STATEMENT OF HILDA GAY LEGG
Administrator, Rural Utilities Service
Rural Development Mission Area
United States Department of Agriculture
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Chairman Bunning and Members of the Committee, thank you for the opportunity to participate in this hearing, "The Economy in Rural America," the second in a series of hearings entitled: "Jumpstarting the Economy." You are to be commended for this careful and thoughtful approach to creating a public forum for both understanding the problems and challenges we face and seeking answers to those challenges.

As Administrator of the Rural Utilities Service and as a part of the USDA Rural Development team, I work with our programs that provide financing for infrastructure construction for electric power, telecommunications, and water and waste disposal services. I come from a background that includes building economic development in Kentucky and working with the Appalachian Regional Commission. The programs of the Rural Utilities Service are just a part of the Rural Development mission area that also finances Rural Housing, Community Facilities, Rural Business and Cooperative Services programs.

Our focus in the Rural Development mission area is to help rural areas achieve economic and social gains that are solid and long lasting. When you are working to build jobs and economic development in small rural communities, you are always looking for the home run that brings in hundreds of new jobs. But we must be mindful that quite often, the long term gains are made with adding a few jobs to a small business or helping local business leaders target industries that add value to the existing community.

The Federal Reserve Bank of Kansas City's Center for the Study of Rural America reports in their May Overview, that the rural economy continues to hold steady, with rural jobs growing slightly by 0.7 percent in February compared with a year earlier. Job growth is increasing at a slightly higher percentage in rural areas compared to job growth in Metropolitan areas according to the Bureau of Labor Statistics. The overall economy appears to be gaining strength, and unemployment in both metro and non-metro areas can be expected to decline as growth picks up this year and next.

While no one is claiming we are in a boom cycle again, it appears that the rural economy is heading in the right direction. President Bush's initiatives on tax cuts, business growth, and energy are all a vital part of this equation.

There are a number of things that can be done to help stimulate rural economic growth. There is no one answer for fostering rural economies because like the rest of the Nation, rural America is very diverse. Rural America is an eclectic mix of races, ethnic groups, terrain, climate, amenities, businesses, and institutions. While agriculture is certainly prominent, no one industry dominates the rural landscape, nor does a single pattern of population decline or growth exist for all rural areas. Diversity presents opportunities for creative answers and unique partnerships.

At the beginning of the 21st century, according to the U.S. Census and the USDA's Economic Research Service, rural America comprises 2,305 counties, contains 80 percent of the Nation's landmass, and is home to 56 million people. Seven out of eight rural counties are dominated by manufacturing, services, and other employment not related to the production of food and fiber.

In Secretary of Agriculture Ann Veneman's book "Food and Agriculture Policy", published last year, it is pointed out that despite seven out of eight rural counties being dominated by non-farming activities, this in no way diminishes the importance of ranching and farming in many rural areas. However, in many other countries, this diversity provides a strength that will hold up in times of too much rain or not enough.

The economic resources of many rural communities draw from three basic assets: natural attractions for tourism and retirement; low-cost, high-quality labor and land for manufacturing; and natural resources for farming, forestry, and mining. This is quite different from a half a century ago when a quarter of our population was engaged in farming and ranching.

The role of the Rural Development mission area of USDA is to provide an effective set of tools to help these diverse rural communities improve their economic growth. One challenge we face is infrastructure. On the national level, we have seen a serious downturn in infrastructure development, especially in the telecommunications field. In more urban areas, there was a great deal of "dark" or unused fiber optic laid with the belief that "if you build it, they will come." On the other hand, very little dark fiber exists in rural America.

The fact is we had to re-learn an old lesson, that a good business plan is necessary, no matter what the technology. High-speed telecommunications services are mandatory for new jobs for not only the future, but also today. Just like a good road, fiber optics requires a use for it to be beneficial to add to economic structure of a rural area. There is no doubt, without that infrastructure being built, "they will not come!" Modern infrastructure is necessary to bring in many things that are needed: businesses, quality housing, modern schools, quality health care, dependable electric power, safe drinking water, and ecologically sound waste disposal. In the same manner, without houses, businesses and strong communities, there is no need for modern infrastructure. Just to install broadband telecommunications capability without a plan for its use, it is high stakes rolling of the dice.

Rural America finds itself in the midst of a revolution of change in the areas of telecommunications and electric infrastructure. The Telecommunications Act of 1996 has created an interesting and complicated landscape. Many of the larger providers have chosen to place their resources in the more densely populated areas of the country. But we see a vast number of entrepreneurs, from small traditional telecommunications companies to new start-up businesses, stepping bravely into this new, hopefully competitive market place. The general investment community is very hesitant today to finance any telecommunications development needs, and this has made our job at USDA far more challenging. We want to provide funding for high speed telecommunications development, but we also want to continue our history of high quality loans that are good use of taxpayer dollars entrusted to us by the Congress.

Today's high speed telecommunications offer as much new opportunity to rural communities, businesses, schools, and health care facilities as the availability of electric power and telephone service did some half century ago. Along with this infrastructure is the need for high quality education. If rural America is to continue to provide a high quality work force, a base of customers with good incomes, then educating and training that workforce is vital to economic development.

We are seeing examples of economic development that is making a difference in the lives of rural citizens. When Secretary Veneman and Under Secretary Tom Dorr announced the new Broadband Loan program this January, we heard testimony via telecommunications video conferencing with a businessman and a farmer in Kansas as to what the availability of high-speed technology meant to them.

For Osborne Industries, a local agricultural services manufacturing company, a high-speed connection better enables them to manage and market their products competitively in domestic and international markets far from Osborne, Kansas. The local farmer told how he was not only better able to follow markets and weather information, but his wife was able to further her education through telecommunications without long drives and time away from her family. Use of telemedicine is bringing improved quality health care that is often life saving to rural citizens.

Clean, safe drinking water and ecologically sound waste disposal is an equally vital aspect of both rural health needs and quality of life for rural citizens. There is no more basic human need than clean safe drinking water. USDA, through the Rural Utilities Service, provides loans and grants to over 8,000 small municipal and rural water systems. If you are going to recruit a business to a small community, one of the first questions they will ask is in regard to the availability of water and waste infrastructure. If the business involves manufacturing, the need is ever greater.

We see the development of renewable energy not only to improve the availability of energy to rural residents, but also as a rising economic opportunity. The future development of "power farming" will be a new crop in many cases for farms and rural residents. Ethanol, solar and wind are the most economically competitive energy sources at this time, but development of bio-energy projects continues to improve the economic future for farms and rural businesses. Use of traditional farm crops such as soybeans and corn for industrial bioproducts will increase the demand for those crops over time.

Challenges remain. Some areas of rural America are seeing population growth and with it, economic development. Other areas, such as the Great Plains and parts of Appalachia continue to experience out-migration. This places strains on local economies and under cuts the tax base for local and state government. Many of our Native American tribal reservations as well as other pockets of other rural areas, still face high unemployment and poverty, coming from isolation, lack of infrastructure, and the need for innovative leadership. As a Nation, we are as strong as our weakest link. Low percentages of unemployment sound a little hollow to that person that is unemployed. That person's unemployment level is 100 percent.

It is always easy to look at national numbers and percentages, while forgetting the individual needs of rural citizens and communities. USDA, like any other Federal agency, does not have easy answers. We do find that by working with our rural partners of community leaders, we can make gains in rural communities and that turns that big ship in a different direction, one degree at a time. The USDA Rural development field staff, in state and local offices, still serves as our front line in working directly with rural leaders for stronger communities.

Building quality infrastructure, housing and businesses based on long-term plans and good business models makes an economy grow. Local leadership and citizen commitment is a key ingredient to making these programs work.

In an article in the Economic Review, First Quarter of 2003, Jason Henderson and Nancy Novack do a good job of summing up what must be done in rural areas for economic growth to occur. "To compete in the future, rural industries will need to be innovative in finding business solutions that go well beyond low-cost land and labor. Success will depend on management skills in addition to production capabilities. New products will need to be developed. New technologies will need to be adopted to increase production efficiencies and create a new competitive edge for rural industries."

This will require strong education to be available to keep up with a changing world. It will require available capital for business development. And it will require strong rural leadership to make these things happen at the local level. Partnerships with other local communities, on a regional basis, and often with the larger metropolitan areas will be key in rural economic growth of the future.

I appreciate Chairman Bunning's leadership and the support of Congress as you work to continue to make rural America a strong and vital place to live and work.

Thank you.