



**RURAL DEVELOPMENT
IN THE 1996 FARM BILL:
WHAT IT MEANS TO
YOUR FARMING COMMUNITY**

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Bragging on my background in Durham, North Carolina is more like saying I wanted you to know that I at least have some cultural background that lets me understand Virginia a little bit. I went to Penn State for my doctoral degree and I am now at Kentucky, so I bracketed Virginia, but it is nice to be invited. I appreciated the opportunity not only to talk to the land-grant people here, but especially to talk to farmers and other rural people which is always a real joy.

In 1990 if rural development were to have been a topic in such a conference, it would have been surprising. Rural development was not even on the radar screen. In fact, I am going to argue today that it still is not. But it should be. Listening to some of the presentations this morning and from my previous discussions with rural people and farmers in rural Kentucky, there is a tension between rural development and production agriculture. The people on the farms are accused by the non-farmers of not looking beyond their fences. The rural farmers say the same thing about people in rural communities: they do not much care what happens to farmers. Both groups have a lot in common in their common meeting places in rural communities. Whether that is a viable place and the types of changes that we have seen over the last 50 to 60 years in rural America make that partnership far more important. The rural development provisions in the 1996 Farm Bill are the first efforts towards moving in this direction.

I am going to lay out three questions I want to address this afternoon (Figure 1). First, why should farmers and rural people care about rural development? I think I need to establish that because most people in rural America are not familiar with any need for rural development, nor is rural policy affecting their lives in a way that makes it understandable to them. Second, if they should care, what should they care about? There are some important reasons for you to be very concerned about rural development. And third, will rural development provisions and the reorganization of USDA make a difference for rural Virginia? I will tell you now that the answer that I am going to give you is "maybe." But right now neither the Farm Bill nor the reorganization of USDA is likely to deliver significantly in the near future.

Figure 1.

- Some Basic Starting Questions:**
1. Why should farmers or rural people care about rural development?
 2. If they should care, what should they care about?
 3. Will the rural development provisions and the reorganization of USDA make a difference for rural Virginia?

Why should Virginia's farmers or rural people care about rural development (Figure 2)? First, we need to break down a couple of the traditional misconceptions about the relationship between farming

and rural America, particularly farming in the rural south. The conventional wisdom is that farming is the most important enterprise to rural income and to rural communities. In 1920 that was true nationally, and it was even more true in the rural south: about two-thirds of all people living in rural areas were farmers. Today, there are less than 10 percent nationally, in Kentucky it is less than 9 percent, and in Virginia it is even less in terms of the total population in rural areas. In rural communities there have been some fundamental transitions that have occurred in the economic base and social structures over the last 70 years, and they have had profound implications for the relationship of farming to the community in ways that may not be very beneficial to farmers.

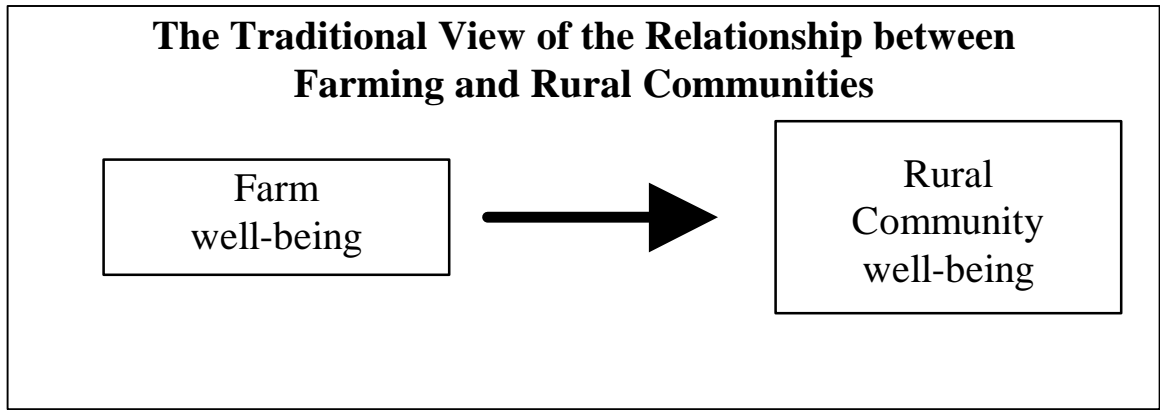
Figure 2.

Why Should Virginia's Farmers or Rural People Care about Rural Development?

- Familiar beliefs on agricultural determinism may be misplaced.
- Conventional wisdom is that agriculture is THE most important source of income. (*)
- What is Virginia's economy's dependence on agriculture and other industries?
- Is part-time farming a significant factor for rural Virginia?
- Should Virginia's farmers and rural people care about rural development? In my opinion, Yes.

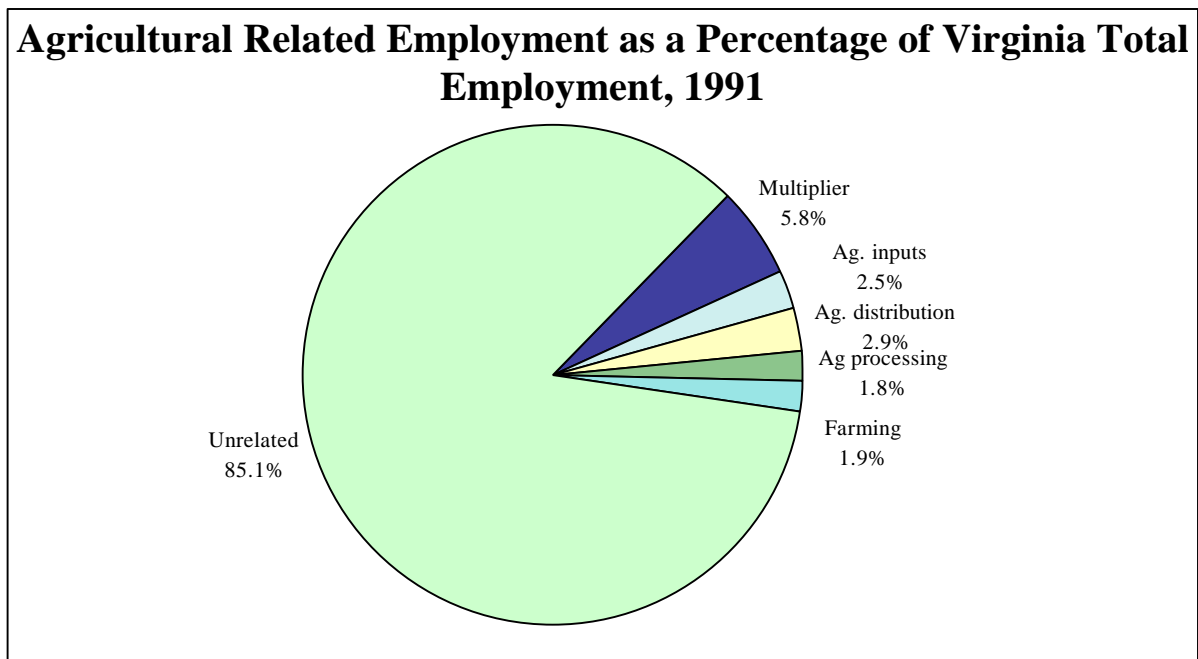
Figure 3 shows a quick, simplistic way which most people see the relationship between farming and rural America. It is a very deterministic one. Its basic assumption is that farming is the most important factor leading to community well-being. The fundamental assumption is correct, though, the most important part of a community's well-being is its economic base. If that economic base is doing well, the community will do well. The other characteristic of that economic base is how it is organized. Is it organized around family farms and household production or is it organized around wage labor? What we have seen in the rural south is a transformation from household production to wage labor as the primary form of employment—the relationship of people to the marketplace. The economic base has moved from farming and other extractive industries to a dependency on service and manufacturing and government. There are more people in rural America employed in government than in all the extractive industries put together, and that applies to the rural south and it applies to rural Virginia. Most of those people are, of course, our school teachers. We think of government and we think of big government. People in Virginia and in the south do not like big government. We distrust it. But the government locally tends to be the people who teach our children as well as those who provide some of the basic public safety provisions and take care of the smaller amounts of bureaucratic governance.

Figure 3.



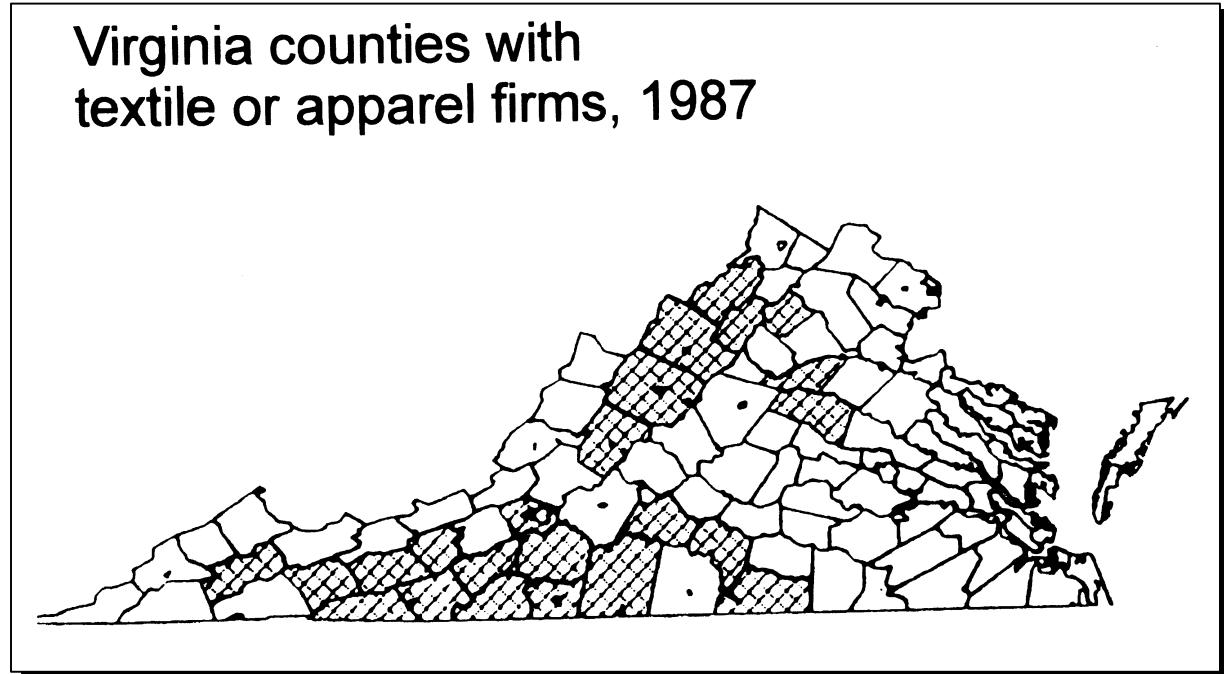
When we look at Virginia as a whole (Figure 4 is from Tom Johnson at Virginia Tech), we have to look at the importance of the agricultural economy. Agriculture is still an important factor. That total is a fairly large wedge that you see there. What Tom separates out here are the different dimensions to agriculture. If you look at the production dimension, it is still a relatively small sliver compared to the processing and marketing functions. This is unusual for most states, because for most states agriculture is even larger than this. I suspect it is small because of the heavy dependence you see in "other areas" which are not specifically labeled here, but are in government. The government is one of the largest employers in Virginia for obvious reasons: in the northern part, you have Washington, D.C., and on the coast you have the Norfolk area with the military. While farming may account for a smaller total segment for rural areas of the state, it is an important dimension to the economy. But it is no longer the predominant form of the economy.

Figure 4.



The next overhead (Figure 5), I took from a Virginia Tech extension publication. I am using it only as a way of indicating some of the other activities. This is just for the textile industry, but textiles are extremely important for parts of rural Virginia. You can see that it moves down the Valley as well as down the southern tier counties. This gives you an indication of the kind of shifts that are occurring as rural Virginia moves from farming and household production to manufacturing and wage labor. This an important social transformation that really has not been taken into account when we look at public policy.

Figure 5.

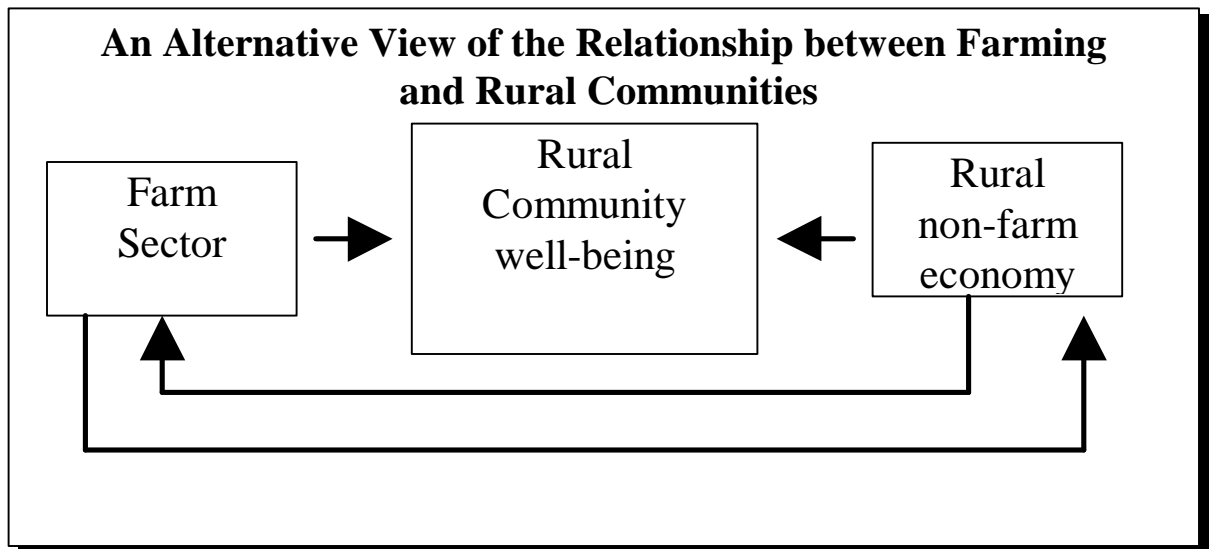


What is the relationship? The next overlay (Figure 6) tries to lay out a fairly simplistic but, I think, useful way of understanding the dynamic relationship between farming and rural well-being. This relationship is one in which the farm sector still has an important function to play. Farmers are among the wealthiest people living in rural communities today. You are among the best educated. You are far better educated than most of your neighbors. Your median family income from farming is higher than the median family income for the non-farm public. You are the leaders in your community: you have been historically, but more so now than you've ever been before. If you look at the non-farm sector of the rural economy, that part of the economy is the new base driving the economic well-being of your communities.

Notice these little lines that are going between the farm sector and the non-farm sector. This is also important. The farm sector is important to the rural economy because farmers provide a significant portion of the labor force in that non-farm economy. The reason for that other line that is coming around is part-time farming. There is a publication from Virginia Tech's REAP program on permanent part-time farming in the state. It makes the argument, and I think effectively, that part-time farming is, in fact, a permanent characteristic of Virginia agriculture. The majority of people who are engaged in farming and counted as farmers in the state are also engaged, or at least some member of

the family is engaged in some way, in that off-farm job. While we have a lot of farmers who will say, "I am a farmer," when we look at their income, we find that most of that income comes from the non-farm job. In the United States, generally, on 72 percent of all farms in the country—72 percent—92 percent of their total net family income comes from off-farm jobs. The relationship here is important. Farming does not determine, in most rural communities, especially in the southeast, the characteristic of the well-being of communities. Farmers represent the wealthier sector.

Figure 6.



What else do farmers do? As we have seen, the farm economy has become a smaller and smaller portion of the income generated in the county. We see property taxes, the basic form of revenue in these counties, rise. Who's carrying the largest part of that burden increasingly? It is the farm sector. You have a real interest in knowing what's happening in that other sector. What's happening there is going to affect the schools that your kids go to. It is going to affect the revenues for your local government. It is going to affect public safety. And it is going to affect the capacity of the rest of your community to help you and your neighbors out. You need to take a look across that fence to what's happening over there. In rural Virginia it is very mixed, depending upon where you live.

Why should Virginia's rural farmers and other rural people, care about rural development (Figure 7)? First, as I have tried to establish here, there is a great dependence on that non-farm sector, even by the farm sector itself. But we do not want to overplay it to the point that people forget the importance of agriculture. Agriculture is extremely important, and a lot of times in rural development discussions, it gets lost in the mix. It should not get lost in the mix because farmers are the people who provide leadership in that community, provide the tax base, and can be the most important agents of change in making that community better. Is part-time farming a significant factor for rural Virginia? The answer is "Yes." The majority of farmers are in part-time farming. There is a dynamic relationship between the farm sector and the non-farm sector. Should Virginia's farmers and rural people care about rural development? The answer, I think, is, "Yes."

Figure 7.

Why Should Virginia's Farmers or Rural People Care about Rural Development?

- What is Virginia's economy's dependence on agriculture and other industries?
- Is part-time farming a significant factor for rural Virginia?
- Should Virginia farmers and rural people care about rural development? In my opinion, Yes.

Let's look some more at the characteristics of rural Virginia and how the populations are beginning to change. I want to show three successive maps of Virginia. The first map shows population change between 1980 and 1990 (Figure 8). What you can see is that where the population is growing fastest is in the northeast corridor, coming down to the Tidewater area, the Virginia Beach and Norfolk areas, with a couple of your Shenandoah Valley counties being important as well. What you do not see is rural Virginia growing at a fast rate. The second overlay (Figure 9) is of counties that are growing about average or not growing very much. If you look at this growth rate over a 10-year period, you are averaging about 1.5 percent a year which means that net population growth, the difference from births and deaths, is still being sapped out. You are seeing some out-migration, and these counties are predictably along the valleys and in the central part of the state. The last overlay are the counties that lost population (Figure 10). These are your southern tier and mountain counties.

Figure 8.

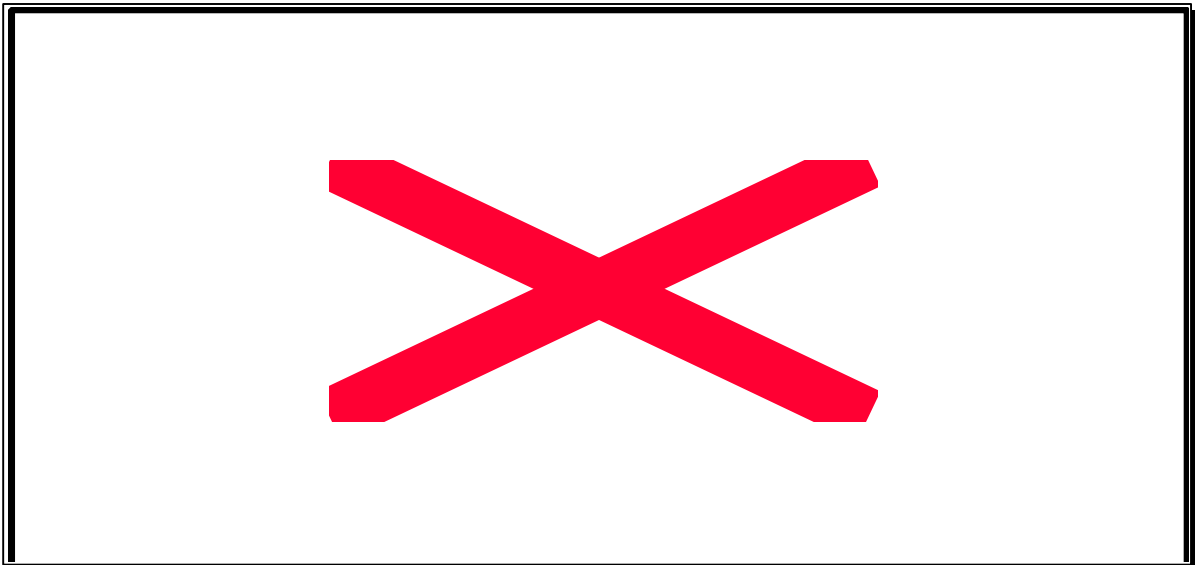


Figure 9.

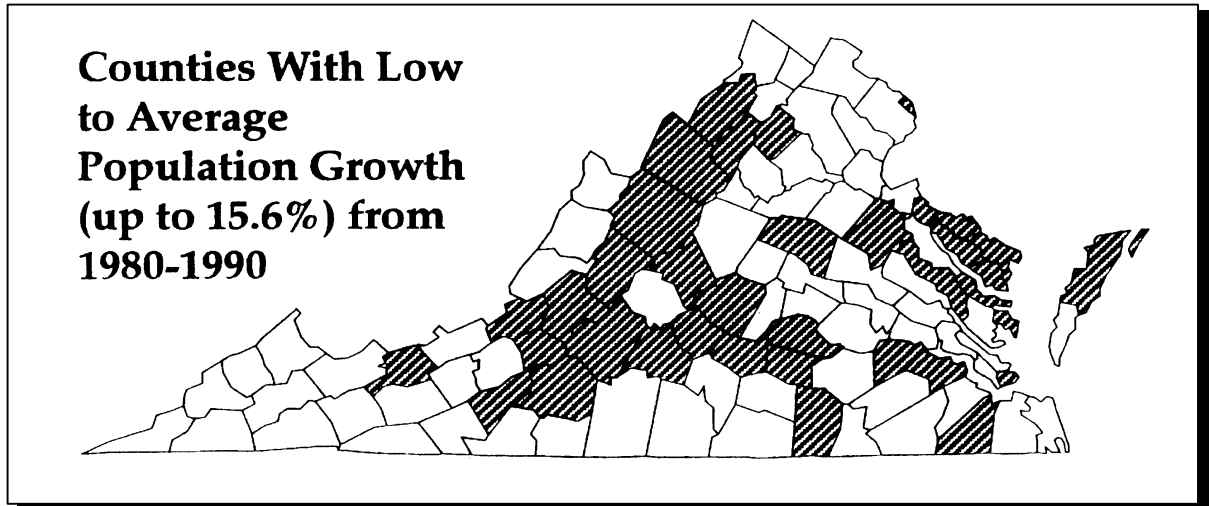
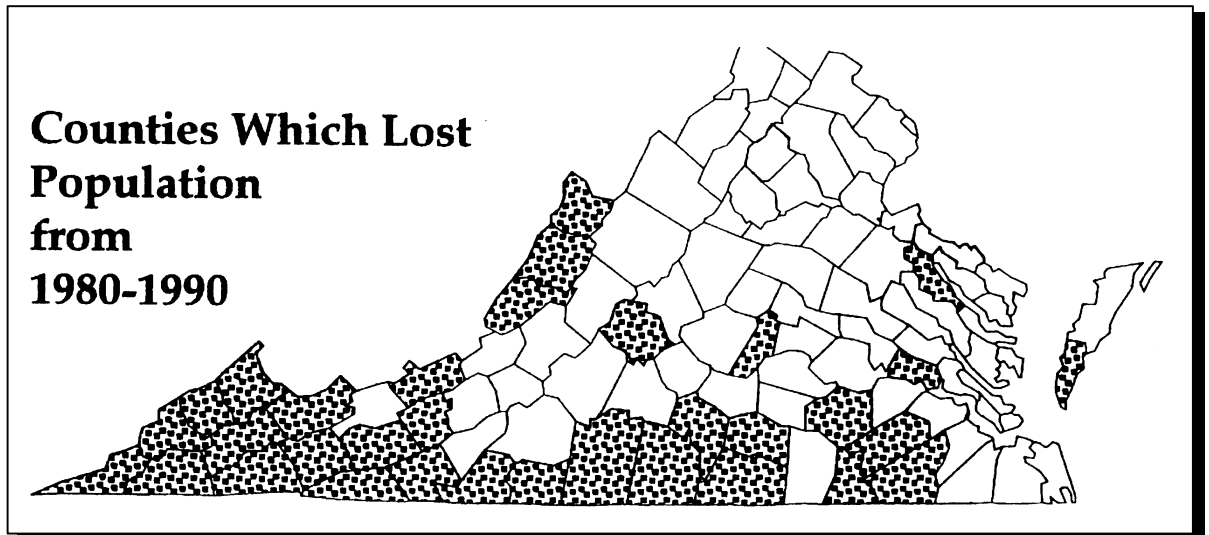


Figure 10.



When you look at rural Virginia, you can see the mixed characteristics in terms of who is growing and who is not growing. You have to understand that growth is a pretty interesting indicator of capacity to do well economically. If you lose population, you are probably losing the best of your kids who are moving somewhere else. You are not retaining the best part of your population. If you are growing at an average rate in a state that is growing very rapidly, you are not participating in the full economic benefits that are accruing to the metropolitan areas and those non-metropolitan areas that are adjacent to them. This means you are moving towards uneven development, and your rural areas are likely to lag further and further behind your metropolitan areas. Farmers, who are relied upon so much for the larger portions of real income coming into rural communities, have a real stake in the lack of growth in other sectors of the rural community's economy.

Since we should care, what should we care about in rural development (Figure 11)? The answers are obvious. First of all, we need to worry about jobs. I am going to conclude with some of the devolution of federal grants and block grants coming down to the local levels, and one of them is going to be welfare reform. Can you create enough jobs with the welfare reform in order to make up the differences in lost revenue from the federal welfare programs? Second are community services—America’s rural communities are strapped. America’s rural communities do not have the scale to be able to support the same kinds of services that the metropolitan communities can have. Metropolitan communities benefit greatly from having city planners that can make decisions for them and help them out. Rural communities cannot afford this kind of important professional advice. One of the new missions of many of the land-grant universities is to begin to help the rural communities understand what their options are, what the liabilities of the changing markets are for them in changing public policy so that they can begin to make effective plans in developing their own futures. Rural areas do have control over their futures, but they do not have professional assistance at this time. Again, it puts them at a disadvantage to their larger urban neighbors.

Figure 11.

If We Should Care, What Should We Care About?

- **Jobs, Community Services, Quality of Life, Local Autonomy**
 - We may be engaged in a global economy, but we live our lives locally. Our local community is important to all of us.
 - No one will be more interested in our community than ourselves
- **Public policy for the foreseeable future will seek state and local solutions to national goals and concerns.**

Quality of life is critical. Most quality of life indicators in rural America, and in the rural south in particular, are not favorable. The rural south, in fact much of rural America, but particularly the rural south, has social characteristics similar to the inner cities. When we look at the rural south, we do not think of violent crime and property crime rates that rival and exceed the central cities. The crime rates and drug abuse in rural America are as high as in the inner cities. Our educational levels are as low as the inner cities. What we have been seeing in the American population, since 1970 (I am not blaming any party because both parties have avoided the problems) is a polarization between the inner cities and the rural areas versus the suburban public. In the last census, and certainly in the last election, the suburban vote carried the day. The rural vote did not carry the day; the inner city vote by itself did not carry the day. The U.S. Congress and most state houses are now dominated by the urban-fringe/suburban population that tends to have significantly higher levels of income, and therefore, support for their community services and quality of life.

Another part that is important is local autonomy. Local people need to be in charge of their own lives. We may be engaged in a global economy, but we live locally. **Our local community is important to all of us. If we are not interested in what goes on there, I will guarantee you no one else will be.** There has been a notion in this nation that somehow local society has been eclipsed, that it is unimportant, that we have seen a massification of culture. Sociology, the discipline that I represent, was one of the biggest peddlers of this myth that local society was not important, that we are being completely pulled along in these massive trends, that we are culturally becoming homogeneous because the TV announcers all have that nice Midwestern accent. What we now know, is that neither of those two things is true today. Local society has always been important. It is where we live. It is the people we interact with. **We may be very much influenced by our vertical linkages to the larger society, but we live locally.** And whether or not that local society works is a common community concern. The same goes with culture: the Tidewater culture's still there; the culture in eastern North Carolina that I grew up with is still there; certainly in eastern Kentucky and south central Kentucky and the urban villages in Boston and Cincinnati and the Midwest, it is still there. America's culture is becoming more differentiated, not more homogeneous. Local society is important and public policy is just now becoming interested in local society once again. What we are seeing in public policy in the foreseeable future is greater flexibility for local control over the community's destiny but with fewer resources. There is going to be a shift toward increased flexibility. We are going to have less money to spend on the main social programs and the economic programs that we have relied on in the past.

If we should care, there are three fundamental dimensions of our local society we should care about (Figure 12). First, we need to make sure there is an adequate physical infrastructure—water and sewer, power, transportation, and increasingly, telecommunications. If our kids are not part of the larger telecommunications revolution, and it may not make a difference when they get into it, but if they are not a part of it, they are going to fall behind.

Second, you need an adequate economic infrastructure. You need to have a diversified local economy. Just as you need a diversified local farm income, you need to have above poverty-level jobs. Poverty-level jobs do not pay for those social services that you must give and increasingly will be required for you to give because the federal government will not give them under the welfare reforms. There are opportunities here, but there are also liabilities. You need to have access to capital. Most rural areas are now caught in a capital market in which they are competing with suburbs and the central cities. The banking revolution and the concentration of banking during the 1980s is having an influence on the access to capital today. We do not have a capital crunch yet, but there are a lot of economists who are very concerned about financial markets and the capacity of those markets in the rural areas to have enough capital to generate growth.

Third, you must have an adequate social infrastructure—public safety, education, skilled labor force, community agency. Community agency is the idea that you and your community can act on your own. If you cannot act on your own, you are going to be truly buffeted by the forces around you. You need to learn to act on your own to bring people together who do not get along well. This is not the idea of a “warm fuzzy” where we have got to all like each other. This is the idea that we have serious differences in our local society that are legitimate from each stake holder's perspective, but we have a common cause in resolving those issues to make that community grow and to make it more autonomous and not dependent on the larger forces in the society. We need to have more emphasis on social infrastructure, particularly our private sector, voluntary, move away from government. Look at our churches; look at our other voluntary organizations. These are very important institutions in local society. They are going to be called upon to provide even more leadership and resources in addressing

the local well-being then they have been for the last 40 years. They once were a primary source of well-being; they will again become a primary source of well-being.

Figure 12.

If We Should Care, What Should We Care About?

- There are three fundamental dimensions to a viable rural community:
 1. Adequate physical infrastructure (water, sewer, power, transportation, telecommunications, etc.)
 2. Adequate economic infrastructure (diversified local economy, above poverty jobs, access to capital, nurturing entrepreneurship, etc.)
 3. Adequate social infrastructure (public safety, education, skilled labor force, community agency, viable social institutions—churches, voluntary organizations)

- What do most southern rural communities lack?
 1. Adequate physical infrastructure
 2. Adequate economic infrastructure
 3. Adequate social infrastructure

What do most southern rural communities lack? I think your southern tier counties and some of your western mountain counties in Virginia certainly would fit this: they lack all three. They lack an adequate physical infrastructure, an adequate economic infrastructure, and very much an adequate social infrastructure.

Will rural development provisions and the reorganization of USDA make a difference for rural Virginia (Figure 13)? Let me back up and simply say there has not been this much interest in rural development since 1972 and even then it was relatively weak. The last time there was this much interest in rural development in this nation was in 1933 when the farm bills were passed. This was a farming economy. Much of the concern of the people who were passing the legislation in the 1930s that created the farm infrastructure we see today was aimed at improving well-being in rural communities. As for the

transformation that has occurred, we have seen less and less interest in rural communities until, for some reason, the 1996 Farm Bill, the FAIR Act. There is a provision for rural development; and Jim Pease, I noticed when you had up your major provisions of the Farm Bill, you did not list rural development. But the rural development provisions are fairly important.

Figure 13.

Will the Rural Development Provisions and the Reorganization of USDA Make a Difference for Rural Virginia?

- Why care about rural public policy?
 1. Federal and state programs are important to us, but we often do not realize their importance until they are reduced or eliminated. (e.g. Social Security, Medicare/Medicaid, welfare programs)
 2. The devolution of federal authority is real and it is coming to your community soon.
 3. Rural policy, in terms of fiscal resources, primarily resides outside of USDA (HUD, HHS, DOT, DOE, BLM, DOD, VA, etc.
 4. Restricted block grants do pass federal authority to state government (and if the state's wish, to local governments), but the increased flexibility is gained at the cost of reduced total funding.

Why care about rural public policy? First, federal and state programs are important to us because we oftentimes do not realize that they are there. We assume that certain services are going to be provided because we have paid for them. That is going to change as we see changes in the social security system, the Medicare and Medicaid systems, and the welfare programs. We have to do this folks,. The federal budget cannot grow with all these entitlements and continue to be a viable economy at the same time.

What this change has triggered is something called the "devolution of federal authority." This devolution is the passing of federal authority, and to a lesser extent federal resources—but no administrative resources—to the states through both restricted and unrestricted block grants. These block grant programs are going to come to your local community soon. You are going to find that

those people who have been supported on some of these federal programs are not going to be supported in two or three years because they have to find a job. It is a good idea, but if they do not find jobs in the southern part of your state or the western part of your state or the central part in your rural areas, they are going to be sitting there as people who are unemployed without the old safety net. You need to think creatively about how to take advantage of the opportunities that are here. Devolution presents opportunities, but it is going to require some of that community agency that we do have, but that we have not relied on much in the past because someone else has been doing these jobs and performing these functions for us.

Rural policy in general, in terms of the total physical resources available, resides outside of USDA. USDA was designated by Congress in 1972 as the primary rural development agency. But more money, and I mean far more money, flows through HUD (Housing and Urban Development), HHS (Health and Human Services), DOT (Department of Transportation), DOE (Department of Education), BLM (Bureau of Land Management), DOD (Department of Defense), and even the VA (Veterans Administration). The VA has more interest in rural America and funds more rural projects than all of the USDA rural development programs. Those rural hospitals out there are important, plus the other types of concerns and programs they have for our veterans. USDA is not the major player in rural policy which makes it a very vulnerable target for, at this point, probably some very unjustified criticism of what it can deliver.

The restricted block grant programs do pass federal authority to the state governments. The question now for the legislators is, "Are they going to pass authority down to your level?" Tom Johnson and I were up in West Virginia this past weekend talking to the Southern Legislative Conference. These representatives and senators from the southeast, including several from Virginia, are thinking very seriously of passing it down to the local level because the political liability in this transfer from the federal level to the state is on them. Everybody is going to look at them to perform now, and they are going to look somewhere else to share some of that political liability. It is likely to come down to you and your local officials in the county and the town areas.

The rural provisions of the 1996 Farm Bill provided two significant changes (Figure 14). One was the reorganization of USDA. The other was the rural development provisions themselves. USDA reorganized about two years ago (Figure 15), and in the process it created within USDA a clear mission for rural development along with food safety, farm services, and the environment. This is a significant recognition by the members of Congress and by USDA itself and the two Secretaries during the Clinton administration that rural farmers and farm people have a significant stake in what is happening in their rural communities. The USDA rural development undersecretary is Jill Long Thompson who is a former member of Congress. The agency she now oversees is really the old Farmers' Home Administration (Farmers' Home) agency. These are really important people to you in terms of your Farmers' Home lending process. But lenders, and these were good lending officers, do not know how to do rural development. There is a cultural and a structural change underway that is going to take years to push through as USDA moves to this new mission area. It does not have the personnel who are trained to help communities help themselves. It has personnel who are very good loan officers. This is one of things that becomes important in whether USDA becomes an important rural development provider.

Figure 14.

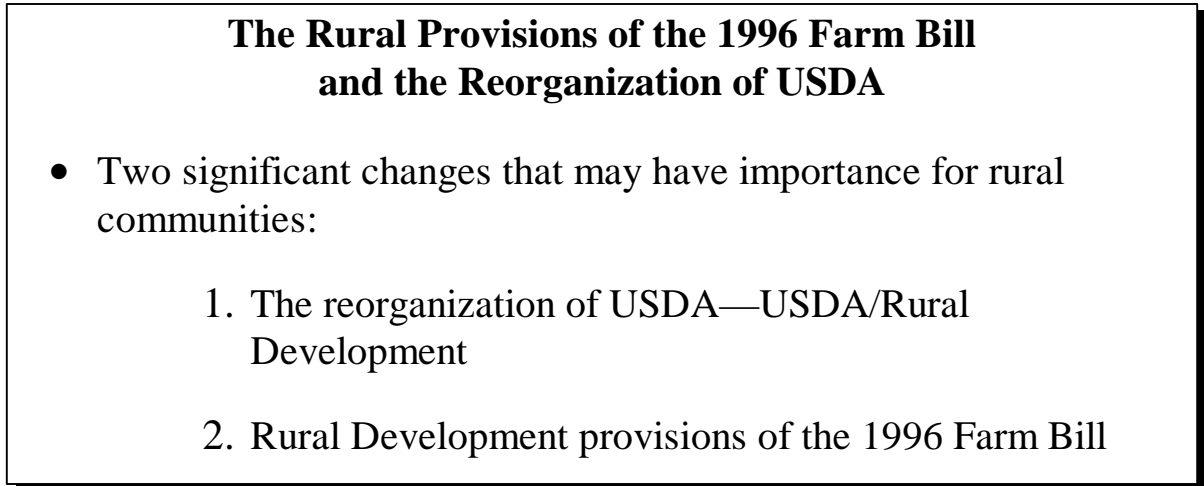
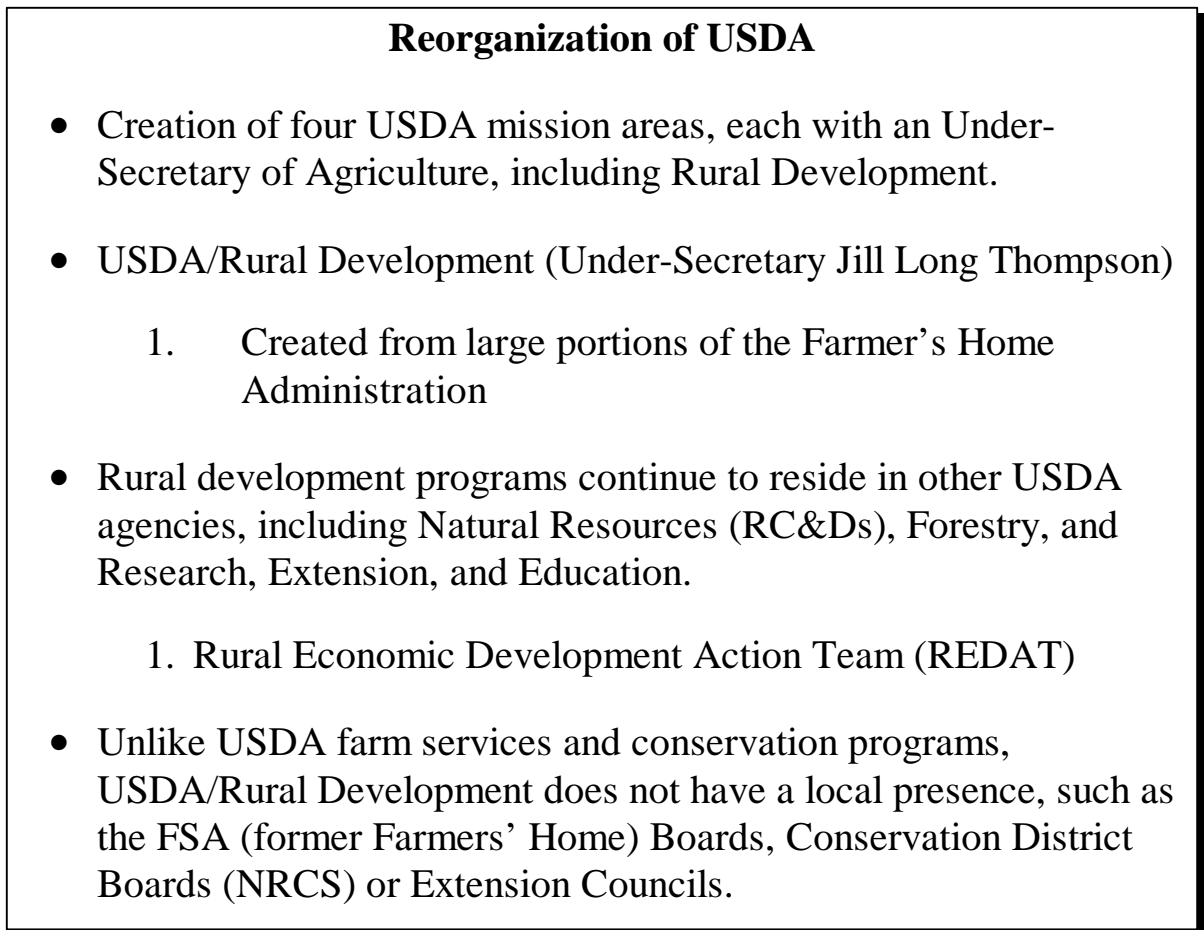


Figure 15.



Rural development programs continue to reside outside of USDA. One of the biggest problems for Jill Long Thompson, or any administrator of rural development, is the fact that some of the most important rural development programs reside over in Natural Resource Conservation Service (NRCS) such as the Resource Conservation and Development (RC&D) program or over in Research, Extension, and Education (REE) with the research and extension dimensions of rural development which right now are less than 1 percent of the total REE budget. You have forestry as well. The forestry service has a very important rural development program that is uncontrolled by USDA. You have this fractured rural development matrix within USDA, even after the mission changed. They developed something called the Rural Economic Development Action Team or REDAT to try to coordinate it. It is a well-meaning effort among three of the under-secretaries. But it is not going to be able to do the job because each of those secretaries has his/her own independent needs for those programs and the coordination is not occurring on the scale that they had hoped.

Finally, and I think most importantly, a weakness for rural development at USDA, is that, unlike the Farm Service Agency (FSA) or the old Agricultural Stabilization and Conservation Service (ASCS) programs and the old Soil Conservation Service programs, you do not have local boards. What makes agriculture so unique in terms of the history of federal policy is that it involved a partnership between local people and the stake holders—local and federal government. The only way they could justify the massive increase in the federal government's intervention into markets and the scale of USDA in the 1930s was that local people had control over a lot of the resources and allocation of those resources locally. We do not have that kind of local presence and local participation for the rural development programs. Scotty Bassler, who is a member of Congress, has proposed rural development boards, but at this point in time, rural development at USDA does not have that local contact that has made the FSA and the SCS districts work so effectively for USDA and for local people.

The significant part of the current 1996 Farm Bill legislation falls into two categories. The first is something called the Rural Community Advancement Program (RCAP), and this is not well known (Figure 16). But I will guarantee you that if it works out the way Senator Leahy and Senator Lugar expect it to work, it will be one of the more important programs for the physical infrastructure development in rural areas. It refers to a compromise between the block grant program and the need for Congress to maintain some control over rural development. RCAP, in a restrictive block grant program, is passing block grant money for water and sewer and some of the other programs down to the state level to the old Farmers' Home administrator, who is now the rural development administrator, who then must develop, with the state, a state strategic plan for spending the money coming down. And—and this was the kicker—it must involve significant local input. I mean, this is devolution of government at its best, in my opinion. It is getting people at the local level involved in the ways in which that money is going to be distributed. You do not have the closed group that knew how to access that money before. It is out there on a competitive basis with significant local input. The problem is that no one knows how to accomplish that. One of the things that will be interesting to watch as RCAP comes into play on January 1 is exactly how that plays itself out.

Figure 16.

Significant 1996 Rural Development Legislation

- Rural Community Advancement Program (RCAP)
 1. Restricted Block Grant Program that consolidates former categorical grant programs, primarily associated with water and sewer.
 2. Administered by the USDA Rural Development directors (former FmHA directors).
 3. Requires a state strategic plan for rural development that includes “significant” local input.
- Fund for Rural America (\$300,000,000 over three years)
 1. Slight-of-hand transfer of Commodity Credit Corporation funds to rural development (primarily to protect funds from budget balancing cuts in farm programs).
 2. Three parts: 1. rural development (primarily to take care of water and sewer backlog), 2. research for value added agricultural commodities, and 3. Secretary’s discretionary fund.

The other part of the legislation that is significant is only a three-year program that may last much longer, and that is the Fund for Rural America. It is one of the most amorphous and misunderstood programs around. Let me just mention two parts of it. It is a transfer of funds from Commodity Credit Corporation (CCC) to rural development. My guess is if “family farm” still had the same degree of love in the larger culture that it held in 1990, it may have been called the “Family Farm Fund” instead of the Rural America Fund. But it is the first time we have seen the transfer of funds from CCC. Some of the commodity groups that supported this see it as a way of protecting commodity funds for later crises. But from other perspectives in Congress, it was a way to protect the House and Senate agricultural committees from losing all significance under freedom to farm. They need to find new mission areas or else these committees may not have much reason to exist.

There are three parts to the Fund for Rural America. The first is a rural development fund. Each of these is one-third, one-third, one-third, just as with the environmental legislation. What you are seeing here in rural development is a huge backlog of sewer and water funds so one-third of the \$300 million will go to water and sewer; one-third will go to research on value added in agriculture; and one-third is at the discretion of the Secretary of Agriculture. No one is really sure where that last part is going. Another program, that I am not going to talk about at all, that is housed in USDA and is relatively new is the Empowerment Zone Enterprise Community Program that was part of the Clinton-Gore administration. The rural sector is administered through USDA's rural development but it is really an administration initiative that is still kind of outside of USDA.

Will USDA's reorganization and 1996 provisions for rural development make a difference (Figure 17)? As I mentioned earlier, I am cautiously optimistic. But if you really got me down and thinking about it, I am still pretty pessimistic that it will have a beneficial effect.

Figure 17.

Will USDA Reorganization and 1996 Provisions for Rural Development Make a Difference?

- A Very Cautious *Maybe*:
 1. While the increased importance of rural development is very clear, USDA is not yet a non-farm rural development agency. It is certainly not the most important agency.

But it is a step toward developing a new mission area that can directly help rural communities.
 2. The reorganization has not directly addressed consolidating existing rural development programs.
 3. USDA programs do not address economic and social infrastructure
 4. USDA programs still do not address how State Rural Development Councils or state Cooperative Extension will work together although the legislation calls for cooperation.

Looking at it from the more optimistic view, while we see an increased importance in rural development in USDA as a non-farm rural development agency, it is certainly not the most important agency in rural development. While it becomes the lead institution at the federal level for rural development, USDA will not effectively integrate all these other federal programs for the benefit of rural communities locally. The reorganization has not directly addressed the consolidating of existing rural development programs at the local level. USDA programs do not address economic and social infrastructure issues. They are primarily focused on physical infrastructure, though there are signs that the rural development dimension will increasingly involve both economic and social infrastructure programs. I think that it is important that the USDA programs still do not address how state rural development councils and state cooperative extension will work together with the federal and state agencies to help rural communities make a difference in the lives of the people.

There are two wild card federal program initiatives that will directly affect rural Virginia and I am going to mention a third quickly, too (Figure 18). These are welfare reform and the tobacco program. For the first one, welfare reform, the question is, “Can rural Virginia, especially the counties that are losing population or just barely holding their own, create enough jobs, provide the necessary social support for retraining, child care, transportation, and housing with less revenues?” It can be done, but it is going to require an awful lot more effort at the local level and the involvement and partnership with other institutions that have the resources to give the professional advice to making those decisions than currently exists, much less what is currently coordinated.

The second is the tobacco program. I grew up in one tobacco state and I live in another, so I have a clear bias in favor of the program. But we need to understand that the tobacco program does have problems coming down the line and we have seen the problems in terms of health. It was not affected by the Farm Bill. It is based upon 1938 continuing legislation and is likely to be continued since it is usually attached to the President’s budget. We need to understand, especially in Virginia, Kentucky, and North Carolina, that the tobacco program is a rural development program. It is a classic rural development program that provides a very high multiplier effect for the state. Recently in the state of Kentucky, research showed a 3.7 multiplier effect for the state. It is higher for rural communities and so the maintenance of the program is in the interest of rural development in tobacco states because it is focused on small farms. As we all know, it makes sense from the health perspective because if you have high prices and low productivity, you are producing less and you are probably not going to be as much of a contributor to the health concern as is currently attributed. The farmers in this state and the people in this state need to understand that the tobacco program is an important rural development program and should be protected. Some of you probably disagree with that, but I will make that as my emphasis for the presentation.

My concluding comment is that there is a third program that was published only last week, and that is telecommunications. Folks, we have to get on the telecommunications bandwagon. Rural America needs to be connected, and it needs to be connected in a way that makes us competitive with those metropolitan areas because the one thing we have that the metropolitan areas do not have—if we can improve the quality of life at the local level—we have a better place to live according to most surveys that are out there. If we want to grow and we want to draw entrepreneurs in, and more importantly to support the entrepreneurs who can really take advantage of the telecommunications revolution locally, we need to make sure we have programs at the local level and subregional level in the rural areas of the state that facilitate our being connected in a way that it helps us and does not make us, and this is very likely at this point, dependent upon urban based vendors. In other words, we can be dependent upon

urban based vendors and they are the ones who provide the jobs, or we can make rural America an attractive place to be since much of telecommunications is not space specific. We can make a difference in that through public policy and partnerships with the private sector locally, but right now it is not on the radar screen for rural development.

Figure 18.

**Two Wild Card Federal Program Initiatives
That Will Directly Affect Virginia's Rural Communities**

- Two federal rural policies are very important for rural Virginia, but are not part of the 1996 Farm Bill

1. Welfare Reform
 - Can rural Virginia create enough jobs, provide the necessary social support of retraining, child care, transportation, housing with less revenues?
2. The Tobacco Program
 - The 1938 law is permanent legislation. But lets not kind ourselves about weakened political support
 - The tobacco program is a *de facto* rural development program. Recent University of Kentucky research suggests that tobacco has a 3.7 multiplier effect for the state.

I want to stop here and answer some questions.

QUESTIONS

I have a question that has to do with the inner working relationship that you feel the rural development funding and the people who would coordinate that with Virginia's 22 or 23 planning districts and tying that together. How do you feel that is important in developing our water and sewage funding which is very important for economic development in our local county areas?

That is three questions? Yes?

Let me see if I can get them indirectly. First, let me address the development districts. We call them “ADs” in Kentucky. I assume they are the same: subregional districts that help planning. Their record is pretty uneven. In Kentucky, I would say we have two good ADs and the rest are weak. They tend to be seen by local officials as not being useful. They tend to take money. When your money comes down, they get a portion of the federal funds to support their helping people apply for the program and then they administer the program. A lot of judges, executives, and county commissioners (I do not know the local structure) are pretty upset with how that works. My guess is that in this new, public world, just like any private world, people need to earn their place at the trough. They earn their place because they are being useful. My guess is if that money is not coming to them it is because they are not seen as being useful. They will either shrivel up and die or the successful ones will thrive because they are potentially one of the most important sources for subregional professional advice that can be made available to rural areas. But if they do not see themselves as partners with those rural communities and rural community leaders, they are not going to be helpful at this point in time.

Now on the water and sewer. One of the great debates in rural development is, “Gee, we have to go to the basics first?” The basics are water and sewer. You need to have all three of your infrastructures in place: water and sewer and your other physical infrastructure, economic infrastructure, and social infrastructure. The problem is just putting pipes in the ground and hooking people up to power is not enough. You have to make those services work right for the community. Those are the basics. In just keeping the best people you have locally, there has to be a safe water system and a safe sewer system. But you also need to couple that with a viable local economy that involves public and private partnerships and really tries to make that private sector work. That means your local school districts, your regional universities, your community colleges, and your state universities have to have some kind of partnership to help that process occur. It will also affect social infrastructure which is the part that is usually forgotten. We now can see in most of the studies in the rural south that education is the single best predictor, by far, of economic growth. The counties in the rural south that have the lowest education have the highest level of poverty, the highest levels of real unemployment, and the lowest levels of social well-being. Education is important, but it is a long term investment.

Did I answer all three?

You did a great job. Thank you.

If I may? For about 15 years now I have been working very hard on industrial development in Amherst County. That is one of the counties that was going down in population. We are quite proud of it. Thanks to a lot of industrial development in Amherst, I pay high real estate taxes; I cannot hire farm labor anymore because the wage scale is based on what they are making at the factory; I am faced with tremendous residential pressures that were unheard of ten years ago. I guess I am trying to figure out what's the good thing in that and how do we preserve our sector.

That is an excellent question. I really appreciate that one because what we have seen is your experience. Rural development seems to be a threat to agriculture and to people who are participating in agriculture down the line. Nongrowth is also a threat to agriculture, which you would probably also agree with. How do you develop that nice line between, so that agriculture improves?

Your real estate prices, your property values, probably also went up at the same time so that you are probably seeing a corresponding relationship between real growth of your property as well as your real

increase in taxes locally. One of the issues that the southern legislators are very concerned about is that real estate taxes are the only place that local communities can have any kind of authority in making judgments on their local community other than planning and zoning. What they are suggesting is that there should be alternative forms of revenue that local people can have control over than currently exist so that the county's not just dependent upon your property taxes. Right now, that is the only place they can get that revenue and that is strangling the farm sector.

Second, we need to have a real partnership locally with planning and zoning—boy, that is one of the most hated words in rural America, unless you are a farmer and you are really concerned about how you can maintain a greenspace. At the same time if you want to convert that land, and a lot of farmers want to convert it to residential use because, as they leave farming and their kids do not want to stay in it, it is the most profitable way for them to leave a legacy to their children. You need to work out innovative strategies for protecting the farm at the same time you are helping farmers not lose that source of income. There are some programs that are now being developed in the northeast and the middle part of the country that are trying to look at public-private partnerships to maintain a green area without penalizing farmers that want to convert.

The third issue is industrial development which may have been the worst tactic to take. Industrial development is the old smoke-stack chasing. In the southeast we used to call it “the screwdriver industries” because they could go in and take up the sewing machines with a screwdriver and move them somewhere else, and it kind of “screwed” the community. That is the kind of development we need to avoid, but that is the only way we are going to make jobs because we are now in a situation of “Is any job better than no job?” The new welfare reform says, “Yes, any job is better than no job,” even though it may put greater stress on the local social services than the current structure.

That was the long winded answer. You need, we all need in our rural communities, to come together and lay these concerns out on the table, a new table, and begin to address them directly, and have some professional help that gives us the information. We are looking at all this information and trying to figure out what is important and what is not. That professional help has to come from our universities and from the private sector. Right now, that is one of the weak sources of information for rural communities. But I see an opportunity there, too. I want to really emphasize, you should always look at the silver lining. My daddy always said when things go bad, you better find a way of making them better.