WHY RURAL POLICY NOW MATTERS TO AGRICULTURE: RURAL DEVELOPMENT, REGIONAL INNOVATION, AND THE NEXT FARM BILL

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I. INTRODUCTION

As Congress begins deliberation on the 2012 omnibus Farm Bill, policymakers will be challenged as few Committees of Agriculture ever have. This

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reauthorization will be occurring in the aftermath of the Great Recession, in the midst of a broadening federal fiscal crisis, and at a time when state and local governments are experiencing both severely reduced resources and ever-expanding public demands. The Committees will be attempting to achieve consensus in the midst of one of the greatest ideological divides in our nation's history. While agriculture and rural policy decision making has been far more bipartisan than those in most other sectors, it currently faces a particularly challenging environment. Regardless, reauthorization efforts will move forward this year or next, despite unclear budgetary limits.

This Article is designed to address the growing importance of the Farm Bill's Rural Development Title to America's farmers and ranchers. It will also suggest new and innovative approaches to better align our nation's agriculture and rural development policy approaches, constituencies, and outcomes. This is an advantage recently achieved by our global competitors, from which we do not currently benefit.

This Article will briefly review the history of U.S. rural development policy and programs, as well as the current USDA Rural Development (USDA RD) portfolio. Against this backdrop, it will assess the new realities which policymakers must address in crafting the 2012 Rural Development Title. Finally, this Article will outline the structural challenges within federal and philanthropic rural investments. These challenges highlight the importance of a new policy framework—Regional Rural Innovation. This new framework creates tremendous advantage, not only for agricultural producers and agricultural policymakers, but for all of rural America.

II. THE HISTORY OF FARM BILL RURAL DEVELOPMENT POLICY

A. *Initiation and Early Years*

Several years before the rest of our nation was plunged into the depths of the Great Depression, our nation's rural people and places were challenged by lowering standards of living and incomes.[1] The federal programs developed in response to this crisis, including the Farm Security Administration and the Work Projects Administration, among others, were designed to address these rural challenges during the 1930s.[2]

From the Great Depression through the 1950s, rural policy considerations largely focused upon advancing the economic prospects and living stand-

1. TADLOCK COWAN, CONG. RESEARCH SERV., RL31837, AN OVERVIEW OF USDA RURAL DEVELOPMENT PROGRAMS 1 (2011).

2. *Id.*

ards of America's farmers, and investments in agriculture were logically seen as important rural development resources.[3] Through mid-century, these investments in farms and farm households were, in effect, our nation's rural policy.[4] As we entered the second half of this century, however, structural changes in agriculture, including the continued movement of small farmers from the land to the cities, informed federal efforts which began to address broader issues in rural economic development.[5] The Rural Electrification Act of 1936,[6] which provided electrical power and telephone service throughout rural America, was the first major federal investment specifically targeting broad rural geographic impact.[7] The War on Poverty in the 1960s further focused federal efforts on general rural disadvantage, beyond the agricultural sector.[8]

During this entire period, the structural shifts in American agriculture continued unabated. As farm size continued to grow, marginal farmers left the land for jobs in small towns or cities, and federal agricultural investments could no longer be said to be fully addressing the needs of the entire rural population.[9]

As a result, in the late 1960s, USDA expanded investments in loan and grant programs for general rural social welfare, which were authorized and administered by the Farmers Home Administration (FmHA), forerunner to the current USDA RD.[10] But general rural policy, as a stand-alone Congressional concern, was not fully recognized until the Consolidated Farm and Rural Development Act of 1972 (referred to as the "CON Act").[11] This statute, as amended, is the authorizing vehicle for most USDA RD lending programs today.[12] It directed the Secretary of Agriculture to provide executive leadership for a coordinated national rural development program across federal agencies.[13] This Act "authorized the Community Facility Loan program, the Rural Business and Industry Loan program, and the Rural Business Enterprise Grant program"—all consoli-

3. *See id.*
4. *See id.* ("[A] focus on farms and farm household became de facto rural policy.").
5. *See id.* ("With the continued decline in agriculture as rural America's dominant economic activity, policy attention shifted to rural revitalization.").
6. Rural Electrification Act of 1936, Pub. L. No. 74-605, 49 Stat. 1363 (codified as amended at 7 U.S.C. §§ 901-918c (2006)).
7. COWAN, *supra* note 1, at 3.
8. *See id.* at 1.
9. *See id.*
10. *Id.* at 2.
11. Consolidated Farm and Rural Development Act of 1972, Pub. L. No. 92-419, 86 Stat. 657 (codified as amended in scattered sections of 7 U.S.C.); COWAN, *supra* note 1, at 2-3.
12. COWAN, *supra* note 1, at 3.
13. *Id.*

dated as the Rural Community Advancement Program (RCAP) in the 1996 omnibus Farm Bill.[14]

While this Act identified USDA as the federal rural policy coordinator, the Rural Development Policy Act of 1980[15] explicitly designated USDA as the lead federal rural development agency and authorized the Secretary to create an expansive leadership role within the federal government for integrated federal, state, and local rural development programming.[16]

Since then, USDA RD loan, loan guarantee, and grant programs have been funded through annual discretionary appropriations; however, the Farm Bill Rural Development Title does not address all programs administered.[17] Many are permanently authorized, through amendments to the CON Act or the Rural Electrification Act of 1936, and funded through annual appropriation cycles.[18]

B. *The Recent Past*

The Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994[19] authorized creation of the position of Undersecretary for Rural Economic and Community Development within USDA, and further consolidated the USDA RD portfolio into four mission areas: the Rural Housing Service, the Rural Utilities Service, the Rural Business-Cooperative Service, and the Office of Community Development.[20]

Thus, although each omnibus Farm Bill since 1973 has included a rural development title, this legislation has consistently expanded in scope and impact during the last four decades and has now become the major vehicle for federal investments in rural economic and community development.

Other federal legislation has also had major rural policy impacts, but the evolving, ever-expanding rural development emphasis within the periodic Farm Bill reauthorizations reflects the altering nature of federal rural development priorities. Meanwhile, the Committees of Agriculture are attempting to address economic and social changes in our nation's countryside as well as the needs of its citizens, communities, and businesses.

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14. *Id.*
15. Rural Development Policy Act of 1980, Pub. L. No. 96-355, 94 Stat. 1171.
16. COWAN, *supra* note 1, at 3.
17. *Id.* at 6.
18. *Id.*
19. Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Pub. L. No. 103-354, 108 Stat. 3178.
20. COWAN, *supra* note 1, at 4.

The Rural Economic Development Act of 1990,[21] Title XXIII of the 1990 Farm Bill, amended the CON Act of 1972 to establish the USDA RD Administration, which absorbed all nonfarm Farmers Home Administration (FmHA) programs and broadened the scope of the newly-created agency.[22] Title VII of the 1996 Farm Bill expanded the portfolio to include telemedicine and distance learning, increased grant funding for water and waste facilities, and established the Rural Community Advancement Program (RCAP) and the Fund for Rural America—one of the first USDA RD programs established with mandatory funding.[23]

Most recently, the Farm Security and Rural Investment Act of 2002,[24] Title VI, expanded the number of USDA RD initiatives funded with mandatory spending, including the Rural Strategic Investment Program (RSIP),[25] discussed later. Nevertheless, Congressional appropriators blocked most of the mandatory funding between Fiscal Year 2004 and Fiscal Year 2007, at which time these provisions expired. [26]

So, while the majority of Rural Development Title investments remain categorical in nature, during the last four decades lawmakers have expanded the breadth and depth of the rural development program area to reflect the growing complexity and dynamism within rural economic and community development, and the expanding importance of a robust rural economy to all citizens, including agricultural producers.[27]

III. THE CURRENT RURAL DEVELOPMENT PROGRAM PORTFOLIO

The Food, Conservation, and Energy Act of 2008[28] generally followed the structural outlines of the 2002 law.[29] The Rural Development Title VI expanded broadband access, created a new microenterprise program, continued the general approach within the 2002 Farm Bill's Rural Strategic Investment Program through a new Rural Collaborative Business Investment Program, and

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21. Rural Economic Development Act of 1990, Pub. L. No. 101-624, 104 Stat. 3979.
22. COWAN, *supra* note 1, at 3-4.
23. *Id.* at 5.
24. Farm Security and Rural Investment Act of 2002, Pub. L. No. 107-171, 116 Stat. 134.
25. COWAN, *supra* note 1, at 5.
26. *Id.* at 6.
27. *See generally id.* at 5 (describing the Federal Agriculture Improvement and Reform Act of 1996 and the purpose of grants and loans for facilities, rural research, economic development, and housing).
28. Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, 122 Stat. 1651.
29. *See* COWAN, *supra* note 1, at 6.

greatly expanded commitments to water and wastewater programming.[30] The Value-Added Product Grants Program was re-authorized, and the definition of "'rural'" for program targeting added the "'areas rural in character'" designation.[31] Otherwise, the vast array of categorical program grants which comprised the Rural Development Title remained generally intact.

Finally, the American Recovery and Reinvestment Act of 2009[32] provided $4.36 billion in supplemental budget authority in Fiscal Year 2009 and Fiscal Year 2010 to implement 2008 Farm Bill Rural Development loan and grant programs, generally under existing regulations.[33]

IV. New Realities Affecting Rural Policy and Program Design

A. *Why Rural Policy Now Matters to Agriculture*

The rural America that existed when the first Rural Development Act was passed in 1972 is gone. The ensuing four decades have forever altered the economic, demographic, social and political fabric of the American countryside.

And, as we all know, the nature of farming, and its relative importance to broad rural economic development, has also radically changed. As was mentioned above, until the 1970s, most agreed that a solid agricultural development program was the best rural development policy that could be envisioned. However, this is no longer the case. As Figures A and B below starkly illustrate, even in 1969, a great swath of rural America was very minimally impacted by agricultural employment. Four decades later, no one argues that employment in farming is a meaningful rural economic driver.

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30. *Id.*
31. *Id.* (quoting Food, Conservation, and Energy Act of 2008 § 6018).
32. American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115.
33. COWAN, *supra* note 1, at 7.

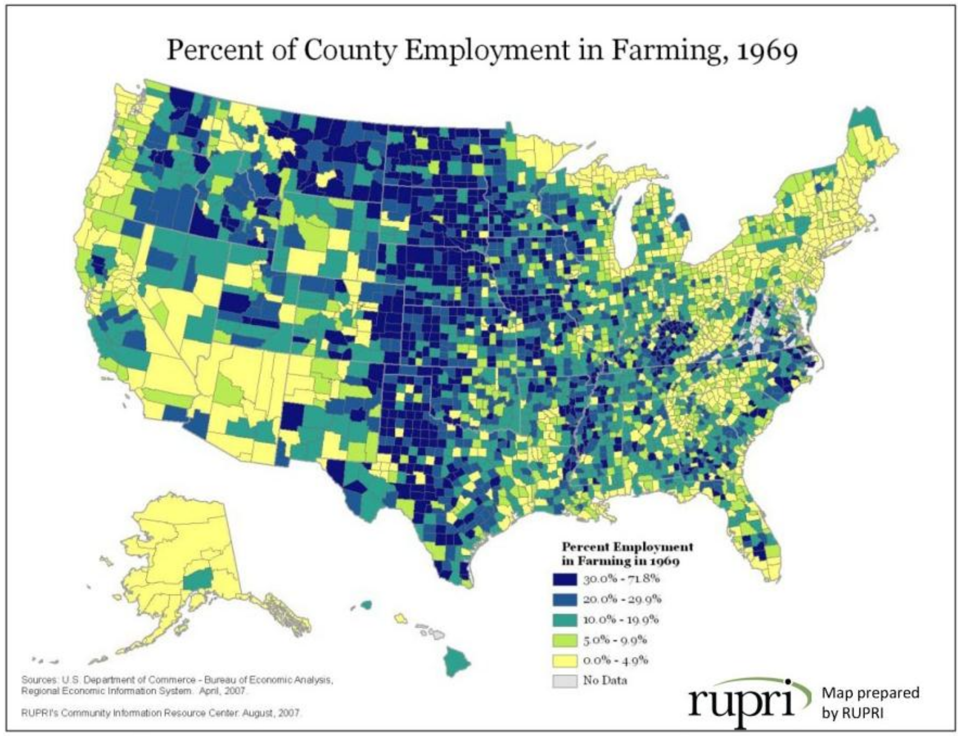

Figure A[34]

34. Reg'l Econ. Info. Sys., *Total Full-Time and Part-Time Employment by SIC Industry*, BUREAU OF ECON. ANALYSIS, http://www.bea.gov/regional/spi/default.cfm?selTable=SA25&selSeries=SIC (last updated Mar. 23, 2011) (providing an interactive table for total employment by industry for 1969).

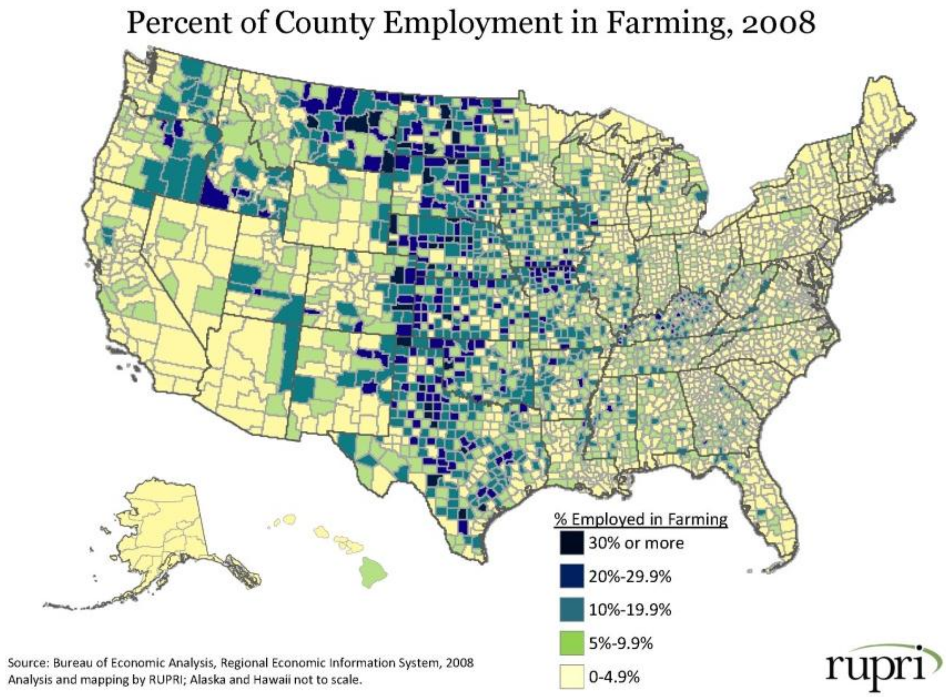

Figure B[35]

Today, while agriculture plays an important role in the economic vitality of many rural regions, it is no longer the centerpiece of rural economic growth. In fact, it is now becoming clear to policymakers that the broader rural economy plays a direct and significant role in the economic health of farm families, many of whom depend upon these rural economies to sustain their agricultural enterprises.[36]

And these dynamics are moving rapidly. In the 2002 Census of Agriculture, 57.5% of principal operators listed their primary occupation as farming.[37]

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35. Reg'l Econ. Info. Sys., *Total Full-Time and Part-Time Employment by NAICS Industry*, BUREAU OF ECON. ANALYSIS, http://www.bea.gov/regional/spi/default.cfm?selTable=SA25N&selSeries=NAICS (last updated Mar. 23, 2011) (providing an interactive table for total employment by industry for 2008).

36. *See* COWAN, *supra* note 1.

37. NAT'L AGRIC. STATISTICS SERV., USDA, AC-02-A-51, 2002 CENSUS OF AGRICULTURE 6 (2004) (percentage derived from dividing the number of those who listed farming as their principle occupation (1,224,246) by the total number of U.S. farms (2,128,902)).

By 2007, only 45% of operators still listed this.[38] In 2002, in 680 counties "over half of farm operators reported an occupation other than farming as their principal occupation."[39] Five years later, this was the case in over 2,000 counties.[40] "In 2002, 45[%] of farm operators reported not working any days off the farm."[41] By 2007, this decreased to 35%.[42]

Today, these off-farm jobs in the broader rural economy are critical to sustaining the lives of these farm families on the land. In 2007, 90% of farm household income was derived off the farm.[43] By 2009, the USDA data showed this amount moved to 91%.[44] As Figures (B)[45] and (C)[46] show, these statistics vary by USDA Farm Resource Region and Farm Typology, but the economic reality is obvious across all categories. Even in our heartland, this accounted for three-fourths of farm families' income, and families running very large farms, with sales over $500,000, still derive 16% of their income from off-farm sources.[47] Finally, the number of counties where total farm employment accounts for more than 20% of total employment has declined from nearly 1,150 counties prior to the 1972 Act to less than 300 today.[48]

While farming remains a strategically significant sector of the national economy, it is no longer a stand-alone economic activity. Farm families depend on healthy local and regional economies to continue their operations. Unfortunately, relative federal expenditures for farming vis-à-vis rural economic development miserably fail to address these realities. While broader rural economic activity accounts for over 90% of total farm household income, current USDA budget outlays for rural development programming have hovered just above 3% of total USDA outlays for many years.[49] Furthermore, historically the USDA

38. NAT'L AGRIC. STATISTICS SERV., USDA, AC-07-A-51, 2007 CENSUS OF AGRICULTURE 7 (2009) (percentage derived from dividing the number of those who listed farming as their principle occupation (993,881) by the total number of U.S. farms (2,204,792)).

39. Kathleen Miller, *The Importance of a Healthy Rural Economy*, RURAL POLICY RESEARCH INST., Feb. 2009, at 1, *available at* http://www.rupri.org/Forms/RUPRIBrief21309.pdf.

40. *Id.*

41. *Id.* at 2.

42. *Id.*

43. *Id.*

44. RANDY SCHNEPF, CONG. RESEARCH SERV., R40152, U.S. FARM INCOME 15 (2010).

45. *See supra* p. 38 fig.B.

46. *See infra* p. 47 fig.C.

47. Miller, *supra* note 39, at 2 (reflecting 2007 statistics even though the report was published in 2009).

48. Statistics obtained through RUPRI analysis of data from the Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

49. USDA, BUDGET SUMMARY AND ANNUAL PERFORMANCE PLAN, FISCAL YEAR 2008, at 100-01 (2008), *available at* http://www.obpa.usda.gov/budsum/fy08budsum.pdf [hereinafter FISCAL YEAR 2008]; USDA, BUDGET SUMMARY AND ANNUAL PERFORMANCE PLAN, FISCAL YEAR

Rural Utilities Service and Rural Housing Service have accounted for nearly 90% of this funding, leaving less than 10% for the business development, entrepreneurship, and innovation programs operated under the Rural Business-Cooperative Service.[50]

Both the nature and level of USDA RD funding must be changed if an innovative, economically competitive rural America is to be realized.

B. *The Obama Administration's Place-Based Policy Framework*

The federal government is currently in the midst of an enhanced federal commitment to place-based policy. On August 11, 2009, the Obama Administration released a very important "Memorandum for the Heads of Executive Departments and Agencies," which framed a new White House approach to place-based investments.[51] This directive was the first public acknowledgement of an extended, internal Administration decision making process, centered within the Domestic Policy Council. This guidance, while preliminary, presaged growing inter-agency collaboration, a focus on new evaluation of existing place-based policy, and the identification of potential reforms to enhance inter-agency coordination, break down sectoral silos, and create a more effective, multi-level governance framework for federal investments in regional and economic development, housing, transportation, and community development.[52]

The White House memo mandated specific actions to incorporate this framework into each federal department's program of work. Each was asked to identify three to five major program areas, before Fiscal Year 2011 budget submissions, which could be redesigned around place-based policy principles, including:

- "[c]lear, measurable, and carefully evaluated goals [to] guide investment and regulation," to achieve economic competitiveness,

2009, at 91-92 (2009), *available at* http://www.obpa.usda.gov/budsum/fy09budsum.pdf; USDA, BUDGET SUMMARY AND ANNUAL PERFORMANCE PLAN, FISCAL YEAR 2010, at 109-10 (2010), *available at* http://www.obpa.usda.gov/ budsum/FY10budsum.pdf; USDA, BUDGET SUMMARY AND ANNUAL PERFORMANCE PLAN, FISCAL YEAR 2011, at 138-39 (2011), *available at* http://www.obpa.usda.gov/budsum/FY11budsum.pdf.

50. *See, e.g.*, FISCAL YEAR 2008, *supra* note 49, at 100 (refer to FY 2006 and FY 2007 statistics).

51. Memorandum from Peter R. Orszag et al., Office of Mgmt. & Budget, to the Heads of Executive Departments & Agencies, M-09-28, at 1 (Aug. 11, 2009), *available at* http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-28.pdf.

52. *Id.*

environmental sustainability, community health and access to opportunity, as well as safety and security;

- an acknowledgement that change occurs at the "community level and often through partnership[, and that] complex problems require flexible, integrated [policy] solutions;" and,

- a recognition that many important domestic challenges demand a regional approach.[53]

To quote directly from the memo regarding the third principle:

> Many important challenges demand a regional approach. The Nation is increasingly a conglomeration of regional economies and ecosystems that should be approached as such. Federal investments should promote planning and collaboration across jurisdictional boundaries. Given the forces reshaping smaller communities, it is particularly important that rural development programs be coordinated with broader regional initiatives. Programs in neighboring zones and within larger regions—some of which connect rural communities to metropolitan regions—should complement each other. Federal programs should reflect better the Nation's economic and social diversity, both in rural and metropolitan areas. To the extent possible, programs should allow for communities to identify distinct needs and address them in appropriate, strategic ways.[54]

Since then, subsequent legislative and administrative actions have moved this approach to a central component in the Obama Administration's domestic policy agenda. Federal departments have crafted new program designs, and created competitive grant competitions to incentivize regional innovation, several of which are reviewed below:

- "A new program within the U.S. Department of Housing and Urban Development will utilize $150 million to enhance regional strategic planning and integration, as well as the evaluation of regional programming."[55] The new Partnership for Sustainable

53. *Id.* at 5.
54. *Id.* at 5-6 (emphasis omitted).
55. Charles W. Fluharty, Session III Keynote: The Impact of the Crisis on Regional Actors and on the Governance of Regional Policy at the Organization for Economic Cooperation and Development (OECD) Symposium on Regional Policy: Innovation & Green Growth 3 (Dec. 2, 2009), *available at* http://www.oecd.org/dataoecd/41/34/44305860.pdf.

Communities supports joint regional collaboration efforts across Housing and Urban Development, the Department of Transportation, and the Environmental Protection Agency.[56]

- The U.S. Small Business Administration, through the Regional Cluster Initiative, "will accept proposals from local and regional cluster initiatives . . . for funding of up to $600,000 per cluster to support up to 15 projects across the country." Two programs have been launched within this initiative: the Regional Innovation Clusters and Advanced Defense Technologies.[57]

- The Economic Development Administration under the Department of Commerce has created a new funding opportunity around Regional Innovation Clusters as well as a multi-agency initiative to spur regional economic growth through investments in energy efficiency.[58]

- The U.S. Department of Energy has a new "Energy Regional Investment Cluster . . . centered around an Energy Innovation Hub, . . . one of three proposed by the Administration and funded by Congress in the FY10 budget."[59] This is a collaboration between Energy and SBA, the Department of Labor, the Economic Development Administration, and the National Science Foundation.[60]

- The Neighborhood Revitalization Initiative is an interagency collaborative designed to improve outcomes for low-income children in inner-city neighborhoods and struggling older suburbs.[61] This effort seeks "to align Federal housing programs (e.g., Choice

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56. *See id.*

57. Press Release, U.S. Small Bus. Admin., SBA Announces Funding Available to Support Regional Clusters, Job Creation (June 22, 2010), *available at* http://www.sbaonline.sba.gov/idc/groups/public/documents/sba_homepage/news_release_10-36.pdf.

58. *Regional Innovation Clusters*, U.S. ECON. DEV. ADMIN., http://www.eda.gov/AboutEDA/RIC/ (last visited May 23, 2011).

59. Press Release, U.S. Dep't of Energy, Obama Administration Launches $130 Million Building Energy Efficiency Effort (Feb. 12, 2010), *available at* http://www.energy.gov/news/8637.htm.

60. *See id.*

61. *Urban Policy Working Group*, OFFICE OF URBAN AFFAIRS, http://www.whitehouse.gov/administration/eop/oua/initiatives/working-groups (last visited May 23, 2011).

> Neighborhoods) with Federal education programs, health services, and public safety initiatives."[62]

When taken together, these efforts represent a significant new federal framework and infrastructure, and are indeed historic.

Clearly, a place-based policy framework focusing solely upon metropolitan geography fails to address critical dependencies. Over the course of this year, however, each federal agency has looked much more closely at the importance of rural/urban regional interdependence.

> While metropolitan areas account for over 80% of our total population, and much of our nation's GDP, they only account for 25% of our land area, where most of our nation's food, energy, and national resource activities occur. Thus, a metropolitan-focused place-based investment policy would ignore critical linkages with three quarters of our national resource base and the 20% of the U.S. population which stewards those national treasures.[63]

Rural policy scholars have long argued for such a place-based domestic policy framework, recognizing the differential disadvantage in community capacity under which most rural regions struggle and the fact that categorical grants fail to build integrative, strategic approaches. This is ironic, as most of the major players driving this federal innovation have a decidedly metropolitan world view, and most of these public innovations began as uniquely urban approaches.

USDA Secretary Tom Vilsack has created an exciting new approach within his Department, the Regional Innovation Initiative, which seeks to build new linkages with these metropolitan-focused programs at his sister departments.[64] Furthermore, a number of national organizations advocating for rural economic development continue to seek a recalibration of this framework in order to better address the actual rural-urban continuum which should exist in nearly all regional innovation practices. Hopefully, this re-thinking will acknowledge the unique rural contributions to our nation's metropolitan areas, including the food we eat, the air we breathe, the natural resources which sustain both, and the cultural, heritage, and environmental assets which contribute to much of urban America's recreational and cultural pursuits. This USDA initiative, currently

62. *Id.*

63. CHARLES W. FLUHARTY & KATHLEEN K. MILLER, RURAL POLICY RESEARCH INST., REGIONAL INNOVATION POLICY: APPROACHES WHICH ENSURE A COMMITMENT TO THE RURAL-URBAN CONTINUUM 16 (2010), *available at* http://www.rupri.org/Forms/Fluharty_KCFed_Sept10.pdf.

64. *Id.* at 17.

titled "Great Regions," builds upon the Rural Strategic Investment Program (RSIP) in the 2002 Farm Bill, mentioned above, and the Rural Collaborative Investment Program (RCIP) in the 2008 Farm Bill.[65]

> Both sought to create a regional rural innovation framework for federal economic development investments, advantaging multi-sectoral, multi-jurisdictional collaboration, and incentivizing linkages in federal, state, and local public investment streams, as well as alignment with private and philanthropic sector funding. While authorized in both bills, Congressional funding was never appropriated for either program.[66]

Beginning in 2010, USDA adopted a regional funding initiative through the "Great Regions" competitive grant program, which was implemented under the USDA's Rural Business Opportunity Grants (RBOG) program. While limited funding was available for this new program, the overwhelming response was a very clear indication that local jurisdictions appreciate the potential within this regional innovation effort.[67] Over 400 responses to a very limited $1.2 million Notice of Federal Assistance were received from our nation's rural regions, counties, and communities.

Further efforts to advance the Regional Innovation Initiative were seen "during the Subcommittee markup of the Fiscal Year 2011 Agricultural Appropriations Bills, both the Senate and House allocated over $175 million to advance this new framework."[68] Following the mark-up of the FY 2011 Agriculture, Rural Development, and FDA Appropriations Bill, House Chairwoman Rosa DeLauro commented:

> "In terms of our investment priorities closer to home, one of the innovative new ideas we have included in this legislation, at a funding level of $176 million, is the Administration's Regional Innovation Initiative proposal.
>
> In order to increase the economic viability of rural communities, this Initiative seeks to promote a regional outlook in the planning and coordination of rural development programs at USDA. While USDA [RD] is expected to provide leadership for this initiative, the Agricultural Marketing Service is also expected to participate. And

65. *Id.*
66. *Id.*
67. *See id.*
68. FLUHARTY & MILLER, *supra* note 63, at 17.

some of the supporting programs include the Business [and] Industry Guarantee Loan Program, the Rural Business Enterprise Grant Program, and the Intermediary Relending Program."[69]

C. *The New Rural/Urban Policy Dialectic*

The recent place-based policy approaches of this Administration have been centered primarily in metropolitan regions, but the population distribution of U.S. citizens across metropolitan, micropolitan, and non-core areas force a re-examination of how appropriately these categories fit into intended policy targeting. These do not represent a continuum of population thresholds, where the smallest population areas are noncore, followed by micropolitan areas, and then the largest—metropolitan. While these areas are formed by the size of their urban core, the surrounding populations vary significantly. "As noted in the following table, metropolitan areas range in population size from 55,176 to 19,069,796, and micropolitan areas from 11,046 to 192,747. In fact, 40[%] of metropolitan areas have populations less than the size of the largest micropolitan area."[70]

Distribution of U.S. Population							
	Urban 50K +	Urban Under 50K	Rural	Total		Percent of the Population that is:	
Metropolitan	192,064,228	10,338,988	30,176,724	232,579,940		Non-Urbanized	31.7%
Micropolitan	255,305	14,976,437	14,299,972	29,531,714		Rural	21.0%
Noncore	18,588	4,704,763	14,586,901	19,310,252		Small Urban	10.7%
Total	192,338,121	30,020,188	59,063,597	281,421,906		Nonmetropolitan	17.4%
Sources Urban and Rural Population figures from Census 2000; CBSA status for the December 2005 Classifications						Percent of the rural population residing in metropolitan counties	51.1%

Table 1[71]

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.

69. *Id.* at 17-18 (quoting Press Release, Rosa L. DeLauro, Chairwoman, DeLauro on the Subcommittee Markup of the Fiscal Year 2011 Agriculture, Rural Development, FDA Appropriations Bill (June 30, 2010), *available at* http://www.delauro.house.gov/release.cfm?id=2860).

70. *Id.* at 19.

71. Table created by RUPRI using 2000 Census Bureau and 2005 Office of Management and Budget Metropolitan and Non-Metropolitan Classifications.

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.[72] These urban areas range in overall population from about 2,500 to nearly 2 million.[73] According to this definition, anything that is not defined as urban is considered rural.[74] The Census divides these urban areas into two types: urbanized areas, with an overall population of 50,000 or more, and urban clusters, with an overall population less than 50,000.[75]

> Core Based Statistical Areas build off the Census Bureau's designations of urban areas. These CBSAs are meant to be 'functional regions' around urban centers, and the classifications are based on county boundaries. Urbanized areas of 50,000 population or more form the principal city of a metropolitan area, and the county or counties containing this urbanized area form the core county(ies) of that metropolitan area. Surrounding counties with high levels of commuting flows are included as outlying counties of the metropolitan area. Micropolitan areas are defined in much the same way, with a principal city of population between 10,000 and 49,999, and surrounding counties based on commuting.[76]

Refer to Figure C for the allocation of metropolitan, micropolitan, and non-core counties nationwide.

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72. *Census 2000 Urban and Rural Classification*, U.S. CENSUS BUREAU, http://www.census.gov/geo/www/ua/ua_2k.html (last visited May 23, 2011).

73. *See, e.g.*, *supra* p. 45 tbl.1.

74. Kathy Miller, *Urban/Rural Areas and CBSAs* (Rural Policy Research Inst., Internal Working Paper, 2006), *available at* http://www.rupri.org/Forms/WP2.pdf.

75. Office of Planning, Environment, & Realty (HEP), *Census 2000 Population Statistics*, FED. HIGHWAY ADMIN., http://www.fhwa.dot.gov/planning/census_issues/metropolitan_planning/cps2k.cfm (last modified May 5, 2011).

76. FLUHARTY & MILLER, *supra* note 63, at 5.

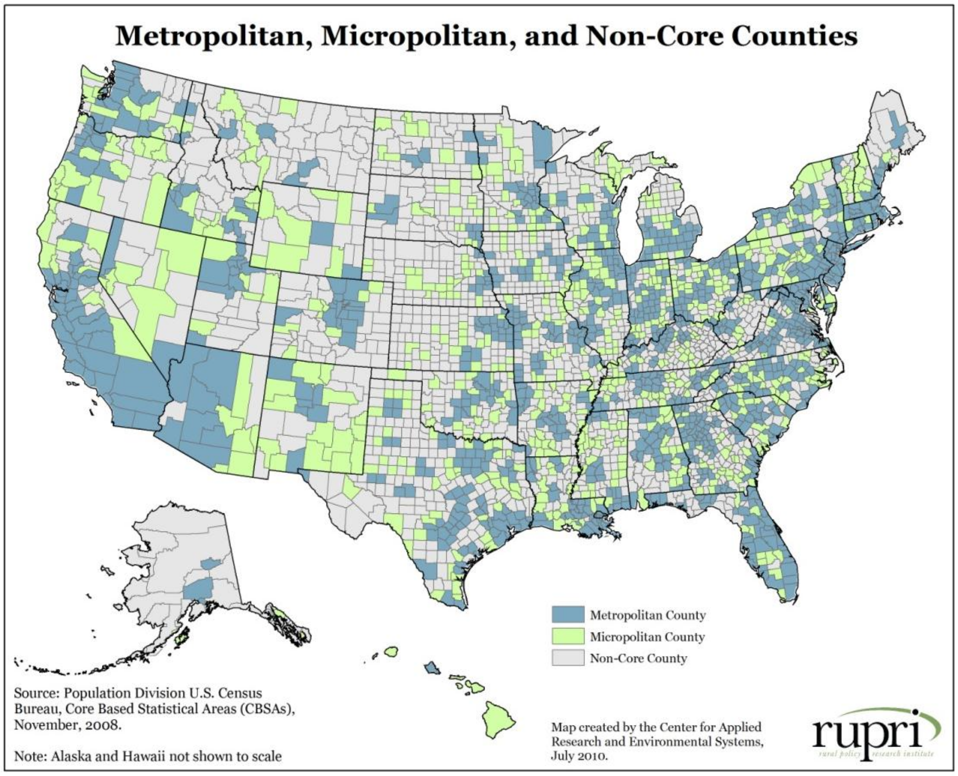

Figure C[77]

Each of these definitions presents challenging drawbacks for use in policy targeting.[78]

> While the populations of urban areas and of metropolitan and micropolitan areas are updated with the inter-census population estimates, the commuting data which define the outlying counties is only available with the decennial census, as are the boundaries of urban. It is difficult to find a common middle ground that accurately describes this continuum. In fact, the most "rural" states, in terms of population, only account for under 7% of the total U.S. rural popula-

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77. *Population Estimates: Metropolitan and Micropolitan Statistical Area Estimates*, U.S. CENSUS BUREAU (2008), http://www.census.gov/popest/metro/CBSA-est2008-CBSAstatus.html [hereinafter *Population Estimates*].

78. FLUHARTY & MILLER, *supra* note 63, at 6.

> tion (Vermont, 62%; Maine, 60%; West Virginia, 54%; Mississippi, 51%; and South Dakota, 48%). Furthermore, five states that usually are viewed as urban account for over 25% of our nation's rural people (Texas, 3.6 million; North Carolina, 3.2 mil.; Pennsylvania, 2.8 mil.; Ohio, 2.5 mil.; and Michigan, 2.5 mil.).
>
> The commuting criterion leads to the inclusion of some very rural counties in metropolitan areas. Many counties contain vast geography, particularly in the Western U.S., with widely varying characteristics across that geography. Coconino County, Arizona, part of the Flagstaff Metropolitan Area and home of the Grand Canyon, is one classic example. A cross tabulation of population across the CBSAs and the urban and rural designations summarize this paradox: over half of the nation's rural people live in metropolitan counties. Likewise, there are many urban centers within nonmetropolitan counties.[79]

As one might imagine, therefore, a variety of definitions are used to direct federal resources to rural people and places.[80]

> USDA, for example, uses place population thresholds to target eligible areas, and USDA population cutoffs for eligible communities vary from 10,000 to 50,000. Other departments, such as the Office of Rural Health Policy/HHS, use the CBSA county designations, with exceptions included for rural areas within metropolitan counties. Other departments have developed their own unique definitions, such as the Department of Education's 'metro-centric locale codes,' which are based on school districts. In most policy targeting, additional characteristics are often utilized to target resources toward specific needs, such as poverty rates, depopulation, and disaster declarations.[81]

These efforts to define the spatial distribution of the U.S. population suggest a growing interdependence between rural and urban people and places, which will need to be factored into future policy considerations. Refining understanding of these connections, and the spatial continuum from one to the other,

79. *Id.*
80. *Id.* at 9.
81. *Id.*

will become much more relevant in future policy considerations, to ensure the economic vitality of both.[82]

> [Both] metropolitan and micropolitan areas are designed as functional regions, but regional formation is based solely on the population threshold of the urban area and commuting patterns between the core and surrounding counties. In reality, many other factors come into play if one is seeking to form a more functional region, particularly across the rural-urban continuum in less populated rural regions. These include access to health and social services, retail centers, and transportation, food, and energy systems. However, policymakers seeking to craft these more optimal frameworks are currently constrained by these geographic area boundaries and federal data sources. Therefore, one must approximate the geography of these functional regions. Examining the micropolitan areas, along with their adjacent noncore counties, could more appropriately capture these regional dynamics, as micropolitan principal cities often serve large geographies in remote, rural territory. When contiguous counties are considered, 967 noncore counties could potentially be included in such a configuration. . . . Several limiting factors, such as topography, transportation systems that create barriers, and smaller or larger regional hubs that cross service areas, are also relevant. However, this could be a useful starting point for the discussion of how more functional regions might be identified and advantaged.
>
> Another potential targeting mechanism to enhance rural-urban continuum dynamics might link smaller urban hubs in noncore counties to the surrounding geography. The population threshold for micropolitan principal cities is 10,000, so examining noncore counties with an urban cluster with 5,000 population could provide a useful means for targeting continuum approaches in very remote rural geographies. The U.S. has 311 noncore counties that include an urban cluster with a population between 5,000 and 9,999. . . . In reality, a combination of these two approaches will likely yield a reasonable framework for understanding rural-urban continuum opportunities across less populated rural regions.[83]

82. *Id.*
83. *Id.* at 22-23.

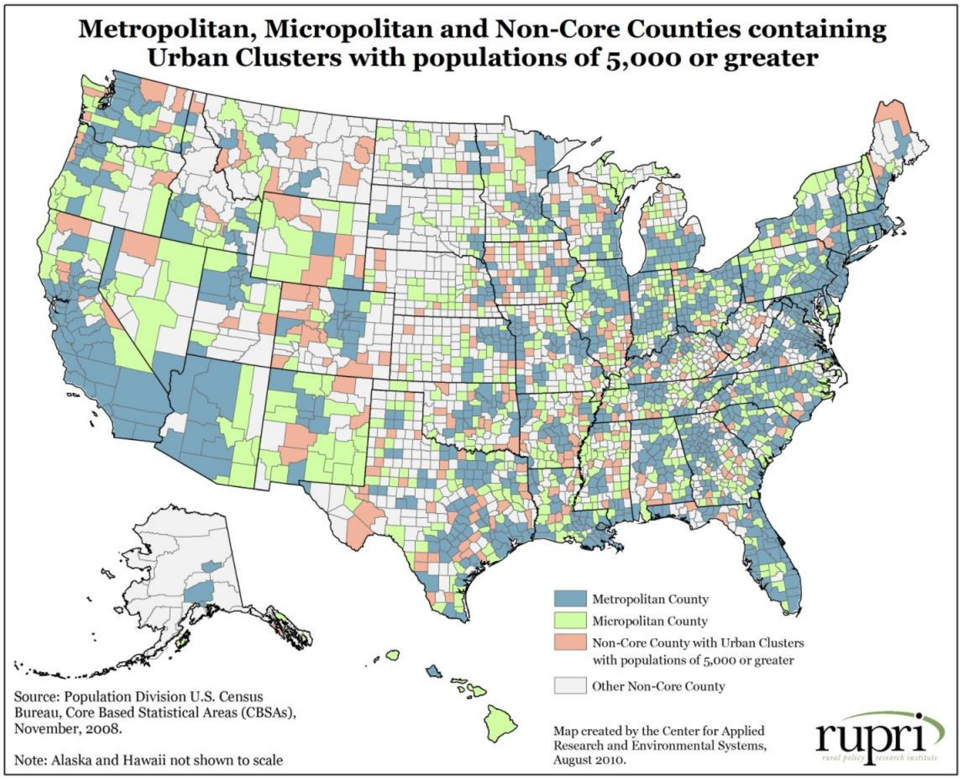

Figure D[84]

IV. The Importance of Regional Rural Innovation

A. *Structural Investment Challenges Facing Rural America*

None have "escaped the global devastation of the Great Recession. Its continuing effects reverberate" throughout our economy, and across our nation's landscape, "with particularly challenging impacts in rural[, inner-city,] and underserved areas."[85] The impact of all this on our federal deficit, with resulting federal budgetary impacts, is quite well-known and publicized. However, its

84. *Population Estimates*, *supra* note 77.
85. FLUHARTY & MILLER, *supra* note 63, at 9.

impact on state and local governments, and the institutions, organizations, and families they serve, will range from dismal to apocalyptic over the next few years.

"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."[86] A recent report from the Center on Budget and Policy Priorities was very sobering:

> The worst recession since the 1930s has caused the steepest decline in state tax receipts on record. As a result, even after making very deep spending cuts over the last two years, states continue to face large budget gaps. At least 46 states struggled to close shortfalls when adopting budgets for the current fiscal year (FY 2011, which began July 1 in most states). . . . States face:
>
> - **Budget problems in 2011.** Fiscal year 2011 gaps—addressed with spending cuts and revenue increases by most states—totaled $121 billion, or 19 percent of budgets in 46 states. This total is likely to grow over the course of the fiscal year, which started July 1 in most states. It may well exceed $140 billion and would be higher still without federal assistance. . . .
>
> - **Uncertainty for the future.** States' fiscal problems will continue in the current fiscal year and likely beyond. Already 39 states have projected gaps that total $102 billion for the following year (fiscal year 2012). Once all states have prepared estimates these are likely to grow to some $120 billion.
>
> - **The effects of gaps in 2010 budgets**. . . . Counting both initial and mid-year shortfalls, 48 states addressed such shortfalls in their budgets for fiscal year 2010, totaling $192 billion or 29 percent of state budgets—the largest gaps on record.
>
> - **Declining federal assistance.** Federal aid to states provided in the American Recovery and Reinvestment Act has lessened state cuts

86. *Hearing to Review the Various Definitions of Rural Applied Under Programs Operated by the [USDA]: Hearing Before the Subcomm. on Rural Dev., Research, Biotechnology and Foreign Agric. of the H. Comm. on Agric.*, 112th Cong. 102 (2011) (statement of Charles W. Fluharty, President & CEO, Rural Policy Research Inst.) [hereinafter *Hearing to Review the Various Definitions of Rural*].

in services and tax increases. But the aid is now mostly gone; only about $40 billion remains to help with 2010 fiscal problems. . . .

- **Combined gaps of $260 billion for 2011 and 2012.** These numbers suggest that states are dealing with total budget shortfalls of some $260 billion for 2011 and 2012. When all is said and done, states will have closed shortfalls of more than $500 billion since the start of the recession.[87]

A recent research brief released jointly by the National League of Cities, United States Conference of Mayors, and the National Association of Counties summarizes the local government impact of these challenges:

> The effects of the Great Recession on local budgets will be felt most deeply from 2010 to 2012. . . . [L]ocal government job losses in the current and next fiscal years will approach 500,000, with public safety, public works, public health, social services and parks and recreation hardest hit by the cutbacks.[88]

The Economic Policy Institute estimates that 30 private sector lay-offs happen for every 100 public sector layoffs.[89] It also reported that "state budget shortfalls for 2010 to 2012 exceeding $400 billion will pose a significant threat to funding for local government programs."[90]

These are very difficult times for rural county and small city governments. They struggle continually with limited capacity, challenging service delivery costs due to geography, diseconomies of scale, and unique dependency on state budget resources, which often provide a third of their operating funds. While federal and state transfers account for 45% of local rural government revenue, in poor rural counties this often approaches 55%.[91]

87. Elizabeth McNichol et al., *Recession Continues to Batter State Budgets; State Responses Could Slow Recovery*, INVESTORSINSIGHT.COM (Aug. 16, 2010, 4:53 PM), http://www.investorsinsight.com/blogs/john_mauldins_outside_the_box/archive/2010/08/16/recession-continues-to-batter-state-budgets-state-responses-could-slow-recovery.aspx (citation omitted) (citing information from a Dec. 18, 2009 report and updated for FY 2012 in ELIZABETH MCNICHOL ET AL., CTR. ON BUDGET & POLICY PRIORITIES, STATES CONTINUE TO FEEL RECESSION'S IMPACT (2011), *available at* http://www.cbpp.org/files/9-8-08sfp.pdf).

88. CHRISTOPHER W. HOENE & JACQUELINE J. BYERS, LOCAL GOVERNMENTS CUTTING JOBS AND SERVICES: JOB LOSSES PROJECTED TO APPROACH 500,000, at 1 (2010), http://www.calculatedriskblog.com/2010/07/survey-local-government-job-losses.html (citation omitted).

89. *Id.*

90. *Id.* at 2.

91. Alison Felix & Jason Henderson, Fed. Reserve Bank of Kansas City, *Rural America's Fiscal Challenge*, THE MAIN STREET ECONOMIST, 2010, at 1, 2.

> 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.[92]

These dynamics within U.S. federalism only serve to exacerbate a perennial structural disadvantage in federal funding for rural community and economic development. As Figures E, F, and G illustrate, rural America suffers from a devastating differential disadvantage in Community Resource Funding. The Consolidated Federal Funds Report has almost always shown a metro advantage over non-metro America in total federal funds per capita. While usually varying between $100 and $300 per capita less, this does amount to an aggregate disadvantage of between $6 and $20 billion per year (see Figure E).[93]

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92. *Hearing to Review the Various Definitions of Rural*, *supra* note 86.

93. Graph created by RUPRI based upon data in the Economic Research Service, USDA Federal Funds Data Set.

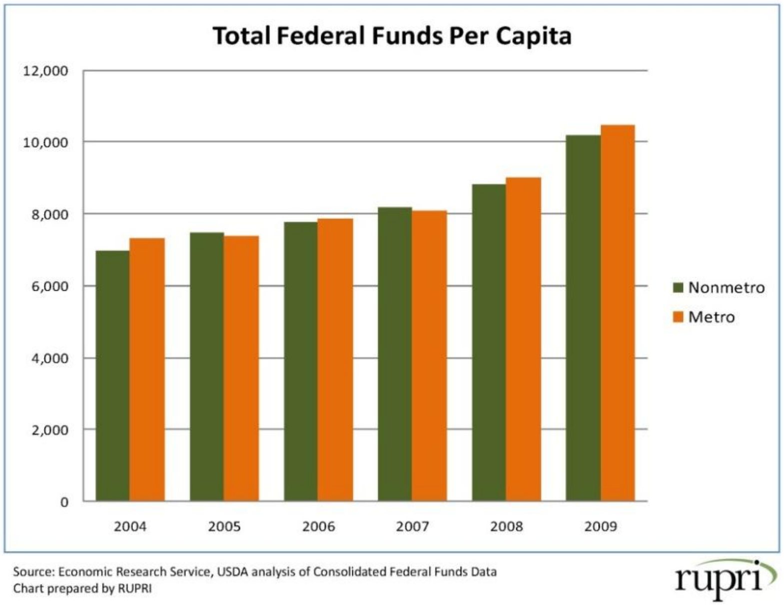

Figure E.[94]

However, the more challenging issue is the difference in the nature of the federal funds returning to rural areas. In rural America, a far higher percentage of total federal funding returns in the form of transfer payments to individuals (Medicare, Supplemental Security Income, etc.), a distribution 9% higher than all other income sources in 2008 (see Figure G).[95] Therefore, in 2009, nonmetropolitan America received $433 per capita less in federal commitments for community resources—an aggregate differential of over $25 billion (see Figure F).[96] What is easily lost in these numbers is that each and every dollar of this amount goes to building rural community capacity, and is intended to benefit the futures of communities in a region. Much of this deficit results from the fact that nonmetropolitan areas do not receive a "place entitlement" under HUD's Community Development Block Grants program. Overall, the relative rural disadvantage, year after year, is profound.

94. *Id.* Data extrapolated from the U.S. Census Bureau Consolidated Federal Funds Reports from 2004-2009. *See, e.g.*, U.S. CENSUS BUREAU, U.S. DEP'T OF COMMERCE, CONSOLIDATED FEDERAL FUNDS REPORT FOR FISCAL YEAR 2009, at 33-75 tbl.15 (2009), *available at* http://www.census.gov/prod/2010pubs/cffr-09.pdf.

95. *See infra* p. 56 fig.G.

96. *See infra* p. 55 fig.F.

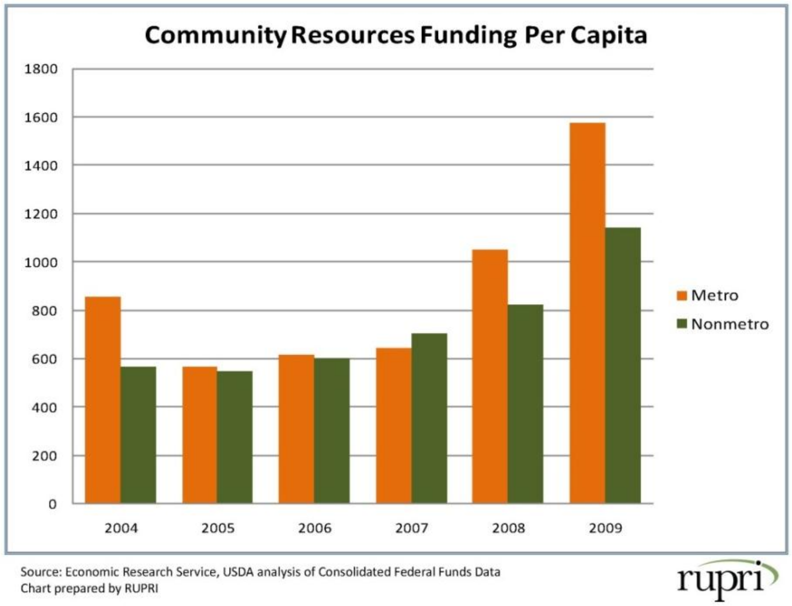

Figure F.[97]

97. Graph created by RUPRI based upon data in the Economic Research Service, USDA Federal Funds Data Set.

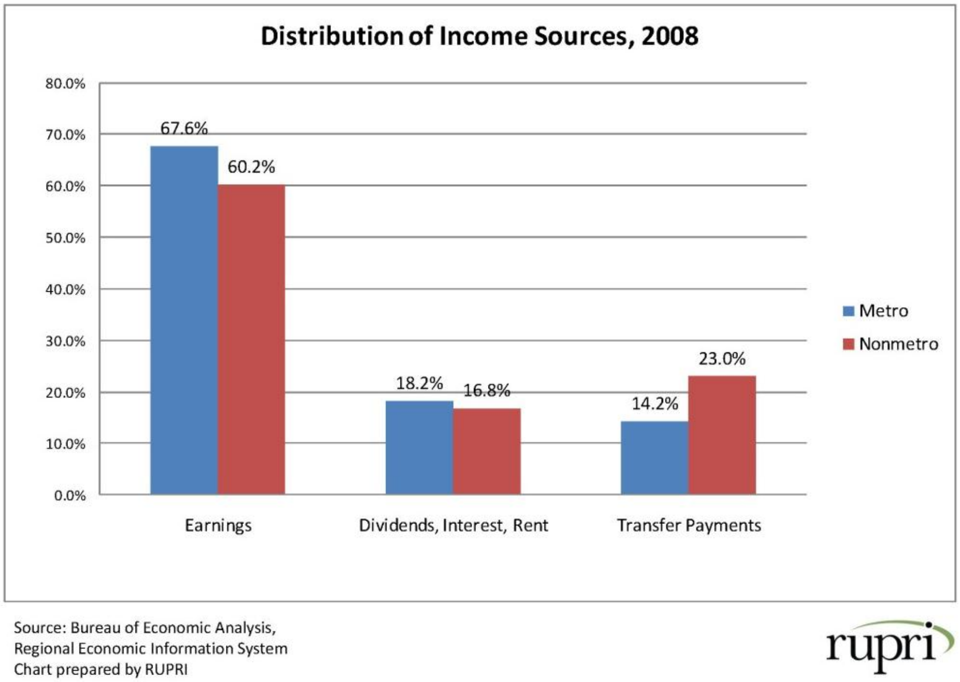

Figure G.[98]

Well, if the nature of federal funding flows creates structural disadvantages for rural innovation and economic development, and if overall federal and state revenues will be radically reduced, can we assume our nation's philanthropies recognize the challenge and are stepping up to fill this void in rural community and economic development resources, shown above to be so critical to all rural citizens, including farmers? Sadly, the rural disadvantage in philanthropic funding is even more significant. In a May 2004 report, the National Committee for Responsive Philanthropy noted that of the $30 billion distributed annually by our nation's foundations, only $100.5 million was committed to rural development.[99] "Of 65,000 or so active grantmaking foundations, there are only 184 engaged in rural development grantmaking . . . ."[100] About twenty founda-

98. Graph created by RUPRI using the Bureau of Economic Analysis, Regional Economic Information System Data Set, regarding Sources of Personal Income.

99. NAT'L COMM. FOR RESPONSIVE PHILANTHROPY, BEYOND CITY LIMITS: THE PHILANTHROPIC NEEDS OF RURAL AMERICA 5 (2004), *available at* http://www.ncrp.org/files/Beyond_City_Limits.pdf.

100. *Id.*

tions engaged in rural development grantmaking accounted for 80% of this total, and "two foundations, the W.K. Kellogg Foundation and the Ford Foundation, constituted 42[%]."[101] While the significant rural community and economic development commitment of these two foundations is commendable, these numbers indicate that the majority of grantmaking foundations in the U.S. have not seriously addressed the developmental needs of rural populations.[102] The same rural differential disadvantage also applies to corporate philanthropy. While total corporate grantmaking in the U.S. amounts to $12 billion annually, "a 2000 study of 124 Fortune 500 corporations found that corporate grantmaking for rural racial/ethnic organizations amounted to 1[%] of their total racial/ethnic grantmaking."[103] In total, of the 124 corporations surveyed for racial/ethnic giving, only 0.7% of the corporate grants were awarded to rural groups.[104] "Rural organizations received only 153 of the 10,905 grants made, approximately 1.4% of grants."[105]

In fact, a more recent study provides a very sobering update. Prior to the Great Recession, foundation grants in the U.S. increased by 43.4% from 2004 to 2008; however, grants to rural organizations declined by 3.45% during that same time period.[106] The study's author, Rick Cohen, a national correspondent for *The Nonprofit Quarterly* magazine,[107] characterizes these trends as reflective of a "metronation" bias in U.S. philanthropy.[108]

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101. *Id.* at 7.
102. *See id.*
103. *Id.* at 18.
104. *Id.*
105. *Id.*
106. Rick Cohen, *Grants for Rural Development in Decline*, DAILY YONDER, Feb. 23, 2011, http://www.dailyyonder.com/grants-rural-development-decline/2011/02/20/3189.
107. *See NPQ's Staff*, THE NONPROFIT QUARTERLY, http://www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=10136&Itemid=1121 (last visited May 23, 2011).
108. Cohen, *supra* note 106.

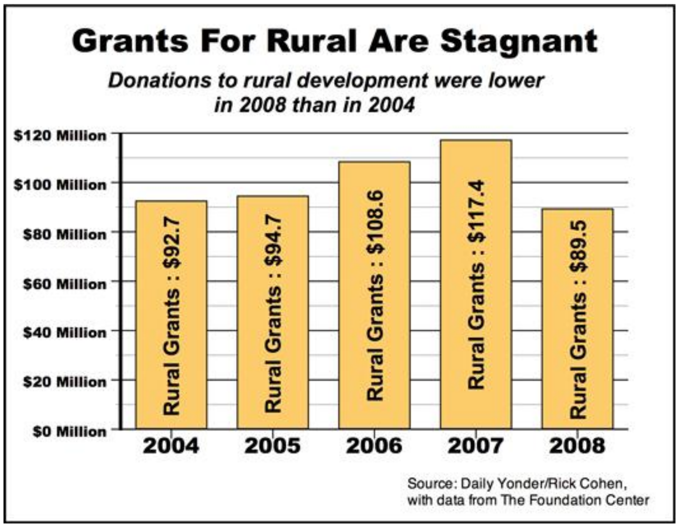

Figure H.[109]

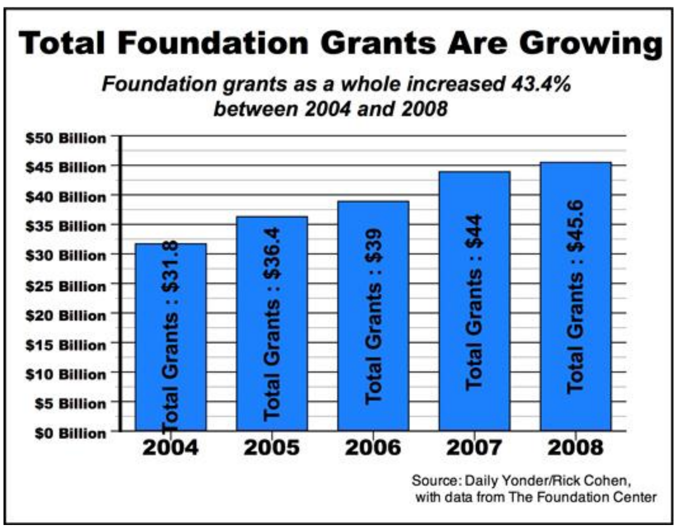

Figure J.[110]

109. *Id.*
110. *Id.*

B. *Moving from a Categorical Grant to a Strategic Investment Framework in the New Farm Bill*

On March 1, 2011, the Government Accountability Office (GAO) released *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue.*[111] In the section titled "Efficiency and Effectiveness of Fragmented Economic Development Programs Are Unclear," the GAO report addresses the duplication and fragmentation that exists in current federal approaches.[112] 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).[113]

USDA RD administers thirty-one of the eighty economic development programs the GAO reviewed.[114] Given the severe federal budget challenge, collaborative agency programming and implementation could enhance the performance of these federal programs, all seeking common rural outcomes.[115] As this report suggests, joint approaches could leverage agency resources, establish compatible policies, procedures, and monitoring programs, and create strategic planning and performance plans that could build cross-agency collaboration and accountability.[116] 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.[117]

> 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 oppor-

111. U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-11-318SP, OPPORTUNITIES TO REDUCE POTENTIAL DUPLICATION IN GOVERNMENT PROGRAMS, SAVE TAX DOLLARS, AND ENHANCE REVENUE 1 (2011).
112. *See id.* at 42.
113. *Id.* at 42-43.
114. *Id.* at 43, 45.
115. *Id.* at 46.
116. *Id.*
117. *See id.* at 43.

tunities to link and exploit unique agency strengths are missed, *a priori*.[118]

In my March 21, 2007 testimony before the House Committee on Agriculture, Subcommittee on Specialty Crops, Rural Development, and Foreign Agriculture, an outline for moving USDA RD toward a Regional Rural Innovation framework was articulated.[119] These dynamics have not altered since then; in fact, the forces outlined above have only served to heighten the advantages of such an approach. Many would argue it is now a necessity, as would I. Below are edited excerpts from the closing section of that written testimony.

> **Creating 21st Century USDA/RD Programs Which Support These New Realities**
>
> If one is to alter Federal rural development policy to advantage new regional framings, serious attention must be given to new Federal incentives which promote regional cooperation among local communities, governments, and institutions. [Until this year], no serious systemic RD incentives for such approaches exist.
>
> A common trait in most successful urban renewal and development is a true partnership between the public, private and philanthropic sectors. Since rural areas typically lack this same level of private sector development, and suffer from an overall lack of critical mass, forging partnerships among these key actors and potential investors will demand new Federal commitments. Building upon an RSIP-type model, these Federal incentives and core funding vehicles should support new partnership models, with equal ownership and control across local officials, private sector leaders (including health care, agriculture, utilities, emerging industries, etc.), universities, community colleges and the nonprofit sectors, among others. A key sine qua non will be the provision of Federal seed capital to support both the

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118. Supplemental Questions for the Record to: Mr. Charles W. Fluharty, President and CEO, Rural Policy Research Inst., *Hearing to Review the Various Definitions of Rural Applied Under Programs Operated by the [USDA]: Hearing Before the Subcomm. on Rural Dev., Research, Biotechnology and Foreign Agric. of the H. Comm. on Agric.*, 112th Cong. (2011), http://www.rupri.org/Forms/Fluharty_SupplementalQuestions_Feb2011.pdf.

119. *See generally Hearing to Review [USDA] Rural Development Programs and the Agency's Rural Development Proposal for the 2007 Farm Bill: Hearing Before the Subcomm. on Specialty Crops, Rural Dev. and Foreign Agric. of the H. Comm. on Agric.*, 110th Cong. 41 (2007) (statement of Charles W. Fluharty, President, Rural Policy Research Inst.).

regional organization and strategic planning as well as the implementation of these regional visions.

If USDA [RD] is to implement such an approach, four challenges must be met:

1. A Congressional mandate must be designed, which rewards RD for reconfiguring programs toward a regional approach, and a new mission area.

2. Incentives must be developed to assure these regional approaches drive program performance assessments.

3. An organizational capacity which can support regional innovation and deliver these new programs must be built, within a framework which engages appropriate institutional partners.

4. Sufficient funding must be committed, to build regional scale and presence.

For example, small city CDBG [Community Development Block Grant] programs have no hard and fast priorities or guidelines. By contrast, current USDA investments are largely very specific program or project grants or loans, with very detailed criteria and delivery dynamics. Addressing this challenge, and creating the framework for all that follows could be one of the most significant innovations in U.S. rural policy over the last 50 years.

In this regard, it is important to note that USDA [RD] investments are not driven by any regional investment plan. While state R.D. Directors must have a state R.D. plan, their investments in local communities and regions are not determined by any regional process or assessed against any regional strategy. In contrast, all Economic Development Districts that receive EDA funding from Commerce must have a Comprehensive Economic Development Strategy (CEDS). Additionally, new EDA guidelines demand that all Economic Development District Boards are made up of 50%+ local government, 30%+ other sector entities including nonprofits, chambers of commerce, higher education, etc. Additionally, a CEDS committee must be established by the EDD Board, with a majority private sector representation, which must include workforce, chambers of commerce, higher education, labor, minority, local government, and nonprofit representation. The new EDA guidelines demand that each District must also catalog (1) current investments in the region, (2) current funding sources, and (3) a catalog of all prior investments. As is evident, an opportunity exists to recommend that USDA investments be framed within such a regional strategic plan, and interface more closely with existing comprehensive economic development strategies for regions, such as the EDA CEDS process.

Given these comments, here are a number of specific ideas for new Federal incentives to promote regional cooperation:

1. In the past, EDA has had a 10% Federal bonus for local communities that participate in an Economic Development District. For example, if you were awarded a $1 million public works grant, the Federal share in the project was increased 10%, if you were working in an EDD framework.

Such a Federal bonus could become part of all loan and grant programs currently operated through USDA/RD, as well as other programs within USDA. While the bonus level and/or local match would be two key variables, the policy principle would be to encourage regional cooperation through this incentive, while not precluding alternative grant proposals from securing Federal support.

2. A variant of this approach would advantage R.D. proposals for grant and/or loan funding to the extent they were submitted with the support of, and coordination through, other programs which are working in a regional framework within the proposal area. These could include:

- Commerce—Existing regional economic development plans, through Planning and Development Districts, or Councils of Government.

- Labor—Participation in one of the federal WIRED grants; linkages to the Regional Workforce Investment Boards, etc.

- Health—The programs operated through the Federal Office of Rural Health Policy, including Network and Flex grants, regional plans developed by State Offices of Rural Health, etc.

- USDA—In addition to the incenting vehicle mentioned above, all USDA grant and loan programs could be advantaged if legislative language either provided incentives or requirements for the State

Rural Development Director to work with other Federal and/or state level agencies in a regional framework. A number of states are developing such an approach, and specific language could be developed to incent additional R.D. Directors to take such an approach.

3. Creation of a state block grant and/or regional block grant to promote regional innovation around a hub Micropolitan Statistical Area, through a USDA "CDBG" type program. Any number of approaches could be developed to take advantage of the Federal "micropolitan" designation. For example, one could create a program called RMAP—Regional Micropolitan Advancement Program. This could be a flexible strategic investment program, along an RSIP model, which would be run through the USDA State R.D. Director's office, to advantage regional partnerships.

The state director could make funding decisions based on recommendations from Regional Strategic Councils, comprised of representation from state and local foundations, workforce investment boards, community colleges and regional universities, chambers of commerce, local and regional governments, agricultural groups, regional councils and nonprofit representatives. The program focus would need to be diverse enough to cover the diverse asset-based development needs of unique regions, including youth development/retention, entrepreneurship, export assistance for small businesses, infrastructure development and business development, as well as attention to heritage and the arts, and other uniquely designed, asset-based development programs.

The federal match rate could be on a sliding scale, based upon the amount of non-Federal investment pooled or leveraged within the region, with a special carve-out for regions which are specifically disadvantaged by lack of internal capacity.

4. A grant approach which leverages existing state "small city" CDBG funds that are grouped to create regional approaches. A number of states are currently creating vehicles which leverage small city CDBG dollars to support regional frameworks. There are any number of ways in which Federal programs could advantage grant or loan applications which are thus matched, or which leverage such state approaches. This could be administered through the state R.D.

> office, working with the governors, who control the CDBG formulae/program allocations.
>
> 5. If the micropolitan regional approach is unworkable, an alternative would be the creation and promotion of a concept such as a Regional Economic Workshed, similar to the watershed models currently being utilized in USDA to address environmental and natural resource concerns. This approach would use the same type of framework, but addresses the reality that the current rural workforce dynamics cross jurisdictional boundaries, as many rural people often commute 30 to 50 miles to work.
>
> 6. One final program idea, while structurally difficult, would truly be unique, and could be very innovative. It would create a vehicle to enable rural areas working in a regional framework to reinvest the wealth and/or financial returns earned in the region through USDA investments. With this type of revolving loan program, one could enable investments which have been repaid to be revolved into these innovation regions, rather than returned to the Federal treasury, as is currently the practice. Clearly, criteria and accountability around this would be challenging, but such an approach would reward those regions that are working diligently to leverage their innovation opportunities, while reducing further Federal funding demands.[120]

Obviously, until the structural resource disadvantages outlined above are addressed, rural America must look internally to better its community and economic development opportunities. Rural regions must craft a common vision; pool very limited resources, talents, and capacities from all sectors; and develop an asset-based approach in which new institutional partnerships between the private, NGO, and philanthropic sectors link with under-resourced rural governments. Though challenged by the lack of technical-assistance funding available for such efforts and the relative lack of philanthropic capacity and grantmaking in rural regions, rural communities have begun this effort. However, absent attention to these huge resource disadvantages, building the new regional collaboration and investment system outlined below will remain a significant challenge. Nevertheless, such developments are absolutely essential if rural regions are to optimize their relative competitive advantage.

Given these challenges, where should policymakers turn in building wiser public sector investments in rural community and economic development?

120. *Id.* at 56-58.

First, we must acknowledge that what has worked in the past will no longer suffice. Once that is evident, regional collaboration and investment systems can be considered. When this happens, we will move from attraction strategies to entrepreneurship; identify and encourage "functional economic regions" to build on existing assets, as broadly defined; and move from sector to place-based approaches. If appropriately configured, this regional framework will engage our institutions of higher education in a new regional compact, where public and private entrepreneurship will be central, a new rural governance between the public, private, and philanthropic sectors will be evident, and new regional leadership, through innovative institutional renaissance, will be expressed.

> These regional efforts are now occurring in almost all of our states.
>
> The growing number of these innovations should result in the Federal Government creating incentives for regional partnering, expanding investments in basic research and regional community and leadership capacity, and funding the development of new public goods for regional decision making, all key elements in a national rural entrepreneurship framework. Should this occur, the Federal Government will become an enabler rather than a driver of such dynamics, as regional, state and local actors work together to build effective new frameworks for regional governance, public and private collaboration, and identification of unique regional assets. Then, a true rural entrepreneurial development system can emerge, to enable innovation to leverage these assets, across space.[121]

VI. CONCLUSION

Unfortunately, unless the committees in the USDA take specific action during their 2012 Farm Bill deliberations to re-calibrate specific sections of the Rural Development Title, USDA leadership will be unable to design the Regional Rural Innovation framework outlined above. Without this innovation in USDA RD authorization, and commensurate action by the Agricultural Appropriations Committees, USDA will remain unable to join their federal colleagues in exploiting this potential to advantage the families, businesses, and communities that call rural America home. If this does not occur, America's farmers and agribusiness concerns will be likewise disadvantaged.

While current USDA RD categorical grant programs remain necessary, and very important, they are insufficient for capturing the rural opportunities

121. *Id.* at 60.

within the dynamic regional economies which are the key to rural America's global competitiveness. This is a critical consideration for American agriculture, as the steward of most of the renewable assets which are poised to drive this rural renaissance. Renewable fuels, renewable energy, regional food systems, export agriculture, and amenity tourism all offer tremendous regional innovation possibilities.

At this moment, given huge federal budgetary challenges, worsening deficit, and rigorous scrutiny of the efficiency and efficacy of every federal outlay, agriculture's historic federal funding levels will definitely be reduced. Given this environment, and the fact that in much of rural America agricultural assets will be central to regional innovation approaches, it would be judicious for rural development and agricultural advocates to finally acknowledge their common futures are not only strategically aligned, but politically essential.

When the new census results are factored into the redistricting of all Congressional districts, the relative rural power in each will continue to decline, as has occurred for the last several decades. It would be wise for American agriculture to acknowledge its need for the support of all rural citizens and broad rural regional innovation. New policy approaches which align rural and small urban interests in regional innovation pursuits would be an excellent first step.

In July 2008, as a Transatlantic Fellow with the German Marshall Fund of the United States, I was honored to facilitate a European Union study tour for a delegation of U.S. agricultural leaders. This delegation was comprised of the CEOs or Presidents of most of our nation's general farm or commodity organizations, and was widely regarded by these leaders as one of the strongest U.S. delegations in which they had ever participated. This study tour, made possible by the generous support of the Farm Foundation, the W.K. Kellogg Foundation, and the William and Flora Hewlett Foundation, had a singular objective: to enable these leaders to better understand the interplay of policies between the U.S. and Europe relating to rural development, their increasing agricultural content, and the critical role wider rural development plays in sustaining the general rural economy. Rural development is growing ever more central to the livelihoods of farm households on both continents.

At the conclusion of their travels, the delegation was gathered for a final debriefing, following a meeting with the leadership of the French Ministry of Agriculture. As final observations were being shared regarding the tour, which all considered one of the most rewarding and educational in which they had ever participated, the President of a Midwestern state's Farm Bureau offered the following summation, which I paraphrase here:

> I have learned a very great deal and have benefited most from sharing with fellow farmers here; but I have one troubling observation. I

> must admit that every farming village and town we have visited in these countries is in far better shape than my own hometown. I am not suggesting, at all, that we want to adopt a European model, but I am saying these producers are very involved in advocating for rural development programs here, see great benefit to their operations as a result, and have communities which reflect these investments. We must take these lessons home with us.

I could not agree more.