Needed: New Approaches To Keeping Rural America Strong

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Most of the debate over the 2012 Farm Bill has centered on building a better safety net for farmers and ranchers who face extreme volatility with prices and production. At least, until the Senate Agriculture Committee's first 2012 farm bill hearing.

Held in Washington, D.C. earlier this month, the hearing focused on how the same type of risk management thinking for commodities should be applied to small towns, rural counties and regions.

"Vibrant rural communities are critical for the economic survival of all rural Americans, including farm families," testified Chuck Fluharty, President and CEO of the Rural Policy Research Institute at the University of Missouri.

One reason: Most farm households earn the majority of their income off of the farm and many of those jobs are located in small towns or regional hubs. According to USDA's Economic Research Service about $49,500 of the $54,000 in median U.S. farm income is generated off the farm. For those with up to $250,000 in sales, it's 75 percent of their income. Even for the largest commercial farms, the percentage is still 20 percent.

Farm households also benefit from the amenities and services that their small towns may provide, whether it's a school, health clinic, pharmacy, grocery store or the local café.

Fluharty made the case to members of the U.S. Senate Committee on Agriculture that the very same risk management approaches being considered for farmers should be employed for other entreprenuers and economic development practitioners, with the focus on three principles:

- Creation of a more innovative, streamlined, flexible, and regional approach to enable USDA RD to administer the remaining suite of recently-downsized, but very effective economic development programs in a more integrated, aligned, and leveraged framework, and wherever possible, in a regional context.
- A regional framework to advance asset-based innovation and entrepreneurship, and above all else, align much more effectively and efficiently with other programs at sister federal agencies addressing similar needs.
- Ensure a sufficient level of rural debt, venture and equity capital, as well as an appropriate and flexible suite of federal instruments through which they are delivered, to meet rural financing need.

The $28 billion difference

With very significant reductions in Rural Development Budget Authority, resulting from continuing reductions in annual RD appropriations over the past decade, Fluharty pointed out that rural communities are at a huge disadvantage compared to their urban counterparts.

For example, in 2010, metropolitan counties received $1,519 per capita for these community and economic development programs, compared to only $929 per capita in nonmetro counties. This difference represents over $28 billion more that could have been made available to rural communities if the per capita funding levels were equalized.

"With Rural Development Budget Authority being further reduced, where is rural America to turn in the future?" Fluharty asked lawmakers.

One place rural residents could look is to tax-exempt foundations. But Fluharty pointed out that a huge rural disadvantage exists in the philanthropic community, as well.

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."

"Rural America remains challenged by this long-standing, differential disadvantage in philanthropic investment in its people, organizations, and institutions. And this is now more critical than ever, as federal, state and local government resources continue to decline," Fluharty pointed out in his written testimony.

He also challenged the "generous subsidies" provided to foundation donors and suggested more investigation is needed into why so many foundations are ignoring Rural America.

Of the $46 billion given by foundations in 2010, only 1 percent went to rural programming, Fluharty emphasized.

"This geographic inequity has grown no better over time, while rural community capacity shrinks and rural safety net needs grow exponentially," he added.

Senator Max Baucus (D-MT), who chairs the powerful Senate Finance Committee and also serves on the Agriculture Committee, spoke to the Council on Foundations in May of 2006 and challenged foundation leaders to double their grant making to rural America in the next five years. As a result, about 180 representatives from foundations and nonprofits met, as part of the Council on Foundations, in his home state in 2007 to discuss how to get more money flowing into rural areas and small community foundations.

By some estimates, there is as much as $40 to $50 trillion dollars that retiring Baby Boomers will pass on to their heirs between now and the year 2050, with a good chunk of that wealth harbored in farmland and other small town assets.

The Kansas Association of Community Foundation's "Transfer of Wealth" research found that $66 billion will be transferred from one generation to the next in just the state of Kansas by 2020. They estimated that much that wealth will flow to heirs who live outside the state, but about $3.3 billion or 5 percent could be preserved in community foundations.

As a result of Baucus highlighting the issue, the Council on Foundations promised more dialogue about the subject and called for studying the "transfer of wealth" in rural areas. But Council members also told rural leaders to build and control their own new philanthropic funds rather than rely on outside funders in the nation's big cities for grant support.

Messages like these have not been lost on people like Harry Watts, Managing Director-Governmental Relations at Kansas Farm Bureau, and one of the driving forces on rural development in his state.

With initial funding from USDA Rural Development and the Small Business Administration, Watts helped launch two rural development efforts, the Kansas HomeTown Prosperity Initiative – based in part on a similar Nebraska initiative – and the Kansas Entreprenurial Communities Initiative.

The HomeTown Prosperity program focuses on developing and mobilizing leadership capacity; capturing wealth transfer through charitable giving; energizing entrepreneurship; and attracting and engaging young people. The Kansas Entrepreneurial Communities Initiative focuses on growth-oriented entrepreneurs and enhanced opportunities for attracting people and growing businesses.

Results in communities like Atwood show that the effort is paying off, according to KFB. New families are moving in, school enrollment has increased for the first time since 2000 (after a 34 percent loss in student population), more jobs are available and income has increased.

In his testimony, Fluharty also highlighted another positive rural initiative, which demonstrates the type of regional approach championed by Agriculture Secretary Tom Vilsack.

"Seventeen counties in southeast Kansas recently formed a regional initiative, designed to create a new framework for economic development there. With support from Governor Brownback, four state senators representing those counties, county and municipal officials, and a diverse set of private and not-for-profit organizations and institutions, a new future is being envisioned, aligning federal, state, and local investments, contributions from the public, private, and philanthropic sectors, and strong support from state, regional, and community colleges and universities, as well as the private sector," he noted.

Despite the fact that more individuals are starting to focus on a new safety net for small towns and rural communities, Fluharty insists that much more work is needed.

"Regional and community foundations are doing excellent work" in seeking to fill the many of the gaps that exist in providing funds for rural development," emphasized Fluharty. "But the gap remains, and it is vast." Δ

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