

**SUPPLEMENTAL QUESTIONS FOR THE RECORD TO:
MR. CHARLES W. FLUHARTY, PRESIDENT AND CEO, RURAL POLICY
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**HEARING TO REVIEW THE VARIOUS DEFINITIONS OF RURAL
APPLIED UNDER PROGRAMS OPERATED BY THE U.S.
DEPARTMENT OF AGRICULTURE
February 15, 2011**

Committee on Agriculture Staff

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Questions Submitted by:

Representative Jim Costa, California

Q: Mr. Fluharty, during the hearing you mentioned the Small Cities Program within the Department of Housing and Urban Development's Community Development Block Grant Program as an area where the needs of micropolitan communities supporting surrounding rural communities could be effective if it were linked with USDA and/or programs within the Department of Transportation. Can you elaborate on that, particularly if there needs to be more communication between USDA and other agencies in this regard?

A: Ranking Member Costa, three specific policy challenges were broadly discussed in the hearing, which offer an important backdrop in answering your question.

First, the Rural Development Title of the Farm Bill, which has been incrementally amended in these omnibus titles since the Consolidated Farm and Rural Development Act of 1972, currently contains numerous rural definitions and targeting mechanisms, but does not articulate a clearly-defined policy goal for federal investments in rural America. This is most unfortunate, since USDA RD is the lead federal agency for rural development.

Therefore, with each new Farm Bill the definitional and targeting issues, by default, become the central re-authorization question and deflect attention from the more salient question of what the ultimate RD policy goal should be, and how program funding should reflect that intent. Furthermore, these targeting challenges create confusion at the local level, where inconsistency across population levels and definitional contradictions are compounded by statutory prohibitions which preclude efficient RD program integration with funding streams from other federal agencies.

Consequently, this regulatory framework discourages the potential for cross-departmental initiatives which would improve the effectiveness and efficiency of federal investments in rural innovation.

Recalibrating the HUD CDBG Small Cities Program

Rural policy analysts and rural elected officials have long recognized that rural America is significantly disadvantaged, *vis-à-vis* urban areas, because of the “Place Entitlement” cities have under CDBG. This offers a flexible and continuous federal revenue stream to address locally-identified urban priorities. While the CDBG Small Cities Program, allocated at the state level, does offer intermittent, specific project funding, it is not designed to provide rural leaders with the same assured, flexible funding to facilitate multi-year, locally-determined priorities and investments.

I was unaware during the hearing that on March 1, 2011, the GAO would release Report #GAO-11-318SP, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*.¹ In the section entitled “Efficiency and Effectiveness of Fragmented Economic Development Programs are Unclear” (§ 9, p. 42), the GAO report summarizes the points I made during the hearing. Regarding rural development, the Departments of Commerce, Housing and Urban Development, the Small Business Administration, and USDA RD all operate economic development programs, many of which have targeted funding based upon geography, income level, or population density (rural or urban).

USDA RD administers 31 of the 80 economic development programs GAO is reviewing. Given the severe federal budget challenge, collaborative agency programming and implementation could enhance the performance of these federal programs, all seeking common rural outcomes. As this report suggests, joint approaches could leverage agency resources, establish compatible policies, procedures, and monitoring programs, and create strategic planning and performance plans which could build cross-agency collaboration and accountability. More importantly for rural regions, if properly designed, this integration could significantly reduce the local administrative burden in grant-seeking across these agencies, and actually enhance the value of each agency’s investments.

This is particularly relevant for rural development. Each of these departments offers somewhat unique services to rural communities, regions, and businesses. While there is some replication, the most troubling issue is the lack of federal integration. Some statutory impediments even preclude collaboration. Therefore, leveraging opportunities to link and exploit unique agency strengths are missed, *a priori*.

The Obama Administration has begun to address this potential with the June 21, 2010 OMB Memorandum for the Heads of Executive Departments and Agencies regarding *Developing Effective Place-Based Policies for the FY 2012 Budget* (OMB #M-10-21).² I

¹ Available online at <http://www.gao.gov/new.items/d11318sp.pdf>

² Available online at http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-21.pdf

have been honored to be involved in a number of cross-departmental dialogues regarding this potential, and substantive program coordination is beginning. Regarding your specific question concerning communication between USDA and other agencies, I'm pleased to report there is more substantive cross-agency dialogue at this time than I have encountered over the past two decades.

However, absent specific Congressional action in the next Farm Bill to revise relevant sections of the Rural Development Title, and enable USDA colleagues to design these regional rural innovations, RD leadership and personnel will remain unable to fully exploit this potential to advantage rural America.

Your Committee has an immense challenge. You must continue to address the needs of our most challenged and remote rural communities and families. But you must also create and support a new rural future, which builds regionally upon rural assets, links rural growth hubs and contiguous rural areas to enhance their shared competitive advantage in a global economy, and seeks to advance both social equity considerations and rural wealth creation and retention.

An Example: Micropolitan + Regional Rural Innovation

Significantly reduced funding will force this Committee to craft a new Rural Development approach in the next Farm Bill. I would urge that it advantage Rural Regional Innovation and Entrepreneurship, in an aligned investment approach with other federal agencies. The enclosed maps illustrate the micropolitan areas of our country and their contiguous noncore rural counties. These micropolitan regions are the logical policy targets for these innovation investments, since they represent the regional growth hubs for most sectors in these rural regions. Such a policy would specifically target funding to regional collaborations that scale and leverage rural assets, to compete in the global economy. Where no micropolitan areas exist, this approach could support smaller urban areas which often serve as the regional growth hubs in more remote and frontier counties, largely in the west. (*See enclosed maps.*)

Were Rural Development, CDBG, EDA, and SBA funds better aligned in this targeted regional manner, the specific programmatic advantages each offer would provide complementary support for emerging regional innovation across rural America. While this would not work in every geography, the exception proves the rule. (I have included a map of the micropolitan areas lying east of California's 20th Congressional District. While topographies there will alter some dynamics, I believe such an approach would also be effective in that region.)

I am not suggesting this approach should replace all CDBG programming, of course. Furthermore, a "carve-out" to advance this approach for federal investment should not preclude the continuation of other programs or investments. But it could align the Comprehensive Economic Development Strategies (CEDS) offered by EDA; support from COGs, RDO's and Development Districts funded by EDA; the small business support programs of SBA; the flexible, multi-year, locally-prioritized regional strategies

and investments which could evolve under a new HUD Small Cities regional approach, with the diverse programs which RD offers to “build communities from the ground up.” This approach has precedent, as it would be fully consistent with the principles articulated under the Obama Administration’s Place-Based Policy framework, as well as the Rural Strategic Investment Program passed by Congress in the 2002 Farm Bill and the Rural Collaborative Investment Program in the 2008 Farm Bill. This combination of soft and hard infrastructure commitment, in an aligned regional strategy which links rural growth hubs with outlying rural counties, would be landscape-changing. And the current fiscal challenge faced by these jurisdictions enhances the potential for this collaboration, of necessity.

An Example: California 20th Congressional District Targeting Challenge

The hearing highlighted these definitional challenges quite well, and your questions were pointedly relevant. In the following I have briefly reviewed these dynamics in your Congressional district.

As you know, USDA Rural Development programs have varying eligibility criteria. The Business and Industry programs use a threshold of a city of 50,000 or more total population, plus adjacent urbanized area populations. Urbanized areas are defined by the census bureau as densely settled blocks and block groups with an overall population of 50,000 or more. These boundaries are similar to, but not identical to, the governmental jurisdictions of cities and towns. Thus, it is possible for a city of *less than* 50,000 population to be included in an urbanized area, if the density requirements (which would include territory outside the city boundaries) is met.

The B&I program eligibility excludes only the cities of 50,000 plus their adjacent urbanized area territory. In the CA 20th Congressional District, the cities and urbanized areas of Fresno and Bakersfield are excluded from program eligibility. In addition, based on 2009 Census population estimates, the cities of Hanford and Delano have grown to over 50,000 population, so would currently be excluded from B&I programs.

USDA RD Community Facilities and Water and Environmental Programs (WEP) currently have population thresholds for eligibility of 20,000 and 10,000 respectively.

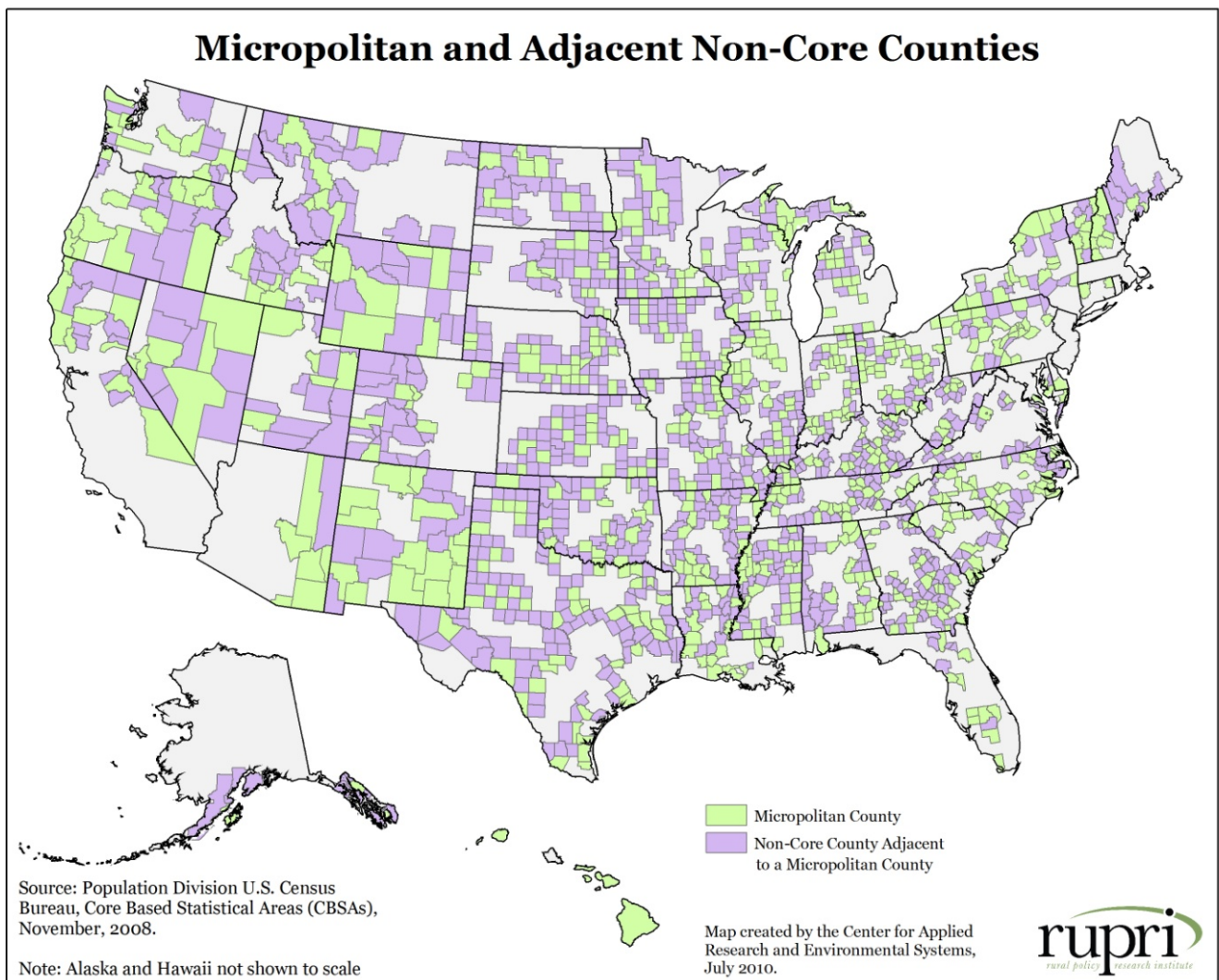
Therefore, cities above 10,000 population and below 20,000 would be eligible for all CF programs, but not for WEP. In California’s 20th District, based on the 2009 population estimates, there are seven cities in this situation: Coalinga, Mendota, Parlier, Arvin, McFarland, Shafter, and Avenal. Five cities in the district would be eligible for B&I programs, but not for CF or WEP programs, as the populations are over 20,000 but less than 50,000: Sanger, Selma, Wasco, Corcoran, and a portion of the city of Lemoore, outside the Hanford urbanized area.

These differing program eligibility thresholds create confusion and challenge for local officials seeking to fund complete projects in small cities. For example, if the CF and

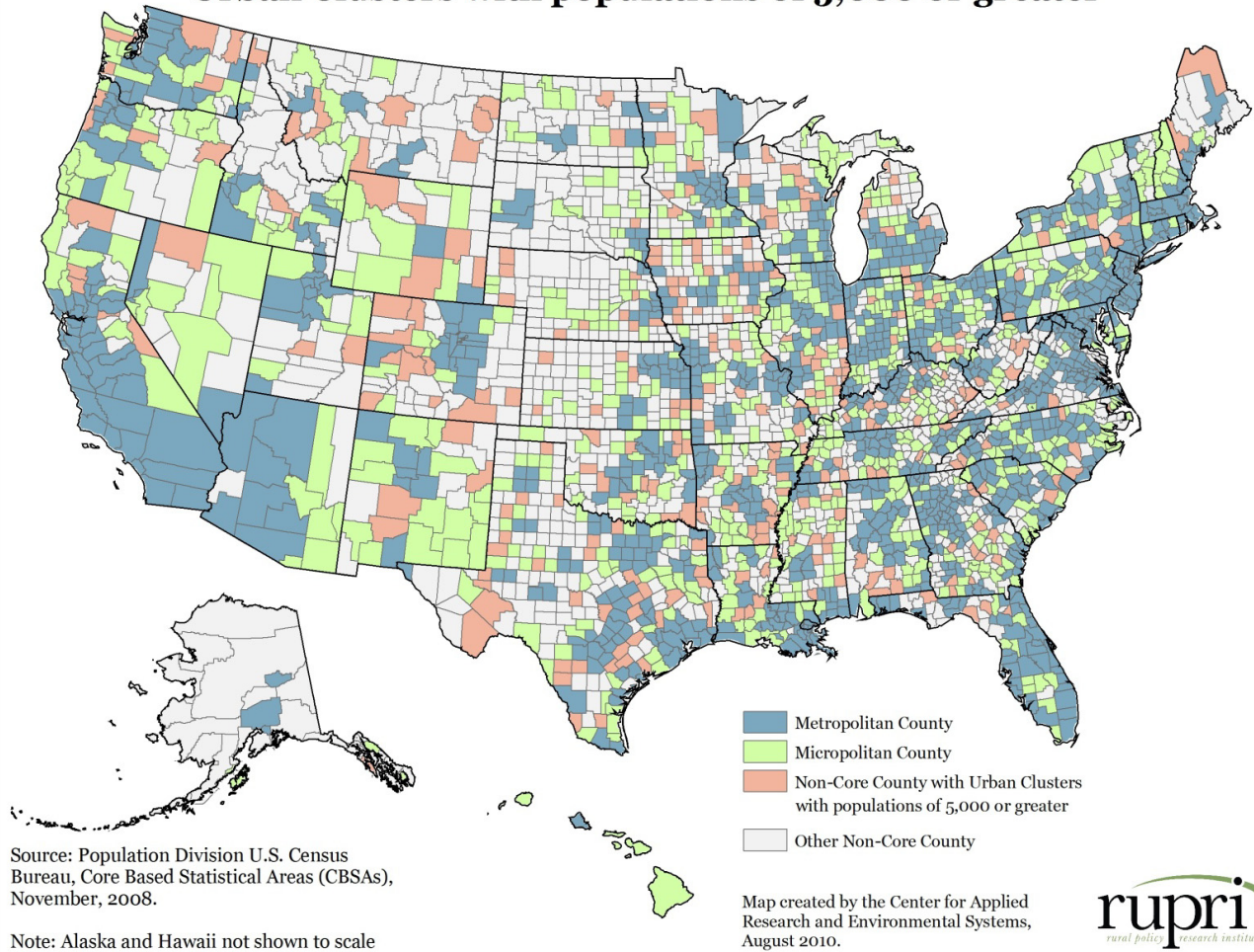
WEP eligibility were set to the same threshold, the library [CF] and the water and wastewater system serving it [WEP] could both be funded.

Finally, beyond seeking more integration across federal programs, better aligning the eligibility criteria within USDA programs, to enable more integrative and complete project funding via the RD Portfolio, also has merit. While I recognize the long and difficult history of RD funding formulae, absent a more specific rural policy goal for these investments, we should at least adjust our perspective to incorporate new rural settlement patterns and population densities.

Thank you, Ranking Member Costa. I would be pleased to be of further assistance regarding these opportunities.



Metropolitan, Micropolitan and Non-Core Counties containing Urban Clusters with populations of 5,000 or greater



Designing Regional Rural Strategies Around Micropolitan Areas: California Examples

