WRITTEN STATEMENT FOR THE RECORD

CHARLES W. FLUHARTY
PRESIDENT AND CEO, RURAL POLICY RESEARCH INSTITUTE
TRUMAN SCHOOL OF PUBLIC AFFAIRS
UNIVERSITY OF MISSOURI–COLUMBIA

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The Rural Policy Research Institute provides objective analysis and facilitates public dialogue concerning the impacts of public policy on rural people and places.

214 Middlebush Hall • Columbia, MO 65211
(573) 882-0316 • Fax: (573) 884-5310 • www.rupri.org
Thank you, Chairman Johnson, Ranking Member Costa, and members of the subcommittee. It is an honor to appear before you again, as consideration of the Farm Bill reauthorization begins.

I am Charles W. Fluharty, President and CEO of the Rural Policy Research Institute, and a Research Professor in the Harry S Truman School of Public Affairs at the University of Missouri—Columbia. I applaud your leadership to assure rural development concerns receive greater attention in these Farm Bill deliberations, and I encourage you to craft a bold and innovative new approach in the Rural Development Title.

THE RURAL POLICY RESEARCH INSTITUTE (RUPRI)

RUPRI is a non-partisan, external policy research institute, originally envisioned in 1990 by the Agriculture Committees of the Congress, and funded since then to provide objective analyses regarding the rural implications of public policies and programs. We are honored to be entering our third decade of service to the Congress this year.

RUPRI is a national research institute, with founding sponsorship from Iowa State University, the University of Missouri, and the University of Nebraska. Continual service is provided to Congressional members and staff, executive branch agencies, state legislatures and executive agencies, county and municipal officials, community and farm groups, and rural researchers. Collaborative research relationships also exist with numerous institutions, organizations, and individual social scientists worldwide. To date, over 300 scholars representing 16 different disciplines in 100 universities, all U.S. states, and 30 other nations have participated in RUPRI projects, which address the full range of policy and program dynamics affecting rural people and places. Collaborations with the OECD, the EU, the German Marshall Fund, the Inter-American Institute for Cooperation on Agriculture, the International Rural Network, and other international organizations are framing RUPRI’s comparative rural policy foci.

OVERVIEW

As you know, Mr. Chairman, I have been honored to appear before this Committee many times, over the years. With each Farm Bill reauthorization, I return to testimony which I offered as the current bill was being considered, to assess whether either the intervening years have altered my policy perspective, or policy prescriptions recommended have been so successfully executed, as to merit a reordering of recommended policy actions. Usually, despite successes along the way, the major structural challenges remain.

Such is the case this time around. In my testimony before this Committee on March 21, 2007, I offered a very detailed assessment of the current rural context, and argued for a new rural policy vision: Regional Rural Innovation, Collaboration, and Strategic Investment. That testimony, and the specific analyses which supported it, exist in this Committee’s record and I refer members and staff interested in these greater details to that document.
In that testimony, I suggested four “Guiding Twenty-First Century Rural Policy Principles.” These remain the central tenets of a forward-leaning rural policy, and should continue to guide Committee action:

**Three critical federal policy dynamics must be addressed:**

- The federal government must increase the current level of federal rural investment in essential public services, including infrastructure, broadband and community capacity.
- To do this, the federal government must overcome a significant and ongoing rural federal funding disadvantage.
- In doing so, the federal government must also reverse recent disinvestments in rural programs.

**A new rural policy framework must be created:**

- It should center upon rural innovation, entrepreneurship, collaboration and strategic investments.
- This must incent public, private and philanthropic investment cooperation, and build regional frameworks for action.
- Special attention must be given to diversity, gender, poverty and immigration concerns.

**Several “North Star” principles must drive program design, including:**

- Asset-based development.
- Flexibility and local input.
- Investment in new intermediaries.
- Attention to the importance of working landscapes and natural resources; arts, heritage and culture; and renewable fuels, energy and entrepreneurial agriculture.

**The federal government must create a framework which acknowledges and builds upon the growing interdependence of urban, suburban and rural areas and constituencies.**

It is gratifying to acknowledge major advances on a number of these principles, since passage of the last Farm Bill. However, we are all aware that we are in a very different place today. As tectonic structural shifts in our economy have transformed broader economic policy approaches, driven by global competition, policy innovations to adapt to these dynamics in ways which specifically address our nation’s rural regions have lagged behind. This challenge has been exacerbated by the Great Recession, which has created unprecedented budget deficits for state and local governments, and reduced available resources to support innovative efforts to address these capacity disadvantages.

For over a decade, RUPRI has encouraged new policy and practice approaches to create a brighter future for rural communities, families, and economies. These have been posited upon
asset-based development, entrepreneurship, innovation, and new governance models, within a regional framework. Many of these once misunderstood or resisted approaches are now becoming mainstream rural economic development components. However, if these innovations are to succeed, we must acknowledge that in today’s world, rural and urban outcomes are increasingly intertwined, and are becoming ever more interdependent, as are their citizens and economies.

Acknowledging this reality will challenge those with entrenched political advantage from continuing reliance upon categorical programs and grants, in both rural and urban constituencies. However, while these categorical grants are very necessary for rural communities, particularly those in underserved regions, they are no longer sufficient. Just as rural communities must unite in regional innovation collaborations, metropolitan policymakers and advocates also must acknowledge the dependence of their citizens upon the rural resources which sustain their urban existence.

For these innovations to truly advantage rural people and places, the Agriculture Committees of Congress must move to a new Rural Development vision. This must link rural communities, small urban areas, and rural regions, while providing new approaches to scale and leverage federal, state, and local investments, across the public, private, and philanthropic sectors.

We look forward to working with this Committee as this dialogue moves to more substantive policy alternatives for achieving these outcomes. My current testimony will be limited to addressing alternatives to the current deficiencies in the existing rural definitions formulae.

**THE CONTEXT FOR RURAL POLICY CHANGE**

For this approach to gain traction within the policy arena, decision-makers must acknowledge the rural context which informs RUPRI’s belief in the importance of Rural Regional Innovation. The contextual fabric which I outlined in 2007 has not altered. Indeed, these dynamics have deepened and intensified, and are becoming more evident over time:

- **There is no one rural America. It is a diverse, dynamic and ever-changing landscape, and public policy must address these new realities.**

- **Rural development investments must move beyond categorical programs and grants. A new vision must be sought, and systemic commitments to change the rural landscape must be funded.**

- **Rural entrepreneurship and innovation systems are essential, if we are to optimize new federal commitments to assist rural regions in capturing their competitive advantage in a global economy. These approaches must be framed in systemic ways, to link with other public, private, NGO and philanthropic resources.**
• New governance models must be lifted up, and successful new public and social entrepreneurship efforts replicated.

• Rural poverty remains a searing and silent national tragedy.

• Current ag policy has many goals, but we must acknowledge it has failed to adequately assure broad-based rural economic growth. This Committee must, finally, address this structural challenge within your jurisdiction.

The severe federal budgetary challenges under which this Committee must now initiate action only heighten the importance of attention to these paramount structural dynamics.

TWO RURAL DEVELOPMENT TITLE CHALLENGES

This Committee faces two significant challenges, as it begins work to better frame rural development policy to twenty-first century dynamics. One is the continuing dependence of the Agriculture Committees on outmoded definitions of “rural” as the sole mechanism for targeting resources to rural America. The problem which exists in the current “rural” definitions is widely acknowledged. Legislators recognize its inadequacy for addressing the uniqueness of the local rural circumstance. Our USDA colleagues have an equally frustrating challenge in attempting to fairly and equitably administer these programs. Consequently, everyone remains frustrated, accusations abound, and transaction costs grow worse, as the “waiver” option becomes the “default rule.” Surely, this failure is speaking volumes, and we can and must do better, by and for all concerned.

The second is the dire circumstances which rural governments face in responding to the impacts of the Great Recession, drastically declining federal resources, very modest rural philanthropic resources, and the need, given these realities, for ever-greater safety net services to their citizens. The relevance of a Rural Regional Innovation approach for addressing both challenges is clear. An approach which seeks to advance the regional competitiveness of asset-based economies, seeks greater local engagement and flexibility in establishing priorities for shared federal, state, and local investments, and forces local collaboration regarding priority setting and program execution, becomes increasingly attractive. The current crises are creating new opportunities. Local jurisdictions are recognizing they must work together to ensure scarce federal resources are leveraged to the maximum, services are consolidated where possible but never duplicated, efficiencies are captured, and local creativity rewarded.

The Futility of “Rural” Definitions, As A Mechanism for Rural Policy Innovation

Simply put, there is no one definition of “rural.” As the Members of this Committee know well, rural America is amazingly diverse, from multiple perspectives. In reality, from a federal standpoint, a “rural” definition is a non-specific, changeable, and horribly imprecise composite of a disparate set of variables, differing across federal policies and programs, which is used to
target resource allocations. This is not a policy goal. This is an administrative construct. Unfortunately, initiating policy discussions by focusing attention upon the question of what should be a “rural” definition deflects consideration of a far more important question, and federal policy failure: the lack of a stated goal for federal investments in non-metropolitan geographies.

Various definitions are used for the tabulation of data by federal agencies. Numerous other definitions exist across federal agency programs, targeting resources toward rural people and places. Two major types of rural definitions are used for the statistical tabulation of data, the official designations of “urban” and “rural” by the U.S. Census Bureau, and Core-Based Statistical Areas as defined by the Office of Management and Budget. The U.S. Census Bureau defines urban areas as core blocks and block groups with an overall population density of 1,000 people per square mile, and surrounding blocks with an overall density of 500 people per square mile. These urban areas range in overall population from about 2,500 to nearly 2,000,000. According to this definition, anything that is not defined as “urban” is considered “rural.” The Census divides these urban areas into two types: urbanized areas with an overall population greater than 50,000, and urban clusters with an overall population less than 50,000.

There are significant drawbacks for using these definitions for policy targeting. First, these boundaries are only defined once every ten years, with the decennial census. Also, these urban area boundaries do not perfectly align with the jurisdictional boundaries of cities and towns. Finally, there is very limited data at the sub-county level, making it difficult to assess more localized conditions and trends, to inform resources targeted toward sub-county areas. The American Community Survey data will now attempt to address this challenge with five-year moving averages with social, demographic, and economic estimates for every census tract and block group in the U.S. However, this averaging will create additional challenges.

Core-Based Statistical Areas are built from the Census Bureau’s Urban Area Designations, as “functional regions” around urban centers, based on county boundaries. Urbanized areas of 50,000 or more population form the principal city of a metropolitan area, and the county or counties containing this urbanized area form the core county (or counties) of that metropolitan area. Surrounding counties with high commuting flows to this area are included as outlying counties. Micropolitan areas are defined in much the same way, with a principal city of population between 10,000 and 49,999, and including surrounding counties based on commuting.

These definitions also have significant policy targeting drawbacks. Nonmetropolitan counties, which include both micropolitan and noncore counties, are often equated with rural. However, both metropolitan and nonmetropolitan counties contain both urban and rural territory. This, of course, leads to some very confounding specific examples, particularly in the western U.S., with widely varying characteristics across geography. For example, the Grand Canyon is in the Flagstaff Metropolitan Area. Over half of all rural people actually reside in metropolitan counties. And, over 40 million metropolitan residents reside outside of large urbanized areas. The following table shows population by both county designation and urban and rural geography, and illustrates that county level geography does not accurately reflect urban and rural
population distributions. It is important, then, to look beyond county level designations when targeting rural populations for policy impact.

As mentioned above, this all leads to some very confusing realities, from a definitional standpoint. The most “rural” states, in terms of population percentage, only account for under 7% of the total U.S. rural population (Vermont: 62%; Maine: 60%; West Virginia: 54%; Mississippi: 51%; and South Dakota: 48%). Conversely, the five states that account for over 25% of our nation’s total “rural” population are all usually viewed as quite “urban” (Texas: 3.6 million; North Carolina: 3.2 million; Pennsylvania: 2.8 million; Ohio: 2.5 million; and Michigan: 2.5 million).

Clearly, nonmetropolitan residents should be included when targeting rural populations. While nonmetropolitan counties do include some urban residents, with few exceptions nonmetropolitan urban residents live in small cities and towns, which are not targeted in urban programs. Though unintentional, urban programs tend to advantage larger urbanized areas, often failing to address the needs of smaller cities and towns within metropolitan counties, which can become excluded from both urban programs, and rural programs which target only nonmetropolitan residents. Given these dynamics, and the level of rural population within metropolitan areas, policymakers seeking to address the needs of rural people, where they live, must explore new alternatives for program funding. Furthermore, advanced broadband and transportation infrastructure further cloud these definitions, if we are to consider each as discrete entities. All of this cries out for serious reconsideration of rural definitions as a sole policy targeting mechanism.

Micropolitan areas become very attractive geographies for such regional innovation strategies. In most cases, the principal city in micropolitan areas is the core regional driver for economic activity and service delivery, with anchor institutions across most of the critical sectors, including health, education, workforce, transportation, human services, entrepreneurship, and innovation. Creating regional approaches which align these micropolitan areas with contiguous, noncore county economic efforts should be given serious policy consideration.
The Great Recession is having a particularly challenging impact on rural communities and the units of government seeking to serve them. The deficit numbers are sobering. These rural governments face numerous challenges—dealing with decreasing tax revenues, declines in federal and state support, and significantly expanding service needs, particularly in social services. These cuts also have huge impacts on local economies, which also must weather declining property values, household incomes, and consumer spending.

These difficulties exacerbate the ongoing structural disadvantages of under-resourced rural governments, already struggling with very limited capacity, challenging service delivery costs, diseconomies of scale, and unique socioeconomic and demographic circumstances. Economists Alison Felix and Jason Henderson, in a recent *Main Street Economist* publication of the Kansas City Federal Reserve Bank, suggest local governments really have only three options: raising revenue, reducing overall spending by cutting services, or reducing costs by becoming more efficient in service delivery.

Of these, they suggest the latter is the most politically palatable, and suggest four potential approaches for increasing this efficiency: consolidation, inter-municipality cooperation, internal reorganizing, or privatization. While each of these have merit, local government consolidation remains fraught with difficulty, organizationally, culturally, and politically. Internal reorganization and privatization are more acceptable alternatives, but by far the most promising is the potential for regional collaboration among local governments, a process that is already well advanced in many rural geographies.

While current budgetary challenges offer a convenient *raison d’être* for regional collaboration, a much more promising process would be one in which federal and state policies also advantage such dynamics. Development organizations, councils of governments, metropolitan and/or regional planning organizations, and other operational models already exist. The Obama Administration has developed several significant regional policy efforts across federal agencies, all designed to enhance place-based policy opportunities.

It is important for all local governments to take advantage of any potential opportunity. But federal decision-makers have a unique obligation to our nation’s rural governments, where per capita federal commitments for nonmetropolitan community resources were $433 per capita less in 2009 than those to metropolitan areas. Beyond the public sector, the rural disadvantage in philanthropic funding also remains significant. A 2004 report by the National Committee for Responsive Philanthropy, “Beyond City Limits: The Philanthropic Needs of Rural America,” found that out of 65,000 grant-making foundations, only 184 made grants characterized as “rural development.”

In closing, I would like to reiterate three points. First, while categorical grants remain important, they are insufficient for capturing the ultimate rural opportunities before us. Dynamic regional economies are the key to rural America’s competitiveness in a global future, and USDA RD
programming must be reshaped to advantage regional collaborations, which currently do not align well with existing “rural” targeting dynamics.

Secondly, we must seek creative new policy approaches which better advantage micropolitan regions and smaller urban places which align their regional strategies with those of noncore rural counties contiguous to them. Opportunities abound here, including those in renewable energies, regional food systems, transportation, education, health, and entrepreneurship policy. Finally, this Committee retains statutory responsibility for all of rural America, not just agriculture. Fortunately, never have the interests of mainline agriculture and rural economic development been more closely aligned.

Thank you, again, Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee for the opportunity to testify this morning on these critical rural development issues. Your continued leadership in crafting a twenty-first century Rural Regional Innovation Policy is critical, and I look forward to working with you over the course of these Farm Bill discussions. I look forward to answering any questions.