



Written Statement for the Record

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Subcommittee on Jobs, Rural Economic Growth,
and Energy Innovation**

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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.

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Thank you, Chairwoman Heitkamp, Ranking Member Johanns, and members of the Subcommittee. It is an honor to appear before you again, to discuss the importance of regional strategies in rural economic development, with particular attention to emerging opportunities developed by you in the new Farm Bill.

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. 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.

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.

Overview

Madam Chairwoman, as you know, I have been honored to appear before this Committee many times, over the years. With each Farm Bill reauthorization, I have sought to frame a policy perspective which reflects the most critical dynamics to be addressed, to lessen the comparative disadvantage to rural people and places. During earlier Farm Bill hearings, my testimony was quite detailed, and there has not been significant alteration of the RUPRI perspective regarding these elements. In my February 15, 2012 testimony before the full Committee, three specific policy recommendations were advanced to create a more innovative Rural Development framework:

- I. Given current budgetary challenges, it is critical that this Committee create 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.**
- II. This regional framework should 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.**
- III. Given past, current and future RD funding reductions, this Committee must 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. In addition, this Committee should also explore why there continues to be a glaring lack of rural investment by our nation's major foundations.¹

These recommendations further focused my testimony before the House Committee on Rural Development, Research, Biotechnology, and Foreign Agriculture in 2011:

“It is gratifying to acknowledge major advances on a number of these issues, 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.”³

It is very encouraging that USDA Rural Development has given much greater attention to all three of these opportunities, and that the Agriculture Committees have provided the Agency with much more robust regional innovation flexibility under the new Title.

¹ Fluharty, Charles W. (2012) Written Statement for the Record: Testimony before the United States Senate Committee on Agriculture, Nutrition, and Forestry, February 15, 2012, Washington, D.C.
http://www.rupri.org/Forms/Fluharty_Testimony_Feb152012.pdf

The challenges facing rural communities and counties, as federal and state funding levels continue to decline, are well understood. These structural dynamics, coupled with historic federal rural disadvantages in community and economic development funding, the fact that nonmetropolitan areas have no Community Development Block Grant (CDBG) place entitlement—which enables multi-year, strategic investment alignments in our nation’s metropolitan areas, and the infinitesimal philanthropic investment in rural America, highlight the importance of integrating and leveraging rural investments via regional collaboration.

Historically, USDA Rural Development has lacked the statutory flexibility to fully collaborate with sister agencies in regional innovation. The new Farm Bill offers the Secretary a great opportunity to leverage the advantages which regional innovation offers. To highlight what this new USDA authority could mean, I would like to discuss what such a framework has offered one of our nation’s most challenged rural areas, where an emerging regional innovation and governance culture is taking hold, and truly making a difference.

Lessons from “Shaping Our Appalachian Region”: The SOAR Example

In the fall of 2013, Kentucky Governor Steve Beshear and Fifth District Congressman and House Appropriations Chairman Hal Rogers began to discuss the possibility of collaborating, to create an initiative to address the continuing challenges facing eastern Kentucky. Well aware of the prolonged difficulties facing the region, including the hardships resulting from restructuring in the coal industry, they believed the region was at a tipping point. They also believed that the people of eastern Kentucky were ready, willing, and able to begin an honest dialogue regarding those challenges, and to work together to create a more hopeful future. They understood, as both national and state governments faced severe budgetary cutbacks, that old approaches were no longer possible, and that a new framework for the region’s future would be essential.

The Governor and Congressman invited a diverse group of regional citizens to serve as a Planning Committee charged with designing, developing, and executing a regional dialogue. The committee assembled in Hazard on October 28, 2013, for an intensive, daylong session. At a news conference which followed, they christened the enterprise “Shaping Our Appalachian Region (SOAR).” Out of that session grew a vision for a SOAR Summit, to take place in Pikeville on December 9. To support the event, the Appalachian Regional Commission and USDA Rural Development, among others, offered support. RUPRI agreed to assist the Governor and Congressman, their staffs and the Planning Committee with Summit activities.

The morning of December 9 dawned cold, foggy, and wet in Eastern Kentucky, but the weather did not deter 1,700 citizens from traveling to the East Kentucky Convention Center in Pikeville to participate in the SOAR Summit, designed to foster a new dialogue about the assets and opportunities available to eastern Kentucky and innovative ideas for moving the region forward. Following plenary presentations, participants took the floor in nine “regional opportunity” sessions, led by members of the Planning Committee and other state and regional leaders.

The nine sessions focused on job creation and retention; entrepreneurship and innovation; infrastructure; public and private investment; tourism (including natural resources, culture and

arts, community and regional foods); regional collaboration and identity; leadership development and youth engagement; lifelong learning; and, health/biotechnology/human services. At the end of the day, most realized a new regional innovation commitment was being expressed.

A report that provided a comprehensive chronicle of the summit, released by Gov. Beshear and Congressman Rogers on January 14, 2014, reaffirmed that the people of eastern Kentucky care deeply about the future of their region, have an abundance of creative ideas about how that future might be shaped, and were ready to roll up their sleeves and get to work. The report documents messages and comments submitted throughout the event, as well as conversations held during the event's nine breakout sessions. In all, more than 1,000 comments are captured in the report, including more than 600 written ideas and organizational commitments to support the initiative.² One of the most common themes was that cities and counties must finally stop competing and realize that to be globally competitive, the 50 counties in Appalachian Kentucky share similar assets and must begin to align their futures. The SOAR Region was born that afternoon.

At a news conference in Hazard on March 24, 2014, Governor Beshear and Congressman Rogers released a nine-month plan for advancing the SOAR initiative and named the leadership teams who will move the plan forward. State and local leaders who will invest significant time and energy in building a strong base for a regional development joined the Governor and Congressman and pledged their continued support for the initiative's work and goals.

A 15-member Executive Committee was chosen to oversee design, execution, and funding of SOAR activities, and a larger development committee was appointed to build a sustaining resource base for SOAR, through the creation of integrated private, public, and philanthropic sector investments. Ten working groups of 15-20 regional leaders were established to facilitate regional discussion throughout Eastern Kentucky, in listening sessions designed to engage businesses, local governments, organizations, and interested citizens. All these activities will provide the basis for the work of a Futures Forum Committee, chaired by former Kentucky Governor Paul Patton, charged with building a ten-year vision for the future of the SOAR region, this will build upon innovations and emerging opportunities captured in the content development and public outreach executed by the Working Groups over the next six months. Working Groups were established to address Agriculture, Community & Regional Foods; Broadband; Business Recruitment; Business Incubation; Education & Retraining; Health; Infrastructure; Leadership Development & Youth Engagement; Regional Collaboration & Identity; and Tourism, including Natural Resources, Arts, & Heritage.

Over the past two decades, RUPRI has been honored to assist many of our nation's regions in capturing the benefits of regional approaches. I have never experienced a greater bipartisan commitment to regional collaboration than we are seeing in the SOAR enterprise. Conversely, seldom have we witnessed a greater need for collaboration. But these historic efforts are bearing fruit. Since SOAR has been formed, state and federal leaders have announced the launch of several programs which will result in millions of investment dollars in the region, and create a strong foundation for the multi-year SOAR initiative. In January, Governor Beshear and

² Rural Policy Research Institute (2014). Final Report to the Region: 2013 Shaping Our Appalachian Region Summit, Rural Policy Research Institute, Columbia, MO. <http://governor.ky.gov/Documents/SOAR-report.pdf>

Congressman Rogers jointly announced plans to extend high-speed broadband throughout Kentucky, with Appalachian counties receiving the first investments. This project is expected to take three years, and build 3,000 miles of fiber infrastructure.

In January, the Governor also announced a commitment to extend the Mountain Parkway, to create a four-lane corridor from Interstate 64 near Winchester to Pikeville. Funds to initiate this work were just approved by the Kentucky Legislature. The Kentucky Highlands Investment Corporation recently facilitated the coordination of an eight-county region in southeastern Kentucky that was designated by the White House as a federal "Promise Zone." This came on the heels of a U.S. Department of Education announcement of a \$30 million Race to the Top-District grant for 17 eastern Kentucky school districts. The Kentucky Valley Education Cooperative is leading this effort, which will benefit 43,000 students and 2,500 educators in 14 Appalachian counties.

In late January, Agriculture Secretary Tom Vilsack joined Governor Beshear and Congressman Rogers to announce that USDA's StrikeForce initiative would be extended into Kentucky. This initiative is designed to strengthen partnerships in poverty-stricken rural areas, to ensure equal access to all USDA programs. Like the Promise Zone, the StrikeForce commitment benefits regional collaboration by improving the potential for federal investment through enhanced grant and loan scoring.

While none of these investments were solely the result of the SOAR initiative, the multi-county regional commitment added significantly to the competitive advantage of all, as the new regional innovation culture makes clear the enhanced potential to leverage federal investments for the benefit of all the people and places in Appalachian Kentucky.

We have been honored to assist in this effort, and it has been a profoundly humbling experience. But it offers tremendous guidance regarding how such work should be undertaken, and how important it is that the process be inclusive, bipartisan, not controlled by any one jurisdiction or agency, and always open to the wise and deeply grounded perspectives of the people it seeks to serve. Lessons for all, of course. But also quite hopeful, if USDA can be given the flexibility necessary to initiate such efforts in the same manner, in the future.

Thank you, Madam Chairwoman, Ranking Member Johanns, and members of this Subcommittee, for the opportunity to testify before you today. I would be pleased to answer any questions you may have.