annually. Story County has also incorporated renewable energy technology into county buildings, such as the Human Services Building in Ames, the Justice Center in Nevada and the County Administration Building.

Another example of an ethanol plant is near Camilla, Georgia, where the Southwest Georgia Regional Development Center is assisting in the development of a 100 million gallon ethanol facility that will employ 60 people in this rural region. Working with the Mitchell County Development Authority, the regional development center has provided GIS and public infrastructure financing assistance. Specifically, the regional development center is working to secure a one million dollar federal grant to improve road access to the region's main north-south highway. The road is a critical component to ensuring the project's success. The regional development center's role underscores the necessity for regional public-private collaboration.

On the national level, NACo has endorsed the 25x25 initiative and its goal of having agriculture provide 25 percent of the total energy consumed in the United States by 2025 while continuing to produce abundant, safe and affordable food and fiber. This goal is aggressive yet possible.

In conclusion, I would like to reiterate the three key points that NACo and NADO feel are critical to future rural development programs. First, rural communities need federal development assistance programs and policies that allow them to identify, address and meet local needs. Second, federal rural development policies need to build on the genuine intent but unfulfilled promise of the 2002 farm bill. Third, USDA rural development programs should support the basic needs of local communities, such as water and wastewater systems, telecommunications and housing, while also tapping into the rural competitive advantage for innovation, entrepreneurship and alternative solutions such as renewable energy.

Again, I would like to thank you Chairman Chambliss, Ranking Member Harkin and members of the committee for the opportunity to testify on behalf of the National Association of Counties and National Association of Development Organizations on this critical issue of rural development.