

WRITTEN STATEMENT FOR THE RECORD

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AND  
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BEFORE THE  
UNITED STATES SENATE  
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY

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Thank you, Chairman Harkin, Ranking Member Chambliss and members of the committee, for the opportunity to testify today on the community and economic development challenges and opportunities facing rural America. As this committee debates and moves forward on the rewrite of the 2002 Farm Bill, I strongly encourage you to make rural development a central theme of the proposal.

My name is Randy Kelley. I am the Executive Director of the Three Rivers Planning and Development District (PDD), a multi-county regional planning and development organization headquartered in Pontotoc, Mississippi. I am also an ex-officio Board member and Past President of the National Association of Development Organizations (NADO). My professional background includes more than 30 years in regional and local economic development.

ABOUT THREE RIVERS PLANNING & DEVELOPMENT DISTRICT

The Three Rivers Planning and Development District was incorporated in 1971 for the purpose of assisting local governments, securing and packaging grants, and fostering regional cooperation and partnerships within our service area. Today, we offer a wide range of services and programs, including: loans to business and industry; computer services, internet and fiscal management services; Area Agency on Aging for senior services; Medicaid Waiver for nursing home eligible citizens in the region; solid waste disposal, collection management and billing; workforce development of in-school, out-of-school and business placement; and a host of special requests such as North Mississippi Mayors Association. We also provide staff support for the Pontotoc, Union and Lee (P.U.L.) Alliance - Wellspring Project, the first Regional Economic Development Alliance approved under the Advantage Mississippi legislation. The P.U.L. Alliance is a unique partnership that has allowed local governments to cross political lines and share in both the development costs and any potential revenue that may result from the development of a large-scale industrial site suitable for automotive or other major impact industries in our region.

Since its incorporation, the Three Rivers PDD has been a partner in the construction of

virtually every water system, sewer system and industrial park throughout our region. We currently manage six different business development loan funds that are used to assist in business start-ups and business expansions, including a very successful USDA Intermediary Relending Program (IRP) fund. Since 1985, we have loaned more than \$69 million to entrepreneurs and businesses in our highly rural region, resulting in the creation and retention of 10,810 jobs. In addition, we serve as the fiscal/administrative agent for The Mississippi Partnership, one of four workforce investment areas in the state. In this capacity, we have established strong connections with business leaders, local government officials, and most notably, three major community colleges who serve as vital strategic partners as One-Stop Operators.

The foundation of all Three River PDD activities is our partnerships with local, state and federal government officials, business leaders, educational institutions and volunteers. As a predominantly rural region, we have long recognized that we must build partnerships across sectors and at all levels of government, work regionally instead of individually, and develop an economic vision or roadmap to guide our strategic investments and initiatives.

In my testimony, Mr. Chairman, I want to focus on three pressing rural development policy issues. I also want to express our organization's general support of the concept and goals of the Rural Strategic Investment Program (RSIP). Established in the 2002 Farm Bill, RSIP offers a solid starting point for reshaping the vision, strategic direction and programs of rural America. While we recognize the program may need to be fine tuned, it offers great potential for supporting comprehensive strategic planning, multi-sector partnerships and flexible project implementation for infrastructure development, business and entrepreneurial development, and agricultural-led economic development.

#### SUMMARY OF RURAL DEVELOPMENT POLICY ISSUES:

? Federal rural development policies and programs must be reshaped to promote and reward regional approaches and local cooperation among governmental entities at all levels, nonprofits, economic development organizations, educational institutions and other key community leaders. This reflects the reality of today's marketplace where rural communities are not only competing statewide and nationally, but most likely internationally.

? Infrastructure development (including advanced technology deployment and applications) remains one of the most significant roadblocks to economic development in small town and rural America. Entrepreneurs, small business leaders and private sector industries drive our nation's innovation, competitiveness and job growth. These individuals and entities also rely, expect and demand that public entities such as local governments provide and maintain basic public infrastructure services, especially costly water and sewer systems, that are essential building blocks for economic and community development. Unfortunately, the current USDA Rural Development portfolio for infrastructure, broadband and community facility projects is so heavily focused on direct loan and loan guarantee programs that most rural communities still cannot afford to tap into these programs.

? Rural economic and community development is an exhaustive and lengthy process that takes organizational capacity, partnerships and sustainability, especially in today's rapidly shifting global marketplace. It demands regional strategic planning, cooperation among public and

private sector officials at all levels, regional institutional knowledge and capacity, and the ability to package and leverage various funding sources. The national network of 542 regional planning and development organizations, such as the Three Rivers PDD, are uniquely positioned to serve as the regional facilitators, technical resource providers and project coordinators needed to compete on a national and global scale.

First, Mr. Chairman, federal rural development policies and programs must be reshaped to promote and reward regional approaches and local cooperation among governmental entities at all levels, nonprofits, economic development organizations, educational institutions and other key community leaders. This reflects the reality of today's marketplace where rural communities are not only competing statewide and nationally, but more likely internationally.

Within today's federal portfolio of community and economic development programs, the U.S. Economic Development Administration's (EDA) very small but effective economic development district (EDD) planning program is the only national program that requires local communities to think and plan regionally. Historically, the agency has rewarded local governments and grantees with a 10-percent federal bonus within its public works and economic adjustment assistance programs if they engage in multi-county planning and development. This successful model should be enhanced and expanded within the USDA Rural Development mission area.

The success of regional organizations such as the Three Rivers PDD during the past four decades has resulted in a growing body of program and policy research that supports the need for multi-state and sub-state regional approaches to local economic competitiveness. In the past three years alone, organizations such as the Alliance for Regional Stewardship, New America Foundation, Federal Reserve Bank of Kansas City, Southern Growth Policy Board, Rural Policy Research Institute's Center for Regional Competitiveness, Brookings Institute and Council on Competitiveness have all issued new reports and policy briefs stressing the need for federal incentives, resources and programs that support regional community and economic development, especially in small metropolitan and rural regions.

In our rural region of Northeast Mississippi, the vast majority of our counties and municipalities lack the financial, human and technical resources individually that are required to compete with urban centers such as Atlanta, Memphis and Nashville. The eight core counties of my region are home to only 261,880 people, including the City of Tupelo with nearly 35,000 residents and only five other cities with more than 5,000 population.

But the economic success story of Tupelo, along with our region's new Wellspring regional industrial park initiative, clearly demonstrate that rural communities and institutions can make substantial progress by working regionally to achieve the economies of scale, technical expertise, workforce pool and infrastructure financing needed to compete nationally and globally. With the Wellspring project, we formed an alliance to develop a large-scale industrial site suitable for automotive or other major impact industries in our region. The unique partnership allows local governments to cross jurisdictional boundaries and share in both the development costs and any potential revenue that may result from the development of the industrial park.

Our region has been blessed over the years with incredible national, state and local leadership, including the inspirational leadership and dedication of former House Appropriations Chairman Jamie Whitten. However, regional consensus building, multi-jurisdictional local cooperation and cross-sector partnerships among public, private and nonprofit organizations (including higher education institutions) are complicated, politically sensitive and personality-driven acts. Therefore, it is important that federal programs such as USDA Rural Development respect the autonomy of local officials, yet encourage and reward them for working regionally on issues such as infrastructure development, housing, business development and renewable energy development.

This is especially true when considering the limited federal grant resources made available each year to rural communities, as compared to our urban counterparts. 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 their area's competitiveness and quality of life. Meanwhile, the bulk of federal assistance for rural communities too often ends up 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 US 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 remaining 30 percent of funding is distributed to states for the small cities program. Although it is an essential and effective program, the nation's 14,000-plus rural communities must compete against each other on a state basis for one-time and sporadic assistance 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 EDA's \$27 million planning program.

To achieve the required economies of scale, professional expertise and capacity, and local workforce pool, rural communities must start to think and act regionally to remain or become competitive on the global stage. While the responsibility to work collectively within a region is ultimately up to local officials and leaders, it is important for federal policymakers, especially USDA Rural Development, to provide the financial incentives and program structures to encourage regional cooperation and planning.

Second, Mr. Chairman, infrastructure development (including advanced technology deployment and applications) remains one of the most significant roadblocks to economic development in small town and rural America. Entrepreneurs, small business leaders and private sector industries drive our nation's innovation, competitiveness and job growth. These individuals and entities also rely, expect and demand that public entities such as local governments provide and maintain basic public infrastructure services, especially costly water and sewer systems, that are essential building blocks for economic and community development. Infrastructure must not be considered a luxury for rural regions, but instead a basic necessity for economic competitiveness.

While USDA Rural Development is an essential partner for our rural communities, we are alarmed that its infrastructure, broadband and community facilities portfolio has become almost exclusively focused on direct loan and loan guarantee programs. In fact, the administration's fiscal 2008 budget proposal recommends deep cuts in grants for community facilities, water and waste water, broadband and business development programs. There remains an intense need for federal grants to help with seed capital and gap financing for our local projects, especially considering the rapidly escalating costs for labor, materials and supplies.

This applies to rural communities struggling to establish new water, sewer, broadband and community services, as well as countless communities faced with the daunting task of replacing infrastructure that is approaching 50 to 100 years old. For distressed and underserved communities, especially the smaller and more rural areas, the trend of increased reliance on federal loan and loan guarantee programs puts costly infrastructure improvement projects out of reach. As a result, a good portion of our nation's rural communities will continue to mark time in the land of lost opportunity.

According to a 2005 report by the American Society of Civil Engineers, the nation's infrastructure remains in serious need of improvements and increased federal investment. The conditions of the country's roads, drinking water systems, public transit, wastewater disposal, hazardous waste disposal, navigable waterways and energy system have worsened since the society's first report card in 2001. The improvement costs alone are now calculated at \$1.6 trillion over the next five years. While state and local governments, industry and nonprofit organizations are making major contributions to our public infrastructure enhancement efforts, this immense job will never be completed without the aggressive leadership, participation and vast resources of the federal government.

In addition to the health and social benefits of this long-term and on-going process, infrastructure development is vital to the nation's ability to maintain and sustain a world-class economy. This will be particularly critical as the nation works to expand the renewable fuels industry. As proven by USDA Rural Development investments over the years, the role of

basic public infrastructure is at the core of both sustaining existing businesses, nurturing new companies and improving the quality of life in rural communities. That is why USDA Rural Development is so significant to local efforts to develop water and sewer facilities, technology-related infrastructure, housing and other essential community projects. These are all fundamental for commerce. As stated earlier, the private sector relies, expects and demands that public entities provide and maintain these services and infrastructure.

In August 2004, the National Association of Development Organizations (NADO) Research Foundation (with assistance from the W.K. Kellogg Foundation) conducted an eForum 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.

Most notably, participants 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. Again, 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.

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.

The NADO Research Foundation eForum results were consistent with a 2001 survey by the National Association of Counties (NACo), in which water and wastewater grants were the overwhelming top issue identified by county elected officials from the 20 state sample.

Third and finally, Mr. Chairman, rural economic and community development is an exhaustive and lengthy process that takes organizational capacity, partnerships and sustainability. It demands regional strategic planning, cooperation among public and private sector officials at all levels, regional institutional knowledge and capacity, and the ability to package and leverage various funding sources. The national network of regional planning and development organizations, such as the Three Rivers PDD, are uniquely positioned to serve as the regional facilitators, technical resource providers and project managers needed to compete on a national and global scale.

As a regional entity, our organization's greatest strength has been our partnerships with local governments, local economic development corporations, private sector entities including regional and local banks, community college presidents, federal and state officials and business leaders through our workforce board. Our most important role is to help improve institutional communications within our region, forge strategic partnerships and implement projects that will strengthen our economy and improve the quality of life for our citizens.

Study after study by federal agencies and universities have concluded that additional funding for capacity building and technical assistance programs is one of the most pressing needs facing rural governments and communities. This stems from the fact that most rural local governments simply do not have the financial resources to hire professional economic development practitioners. And, presently there are few federal programs designed specifically for their needs--unlike urban areas that receive millions of dollars in direct funding from HUD and Department of Transportation.

One of the few technical assistance programs specifically targeted at small metropolitan and rural regions is EDA's planning program. While this small matching grant program has proven invaluable to our local communities, its true purchasing power has been eroded over time. The average EDA planning grant of \$54,000 for a multi-county region has not changed since the early 1970s. The true purchasing power is only \$10,718 in 1970 dollars. If that same \$54,000 had been adjusted for inflation, it would equal \$272,047 in 2005 dollars.

Despite the declining nature of the federal matching funds, the national network of EDA-funded regional development organizations has still made a tremendous impact. According to a thorough program evaluation by the Center for Urban Studies at Wayne State University in 2001, EDA's national network is very effective at developing and coordinating local plans, implementing specific projects and initiatives, and providing professional expertise and capacity to distressed and underserved communities.

The Wayne State study concludes that our multi-county entities have established an impressive record of facilitating and leading a regional strategic planning process that "provides the critical backbone for economic development planning at the regional level...EDD activities are both effective and essential to local development." The report further states that "EDDs very effectively use the EDA funding they receive. They have a strong ability to use that funding to leverage funding from other sources to pursue development activities."

Programs such as the Rural Strategic Investment Program (RSIP) could offer a great opportunity to build upon the existing regional and local institutions throughout rural America, while also fostering new approaches to developing comprehensive regional strategies, new multi-sector partnerships and new program flexibility to address the unique needs and potential of each region.

RSIP would place communities in a better position to address local issues on a regional basis, whether it relates to water treatment facilities, technology upgrades, closing of a major plant or cleanup after a natural disaster. Rural communities will also be more capable of taking a proactive approach to economic development, instead of the traditional reactionary model.

All of the nation's rural regions and local communities must engage in an on-going and dynamic strategic planning process, otherwise they will fall prey to complacency and world progress. Even local economies that are excelling today are subject to sudden or subtle changes in international, national and local markets. Loss of local control with the emergence of global companies, consolidation of banks and other industries that were once locally owned and controlled and other factors will continue to make the task of regional and rural development

officials more challenging.

Without a greater commitment to a stronger USDA rural development grant portfolio, rural communities will continue to be at a marked disadvantage in trying to build and sustain viable local economies. As the committee works on the Rural Development title of the 2007 Farm Bill, I encourage you to modify, fully fund and implement the Rural Strategic Investment Program (RSIP), address the backlog of pending Rural Development applications and enhance grant resources for infrastructure, community facilities and business development programs.

Thank you again, Mr. Chairman and members of the committee, for the opportunity to testify today on the community and economic development challenges and opportunities facing small town and rural America. I appreciate your time and interest. I look forward to answering any questions.