

BRIEFING PAPER ON RURAL DEVELOPMENT
ISSUES FOR NATIONAL CONFERENCE
OF LIEUTENANT GOVERNORS 1988

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Bureau of Planning
1988

"Rural America: The Changing Landscape"

SUNDAY, JULY 31

1:00 p.m.-5:00 p.m. **REGISTRATION**—Convention Center Lobby

3:30 p.m.-4:30 p.m. **EXECUTIVE COMMITTEE MEETING**—Governor's Room I

6:00 p.m.-8:00 p.m. **OPENING RECEPTION**—
For All Conference Participants

MONDAY, AUGUST 1

7:30 a.m.-9:00 a.m. **BUFFET BREAKFAST**—
For All Conference Participants

8:00 a.m.-9:00 a.m. **RESOLUTIONS COMMITTEE MEETING**—

9:00 a.m.-9:30 a.m. **OPENING GENERAL SESSION**—White Birch Room
Lt. Governor George H. Ryan, Presiding

Presentation of the Colors, etc.

Welcome:

Lt. Governor Marlene Johnson

—Conference Host

Hon.

—Mayor, City of Brainerd

Hon. Rudy Perpich

—Governor of Minnesota

Introduced:

Lt. Governor Minnesota Girls State

Lt. Governor Minnesota Boys State

9:30 a.m.-10:00 a.m. **OPENING SPEECH**

"Setting an Agenda for Rural America"

—James Abdnor, Administrator, SBA, former
U.S. Senator, South Dakota (invited)

10:00 a.m.-12:30 p.m.

State Models

The Illinois Rural Affairs Council

Lt. Governor George H. Ryan, Illinois,
Chairman, RAC

Dr. Don Norton, Executive Director, RAC

The Greater Minnesota Corporation

Lt. Governor Marlene Johnson, Minnesota

Terry Montgomery, Executive Director, Greater
Minnesota Corp.

Billy Ray, Chairman, Commission on
William C. Friday, Chairman, Commission on
Literacy and Rural Economic Development

The New York Commission on Rural Resources
Lt. Governor Stan Lundine
New York Addressees to be announced

12:30 p.m.-2:00 p.m.

LUNCHEON MEETING--Minnesota Room II
For All Conference Participants

"Elements of a Sound Rural Development Policy"

Speaker:

Luther Tweeten, Anderson Professor of Agricultural
Marketing, Policy, and Trade, Department of
Agricultural Economics, Ohio State University

2:00 p.m.-5:00 p.m.

Recreational Opportunities

5:00 p.m.

DEPART FOR DINNER AND EVENING hosted by Lt.
Robert S. Kerr, III at his residence on Pelican
Lake

For All Conference Participants

TUESDAY, AUGUST 2

7:30 a.m.-9:00 a.m.

BUFFET BREAKFAST--

For All Conference Participants

Concurrent Task Force Sessions

9:00 a.m.-10:15 p.m.

GENERAL SESSION--White Birch Room

Lt. Governor George H. Ryan, Presiding

"Global Agriculture and Rural America"

Moderator:

Lt. Governor Jo Ann Zimmerman, Iowa

"Global Agriculture and Rural America"

Speaker:

Peter C. Meyers, Deputy Secretary
U.S. Department of Agriculture (invited)

"Value Added Agriculture--A Strategy for the
Future?"

Speaker:

Dan Shaughnessy, President

Export Processing Industry Coalition (EPIC)

Moderator:
Lt. Governor Jo Ann Zimmerman, Iowa

"Diversifying Production Agriculture--Solutions
or Band Aids?"

Speaker:
Richard Krumme, Editor
Successful Farming Magazine

"Resource Industries and the Future of Rural
America"

Speaker:
Dr. Emory Castle, Chairman, Graduate Faculty of
Economics, Oregon State University

12:00 noon-1:30 p.m.

LUNCHEON MEETING--Minnesota II
For All Conference Participants
Sponsored by: BCE

"Land and Resource Utilization in the Rural
America of Tomorrow"

Speaker:
Ralph E. Groesi, President
American Farmland Trust

1:30 p.m.

Recreational Opportunities and Evening Social
For All Conference Participants

WEDNESDAY, AUGUST 3

7:30 a.m.-9:00 a.m.

BUFFET BREAKFAST--
For All Conference Participants

Concurrent Task Force Sessions

8:00 a.m.-9:00 a.m.

NOMINATING COMMITTEE MEETING--

9:00 a.m.-12:00 noon

GENERAL SESSION--White Birch Room
Lt. Governor George H. Ryan, Presiding

"Rural Economic Development"

Moderator: Lt. Governor C. L. "Butch" Otter,
Idaho

"Rural Economic Development and the Availability
of Credit"

Speakers:

Marvin Duncan, Member of the Board
Federal Farm Credit Administration (invited)
Ann Cole--Harvesting Hometown Jobs Program
National Association of Towns and Townships
(invited)
Kenneth Glover, Managing Director of Municipal
Finance, Dressel Burnham Lambert Incorporated

"Small Business In Rural America--Retentive,
Development, and Hi-Tech Prospects"

Speaker:

Judi Hackett, Director, Center for Agriculture
and Rural Development, The Council of State
Governments, on Sabbatical leave to SBA

"Small Businesses and The Promise of Exporting"

Speaker:

Robert Newton, Director, The Illinois Export
Council; Interim Manager, The Illinois World
Trade Center

"Infrastructure and the Strategy of Self-Help"

Speaker:

Dr. Jane Schautz, Project Director
The Rensselaerville Institute, New York

12:00 noon-1:30 p.m.

LUNCHEON MEETING--Minnesota II
All Conference Participants

"Self-Help and Entrepreneurship in Rural America"

Speaker:

George "Bud" Thompson, Prophetstown, Illinois

1:45 p.m.-3:00 p.m.

GENERAL SESSION--White Birch Room
Lt. Governor George H. Ryan, Presiding

Moderator: Lt. Governor Frank Blas, Guam

"Recreation and Tourism as a Development Strategy
for Rural America"

Speaker:

Lois Bristow Prante, Chair Person,
Deschutes County Commission, Bend, Oregon

Speakers:

Ruth McWilliams, Chief, Rural Policy and Economic
Policy Branch, Office of Transportation, USDA
Nick Lester, President
Wisconsin Independent Telecommunications Systems,
Inc.

"Results of National Road and Bridge Survey"

Speaker:

Dr. Norman Walzer, Illinois Rural Affairs
Institute

3:00 p.m.-6:00 p.m.

Free for Recreational pursuits

6:00 p.m.

State Dinner

For All Conference Participants
Speaker or Program

THURSDAY, AUGUST 4

7:30 a.m.-9:00 a.m.

BUFFET BREAKFAST--

For All Conference Participants

Concurrent Task Force Sessions

9:00 a.m.-10:00 a.m.

GENERAL SESSION--White Birch Room
Lt. Governor George H. Ryan, Presiding

"Human Resources in Rural America"

Moderator:

Lt. Governor Jack Walker

"Education and Job Training for the Future"

Speakers:

Dwight Bode, President
Rural Education Association
Paul Nachtigal, Project Director
Mid-Continent Regional Education Laboratory, CO

10:00 a.m.-11:00 a.m.

"Health Care in Rural America"

Speakers:

Louis DiFonso
Associate Director,
Illinois Rural Affairs Council
Dr. Ira Muscovice, Associate Director
Division of Health Services Research and Policy
University of Minnesota

11:00 a.m.-12:00 noon

Child Care

Speakers: To be announced

12:00 noon-1:30 p.m.

LUNCHEON MEETING—Minnesota II
For All Conference Participants

"Rural Human Resources—Challenges in the Future"

Speaker:

To be announced

1:30 p.m.—

Free Time

FRIDAY, AUGUST 8

7:30 a.m.-8:30 a.m.

BUFFET BREAKFAST—

For All Conference Participants

8:45 a.m.-10:30 a.m.

GENERAL BUSINESS SESSION—White Birch Room

—Consideration of Resolutions

—Meeting Invitations

—Election of Officers for 1988-89

10:30 a.m.-11:30 a.m.

EXECUTIVE COMMITTEE MEETING—White Birch Room

LT. GOVERNOR BLAS' WEDNESDAY GENERAL SESSION

Lieutenant Governor:

On Wednesday, you are scheduled to moderate the General Session. Topics for discussion include "Recreation and Tourism as a Development Strategy for Rural America"; "Transportation and Telecommunications for Tomorrow's Rural America"; and "Result of the National Road and Bridge Survey". To link these diverse topics, you could briefly address the five factors that influence decisions of industries (including tourism) to locate in geographic areas: 1) Access to knowledge e.g., trained labor force; 2) Access to capital e.g., investment funding and incentives; 3) Access to a quality living environment including good schools, adequate health care, affordable housing; 4) Access to telecommunications; and 5) Access to transportation. The first 3 factors will be addressed (in varying degrees) in the Monday and Tuesday sessions while the last 2 will be addressed in your Wednesday session.

With these 5 factors in place, Rural America can expect to obtain its fair share of the 1.72 million new jobs projected by the U.S. Bureau of Labor Statistics to be created in the tourism industry between 1984-1995. In addition, rural America could receive its share of the estimated 25.4 million foreign visitors to the U.S. and the estimated \$16.5 billion spent by these tourists in 1986 (U.S. Travel and Tourism Administration, Department of Commerce). With full implementation of the 90 day visa waiver program under Section 313 of the INS Act of 1986 (currently implemented for the United Kingdom), foreign visitor arrivals should substantially increase thereby cementing tourism as a short and long term development strategy for Rural America.

1986 ARRIVALS AND SPENDING

REGION/STATE	TOTAL ARRIVALS (000)	% TOTAL %	TOTAL SPENDING*** (MILLIONS)	% TOTAL %
NORTHEAST	7,413	29	\$3,711	22
Connecticut	295	1	93	1
D.C.	964	4	406	2
Delaware	71	*	31	*
Maine	769	3	93	1
Maryland	353	1	93	1
Massachusetts	1,086	4	394	2
New Hampshire	288	1	29	*
New Jersey	663	3	221	1
New York	4,838	19	1,913	12
Pennsylvania	898	4	176	1
Rhode Island	79	*	27	*
Vermont	589	2	48	*
Virginia	536	2	176	1
West Virginia	106	*	11	*
SOUTH/ATL. ISLANDS	7,614	30	\$4,793**	29
Alabama	115	*	88	1
Arkansas	45	*	20	*
Florida	3,425	14	2,356	14
Georgia	664	3	225	1
Kentucky	304	1	48	*
Louisiana	358	1	127	1
Mississippi	43	*	12	*
North Carolina	405	2	145	1
Puerto Rico	n.a.	n.a.	n.a.	n.a.
South Carolina	433	2	114	1
Tennessee	375	1	66	*
Texas	3,517	14	1,593	10
U.S. Virgin Islands	n.a.	n.a.	n.a.	n.a.
GREAT LAKES	2,795	11	\$1,194	7
Illinois	955	4	442	3
Indiana	222	1	81	*
Michigan	1,037	4	186	1
Minnesota	485	2	195	1
Ohio	727	3	213	1
Wisconsin	259	1	78	*

(Continued on next page)

**SUMMARY OF INTERNATIONAL TRAVEL TO THE USA
1986 ARRIVALS AND SPENDING
(Continued)**

REGION/STATE	TOTAL ARRIVALS (000)	% TOTAL %	TOTAL SPENDING (MILLIONS)	% TOTAL %
OLD WEST TRAIL & AMERICA'S HEARTLAND	1,311	5	\$279	2
Iowa	94	*	28	*
Kansas	94	*	45	*
Missouri	226	1	67	*
Montana	445	2	33	*
Nebraska	66	*	20	*
North Dakota	389	2	27	*
Oklahoma	107	*	23	*
South Dakota	106	*	25	*
Wyoming	200	1	11	*
WEST/PAC. ISLANDS	10,359	41	\$6,521**	39
Alaska	81	*	29	*
Arizona	1,512	6	366	2
California	5,750	23	3,565	22
Colorado	344	1	129	1
Guam	371	1	n.a.	n.a.
Hawaii	1,897	7	1,565	9
Idaho	163	1	25	*
Nevada	1,070	4	328	2
New Mexico	341	1	71	*
Oregon	482	2	122	1
Utah	309	1	43	*
Washington	1,842	7	278	2
TOTAL USA	25,359	100	\$16,533***	100

SOURCE: USTTA, based on data from the Immigration and Naturalization Service, Bank of Mexico, Statistics Canada, Hawaii Visitors Bureau, Guam Visitors Bureau, and the USTTA In-Flight Survey of International Air Travelers. Arrival data reflect visitors spending at least one night; **NOTE:** State/regional visitor totals may add to more than regional/national totals because of visits to more than one state/region on individual trips.

* Less than 0.5%; estimates subject to substantial sampling variability.

** Excludes spending in U.S. territories (Guam/Puerto Rico/U.S. Virgin Islands).

*** Preliminary USTTA estimate derived from an economic impact study conducted for the agency by the U.S. Travel Data Center; does not include international transportation payments to U.S. carriers.

FRIENDLY FACTS ABOUT TOTAL FOREIGN TRAVEL TO THE NORTHEAST*

FOREIGN ARRIVALS TO THE NORTHEAST AND THEIR SPENDING 1986

	ARRIVALS (000)	SHARE OF TOTAL (%)	SPENDING (MILLIONS)	SHARE OF TOTAL (%)
Total from all countries	7,413	100	\$3,711	100
Sources				
Canada	3,979	54	\$586	16
Mexico	94	1	\$47	1
Overseas	3,340	45	\$3,078	83

ECONOMIC IMPACT FROM FOREIGN VISITORS ON THE NORTHEAST

	1985 (\$millions)	1986 (\$millions)
Total Spending	\$3,554	\$3,711
Spending by Key Categories		
Public Transportation	\$418	\$463
Auto Transportation	\$113	\$137
Lodging	\$1,079	\$1,016
Food and Beverage	\$765	\$774
Entertainment	\$303	\$322
Other	\$876	\$999
Direct Economic Impact		
Payroll	\$864	n.a.
Total Taxes	\$498	n.a.
Number of Jobs Generated	74,000	n.a.

* For purposes of this analysis, the Northeast includes the New England, Eastern Gateway, and George Washington Country states, (Connecticut, District of Columbia, Delaware, Maine, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia)

FRIENDLY FACTS ABOUT TOTAL FOREIGN TRAVEL TO THE SOUTH/ATLANTIC U.S. ISLANDS*

FOREIGN ARRIVALS TO THE SOUTH/ATLANTIC U.S. ISLANDS AND THEIR SPENDING 1986

	ARRIVALS (000)	SHARE OF TOTAL (%)	SPENDING (MILLIONS)	SHARE OF TOTAL (%)
Total from all countries	7,614	100	\$4,793**	100
Sources				
Canada	2,174	29	\$881	18
Mexico	2,690	35	1,037	22
Overseas	2,750	36	\$2,875	60

ECONOMIC IMPACT FROM FOREIGN VISITORS ON THE SOUTH

	1985 (\$millions)	1986 (\$millions)
Total Spending	\$4,046**	\$4,793**
Spending by Key Categories		
Public Transportation	\$307	\$407
Auto Transportation	\$260	\$280
Lodging	\$918	\$1,179
Food and Beverage	\$872	\$1,012
Entertainment	\$317	\$438
Other	\$1,318	1,477
Direct Economic Impact		
Payroll	\$852	n.a.
Total Taxes	\$407	n.a.
Number of Jobs Generated	85,000	n.a.

* For purposes of this analysis, the South includes the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Texas, plus Puerto Rico and the U.S. Virgin Islands

** Does not include spending in Puerto Rico/U.S. Virgin Islands

FRIENDLY FACTS ABOUT TOTAL FOREIGN TRAVEL TO THE GREAT LAKES*

FOREIGN ARRIVALS TO THE GREAT LAKES AND THEIR SPENDING 1986

	ARRIVALS (000)	SHARE OF TOTAL (%)	SPENDING (MILLIONS)	SHARE OF TOTAL (%)
Total from (all countries)	2,795	100	\$1,194	100
Sources:				
Canada	1,439	51	\$172	14
Mexico	66	2	\$32	3
Overseas	1,290	46	\$990	83

ECONOMIC IMPACT FROM FOREIGN VISITORS ON THE GREAT LAKES

	1985 (\$million)	1986 (\$millions)
Total Spending	\$998	\$1,194
Spending by Key Categories		
Public Transportation	\$124	\$ 149
Auto Transportation	\$40	\$39
Lodging	\$335	\$ 329
Food and Beverage	\$218	\$ 259
Entertainment	\$70	\$ 102
Other	\$211	\$ 316
Direct Economic Impact		
Payroll	\$249	n.a.
Total Taxes	\$134	n.a.
Number of Jobs Generated	25,800	n.a.

* For purposes of this analysis, the Great Lakes include the states of Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

FRIENDLY FACTS ABOUT TOTAL FOREIGN TRAVEL TO THE OLD WEST TRAIL/AMERICA'S HEARTLAND*

FOREIGN ARRIVALS TO THE OLD WEST TRAIL/AMERICA'S HEARTLAND AND THEIR SPENDING 1986

	<u>ARRIVALS</u> <u>(000)</u>	<u>SHARE OF</u> <u>TOTAL</u> <u>(%)</u>	<u>SPENDING</u> <u>(MILLIONS)</u>	<u>SHARE OF</u> <u>TOTAL</u> <u>(%)</u>
Total from all countries	1,311	100	\$279	100
Sources				
Canada	794	61	\$88	32
Mexico	12	1	\$9	3
Overseas	505	39	\$182	65

ECONOMIC IMPACT FROM FOREIGN VISITORS ON THE OLD WEST TRAIL/AMERICAN'S HEARTLAND

	<u>1985</u> <u>(\$millions)</u>	<u>1986</u> <u>(\$millions)</u>
Total Spending	\$238	\$279
Spending by Key Categories		
Public Transportation	\$28	\$33
Auto Transportation	\$16	\$16
Lodging	\$70	\$82
Food and Beverage	\$53	\$63
Entertainment	\$19	\$27
Other	\$52	\$58
Direct Economic Impact		.
Payroll	\$54	n.a.
Total Taxes	\$24	n.a.
Number of Jobs Generated	6,800	n.a.

* For purposes of this analysis, the Old West Trail and America's Heartland region includes the states of Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, and Wyoming.

FRIENDLY FACTS ABOUT TOTAL FOREIGN TRAVEL TO THE WEST*

FOREIGN ARRIVALS TO THE WEST AND THEIR SPENDING 1986

	ARRIVALS (000)	SHARE OF TOTAL (%)	SPENDING (MILLIONS)	SHARE OF TOTAL (%)
Total from (all countries)	10,459	100	\$6,521**	100
Sources:				
Canada	2,558	24	\$776	12
Mexico	3,000	29	\$964	15
Overseas	4,901	47	\$4,781	73

ECONOMIC IMPACT FROM FOREIGN VISITORS ON THE WEST

	1985 (\$millions)	1986 (\$millions)
Total Spending	\$5,174**	\$6,521**
Spending by Key Categories		
Public Transportation	\$480	\$622
Auto Transportation	\$241	\$267
Lodging	\$1,356	\$1,662
Food and Beverage	\$1,052	\$1,278
Entertainment	\$525	\$667
Other	\$1,520	\$2,025
Direct Economic Impact		
Payroll	\$1,176	n.a.
Total Taxes	\$573	n.a.
Number of Jobs Generated	103,600	n.a.

* For purposes of this analysis, the West includes the states of Alaska, Arizona, California, Colorado, Guam, Hawaii, Idaho, Nevada, New Mexico, Oregon, Utah, and Washington.

** Does not include spending in Guam or other U.S. trust territories.

RURAL HEALTH, VITALITY AND DEVELOPMENT

The following three articles were prepared by the National Governors' association and Western Governors' Association. They basically recommend identical approaches to resolving rural problems. These approaches call for:

1. Coordination of federal and state programs through preparation of a rural development plan that streamlines program requirements, provides federal block grants to states and provides maximum flexibilities.
2. Provision of technical assistance to states and localities in areas of data collection and dissemination.
3. Education and training in such areas as entrepreneurship, industrial training and agriculture.

G-2. STRATEGIC MANAGEMENT AND INVESTMENT FOR RURAL VITALITY

2.1 Preface

Stress in rural America goes beyond ebbs in the business cycles for mining, energy, agriculture, and manufacturing. Global adjustment to long-term structural changes in basic economics affects rural America. Economic changes buffeting rural areas emanate from national resolves -- international trade policy, currency exchange rates, deregulation of transportation, banking, and communication, and reorientation to a service economy.

The nature and courses of rural stress differ across America, and the human, capital, and natural resource endowments of communities are distinct. Managing and investing in rural vitality requires that state and federal programs reduce the barriers and stimulate adaptation to changing times.

Federal and state assistance can help rural America if

- government initiatives to finance rural development programs must be more tightly targeted to geographical areas and to people in need;
- programs complement, not counter the values of independence and self-determination which pioneered rural communities;
- public initiatives in the long run, do not counter the incentives of the marketplace,
- local communities develop their own human resource and economic adjustment strategies based on a realistic self-assessment of social and economic needs.

Communities must develop their own economic adjustment strategies based on a realistic self-assessment of the potential for economic growth and the need for transitional policies. State govern-

Source: Policy Positions 1987-88 ; National Governors' Association ; Feb 1988

ment should assist rural communities in identifying and developing their own comparative advantage, and to catalyze change in the rural economy.

2 Federal Role

Both federal and state programs should provide citizens in rural communities with comprehensive human services, economic development, and natural resource protection.

- 2.1 Rural Development Consolidation Plan.** The federal government should streamline rural programs by enacting a rural development consolidation plan. Minimize the burden caused by existing application and reporting requirements for grant-in-aid programs available for citizens residing outside of Metropolitan Statistical Areas by providing federal funds as a block grant to the state. Programs in these areas should be consolidated into a single grant to the state, based upon a state plan for the coordination of federal, state, and local resources for rural revitalization. Maximum flexibility should be provided for Governors to define specific rural community development activities, and to designate appropriate state and local recipients for financial and technical assistance. Governors must leverage limited funds to encourage financial participation and support from other public and private sector entities. Local capacity building grants are essential to provide technical assistance that enhances rural competitiveness.
- 2.2.2 Intergovernmental Rural Commission.** The federal government should establish an intergovernmental rural commission to develop regulatory reforms in rural programs. Designate the Secretary of Agriculture to serve as Chairman of the Federal Rural Vitality Cabinet Coordinating Council. Council members should serve as federal members to the intergovernmental rural commission. Coordinating activities should be aimed at increasing the responsiveness and effectiveness of these existing programs in dealing with current rural community problems. Secondly, existing programs which assist or have the potential to assist rural communities could be refined and/or consolidated to increase their efficiency. Finally, under limited circumstances, and recognizing budgetary constraints, increased federal funding might be provided for existing or new rural community development and assistance programs. Work with the states in identifying barriers and obstacles in current programs that reduce state flexibility and prevent the full integration of rural citizens into transition and safety net programs. Few if any farmers, their family members or farm workers are covered by unemployment insurance. The special circumstances of the farmer land owner should be considered in the application of the resources tests for needs tested assistance programs. When the ADAMHA Block Grant is reauthorized, the program should provide both the financing mechanisms and the service delivery flexibility to encompass the needs of these rural areas. Likewise, the federal government should approve the refinancing and restructuring of Rural Electrification Administration loans without penalties and delays.
- 2.2.3 Revolving Loan Program.** The federal government should establish a rural development financing authority to provide funds to states with provisions for matching state funds. Funds should be distributed by formula to balance regional and local economic hardship. This formula should be based on the following factors:
- high concentration of a single industry in a geographically isolated area;
 - high levels of unemployment and underemployment;
 - high rates of outmigration of people, businesses, and industries; and
 - low levels of per capita income.
- 2.2.4 Support for Private Economic Activity.** The federal government should fund infrastructure public facilities, equipment, and social services required to support private sector economic activity.
- 2.2.5 Impractical Regulations.** The federal government should reduce impractical and unenforceable regulatory requirements in conformance with the Regulatory Flexibility Act.
- 2.2.6 Funding Period.** States should be guaranteed that federal funds will be appropriated at the level established using the aforementioned formula for three years. New data should then be applied to the formula to establish state funding for the next consecutive three-year period. States should use federal funds to provide equity funding for new and expanding business ventures in rural areas.
- 2.2.7 Review of Federal Funds.** The federal government should review federal funds which support rural areas to determine what, if any, funds should be redirected to support farmers and their families in transition in rural areas.

2.2.0 Undersecretary for Rural Development. The federal government should establish an Undersecretary for Rural Development in the Department of Agriculture and transfer from within the Department of Agriculture all offices or elements that perform rural development functions.

2.3 State Role

Promote rapid response community development. Flexible, more profitable ways to use endowed resources -- human, natural, and existing infrastructure which leverage limited funds, may be established if states designate a cabinet office as the lead agency for rural development and develop a state rural development plan that promotes equal access services enjoyed by urban Americans. States can use a variety of approaches to promote community development.

2.3.1 Human Resource Management Innovations. States can:

- Educate rural youth with comprehensive career preparation that will improve their lifetime career flexibility -- particularly in rural areas.
- Target job training toward underemployed and unemployed rural citizens, recognizing that the needs of rural dislocated workers require responses and services different from those of urban dislocated workers. For those farmers unable to continue farming, the state should target employment training and counseling services to assist in the transition into other occupations.
- Require emergency response emotional and financial crises counseling for rapidly changing rural areas and more comprehensive health care services.
- Support leadership development, management counseling, and entrepreneurial training for businessmen, farmers, and ranchers.

2.3.2 Economic Development Innovations. States can:

- Fashion development policies for economic growth in the traditional industries of manufacturing, natural resource based, and value-added products as well as service industries, including tourism and retirement services, agricultural producer services, and telecommunication services.
- Provide development assistance -- in partnership with local communities, the extension service, and state and federal urban development program experts -- that includes services to farm and non-farm rural businesses such as marketing, management, grants, loans, equity investment, venture capital, bonding authority, relocation grants, and training capabilities.
- Reform constitutional and regulatory barriers to enhance state or local solutions or adjustment strategies to changing opportunities for jobs and prosperity.
- Develop user friendly data systems to identify trends in potential domestic and international markets for products produced in rural America. Data, leadership training and application assistance should be provided by the Cooperative Extension Service to assist small, disenfranchised communities identify sources of state and federal funds to support economic and social development innovations by local communities.
- Establish Technology Transfer Centers which provide rural business interests with easy access on initiatives by state and local governments to stimulate productivity, technology, and innovations for rural business ventures.
- Develop and enhance regional compacts to provide common state services, such as shared multi-state human service programs or coordinated agricultural marketing efforts, where sparsely-settled areas are unable to provide independent state services.

2.3.3 Natural Resource Management Innovation. States can:

- Support resource conservation and management which ensures sustainable agricultural production and a quality natural environment.

Adopted August 1986, revised February 1987, July 1987, and February 1988.

RURAL DEVELOPMENT

Background

WGA began examining distress in rural western counties in 1987. An overview of the problem was highlighted in the report Distressed Rural Western Counties: 1969-1990. WGA then embarked, with funding from the Economic Development Administration and Ford Foundation, on a more detailed look at how state leaders can diagnose impediments to rural economic growth and target the right state assistance to overcome those obstacles. Working with SRI International, WGA held three regional workshops to refine the diagnosis handbook recently completed and titled Connecting Rural Economies. Attendees to the workshops were recommended by the governor of each state and came from governors' policy and economic development offices as well as local government and local business perspectives.

Governor Sullivan, co-lead governor on rural development, hosted a workshop in Casper (3/28-29). Governor Carruthers, the other lead governor, hosted a second workshop in Albuquerque (4/11-12) and Governor Andrus hosted the final workshop in Boise (4/18-19). After refining the handbook through the workshops, WGA and SRI have begun providing technical assistance to three states (ND, WA, and UT) to actually develop a strategic plan for providing targeted development assistance to rural communities. WGA is also exploring the role colleges and universities can play in providing economic development assistance to local entrepreneurs and communities to encourage economic growth.

Proposed Program

The Staff Council indicated at a March 30 meeting that rural development was their second highest program priority area. WGA has applied for a second year of funding from the Economic Development Administration to expand technical assistance for rural economic development to three additional states. If EDA funding is not available, WGA does not plan to undertake any additional technical assistance to western states. Foundations have been approached to fund projects that focus on:

- o Making the best use of existing state resources. Convene workshops to discuss the unresolved issues that have arisen during the first year (criteria for targeting state assistance, shared urban rural services, evaluation criteria for determining the success of development efforts, and incentives to encourage cooperation) that could help states maximize their return for monies invested in rural development.
- o Distilling the wealth of information on rural development into summarized policy recommendations for state decisionmakers. Work with other national and regional groups examining rural development issues to compare and collaborate findings and develop consensus recommendations for action.
- o Improving the coordination of federal actions impacting rural development with state strategic plans. Convene several meetings for state and federal agencies to spur coordination of federal program and funding decisions with state and local priorities and plans.
- o Taking into account differences in communities' cultural, historical, and industrial backgrounds when providing state economic development assistance. Examine the relationship between various rural institutions and cultures (ethnic, religious, social and industrial) and the successful design of rural economic development strategies.

-22-

Source: Western Governors Association Briefing Papers for Annual meeting
July 1988

backgrounds influenced perceptions and willingness to undertake economic development efforts.

- o Recognizing small community - large community differences when promulgating regulations. Examine the equity and efficiency of federal and state rules and regulations that are applied to small rural areas that were originally drafted with large metro areas in mind. Dis-economies of smaller size may lead to more time spent on complying with rules and regulations than their big city counterparts (eg., the mayor is also a full time businessperson who doesn't have the staff resources to easily comply with paperwork requirements of federal and state regulations).

Budget

Restricted	
Ford Foundation Carryforward	\$20,000
EDA Carryforward	20,000
Aspen Foundation	60,000
Unrestricted	<u>\$28,000</u>
	\$128,000

GUIDELINES FOR DEVELOPING RURAL ECONOMIC HEALTH STRATEGIES:

A WHITE PAPER FOR WESTERN GOVERNORS AND STAFF

Introduction

The litany of woes for rural areas of the nation and specifically the West has been well documented over the last year and a half. The dramatic drop in energy prices put the skids on exploration and new development. Mineral production, with the exception of gold and silver, declined. Prices for most crops were depressed and farmland values sank. Timber is coming back after a tough shakeout in 1981-82. Rural manufacturing struggled under the previously high dollar. Jobs and people moved out of many rural areas. Now there is the possibility of the worst drought in recent memory in parts of the West.

Added to this are federal policy decisions that have had a disproportionately adverse effect on rural areas. General revenue sharing funds, which were more important to small rural communities than large urban ones, were terminated. Decreases were experienced in royalties from declining commodities production. The use and amount of tax-exempt bonding was restricted. The Conservation Reserve was established which has had a destabilizing effect on local economies. Deregulation of transportation and banking adversely impacted some rural areas. Federal mandates added additional costs for communities at a time of dwindling resources. A few communities are even now faced with bankruptcy.

The good news is the situation appears to have bottomed out. The bad news is that it may stay bottomed out in many rural communities.

To some observers of this trend, the news is no cause for alarm. It is only part of a continuing trend of urbanization that has been occurring since the turn of the century and was only briefly interrupted by events of the 1970s. To others, the distress in the rural West signals a critical time of either adjustment and stability or continuing decline and the loss of an important part of who we are as people and as a nation. To those concerned about rural areas, there is value in the pace of life, the sense of community, the closeness to nature, and the common sense attitudes. A recent Harris survey found that one out of four people longed to move to the wide open spaces.

Regardless of personal philosophy, the...
successfully integrating resource production in rural areas, value added processing in both urban and rural areas, and support services to finance and market the finished product. Rural areas need and deserve a level playing field, in a wide range of areas (transportation, finance, etc.), to help foster a healthy rural economy. Simply paying subsidies to individuals or businesses which have been adversely affected will not be enough to reinvigorate rural America.

Western Governors' Association Involvement

Last year WGA, with funding from the U.S. Department of Commerce-Economic Development Administration, began examining ways for western governors to constructively address the problems and opportunities in rural areas of their states. Working with SRI International, WGA quickly realized that much was known about the problems in the rural West and much was also known about possible strategies. What was less clear was which strategies worked best in which communities and which strategies would position communities to take advantage of changes in the global economy?

SRI and WGA produced a draft handbook, Connecting Rural Economies, which is designed to help state leaders diagnose the problems and opportunities of subregions of their state. It also suggests possible state-led strategies to solve those problems and capture those opportunities. With assistance from Governor Sullivan and Governor Carruthers (co-lead governors for WGA's Rural Economic Development program) as well as Governor Andrus, WGA convened workshops in Casper, Albuquerque, and Boise to refine the handbook and discuss local perceptions of the issues. The workshops were attended by forty people from twelve western states. Attendees represented local elected officials, state and federal agencies, local businesses, and universities.

WGA and SRI are in the process of providing demonstration site technical assistance in Washington, North Dakota, and Utah to help complete a state diagnosis of rural areas and to help develop a strategy paper for implementing suggested approaches. These states were chosen as demonstration sites for this project because of their geographic and economic diversity. After the first site visit, it is clear that each state must tailor the Connecting Rural Economies framework to take into account specific circumstances, existing information, key interests, and resource constraints. The latter seems especially important rural states

well-endowed states enact. Yet rural states provide both the largest challenge and the most opportunity for making a critical difference to those trying to provide effective rural assistance. Insights from these technical assistance efforts, once completed, will be shared with all western governors and will be available in the fall of this year.

Major Messages

Myth vs Reality

There are many myths about rural areas that persist in other parts of the country and even in urban areas in the West. One myth is that rural means agriculture. Rural economies in the West means agriculture and mining, ranching, timber, light manufacturing, small business, tourism and more. Another myth is that all rural areas are alike. Rural areas differ in size, geography, economic base, institutional infrastructure, culture, and local capacity. Strategies to help rural areas, both federal and state, must take these differences into account. A final myth says that the answers to rural problems lie in more state or federal programs. The reality, in general, is that the answer lies in better, more strategic, coordinated use of existing resources and in developing local leadership and vision.

An example of a strategic, coordinated use of existing resources is the development of a manufacturing plant in Roswell, New Mexico. Governor Carruthers was approached by a businessmen wanting help in bringing a manufacturing plant to Roswell. The governor was able to help negotiate for use of abandoned Air Force base facilities as a site for the plant and federal JTPA funds were used to train the local workforce. The business is now one of the largest bus manufacturing plants in the U.S.

Cyclical vs Structural Change

Research indicates that the changes occurring in rural economies are no longer just cyclical. The old boom-followed-by-bust-followed-by-boom cycle is now being influenced by more rapid and more dynamic structural changes. While timber is coming back strong, mining or many precious metals is resurgent, some crop prices are up, livestock prices are strong, and oil exploration is stronger this year than last, all of these industries are employing new

marketing innovations and changes that used to occur once or twice a generation are now occurring every two to three years. As a result, increased production is happening with less labor than it used to take. The changes being forced by a global economy -- whether in technology, management, access to capital, workforce preparation, or cooperative strategies-- are indeed structural changes even if the industries themselves appear to remain the same.

Attendees at the workshops indicated they also believe that change is at least partly structural. However, attendees said many local people in rural, commodities-dependent communities believe they can wait it out and go back to the old way of doing things once the cycle turns upward again. Rural individuals, businesses and communities must, like everyone in the global economy, adapt if they are to remain competitive. An education effort led by the governor can help people make the transition mentally to the new economic realities.

Structural Change Does Not Mean Abandoning Rural Areas

Attendees at the rural workshops indicated that there is fear in rural communities that all this talk about structural change means that everyone is giving up on rural communities, and that they should get out of mining or farming or ranching, and into computers. This is not the case. However these people should employ computers and other emerging technologies in their mining, farming, and ranching operations to produce and market their goods. Again, governor-led educational efforts could ease this fear.

Rural Areas Do Not Want To Become Mini Metropolises

Outside of a few development specialists, most rural folks do not want to see their communities grow much. What they want is a stable, healthy local economy. This may seem obvious but it is an important point to remember. Rural areas may need to adapt to changes but that does not mean they need to change their lifestyles.

The buzzwords for rural opportunity these days are telecommunications, retirement, and recreation and tourism. These will be viable options for some communities to explore but they are not panaceas for all communities. Instead the focus should be on developing niche opportunities. Each community needs to figure out what its strengths are and how to turn those strengths into opportunities, jobs, and income. Many small businesses and communities

Developing these niche opportunities in no way has to change the character of the community.

For example, Leadville, Colorado's history is steeped in mining. The people want to stay a mining town and not become another ski resort town like Aspen or Breckenridge. The mines are now mostly closed but the town obtained the designation as the site for the nation's mining museum, they have reopened the train that served the Climax molybdenum mine as a tourist attraction, and their summer festivals are Boom Days which includes mining competitions and Ore City which is a recreation of the mining camp which became Leadville.

Development is Not a Zero-Sum Game

There is a great deal of antipathy between urban and rural areas, between rural haves and rural have nots, and often just between neighboring rural communities. Interestingly the competitiveness between communities is often centered on historic rivalries related to sports or original settlement patterns. While competition is vital for a healthy economy, it can lead to communities opposing plans for a new plant or business in any community but theirs. The feeling is that there are only so many plants or businesses to be had and that there are no benefits to the community from the well being of a neighboring community.

It is a tough sell for governors to convince the community that doesn't get the plant that other plants will be coming later or that a business that sells to the plant may locate in their community. Nevertheless, the point should be made that what strengthens any community, strengthens the entire state.

Stress Rural Economic Health, not Rural Economic Development

The phrase "economic development" should be dropped in favor of "economic health" or some other appropriate term. People may be turned off by the phrase economic development which connotes imposed growth and change as opposed to natural adaptation and expansion. Economic development also conjures up images of smokestack chasing as opposed to supporting new, small businesses and expanding existing businesses which are important keys to economic health.

Many rural communities' identity is tied to their economy. As the economy goes through changes, that identity is destabilized. If you live in a logging town that is no longer logging you need to redefine the community's identity so people know who they are and where they're going. Communities often hasten their own decline by not redefining their identity. The process of talking about adaptation facilitates economic health by building new community vision and leadership.

Suggested Foundations for State Strategies

All western states have put into place unique programs to address the array of problems that have developed in rural areas. After a year or more in place, many governors are asking how well their programs are addressing the problems and whether other programs should be incorporated into the state's rural strategy.

State strategies should focus on areas where the governor believes he or she can have the most impact. Regardless of the specific programs put in place, three suggested guidelines came out of the workshops and other discussions with people in rural areas - coordination, technical assistance, and education and leadership training.

- o Coordination. In trying to strengthen rural economic health, the problem is most often not a lack of programs or funding. The problem is knowing what is available, who is doing what, and how to focus available assistance for maximum impact. In addition, programs or requirements may get in each other's way.

At all of the workshops, attendees expressed dismay at the lack of coordination between federal and state programs and among various state agencies. An example was cited at one workshop of a state economic development agency working for a full year on helping a rural manufacturer expand his plant. After working out the financing problems the deal was about to go through when the highway department sent a letter stating that the new jobs being added would require the company to pay for a turnout lane. The deal fell through.

All federal agencies are reportedly required to coordinate their efforts with the Department of Agriculture, Extension Service program aimed at revitalizing rural

Sullivan addressed the problem of federal/state coordination by inviting representatives of federal agencies to meet with him and his staff to discuss ways to coordinate rural efforts. Governor Gardner, through the SRI/WGA technical assistance project, is bringing together most of the major state agencies to help jointly identify and define strategies for rural stability.

- o Technical assistance. Technical assistance provided by the state to local communities received high priority at the workshops as a tool for promoting local economic health. The point was made over and over that local elected officials are almost always full time business people. They do not have the time or resources it takes to keep track of what is available or to staff economic development efforts. A state person who knows federal and state programs for technical and financial assistance and how to access them is invaluable for local communities. Washington has an exemplary program called the Community Revitalization Team to provide assistance to local communities.

Often communities don't know what they don't know. Educational efforts and specific assistance with strategic planning is important to communities seeking identity and stability. Financial assistance to produce a local economic development plan can fall flat without the proper technical assistance to develop the plan. Universities and state colleges should play an important role in the delivery of this kind of technical assistance. The Agricultural Extension Service, which helped make U.S. agriculture the most productive in the world, could also take a role. Using the existing infrastructure of Ag Extension, agents would be trained to provide assistance to rural communities in identifying sources of funding and coordination possibilities, in running meetings to build community identity and vision, and in leadership training. Another potential source for technical assistance is rural electric coops.

- o Education and Leadership Training. As mentioned earlier in this paper, education is a key to paving the way for local economic health. As businesses close and jobs are lost, a fatalistic attitude develops. People think they have failed, that they have done something wrong. They need to be informed that the development of a

world economy and new technologies have changed the rules of the game. They must be reassured they are not failures, that the developments were logical, and that there are new opportunities to take advantage of.

Vital to community adaptation instead of retrenchment is leadership training. WGA heard this in the workshops and NGA in its research reached similar conclusions. It was stated at one workshop that new leadership for adaptation is coming from people who have lived in the community for only a few years. The long term residents are so used to viewing things the old way that they often can't see new opportunities. Some communities had to hit rock bottom before new leadership emerged to try and stabilize the local economy.

Education for bankers was mentioned as important to local economic health. Bankers in rural areas, when they make loan decisions, are often not well versed in new enterprises outside the mold of the old community economic base (ranching, farming, mining, etc.) and therefore are reluctant to lend money for new ideas even though ample funds may be available. Entrepreneurship training is another element for local economic health. The social stigma of a failed business in many rural areas of the West may keep people from trying something different or trying again. In contrast, in some booming urban areas, if you haven't failed in a couple of business ventures then you haven't had enough true business experience. Programs have been implemented in several states to teach entrepreneurship in high school and/or to have entrepreneurs-of-the-month awards presented by the governor.

These programs will form the foundation for a successful state strategy. The need for other programs that address specific gaps (capital, vocational education, technology transfer, etc) can be identified through a rigorous diagnosis of subareas of the state. This diagnosis will end up suggesting specific types of programs to fill the identified gaps.

Given all of this rosy talk about local economic health it should also be kept in mind that some communities will continue to decline. Original settlement patterns that made economic sense one hundred years ago do not necessarily make sense given the new economic realities. Technologies in traditional rural industries are reducing the needed labor to continue the same output. With this in mind targeting of specific state assistance might be necessary.

When designing and implementing rural economic health strategies, community culture, targeting strategies, and attention to the implementation process can spell the differences between success and failure of state efforts.

Each community has a unique culture which is usually a blend of economic (logging, mining, ranching) and ethnic/religious (Hispanic, Indian, Scandinavian, German/Christian, Protestant, etc) mindsets which impact how residents view change and risk. This should be taken into account when designing and implementing strategies. In addition, a number of attendees at the workshops agreed that local residents will reject state efforts if they feel the state is telling them what they must do, particularly if it isn't appropriate to the culture of the community. They want help in defining the problems and the opportunities, in developing a strategic plan, and with financial and technical assistance in implementing the plan. But they don't want someone to tell them what their future should be. Education and leadership training can help build the bridge between the provision of state assistance and the building of local capacity, if it is provided in a way that "feels right" to the community.

A first place to start with targeting is the Connecting Rural Economies handbook developed by SRI and WGA. A diagnosis of counties or other appropriate subareas of the state will highlight the strengths and weaknesses of local areas and will suggest targeted state efforts for those communities. With the full laundry list of state assistance recommended for all the subregions of the state, the reality will probably be that the state can fund only ten to twenty percent of the identified needs.

There are at least five targeting strategies that can be used. The first targeting strategy would be to address the needs of those communities that are helping themselves. This strategy rewards the initiative of communities and provides incentives to those considering change. However, this could serve to increase the disparity between have and have not communities. A second state strategy could be implemented to serve those in the greatest need first (highest unemployment, largest business failure rate, etc.). That runs the risk of possibly helping those who are really beyond saving or of becoming a permanent subsidy program. A third approach could target assistance to the largest communities first with the thought that by this method the most people will benefit as a result. A fourth strategy, a triage approach, could be implemented which recognizes that some communities will die even

assistance to communities in the middle. This strategy makes economically efficient sense but has the political downside of appearing to subjectively pick winners and losers. A fifth approach would try to fund a small part of each community's needs. This makes more political sense than economic sense but can still be easily defended.

Whichever targeting strategy is employed, it must be approached with extreme political sensitivity given the threatening nature of the issue. State diagnosis may suggest approaches that are antithetical to local communities. Consolidation, cooperation, and shared services threaten community identity even though they make economic sense. Some form of state "carrot" and/or workable safeguards may be necessary to encourage local residents to consider these options.

Implementation strategies include the usual precautions about working with state legislators, county commissioners, logical economic groups (mining, ranching, farming, etc.), extension agents, state universities and colleges, schools and church leaders, chambers of commerce, rural coops and others. Both the formal and informal power structures need to be brought into the process.

Finally, rural economic health strategies should be integrated into overall state economic development plans to encourage cooperation and integration with other state programs and agencies. Rural development should not be the purview of one agency but rather all state (and federal) agencies should review the impact of their programs on rural areas.

RURAL DEVELOPMENT STRATEGY

The following materials include the PBDC request to the U.S. Department of Agriculture to determine how U.S. Department of Agriculture can assist the member governments of PBDC in economic development. This request was initiated as a result of the U.S. Department of Agriculture's report entitled Rural Development Strategy update (included) which provides a useful synopsis of the various federal programs available to address rural development issues. The report also presents USDA's initiatives for 1987-1988.



Governor Joseph F. Ada
Guam
President

February 24, 1988

Governor John Waihee
Hawaii
Vice President

The Honorable Richard E. Lyng
Secretary
U.S. Department of Agriculture - Room 200-A
14th Street and Independence Avenue, SW
Washington, DC 20250

Governor A.P. Lutali
American Samoa
Secretary

Dear Secretary Lyng:

Governor Pedro P. Tenorio
Commonwealth of the
Northern Mariana Islands
Treasurer

We are writing to you as the Board of Directors of the Pacific Basin Development Council to solicit your assistance in a matter of urgency and importance to the Pacific Basin.

Several months ago, we were provided with copies of a report entitled, "Rural Development Strategy Update - Fiscal Years 1986-87-88" by Under Secretary for Small Community and Rural Development Roland R. Vautour.

We were particularly impressed with the emphasis placed on the needs of rural America and the realization that just the providing of basic requirements of rural infrastructure for meaningful economic growth have not solved rural economic problems.

Our respective staff, as well as the staff of the Pacific Basin Development Council have reviewed the many program elements in the report as well as the USDA Rural Development Initiatives For FY 1987 - 1988 and would like to become actively involved in your rural development initiative program.

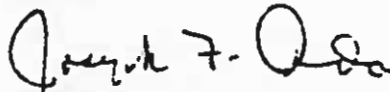
We respectfully request assistance in identifying the program needs in the initiative that could relate to our economic development activities--both current and proposed. Although totally rural, with few exceptions, our experience in working with a multi-agency program delivery effort is non-existent at this point of our development.

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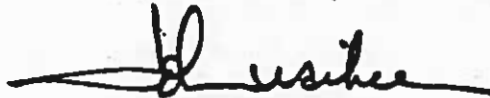
Jerry B. Norris
Executive Director

✓ We look forward to assisting you and your Administration in this most important effort and promise to support an analysis of our current sets of circumstances--both island specific and regional. We will designate key members of our agriculture and development staff to assist. /!!

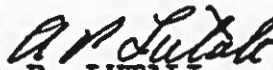
Sincerely,



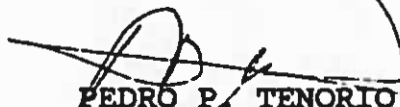
JOSEPH F. ADA
President of PBDC and
Governor, Territory of Guam



JOHN WAIHEE
Vice President of PBDC and
Governor, State of Hawaii

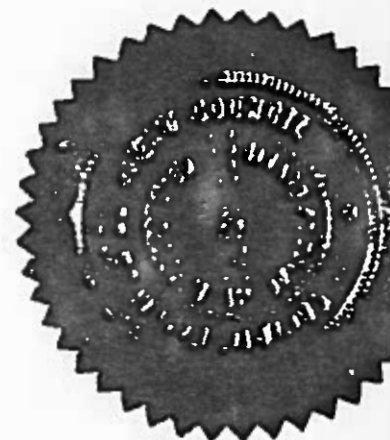


A.P. LUTALI
Secretary of PBDC and
Governor, Territory of
American Samoa



PEDRO P. TENORIO
Treasurer of PBDC and
Governor, CNMI

PBDC3/ca





Mr. Joseph F. Ada
President
Pacific Basin Development Council
567 South King Street, Suite 325
Honolulu, Hawaii 96813

Dear Mr. Ada:

Thank you for your recent letter requesting further information on the U. S. Department of Agriculture's (USDA) Rural Development Initiatives as well as the Rural Development Strategy Update. I appreciate hearing from you and the members of the Board of Directors of the Pacific Basin Development Council.

As you may know, the Office of the Under Secretary for Small Community and Rural Development is charged with coordinating rural development activities here at the Department. The primary vehicle for communicating policy and program activities to the States is conducted via the Food and Agriculture Council (FAC).

You may be interested to know that Dr. Ulysses J. Lane of the Department's Animal and Plant Health Inspection Service in Hawaii serves as the FAC Chairman. He may be reached by writing to him at 300 Ala Moana Boulevard in Honolulu. The zip code is 96850 and the phone number is FTS 8-551-2628.

The FAC Chairmen play an integral role in communicating and coordinating rural development activities in the States. This would be true for Hawaii. To the degree that USDA agencies serving the Pacific Basin operate out of Hawaii, the State FAC could be helpful.

Once again, thank you for taking the time to be in touch. The Department and its field offices stand ready to assist.

Sincerely,

ROLAND R. VAUTOUR
Under Secretary
for Small Community
and Rural Development



Dr. Leonard Newell
Pacific Islands Forester
Forest Service, Rm. 323
1151 Punch Bowl Street
Honolulu, Hawaii 96813

MAI 19 1983

PACIFIC BASIN DEVELOPMENT COUNCIL

Dear Dr. Newell:

This past winter the Governors of Guam, Northern Marianas and American Samoa were in Washington and met with representatives of the Department of Agriculture relative to our role on their islands. The meeting was hosted by the Pacific Basin Development Council, of which Hawaii is a member.

Recently a delegation representing numerous federal departments toured the islands. Jerry Barron, Director of Inter-Governmental Affairs, U.S.D.A., represented the Department of Agriculture. They indicated to Mr. Barron that they have a strong interest in having a Rural Enterprise Team (RET) for Guam, Northern Marianas and American Samoa.

We would like to accommodate that request and believe it should be under the direction of the Hawaii FAC. I would ask that you proceed as you believe best. If you have any questions feel free to contact this office or Jerry Barron.

I hope this finds everything going well in Hawaii and thank you for your cooperation.

Sincerely,


ROLAND R. VAUTOUR
Under Secretary for
Small Community
and Rural Development

cc: Jerry Barron

*Jerry:
For your
information
Jerry Barron*



United States
Department of
Agriculture

Office of
Governmental and
Public Affairs

Washington, D.C.
20250

January 14, 1988

Honorable Joseph Ada
Governor of Guam
Executive Chambers
Agana, Guam 96910

Dear Governor Ada:

The U.S. Department of Agriculture has compiled the enclosed Rural Development Strategy Update to advise you of the most recent developments in federal rural programs. Included in the survey are USDA's Rural Development Initiatives for FY 1987-1988, various rural development programs within the Department of Agriculture, and rural development programs found in other federal agencies. I would like to direct your attention to the Department's 6-point rural initiative plan that begins on page 29.

Although conditions for family farmers are improving, the economic health of small towns throughout the nation is recovering at a slower rate. As Under Secretary for Small Community and Rural Development, Roland Vautour, notes, "The Department of Agriculture is committed to helping rural communities find solutions" to the problem. Those solutions are set forth in the enclosed material.

As always, we look forward to your input. Please contact me if I may be of assistance on this or any other matter.

Sincerely,

JERRY BARRON
Director
Intergovernmental Affairs

Enclosure



RURAL DEVELOPMENT STRATEGY UPDATE

Fiscal Years 1986-87-88

**Roland R. Vautour
Under Secretary
Small Community and
Rural Development**

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INTRODUCTION

Today, rural America is sending mixed signals. The 1985 Farm Bill is working, and after several tight years, times are improving for family farmers. Farm income is up and leading indicators point to an improving farm economy.

But in many small towns across America, the rebound from economic downturn is less evident. The recovery on rural Main Street has been slower. Many communities depend on agriculture to provide a base of support for their businesses, schools, banks and public works. The erosion of that support has sometimes forced businesses to close -- affecting public services, especially schools, and leaving some people with little choice but to seek opportunity elsewhere.

Some parts of rural America have never depended on farming for economic support. The fortunes of many nonmetro areas rise or fall on the success or failure of local mining operations, manufacturing plants and other nonfarm sources of income.

Whether of recent onset or a chronic condition, the economic problems which many of our small towns are experiencing are not easy to cure. Rural communities - and the people who live and work there - are looking for solutions, so they can maintain their economic health, vitality, pride and a good way of life.

The Department of Agriculture is committed to helping rural communities find solutions - workable solutions that will build a healthy economic infrastructure; solutions that will provide jobs for economically impacted farmers and rural residents; solutions that will assure good schools for their children; and solutions that will enable rural elderly and disabled to have the health care and housing they need.

In many instances, Federal loan and grant programs have helped to provide the basic requirements of rural infrastructure for meaningful economic growth in rural America. But these programs have not solved rural America's economic problems.

A very important part of rural development is local and State commitment and leadership. Successful economic development demands leadership at the local level.

To help facilitate this effort is an important part of our rural development strategy. USDA is leading the way, through existing

rural development programs and through exciting new initiatives to help rural community leaders find their path to economic recovery.

FEDERAL RURAL DEVELOPMENT PROGRAMS

U.S. DEPARTMENT OF AGRICULTURE

The Department of Agriculture, by virtue of its mission to serve rural America, administers many Federal rural development programs and initiatives. Within USDA, a number of separate-but-related agencies address various facets of rural life. The agencies coordinate their activities through State Food and Agriculture Councils and the Office of Small Community and Rural Development.

The following program summaries will illustrate the interdependence and cooperation within USDA and other Federal agencies working for rural America.

The Agricultural Cooperative Service (ACS) - Provides technical assistance to existing cooperatives and to groups interested in forming new cooperatives. This assistance includes help with marketing, purchasing and other services.

In fiscal years 1986 and 1987, ACS staff handled 95 projects involving 130 cooperatives and new producer groups. More than 30 different agricultural products, including fish, honey, Christmas trees and forest products, as well as handicrafts were represented in these projects. More than one-third involved marketing non-traditional vegetable crops, experimental ventures resulting from the producers' need to diversify and develop new marketing systems. These new, emerging cooperatives will serve 13,000 producer-members.

ACS also worked closely with the Soil Conservation Service Resource Conservation and Development Coordinators. Both agencies benefit from improved communication, shared information and knowledge of how each can work most effectively.

ACS recently created a staff working group to develop a recommended agency rural development strategy. The agency plans to put its strategy in place by early 1988.

Program Cost:	FY 1986 - \$ 2.3 million
	FY 1987 - \$ 2.3 million
(estimated)	FY 1988 - \$ 2.3 million

The Agricultural Research Service (ARS) - Conducts rural development research projects in five general categories:

- o To help provide new sources of income for rural people, both on and off the farm.
- o To develop new products that use farm surpluses and to transfer that technology to industry.
- o To enable farmers and ranchers to lower production costs, making their products more competitive in domestic and world markets and increasing their profits.
- o To improve the rural environment, making it more attractive to commercial enterprise. This includes research to safeguard the adequacy, purity and safety of rural water supplies.
- o To find ways to overcome technical obstacles to agriculture exports, bringing about improvement in our balance of payments and ensuring jobs for more rural Americans.

Much of ARS research broadly relates to rural development. Some current projects most directly connected with economic stimulation, business and job creation involve aquaculture, alcohol fuel, alternative crops and starch utilization.

Program Cost:	FY 1986 - \$ 13,600,000
	FY 1987 - \$ 16,100,000
(estimated)	FY 1988 - \$ 16,000,000

The Agricultural Stabilization and Conservation Service (ASCS) - \$92.7 billion in Commodity Credit Corporation loans and farm program payments over the last five years has contributed to stabilization of the farm economy. CCC loans and payments are major factors in small farm income increases this year, and more farm income means a better economy in agriculture-dependent small towns.

They also help the local suppliers of products and services and are helping to stabilize the financial underpinnings of the community.

Program Cost:	FY 1986 - \$ 25.8 billion
(CCC)	FY 1987 - \$ 22.4 billion
(estimated)	FY 1988 - \$ 16.1 billion

The Animal and Plant Health Inspection Service (APHIS) - Protects our nation's animal and plant resources from economically dangerous diseases and pests. APHIS carries out programs in Animal Damage Control, Plant Protection and Quarantine and Veterinary Services. These services affect income derived from

crops and livestock in domestic and foreign markets, which in turn affects jobs and agriculture-related business.

Program Cost:

Animal Damage Control -	FY 1986 - \$ 19,025,000
	FY 1987 - 21,596,000
(estimated)	FY 1988 - 21,596,000
Plant Protection and Quarantine -	FY 1986 - \$108,983,000
	FY 1987 - 107,833,000
(estimated)	FY 1988 - 107,833,000
Veterinary Services -	FY 1986 - \$127,544,000
	FY 1987 - 127,603,000
(estimated)	FY 1988 - 127,603,000

The Economic Research Service (ERS) - Monitors rural economic, social and demographic trends. The Agriculture and Rural Economy Division of ERS monitors population size and composition, income levels, employment and unemployment, the distribution of Federal funds, infrastructure and credit availability, and the industrial and occupational structure of the rural economy.

ERS analyzes the resulting data and provides a number of valuable reports and publications based on its findings. The most recent are: "Rural Economic Development in the 1980's," a comprehensive report on rural conditions and the implications of some rural policy options; and "Your Hometown," a video tape designed to encourage local self-help action.

Examples of current ERS rural development analyses include:

- Policy Alternatives for Rural Economic Development,
- Job Generation and the Alleviation of Rural Poverty,
- Rural Policies in the U.S. and Other Developed Countries,
- Economic Impacts of Changes in Farm Income on Agriculturally Dependent Communities,
- The Role of Entrepreneurship as a Development Strategy for Rural Areas,
- Industrial Restructuring in the Rural Economy,
- Credit Availability in Rural Areas.

Program Cost:	FY 1986 - \$ 3,400,000
	FY 1987 - 3,400,000
(estimated)	FY 1988 - 3,400,000

The Extension Service (ES) - Is the Federal partner in the Cooperative Extension System (CES). CES is responsible for conducting educational programs in support of the Department's rural development program.

CES programs are delivered through the educational activities of State specialists and county Extension agents and are developed at the local and State levels, in response to identified educational needs. Areas of major interest are economic development, local government management and organization development, with emphasis on leadership development. Federal administrators review and approve the programs.

In FY 1986 and 1987, 5.9 percent of total Extension staff, or 916 full-time-equivalents, worked on rural development programs.

These programs include economic analysis (impact analysis, trade area analysis, economic base studies, etc.), business management (particularly small business management), retention and expansion of existing industry, community surveys (to identify concerns of local people to help local leaders with their economic development planning) and market studies.

Extension specialists provide an array of educational and technical assistance programs to help local officials plan community facility budgets, adopt computer technology and improve local government management systems.

Formal leadership development training, such as the Family Community Leadership (FCL) program, in cooperation with the Kellogg Foundation, help local officials in developing organizational structure, assessing community needs and options, and taking action.

The Cooperative Extension Service is engaged in a major national initiative on revitalizing rural America that addresses six critical rural development issues:

1. The economic competitiveness of rural areas is diminishing.
2. Rural communities are dependent on too few sources of income.
3. Service demands on local governments and community organizations are growing while attendant resources are diminishing.
4. Rural families and communities are having difficulty adjusting to the impact of political, economic, and social changes of rural life.
5. Rural revitalization is dependent on skilled community leadership.

6. The quality of the natural resource base is critical to revitalizing rural communities.

The Extension Service, USDA, has coordinated its rural development activities within the Department through involvement in the rural Development Committee and Working Group, the Resource Conservation and Development Policy Board, and several committees and working groups within the Secretary's Policy and Coordination Council structure. The Extension Service also collaborates with the Cooperative State Research Service in support of the four Regional Development Centers.

Extension has coordinated with Agricultural Stabilization & Conservation Service, Soil Conservation Service, Farmers Home Administration, Forest Service, and Federal Crop Insurance Corporation in preparing and disseminating information to farmers, ranchers, bankers, and rural communities on the conservation provisions of the 1985 Food Security Act.

Other Federal agencies with which Extension cooperates on various projects are: the Environmental Protection Agency, the National Institute of Mental Health, the Tennessee Valley Authority, and the Economic Development Administration.

Of equal importance are many rural interest groups, from national associations to local citizen advisory groups. The Cooperative Extension Service continually seeks input into its educational programs from these sources.

Program Cost:	FY 1986 -	\$ 20,500,000
	FY 1987 -	23,900,000
(estimated)	FY 1988 -	23,900,000

The Farmers Home Administration (FmHA) - Extends credit to family farmers and rural communities. While all FmHA programs affect rural economy, the programs most related to rural development are the Community Facilities, Business & Industry, and Housing Loan Programs.

Farm Program loans are important to the economic well-being of small towns dependent on agriculture income, because the farmers receiving FmHA credit do business with feed, grain, livestock and implement dealers. In FY 1987 FmHA Farm Program direct and guaranteed loans totalled \$4.6 billion.

In FY 1987 more than \$1.3 billion was available for single family housing loans to FmHA housing borrowers. In most cases the homes purchased through FmHA are located in small towns.

The Rural Rental Housing Loan Program funds the construction of rental units for senior citizens and families with low or very low income. These projects also provide jobs in rural areas. The Rural Rental Assistance Program allows rent for low income tenants to be reduced to an affordable level by paying rental assistance to eligible borrowers.

Other housing programs, such as the Mutual and Self-Help Housing Grants and the Rural Housing Preservation Grants, encourage rehabilitation and restoration of homes and rental units. FmHA Housing Loan Programs totalled more than \$2.2 billion in FY 1987.

FmHA programs directly affecting rural development include:

- Water and Waste Disposal Loans and Grants, for development, replacement or upgrading of water and waste disposal systems;
- Community Facilities Loans, for public facilities including fire equipment, health care and public service;
- Business and Industry Loans, guaranteed loans to finance business and industry development and create jobs in rural communities;
- Non-profit Rural Development Finance Corporation loans and grants, to assist statewide rural development organizations that provide loans, guarantees and other financial assistance for economic development projects in rural areas;
- Rural Community Fire Protection grants, to assist in organizing, training and equipping rural volunteer fire departments. This program is in cooperation with the U.S. Forest Service.

The Business and Industry Program Loan (B & I) funded \$95.7 million in guaranteed loans in FY 1987, generating more than 6,000 jobs. The agency is working on new B & I regulations to assure that B & I guarantees will provide maximum benefit to the areas in greatest need of jobs and economic help.

Other FmHA rural development projects and initiatives include:

1. Small Farm Family and Rural Community Assistance -

This program funds training in income management for borrowers through several of our Land Grant Institutions. It focuses on improving alternative sources of income by treating agriculture as a part of the whole local economy. The program provides direct one-on-one assistance and brings a variety of resources together to serve rural community needs.

The financial analyses of participating farm families have shown that some farm operations are consistently losing money and that their off-farm income is actually a self-subsidy. Management plans are provided which encourage change to more profitable farming alternatives or a better mix of farm and non-farm income.

Currently, these States have active programs:

- Mississippi
- Arkansas
- Virginia
- South Carolina
- Georgia

USDA is in the process of establishing similar projects in New Mexico and Louisiana.

As part of this program, a farm management conference and the development of a set of self-study guides on farm finance management and recordkeeping is planned. Throughout each project FmHA has emphasized the need to coordinate these activities into a total community development framework and the importance of off-farm sources of income.

2. Loan Guarantees and Grants to Non-Profit Rural Development Organizations -

FmHA recently announced the award of loan guarantee and grant funding to the Midwest Minnesota Community Development Corporation and the Southern Development Foundation. The agency has made all States served by these awards aware of this FmHA opportunity for coordination and support.

3. Cooperation with the Economic Development Administration (EDA) -

FmHA is working with the Research and Technical Assistance Division of EDA to assist in selecting grant recipients for research and technical assistance to ensure that our rural development interests are mutually pursued. In many cases, they have grant recipients who can identify potential applicants for Business and Industry, Community Facilities and Housing Programs. One project, for example, is identifying the businesses and industries in the rural south that are growing and offer the most potential. The results will help FmHA target its loan guarantees more effectively.

Also, FmHA has suggested that the EDA-funded technical assistance project with the Center for Agriculture and Rural Development of the Council of State Governments make recommendations for improving sources of off-farm income. Technical assistance bulletins will be available in March 1988.

4. Extension Service Coordination -

The Rural Development Division of Extension Service has developed a rural economic development videotape program that includes a workbook to help rural officials improve their local economies. FmHA has added this to their video library and is promoting its use within FmHA to improve

agency sensitivity to rural development issues and coordinate loans with other local objectives.

5. Rural Development Centers -

Other FY 87 plans include funding four Rural Development Centers to train rural assistance providers in economic development and community leadership. These programs will enhance community leaders' awareness of the variety of assistance available from FmHA as well as other programs, both public and private. They will learn how to get more impact by focusing their objectives and setting local goals before seeking funding. As a train-the-trainer approach, it will multiply the effect of our support nationwide.

6. Communications Initiatives -

FmHA has established liaisons with rural development publications such as Rural Development Perspectives and Extension Service Community and Rural Development Update. These provide a wider audience for informing rural development providers about FmHA's efforts on behalf of rural communities.

Program Cost:

Farm Programs	FY 1986 - \$ 4,367,839,000
	FY 1987 - 4,605,424,000
(estimated)	FY 1988 - 5,058,000,000
Housing Programs	FY 1986 - \$ 2,036,294,000
	FY 1987 - 2,249,477,000
(estimated)	FY 1988 - 2,243,769,000
Community Programs	FY 1986 - \$ 595,201,000
	FY 1987 - 674,935,000
(estimated)	FY 1988 - 640,975,000

The Forest Service (FS) -

Forest resources are the foundation for sustained rural development in many parts of the country. With over 736 million acres of forests and another 820 million acres of rangeland, this resource is a major part of the country's vast renewable natural resource base which too often is underdeveloped and overlooked. In our national leadership role in forestry, the Forest Service rural development objectives are to utilize our programs and authorities to create opportunities which provide more income, jobs, and job training in rural areas; improve rural living conditions; and enrich the quality of life in rural America. These objectives can be accomplished through our frequent interaction with other Federal agencies, State and local governments, rural communities, and private landowners.

Programs targeted at rural areas include Rural Forestry Assistance, the Forestry Incentives Program and Rural Fire Prevention and Control. FS also administers the Rural Community Fire Protection programs for the Farmers Home Administration.

FS programs that contribute directly or indirectly to rural areas include State forest resource planning, State tree improvement programs, forestry taxation, nonindustrial private forests management, and administration of tree planting programs through the Conservation Reserve Program, the Agricultural Conservation Program and the Resource Conservation and Development program.

The FS Forest Management Program provides technical and financial assistance to State Foresters who employ about 800 Service Foresters to work with forest land owners in rural areas.

The FS Human Resource Programs include the Job Corps Civilian Conservation Corps, the Senior Community Service Employment Program, the Youth Conservation Corps, Volunteers in the National Forests and the Hosted Human Resource program.

The FS currently employs about 40,000 people. Most of the FS 1986 payroll of \$1,081,000,000 goes to employees in rural areas and contributes to the economic health of local rural business. The National Forest resources provided employment for 461,700 people in 1986.

In FY 1986, FS, through contracting and procurement, completed 835,000 separate transactions with \$13,000,000 going to local businesses certified as disadvantaged by the Small Business Administration; \$10,000,000 to minority-owned firms; and \$13,500,000 to businesses owned by women.

The law requires that FS pay States 25 percent of all National Forest receipts. Payments to States in 1986 totalled \$262,800,000. These funds are used for public schools and roads in counties containing National Forest System lands.

All of the FS Research programs provide technology that assists rural communities or residents so that they can take advantage of productivity and recreational opportunities available to them.

Forest Service programs and funding related to rural development are listed below:

Program Cost: (in thousands of dollars)

	Forestry Research	State & Private Forestry	National Forest System	Human Resources
FY 1986 -	\$ 102,943	\$ 60,325	\$ 1,702,139	\$ 67,013
FY 1987 -	110,445	60,895	1,845,918	66,842
FY 1988 (est)	110,445	60,895	1,845,918	66,842

The National Agricultural Library - Collects data relating to rural development to establish an information clearinghouse (the Rural Information Center will be discussed later in this report) as part of USDA's rural development initiative.

Program Cost:	FY 1986 - \$	5,000
	FY 1987 -	45,000
(estimated)	FY 1988 -	333,500

The Office of Information Resources Management (OIRM) - Does not deal directly with the public. However, OIRM Fort Collins Computer Center staff has been closely involved in two volunteer community rural development projects in the local Colorado area focused on improving training and services to rural areas.

There are many instances of USDA employees volunteering their time and expertise to help the rural areas in which they live and work. This kind of personal commitment is an important part of any successful rural development effort.

Program Cost:	FY 1987 - \$	3,400
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The Rural Electrification Administration (REA) - Makes loans and loan guarantees to rural electric distribution and generation cooperatives and telephone cooperatives and companies. REA is responsible for providing rural residents and communities with two basic necessities for rural development - electric power and telephone communication.

Today REA strongly encourages rural electric and telephone borrowers to play a major role in improving the economy of the rural area they serve. Recent statistics demonstrate that most borrowers are financially strong and can legitimately support community projects from their own internally generated funds.

Data from 64 percent of all REA borrowers in 1986 show 1,714 job-related projects which generated, directly and indirectly, more than 69,700 jobs. Borrower staff served on more than 720 community groups, donating time, money, equipment and/or materials, providing office or technical assistance and working on development and planning.

Survey records show that since 1961 more than 23,000 job-related projects in which REA borrowers participated have resulted in the creation of more than 660,000 jobs.

The budget figures below reflect direct and guaranteed lending through the Revolving Fund, the Rural Telephone Bank and guarantees to the Federal Financing Bank.

Program Cost:	FY 1986 -	\$2,130,682,000
	FY 1987 -	1,218,001,000
(estimated)	FY 1988 -	1,218,001,000

The Soil Conservation Service (SCS) - All of the programs that the Soil Conservation Service administers are primarily targeted at rural areas. The "Conservation Operations" Program provides direct technical assistance to farmers and other land owners through agreements with 2935 conservation or special districts as part of a local-federal partnership. Work is primarily with rural land owners and results in public benefits accruing from the application of conservation practices which reduce erosion and sedimentation, reduce flooding, improve water quality and fish and wildlife habitat, and sustain food and fiber production.

The "Watershed Planning" Program helps local sponsors to develop plans to protect, develop and utilize the land and water resources in rural areas. Plans are being developed for 123 watersheds in 42 states. Three of these had rural water supply, 3 had recreation, 1 irrigation, and 8 water quality benefits in addition to the flood control. About \$1.5 billion worth of future projects are already authorized for installation in rural areas.

Since 1981, the "Watershed Operations" Program has resulted in the installation of 183 small watersheds in 41 states primarily for flood control. Six of these had rural water supply, 9 had recreation, 8 irrigation, 5 fish and wildlife, and 13 water quality benefits in addition to the flood control. About \$1.5 billion worth of future projects are already authorized for installation in rural areas.

Examples are community sewer and water systems, health care, and public transportation. From 10/1/83 through 3/31/86, completed RC&D projects provided 35,665 temporary jobs, 42,602 permanent jobs, and retention of 15,344 jobs within the RC&D areas. Savings of \$5.7 million annually can also be measured through reduced erosion, flooding and sedimentation.

The "Resource Conservation and Development" (RC&D) program delivers rural development assistance to 189 designated areas covering 1348 counties across the country. These areas are organized and run by councils composed of members of the counties, towns, and soil and water conservation districts in the areas. Councils establish and work towards reaching their own objectives and goals. Through SCS, USDA provides a coordinator to assist these councils to "make things happen" by obtaining technical and financial help from other agencies such as the Forest Service, Extension Service, Agricultural Cooperative Service, as well as state and private organizations.

The SCS budget for all programs is listed below:

Program Cost:	FY 1986 -	\$ 674,327,000
	FY 1987 -	621,902,000
(estimated)	FY 1988 -	476,281,000

The Office of Transportation (OT) - Administers the "Access Rural America" program, targeting rural transportation development

including rural roads and bridges, rural rail service and rural passenger transportation.

OT's activities associated with improving rural access have focused heavily on rural roads and bridges. In conjunction with local and State highway officials, OT has continued studies begun in 1983 on rural road and bridge financing. Surveys of road and bridge conditions, financing methods and policy alternatives are underway in cooperation with the National Association of Towns and Townships, the National Association of Counties, the National Association of County Engineers and the American Association of State Highway and Transportation Officials. Survey results will be available in FY 1988.

OT continues to monitor rail line service discontinuances and/or anticipated abandonments, based on information reported to the Interstate Commerce Commission, to target areas needing technical assistance. The agency provides help on a case-by-case basis to areas with specific rail transportation problems. OT is preparing rural rail assistance information packets giving Federal, State and local resources guidelines.

To address the intercity passenger transportation problems, OT held several interagency meetings in FY 1987 to examine recent abandonments of service by major intercity bus carriers. OT now co-chairs, with the United Bus Owners of America, a Rural Transportation Planning Committee, charged with finding workable, long-term solutions to their mutual problems.

Program Cost:	FY 1986 - \$ 808,000
	FY 1987 - 772,000
(estimated)	FY 1988 - 772,000

To be successful, this nation's commitment to rural development must go far beyond the effort of a single agency. While the Department of Agriculture is uniquely suited to take the lead in rural development because of its concentration on agriculture issues, other Federal agencies also participate with important programs and services that benefit rural Americans. Cooperation and unity of purpose is the key as many agencies, working together, help in many different ways. Some of these Federal programs are briefly outlined below:

U.S. DEPARTMENT OF LABOR

Job Training - FY 1987 marked completion of three full "program years" of the Job Training Partnership Act (JTPA) which was enacted in 1983. Under Title II, more than 600 local service delivery areas (SDAs) have been established under State government supervision to plan and administer individually tailored job training activities to meet local needs.

In many States, SDAs have been designated to significantly serve the rural areas, thereby affording substantial local control over this important aspect of rural economic development. To design and implement these employment and training programs, JTPA places strong emphasis on local authority and participation by the private sector.

From July 1986 through June 1987, the Labor Department made grants under JTPA Title III, Dislocated Workers, to certain local areas across the country to assist farmers and dislocated workers in farm-related businesses. Participants in these programs were provided job market information, job search assistance, training or retraining, and supportive services.

Other JTPA programs include:

Title IV programs that continue providing job training and employment assistance to migrant and seasonal farm workers who meet eligibility requirements, which include membership in a family which receive public assistance or where annual family income does not exceed the higher of either the poverty level or 70% of the lower living standard increase level.

A feasibility study and report to Congress on establishment of a national data base on dislocated farmers and ranchers.

Proposed revision in 1988 budget of the JTPA Title II-B funding formula to target funds on areas with high concentration of youth in welfare families, which may have the effect of redirecting some funding from suburban areas to rural areas and central cities.

JTPA programs rely on unemployment statistics from Department of Labor (DOL) and the Bureau of the Census as a primary indicator of employment-related distress and as a basis for the distribution of funds pursuant to statutory allotment formulas. The vast majority of JTPA funds are allotted to States by formula for services for both urban and rural residents.

Program Allotment:	FY 1986 - \$3,312.3 million
(Nonmetro Share)	FY 1987 - 3,656.0 million
(estimated)	FY 1988 - 3,285.5 million

THE DEPARTMENT OF COMMERCE

The Economic Development Administration (EDA) - Gives priority consideration to projects designed to benefit distressed rural communities, with special attention to projects located in rural enterprise zones. Summaries of EDA rural and mixed rural/urban programs follow:

Public Works and Development Facilities Assistance: Provides funding to communities for facilities that will improve living

conditions, stabilize and diversify the local economy, and create or retain private sector jobs.

Economic Adjustment Assistance: Through the Sudden and Severe Economic Dislocation (SSED) program, helps communities prevent a sudden major job loss, reestablish employment opportunities as quickly as possible after such a loss occurs, or meet special needs resulting from severe changes in economic conditions.

Technical Assistance: Aids distressed areas in initiating and implementing area and State development efforts. The majority of the funds are used to provide seed money to help selected colleges and universities mobilize available resources to help the economic development of distressed areas.

Planning: EDA's Planning Program funds are used to defray the administrative expenses of economic development planning programs implemented by economic development districts, redevelopment areas and Indian tribes, States and urban areas.

Research and Evaluation: EDA awards these funds to support studies about the causes and alleviation of economic problems.

In FY 1987 EDA used 77.7 percent of its total budget to fund 694 projects under these programs, 557 of which served rural areas and 137 which served rural/urban or native American areas.

Program Cost:	FY 1986 - \$139,800,000
	FY 1987 - 139,897,270
(estimate)	FY 1988 - 139,897,270

THE DEPARTMENT OF EDUCATION

Within the Department of Education, the Office of Vocational and Adult Education is responsible for the coordination of rural education programs administered by the several principal offices of the Department. That responsibility resides in Section 206 of the Department of Education Organization Act (P.L. 96-88) which directs the Secretary of Education, working through the Assistant Secretary for Vocational and Adult Education, "to provide a uniform approach to rural education and rural family education through the coordination of programs within the Department, and to work with the Federal Inter-Agency Committee on Education (FICE) to coordinate related activities and programs of other Federal departments and agencies."

Rural development and quality rural education are inextricably entwined. Rural communities cannot develop or increase their economic base without an educated and well trained population. Conversely, the ability to provide quality education is depended upon the economic well being of the community. Accepting this premise, the Office of Vocational and Adult Education (OVAE) has taken seriously its responsibility to be the catalyst for the coordination of rural education programs within the Department of

education and throughout the Federal Government. The Department of Education's Rural Education Committee was established in 1982 with a representative from each of the principal offices of the Department serving on the committee. The Deputy Assistant Secretary for Vocational and Adult Education chairs this committee.

The committee has developed and implemented a Department of Education Rural Education Policy Statement. It has developed a resource of rural education contacts within the Department; compiled information on rural education activities; reviewed legislation, regulations, policies, and procurement procedures for their emphasis on rural education; developed linkages and continuing communication with major organizations and agencies concerned with rural education; developed a rural education research agenda and assisted in the development of a rural education resource guide. The committee has also conducted national conferences and forums on rural education, the most recent a national research forum at Lake Placid, New York, October 15-17, 1987. These forums have produced 15 major issue papers on rural education problems and trends.

OVAE has collaborated with the Rural Education Association, the National Rural and Small Schools Consortium, the Rural District Forum of the National School Boards Association, and the National Indian Education Association, among others, to better understand the educational problems of rural communities so that existing federal programs can be focused within legislative constraints. Existing federal education funding has already spawned a number of programs around the nation which are having a positive impact on rural development. For example, the nation's community colleges, using funding provided under the Carl D. Perkins Vocational Education Act, are offering specific skill training to help attract new industry to rural communities. In a number of States, the community and technical colleges are partners with the State Development Agency. Further, a large number of postsecondary institutions have developed small business incubators wherein the college provides technical assistance including the identification of new services and products, training, inexpensive space, and services to newly started businesses. The institutions guide the new business through its formative period and are having a direct impact on the creation of new jobs.

Many postsecondary institutions have established retraining programs for dislocated farmers and other workers in rural America. OVAE is currently funding a dislocated worker retraining demonstration project in Johnstown, Pennsylvania, and will soon be funding several others in rural America with existing appropriations.

The federally chartered student organization, Future Farmers of America (FFA), through its Building Our American Communities (BOAC) program, has engaged America's young people in community development and betterment activities. BOAC is an education program which teaches community development through actual

student leadership and involvement. Federal Vocational Education Funds are used to support the activities of FFA.

Cooperative Education and Supervised Occupational Experience Projects (SOEP), supported by federal funds, provide hands on education for young people and are an important source of youth income for rural families. The SOEP program is an important component of Vocational Agriculture Education and consequently is primarily found in rural schools. By federal support of Entrepreneurship Education programs in rural secondary and postsecondary schools, we are helping to provide the marketing and management skills necessary to develop new or improved products and successfully bring them to the marketplace. Federally supported programs such as FFA's Young Farmers Association provide continuing management education for the practicing farmer.

Federal education funds are being used to develop communication networks among rural school districts including the use of interactive television. This new technology helps to overcome the problems of size, distance, and resources by allowing small districts to provide a wider range of educational programs.

In recognition of the need to better understand and coordinate the myriad of federal programs addressing rural education needs, the Assistant Secretary for Vocational and Adult Education has reactivated the Federal Inter-Agency Committee on Education's Subcommittee of Rural Education. Thirty separate agencies, working together to coordinate and help focus federal rural education activities, are represented on this subcommittee.

The Office of Educational Research and Improvement (OERI) supports several efforts targeted at rural needs. The ERIC/CRESS Clearinghouse at New Mexico State University collects information about rural education and those aspects of rural environments that affect teaching and learning. The Clearinghouse is funded under a two-year contract, April 1, 1986, through March 31, 1988.

OERI also administers several programs under the Library Services and Construction Act (LSCA) targeted at rural populations. Under the LSCA State-Administered Program, the State library administrative agencies give technical assistance to rural areas, communities, and/or residents. Library literacy program projects and the LSCA Basic and Special Programs projects for Indian tribes and Hawaiian natives are also targeted to rural areas. LSCA is a formula grant program and, in most instances, is administered by the States.

OERI's Programs for the Improvement of Practice (PIP) has sponsored a variety of rural based activities, including a Rural Education Symposium held in March 1987. This event brought rural educators together to discuss and highlight areas of interest. The results of the activity will be documented in a publication later this year. In addition, Symposium discussions provided information and ideas for planning of the \$4,000,000 Rural Education Initiative earmarked by the Congress for the regional

educational laboratories. Awards for this initiative were made in the Fall of 1987.

Under the Education Consolidation and Improvement Act, Chapter Two, Secretary's Discretionary Fund, the OERI-administered National Diffusion Network identifies and provides assistance in the adoption of promising practices that are pertinent to rural educators. In addition, the Secretary's School Recognition Program, also administered by OERI, works to identify rural schools for recognition.

The Office of Special Education and Rehabilitation Services (OSERS) is funding a Rural Rehabilitative Research and Training Center which will include an ongoing program of needs surveys for rural residents.

The Fund for the Improvement of Postsecondary Education (FIPSE), which makes competitive grants to improve postsecondary education, supports a few projects each year targeted at rural areas and students. Among the rural efforts currently being funded by FIPSE is a project at Kansas State University to promote an "Action Agenda" for translating the needs and problems of rural populations into strategies for change. FIPSE is also supporting a project at Western Montana College to develop and demonstrate a model curriculum for several teachers in rural schools. The Fund also supports a project at the Highlander Research and Education Center in New Market, Tennessee, to develop a curriculum on economic literacy that will enable residents of Appalachia to understand better the changing economy of the region and its impact on their future.

The Indian Education Program, administered by the Office of Elementary and Secondary Education, does not specifically target rural areas in the administration of programs funded under the Indian Education Act of 1972, as amended. However, due to the concern of Congress to improve the equitable distribution of Part C funds (Special Programs for Indian Adults) to areas not already served by other adult education program, the Department of Education in FY 1985, using the authority of 34 CFR 75.105, established an invitational priority (non-preferential) to invite applications for Part C grants which propose to provide adult education service to Indian adults who reside in rural and isolated areas where no other adult education services are available. In FY 1986 \$2,797,000 was awarded for Indian adult education of which \$1,787,121 went to rural areas. This was a 14% increase over FY 1985.

The Indian Vocational Education Program (IVEP), administered by OVAE, exclusively serves rural populations with the exception of one funded project in Seattle, Washington. IVEP is a competitive grant program. Each project is managed by a federally recognized tribe or an Indian organization sanctioned by a recognized tribe. Each one of these projects has community economic development as its foundation.

Although specific data on rural vs. urban impact are not available for OVAE Adult Education and Vocational Education basic grants to States, both of these programs contribute significantly to rural areas and rural populations, particularly the vocational agriculture programs. In addition, OVAE funds certain activities of the Appalachian Regional Commission. The Commission is particularly concerned about problems in school districts that are rural and/or small within the thirteen member States (Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia).

Several program offices have funded projects to assess the needs of rural residents. In Fiscal Year 1987, the Office of Special Education and Rehabilitative Services (OSERS) funded a Rural Rehabilitation Research and Training Center that will include an ongoing program for the survey of rural residents' needs.

Previously, OSERS had funded other projects to assess special education needs in rural areas, including a project funded by the National Institute on Disability and Rehabilitation Research to survey the rehabilitation needs and information needs of persons in rural areas.

These projects represent only a small portion of the total amount of resources of the Department of Education being directed toward rural populations. It is not possible to indicate the extent of Departmental support for rural education since the bulk of their programs are administered in accordance with Congressionally authorized formulas which do not specify funding on the basis of rural, non-rural criteria.

THE DEPARTMENT OF ENERGY

The Department of Energy's Office of State and Local Assistance Programs administers several State grant programs, including the Institutional Conservation Program, the Low Income Weatherization Assistance Program, the State Energy Conservation Program and the Energy Extension Service. The States are generally responsible for distributing funds under these programs, which serve both rural and urban residents.

Program Cost:	FY 1986 -	\$262,562,000
	FY 1987 -	79,434,000 (appropriated)
		134,066,670 (from the Petroleum Violation Escrow Account)
	FY 1988 -	6,000,000 (See below)

Note: States may use \$2.1 billion from the Exxon oil overcharge settlement for the State and Local Assistance Programs and the Low Energy Assistance Program, administered by the Department of Health and Human Services. Also, \$882.5 million has been made available to the States under the Stripper Well settlement. The Department of Energy (DOE) will monitor and oversee State

expenditure of these funds over a period of years. The Administrations' request for \$6 million for the State and Local Assistance Programs in FY 1988 will cover program direction. No additional funding should be needed because the Exxon and Stripper Well funds exceed the program budget.

U.S. DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) administers a number of programs and technical assistance efforts that benefit small communities and rural areas. Under the general areas of public transportation, air, rural and highway transportation, and highway and transit technical assistance, there are 12 specific programs with rural applications. Seven of these are formula grants with partial funding for rural areas.

Public Transportation for Nonurbanized Areas (Section 18) - Funding to acquire, build or improve rural public transportation facilities and equipment (Includes operating subsidies and technical assistance). Program funding is to the States, through formula grants with statutory limitations on the Federal share of capital and project administration costs.

Rural Transit Assistance Program (RTAP) - Serves the same constituents as the Section 18 program. Funds are provided for transit research, technical assistance, and training.

Transportation for the Elderly and Handicapped (Section 16) - A capital grant program to meet transportation needs of elderly and handicapped persons where existing services are unavailable, insufficient or inappropriate. Grants are made to States which then make grants to public and non-profit agencies. Capital cost grants for vehicles and equipment are also made to private non-profit organizations.

Essential Air Service to Small Communities - Provides subsidies to reimburse air carriers for financial losses incurred in serving certain small communities. This was originally intended to be covering a ten-year period from 1978 to 1988, as the industry adjusted to deregulation. However, Congress has recently expanded this program for another 10 years in a pending aviation reauthorization bill.

Airport Improvement Program - This program, which funds planning, construction, improving or repairing public airports, expired at the end of FY 1987. A similar program is contained in pending aviation authorization bills for FY 1988. Approximately 23 percent of the grants under this program was expended for general aviation operations, small commercial airports, system planning and nonhub airports in counties and municipalities.

Airport Education - Funds provide aviation-oriented education material for educators relating to math, science, technology and computer literacy.

Local Rail Service Assistance - Formula grants and limited discretionary grants to assist States in acquiring, developing and/or continuing freight rail service or alternate transportation programs.

State and Community Highway Safety - Formula Grants under this program primarily address six priorities: Alcohol Countermeasures, Police Traffic Services, Occupant Protection, Traffic Records, Emergency Medical Services and Safety Construction and Operational Improvements.

Motor Carrier Safety Assistance Program - Grants passed through States to local governments for commercial vehicle inspection and safety review.

Federal-Aid Highway Program - Provides funds to help State highway agencies in development of an integrated, interconnected network of highways. Federal-aid funds for rural roads and bridges are generally limited to roads on the rural Federal-aid highway system, which consists of about 300,000 miles of primary roads and 400,000 miles of secondary roads. In 1983 the Federal Highway Administration identified about 50,000 deficient bridges on primary and secondary rural roads.

Rural Technical Assistance Program - Technical assistance to help State and local governments meet the growing demands on rural roads, bridges and public transportation. Includes transfer of existing technology, on-site demonstrations, microcomputer software development, training workshops, user manual/guidelines, and special studies to aid rural areas.

Technology Sharing - DOT makes available to rural and small community governments the results of research initiatives and offers a toll-free hotline to local and State governments for transportation technology questions.

Program Cost: FY 1987 - \$ 7,338,400,000
(estimated) FY 1988 - \$ 7,473,600,000

THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

Consistent with the Administration's goal of insuring access to health care for rural Americans, the Department of Health and Human Services (HHS) administers programs that (1) directly finance health services for certain population groups, and (2) support a wide range of activities directed toward the development of health-care resources in rural areas.

The Health Care Financing Administration (HCFA) - Administers the Medicare and Medicaid programs which pay for services to aged and financially needy persons. In addition, the HCFA and other components of Department support research and demonstration projects which are designed specifically to study the characteristics of rural hospitals.

Under Medicare, there are specific statutory provisions for the prospective payment system that target payment adjustments for certain rural hospitals in order to account for the unique circumstances of these hospitals. Adjusted payments are made for sole community providers, rural referral centers, and those small rural hospitals with a swing-bed program. In addition, Congress has enacted a number of provisions that will increase payments for rural hospitals relative to urban hospitals.

The Public Health Service - Administers a number of programs that support a wide range of activities directed toward the development of health-care resources in rural America. Among them:

- o Community Health Centers (CHCs), which provide direct access to primary care services for medically underserved populations. Over 50% of all grant funds are directed to rural CHCs.
- o Migrant Health Centers, which provide access to health and environmental services for migrant and seasonal farm workers. As expected, most of these Centers are located in rural areas.
- o The National Health Service Corps, which provides health professionals to communities and Indian reservations with the greatest need and demand for health care and, which have been unable to attract providers of primary care services. Over 50% of Corps providers, mostly physicians, are serving in rural areas. This year, over 70% of new placements were made in rural areas.
- o Health Professions training programs, including geriatric training, which assist in the development of appropriately trained primary care health professionals. Through these grant programs, there has been a significant improvement in the supply and distribution of primary care providers in underserved rural areas.
- o Area Health Education Centers, which decentralize the resources and training programs of health science centers to community hospitals and other local educational institutions, often in rural underserved areas.
- o The Indian Health Service (IHS), which provides comprehensive health services to approximately 962,000 American Indian people and Alaska natives. Direct health services are provided through the operation of 47 hospitals, 80 health centers and more than 500 smaller health clinics. Medical care is also provided through contracts with the private sector where IHS facilities are not available. For Fiscal Year 1987, over \$800 million in health care was provided to Indians living in rural areas which are on, or near, Federal Indian reservations.

- o The Alcohol and Drug Abuse and Mental Health Services Block Grant, which provides funding to States for the treatment, rehabilitation and prevention of alcohol, drug abuse and mental health disorders. A significant portion of these grant funds are being expended by States in rural areas.
- o State rural mental health demonstration projects are currently being initiated to assist rural communities in meeting the critical mental health needs of rural residents.
- o A number of initiatives including (1) the U.S./Mexico Border Initiative to improve health care for people living along the border from California to Texas, and (2) the Frontier Initiative which is directed toward providing access to primary care services in isolated rural areas of the country. In addition, a study is being conducted into the health care needs of the rural homeless.
- o In those cases where a service delivery program has a rural component, information as to its impact on rural communities and residents is sometimes collected. Both formal and informal evaluation of this information is often conducted on an ongoing basis to improve both the efficiency and effectiveness of these programs.
- o A major source of information on the health of rural residents is provided by the National Medical Expenditures Survey (NMES). Conducted by the National Center for Health Services Research (NCHSR), first in 1977 and again this calendar year, the NMES supplies policymakers with important information concerning access to care among persons in rural areas. Descriptive statistics on the use of, and expenditures for, health care by rural inhabitants have been developed. These data provide for comparisons between urban and rural populations in terms of the type and amount of health care services they use, what they pay for those services, and the scope and depth of their insurance coverage.

The Office of Rural Health - Recently established within HHS, this office has the following responsibilities:

- Work with States, national organizations, private associations, foundations and other entities to seek solutions to health care service delivery problems in rural communities.
- Coordinate HHS rural health activities and related activities in other Federal agencies (e.g. Department of Agriculture, Veterans Administration, Department of Defense, Department of Transportation, etc.)
- Establish a Resource Center for the collection and dissemination of the latest information, data and research findings related to delivery of health services in rural areas.

The Office of Rural Health is also responsible for assuring that HHS regulations and research projects are responsive to the unique needs and characteristics of the rural health care system.

The National Advisory Committee on Rural Health - Recently chartered by HHS, this Committee will advise the Secretary concerning the provision and financing of health care services in rural areas. Its twelve members are to consist of authorities knowledgeable in the fields of delivery, financing, research development and administration of health care services in rural areas. The Committee is expected to become operational early in 1988 and will meet approximately three times per year.

In general, HHS programs are directed toward the health care needs of the poor, the handicapped, the ailing, and the aged in our society. As such, they are targeted at certain population groups that reside in both urban and rural communities. Since most operational programs affect both urban and rural areas, it is not possible to identify the specific funding levels that are devoted to the rural activities conducted by the Department.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Department of Housing and Urban Development (HUD) programs and grants are available to all areas of the country, with a certain percentage of funds allocated to non-metropolitan areas. HUD rural development activity in non-metropolitan activities is described below:

Community Development Block Grants (CDBG) - By statute, 30 percent of CDBG funding is allocated through the States to small cities. The States have the option of how to administer these funds. In FY 1985, 60 percent of the funding for small cities went to units of local government, with populations of 10,000 or less, for a wide range of community development activities. In FY 87 approximately 747,800,000 CDBG funding for small cities went to non-metropolitan areas.

Urban Development Action Grants (UDAG) - The Urban Development Action Grant Program funded primarily economic development projects in small cities as follows:

		<u>Population</u>		
		<u>Below 2,500</u>	<u>2,500- 25,000</u>	<u>25,000- 50,000</u>
FY 1986	\$11,400,000 (17 projects)	\$67,300,000 (57 projects)	\$48,800,000 (38 projects)	
FY 1987	\$17,400,000 (16 projects)	\$49,800,000 (44 projects)	\$49,900,000 (36 projects)	

Rental Rehabilitation Program - Provides no funding at present in FmHA Title V-eligible areas.

Housing Programs:

Section 8 Rental Assistance - \$69,621,918 or 15 percent of Section 8 Contract Authority was reserved for non-metropolitan areas in FY 1987.

Section 202 Elderly Housing - \$114,502,300 or 20 percent of Section 202 Loan Authority was reserved for non-metropolitan areas in FY 1987.

FHA Single Family Mortgage Insurance - All FHA single family mortgage insurance programs, including Title I loans for property improvement and manufactured housing, are available to rural America. HUD data systems do not break out mortgage totals specifically for rural areas.

Recent HUD outreach efforts to rural areas include increasing mortgage limits for about 30 rural counties and implementing final regulations, making FHA insurance available for the first time on Indian reservations.

In previous years HUD-FHA has encouraged program use by rural areas in several ways:

Field Offices have been asked to facilitate HUD programs in rural areas by using such methods as payment of fees to real estate brokers for arranging loans, processing applications using FNMA and Freddie Mac application and appraisal forms, and providing Title II insurance for manufactured housing loans.

Expansion of the Direct Endorsement Program permitted loan correspondents to participate on a limited basis. Loan correspondents may order appraisals, prepare loan applications and close loans on behalf of Direct Endorsement approved lenders. Because many loan correspondents originate loans in rural areas, this change has made FHA insured loans much more accessible to rural areas. Direct Endorsement accounted for 86 percent of all FHA insurance activity in FY 1987.

Contract with the Housing Assistance Council - The HUD Office of Housing maintains at the direction of Congress a contract with Housing Assistance Council (HAC). HAC is a national nonprofit organization which has worked since 1971 to provide housing for low income rural people through information, technical assistance, research and seed money loans to rural development organizations.

	FY 1987 - \$1,000,000 (appropriation)
(estimated)	FY 1988 - \$1,000,000

Public Housing - HUD's public housing program does not focus on rural areas. At the end of FY 1986, there were 185,180 public housing units located in non-metropolitan areas with 2,246 under construction; at the end of FY 1987, that number was 185,986 with 676 units under construction.

Two activities which do affect rural areas are the vacancy rule and desegregation initiative. The vacancy rule is designed to assure that housing authorities take all steps necessary to obtain full occupancy of their units. Rural housing authorities are experiencing significant problems with vacancies in some areas. Desegregation initiatives help to ensure that the limited program resources are made available to low income families on an equitable basis in relation to race, color and national origin.

The Department is reviewing the results of a Congressionally mandated study intended to identify the costs of preserving the country's substantial investment in public housing. The study will show the extent of need in rural and urban areas.

Indian Housing - For over two decades HUD has been the primary source of standard housing for American Indians and Alaska natives.

In contrast to the public housing program, 95 percent of the units in the Indian housing program are located in rural areas. At the end of FY 1986, the total inventory was 58,350 units with 6,829 units under development; at the end of FY 1987 it was 61,912 with 3,562 units under development.

In FY 1985, HUD provided \$29,969,015 in operating subsidies to Indian Housing Authorities (IHA) to make up the difference between family payments and operating costs. Additionally, HUD committed \$11,228,545 of Comprehensive Improvement Assistance Program funds for modernization of HUD-assisted Indian housing units.

Policy Development and Research -

Three HUD research projects have direct relationship to development in rural areas:

Rural Partners in Self-Sufficiency - HUD has begun working with the Departments of Agriculture and Labor and others to design a housing and employment initiative to help low-income families in rural areas move up and out of welfare dependency. The effort began with a meeting of over twenty individuals representing rural business cooperatives, associations, and government agencies who provided input on the special conditions of rural areas. This information will be used to design a self-sufficiency program. No dollar amount has yet been determined for the initiative.

Modernization of Public and Indian Housing Stock - A study on this subject was completed in 1987 which made estimates at the national, regional and field office levels of the cost of modernizing the stock in Public and Indian Housing. The research includes estimates for many public and Indian housing agencies in rural areas. HUD intends to use this data to develop fund allocation formulas for individual housing authorities, including those in rural areas. About \$800,000, 20 percent of the cost of

the study, was spent gathering and analyzing data from rural areas.

The Small PHA/Rural Area Housing Voucher Demonstration - The objective of this demonstration is to determine how well housing vouchers work in small cities and rural areas. Thirty-three small cities and rural public housing agencies, two multi-county agencies, and six State agencies were selected to participate in the demonstration. They are provided funds of \$52,850,000 over 5 years to assist approximately 2,580 families to afford adequate housing. The demonstration began in FY 1986 and will end in FY 1991. However, data collection for analysis will occur during the first two fiscal years of the demonstration.

U.S. DEPARTMENT OF THE INTERIOR

Most of Interior Department programs are not directly targeted at rural development; but because many of the Department's activities take place in rural areas, they indirectly affect rural development. Some of these indirect benefits are mineral receipt sharing; increased jobs and income due to offshore oil/gas activities and mineral, forest, grazing and recreational activities; resource protection and rehabilitation, fire prevention, fish and wildlife management and water projects, which make possible the basis of rural economies.

The Fisheries and Wildlife Management Program, for example: - Benefits many western rural communities through recreational activities; provides several million pounds of red meat supplies from harvested animals, and highly significant incomes to many communities from harvest and sale of anadromous fish, such as salmon.

The Rural Abandoned Mine Program (RAMP) - Was created by the Surface Mining Control and Reclamation Act of 1977 and is designed to reclaim rural abandoned mine lands affected by past coal mining practices. Interior works with USDA's Soil Conservation Service (SCS) to administer RAMP. The projects are selected at the county level by SCS personnel. Funds for RAMP, along with OSMRE's appropriations, come for other Congressional appropriations.

The Historic Preservation Fund Grant-in-Aid Program - Is administered by Interior's National Park Service. Under this program, the Secretary of the Interior grants funds to the States and the National Trust for Historic Preservation. The States then fund private organizations, individuals or governmental subdivisions, if their projects are approved by the State Historic Preservation Officer. Many rural communities have renovation and preservation projects that might qualify for such financial help.

The Bureau of Indian Affairs - Has 91 agency and field offices located in rural areas, on or near Indian reservations. Bureau

programs include education, tribal government support, welfare assistance, employment training, law enforcement, road construction and maintenance, agriculture and water programs, irrigation and power projects. These programs are administered directly by the Bureau or through contracts with native American tribes and organizations. The Bureau works with a number of Federal agencies, including Farmers Home Administration, Department of Labor, Environmental Protection Agency, and Housing and Urban Development in serving these communities.

The Bureau of Mines - Makes important contributions to rural development through research to develop mining technologies to reduce the cost of treating and disposing of mine waste, to reduce the cost of subsidence over active and abandoned mines through prediction, abatement and control, and provide research support to agencies working on environmental regulations.

The Bureau of Reclamation - Works in 17 western States on planning, development, maintenance and operation of water resources. Reclamation helps to provide facilities for irrigating domestic, municipal and industrial water supplies, hydroelectric power, recreation and flood control, which contribute to the economic health of western rural communities.

Department of the Interior Funding (Gross, no offsetting receipts) - Almost all of Interior's budget is available for programs that could affect rural communities, provided they meet the program eligibility criteria.

Program Cost:	FY 1986 - \$ 6,700,000,000
	FY 1987 - 6,700,000,000
(estimated)	FY 1988 - 6,700,000,000

THE VETERANS ADMINISTRATION

The Veterans Administration programs are designed to reach as many veterans and dependents as possible, no matter where they may reside. The Veterans Administration (VA) has 58 regional offices, 172 medical centers, 229 outpatient clinics, 117 nursing homes and 16 domiciliaries located throughout the country.

While the VA does not have a "rural development strategy" per se, it does encourage its facilities and medical district planning functions to take into account the rural environment in developing strategies for health planning. Several facilities have sponsored rural outpatient clinics, mobile teams and the like to promote and improve access to VA care for rural veterans.

In a report to Congress titled, "Alternatives for Veteran Health Care in Remote Areas" and submitted in January 1987, the VA describes two pilot projects for innovative approaches to rural health care delivery. The chosen sites are in northern California and northern New Mexico. The pilot demonstrations were completed within FY 1987.

The Department of Veterans Benefits maintains a nationwide, toll-free telephone service which allows any person to contact a veterans benefit counselor for information and assistance. In addition, the Department participates in and supports many national, State and county service organizations in rural areas. Space, training, information pamphlets, and applications for benefits are provided so as to enable them to help in informing as many veterans as possible about the benefits that may be available to them.

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The preceding list outlines many - but far from all - Federal programs that affect rural Americans. Our concern is that Federal financial support alone, while sometimes important, is not enough to achieve the rural development goals we all share. In spite of many years of Federal financial involvement and dedicated field staff work, many rural communities today face business and employment problems.

Today's solutions to these problems must include Federal programs, but must not depend solely upon them. Answers must come through leadership, not only at the Federal level, but with a major emphasis on State and local government and private citizens.

And because there are differing needs in different rural environments, there are many possible solutions. Our job is to help small town officials, committed private organizations, and State and Federal agencies find these solutions as they share resources and information. A successful rural development policy - one which gives more than lip service to the concept - requires communication, coordination and commitment, as much as financing.

THE USDA RURAL DEVELOPMENT INITIATIVES FOR FY 1987 - 1988

On May 19, 1987, Deputy Secretary Peter C. Myers testified before the Conservation, Credit and Rural Development Subcommittee of the House Agriculture Committee on the subject of rural development. In his testimony, he outlined for the first time USDA's rural development policy and proposed strategy for implementing that policy. He said:

"All interested parties need to look at the basic elements that make a rural society work, and at alternative means of providing these elements: the public facilities, such as water systems; the availability of venture capital; education; transportation and health care...."

"We must not confuse our role as a partner in this undertaking, nor should we mislead the people in their expectations. The most important role will be that of the people -- making their decisions, allocating their

resources, using their own ingenuity and setting their own horizons. The Federal government will be an active and willing associate, working with the people and their local institutions, both public and private."

One of the forces at work is the Task Force on Rural Communities. It is made up of 20 high-ranking government officials and is chaired by the Deputy Secretary of Agriculture. Created by the

White House Economic Policy Cabinet Council, its mission is to:

1. seek better coordination of Federal rural development programs;
2. hold meetings and hearings on the effects of Federal programs and regulations on rural communities;
3. develop further policy proposals for consideration by the Economic Policy Council.

With the approval of the White House Economic Policy Cabinet Council, the Department of Agriculture took the lead in developing an updated, comprehensive rural development policy.

At the request of the Secretary, the National Advisory Council on Rural Development held its first meeting in Washington, D.C., on August 2, 1987. The Council, whose 30 members are appointed by the President, will advise the Secretary of Agriculture on rural Development policy.

The Council reflects a broad spectrum of national interest in many facets of rural community issues. As it works to determine the most effective direction for Federal rural development policy, the Council will consult with knowledgeable and experienced professionals in all levels of government as well as the private sector.

An effective rural development policy depends on effective strategy to implement the policy. Again, USDA took the lead. Under the direction of the Deputy Secretary and the Office of the Under Secretary for Small Community and Rural Development, the Department launched its Six-Point Rural Regeneration Initiative.

Initiative One: Education and Training - The Extension Service (ES) will place additional emphasis on rural revitalization education. Extension will work with State and county officials, community leaders, colleges and universities to develop education and training programs best suited to the community's needs. The Joint Council on Food and Agricultural Science has determined that the concept of setting up rural technology centers at land grant universities is feasible, and the ES is developing an implementation plan.

Initiative Two: Rural Enterprise Teams - State Food and Agriculture Councils (SFACs) will organize special teams to go, on call, to communities, counties or States to help in business

development, job training, financial management and other problems. The teams will offer ideas and information and, if requested, will help develop action plans for long-range community improvements.

Initiative Three: Rural Information Center - The National Agricultural Library, in cooperation with the Extension Service, will establish an information clearinghouse from which rural community officials will be able to get current information about Federal programs applicable and available to them in a single phone call. This is especially suitable to smaller communities with part-time officials, who need help in finding their way through the maze of Federal programs to the ones suitable to their needs.

Initiative Four: USDA research agencies will increase their efforts devoted to rural economic development. Research data on rural unemployment, infrastructure, and non-agriculture business markets is an important rural development tool.

Initiative Five: The Farmers Home Administration will redirect funds available for its Business and Industry Guarantee Loan program toward small businesses in rural communities, with emphasis on areas of high unemployment. (FmHA will also use funds in the Rural Development Loan Fund to leverage local business opportunities and create jobs in communities under the greatest stress.)

Initiative Six: The overall direction and coordination of this rural rebuilding undertaking will be placed in the Deputy Secretary's office, with the full backing of the Secretary.

The Department announced these initiatives in May 1987 and has since worked diligently, in cooperation with other agencies, to implement them. Some events and activities generated by the USDA initiative are:

Inauguration of USDA's Rural Information Center (RIC) - Deputy Secretary Peter Myers accepted the first two calls in a demonstration showing how local officials will be able to call RIC's headquarters from county extension offices and have their questions answered with information from the National Agricultural Library's data base. NAL and the Extension Service are currently operating a RIC pilot program in six States.

Rural Development Workshops - The USDA held six workshops on rural development at locations throughout the country.

The workshops were designed to familiarize State Food and Agriculture Council members with USDA's rural development policy, and to assist the FACs in creating State plans involving their State rural enterprise teams. The staff conducting the workshops was drawn from several USDA agencies, as well as the Small Business Administration, the Economic Development Administration and ACTION. The Office of the Under Secretary for Small

Community and Rural Development had overall responsibility for organizing and coordinating the workshops.

The workshops reached 500 key rural leaders across the country. After a discussion of economic problems facing small communities in their particular region, each State delegation planned together how to implement successful rural development efforts in their States, using the rural enterprise team concept.

The programs and initiatives outlined in this report, while not a complete list of rural development resources, clearly indicate the broad range of options and opportunities available to America's small towns searching for economic relief.

It is evident that to take the best advantage of these opportunities, the communities must (1) know what the resources are; (2) know how to tap those resources; and (3) know which of many options to pursue to achieve their goals.

The USDA rural development initiatives are designed to facilitate exchange of information at all levels so that each good idea, each available resource and successful project can be shared and used by others. USDA's Office of Small Community and Rural Development is responsible for promoting local/State/Federal communication and cooperation to insure the success of these initiatives.

The Under Secretary of Small Community and Rural Development will place high priority on rural development programs and initiatives in FY 1988. On January 31, 1988, the Secretary will present an updated strategy report which will examine proposed FY 1989 rural development activities.

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PROBLEMS CHARACTERISTIC OF RURAL AMERICA

The theme of recent literature is that Rural America is undergoing basic structural changes in its economy. No longer is it as reliant on natural resource based industries such as agriculture and mining. Instead, shifts have been seen toward manufacturing and services industries. The advent of these industries however, have not resolved problems primarily as a result of the low wages paid in manufacturing and service industries. These problems include:

1. High unemployment rates.
2. Slow growth in rural jobs.
3. Out-migration to metropolitan areas.
4. Low education attainment.
5. Larger population under the poverty level.

Resolution of these problems has been rendered increasing by difficult because the U.S. economy is so entwined with the world economy. International supply and demand conditions and the competitiveness of emerging countries have made it difficult for U.S. domestic forces to resolve these problems. According to the literature, the role of governments is to:

- . establish an optimum foundation for development (e.g., physical infrastructure, public education).
- . Foster productive linkages and interrelationships (e.g., private sector-state cooperation, university-business joint research).
- . Cultivate a favorable business climate and environment (e.g., tax structure).

- Remove barriers and obstacles to entrepreneurship and innovation (e.g., regulatory impact on small business); and
- leverage resource development through strategic investment (e.g., seed capital, customized training).

The report entitled States' Agenda
for Rural Economic Development: Conference Proceedings,
Lexington, Kentucky 1987 by The Council of State Governments'
Center for Agriculture and Rural Development is included
in the Lieutenant Governor's package.