DOCUMENT RESUME

ED 374 950 RC 019 808

TITLE	Rural Development: Patchwork of Federal Programs Needs To Be Reappraised. Report to Congressional Requesters.
INSTITUTION	General Accounting Office, Washington, DC. Resources, Community, and Economic Development Div.
REPORT NO	GAO/RCED-94-165
PUB DATE	Jul 94
NOTE	69p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20884-6015 (first copy, free; additional copies, $2 each; 100 or more, 25 percent discount).
PUB TYPE	Reports - Evaluative/Feasibility (142) -- Information Analyses (070)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Economic Development; Federal Aid; *Federal Programs; Government Role; Human Resources; Public Policy; Rural Areas; *Rural Development; *Rural Economics

ABSTRACT

This report identifies factors that influence a rural area's economic success or failure, and evaluates whether federal programs efficiently address rural economic problems. Data collection included a review of federal programs that provide funding to rural areas, and interviews with federal and state agency officials involved with rural development and with local officials in 31 rural counties in 13 states. The counties selected were samples of counties that performed better than, worse than, or consistent with the predictions of an economic model. Three factors that frequently inhibit economic growth are inherent rural characteristics--distance from metropolitan areas, reliance on a single industry, and sparse population. Other obstacles to rural development are inadequate infrastructure, poor business climate (lack of credit or tax incentives, and workers lacking in technical or basic skills), lack of local business expertise, financial drain of unfunded state and federal mandates, and lack of effective local leadership and planning. Between 1983 and 1992, approximately 689 federal programs related to economic development, human resources, agricultural/natural resources, and infrastructure channeled about $66/ billion to rural areas. Of the 689 programs, 461 were human resource programs sponsored by such entities as the National Science Foundation, the U.S. Department of Education, and the National Endowment for the Humanities. The many complex and narrowly focused programs are generally difficult and costly to use because officials must grapple with a variety of rules and regulations. These numerous programs are an inefficient surrogate for a single federal policy for rural economic development. Moreover, the federal interagency group established to address these problems lacks the authority to make program changes. Appendices contain a list of counties visited, comments from federal departments, and legislative recommendations. (SV)

GAO

United States General Accounting Office

Report to Congressional Requesters

July 1994

RURAL DEVELOPMENT

Patchwork of Federal Programs Needs to Be Reappraised

GAO/RCED-94-165

GAO United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-256798

July 28, 1994

Congressional Requesters

This report responds to requests from the Chairmen of six Senate and House subcommittees and the Chair and Vice Chairs of the Congressional Rural Caucus that we analyze the (1) factors affecting the economic well-being of rural areas and (2) efficiency of federal efforts to assist rural areas. It also contains matters for consideration by the Congress aimed at making federal efforts on rural economic development more productive.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to interested congressional committees; the Secretary of Agriculture; the Director, Office of Management and Budget; the Steering Committee of the National Rural Development Council; and other interested parties. We will also make copies available to others on request.

This work was performed under the direction of John W. Harman, Director, Food and Agriculture Issues, who can be reached at (202) 512-5138 if you or your staff have any questions. Major contributors to this report are listed in appendix VI.

Sincerely yours,

Keith O. Fultz
Assistant Comptroller General

List of Requesters

The Honorable Kent Conrad
Chairman, Subcommittee on Agricultural Credit
Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Thomas A. Daschle
Chairman, Subcommittee on Agricultural Research,
Conservation, Forestry, and General Legislation
Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Gary A. Condit
Chairman, Information, Justice, Transportation,
and Agriculture Subcommittee
Committee on Government Operations
House of Representatives

The Honorable Tim Johnson
Chairman, Subcommittee on Environment, Credit,
and Rural Development
Committee on Agriculture
House of Representatives

The Honorable Glenn Poshard
Chairman, Subcommittee on Rural Enterprises, Exports,
and the Environment
Committee on Small Business
House of Representatives

The Honorable Bill Sarpalius
Chairman, Subcommittee on General Farm Commodities
Committee on Agriculture
House of Representatives

The Honorable Jill Long
Chair, Congressional Rural Caucus

The Honorable Thomas W. Ewing
Vice Chair, Congressional Rural Caucus

The Honorable H. Martin Lancaster
Vice Chair, Congressional Rural Caucus

4

Executive Summary

Purpose

The traditional sources of rural America's economic vitality—such as farming and industries based on natural resources—have undergone gradual yet significant restructuring during the 1900s. This restructuring has been followed by long-term trends of disappointing economic performance: Poverty rates remained high in rural counties, and unemployment rates were generally higher in rural areas than in urban areas. These conditions contributed to an exodus from many rural areas, exacerbating their difficulties.

This report responds to congressional concern about the economic problems facing rural America. In particular, it (1) identifies the factors that influence a rural area's economic success or failure and (2) evaluates whether federal programs efficiently address rural economic problems.

Background

In recent years, the federal government has taken several actions to focus attention on rural problems. The 1990 Presidential Initiative on Rural Development—subsequently called the National Rural Development Partnership—was designed primarily to improve the coordination and organization of federal, state, local, tribal, and private rural development activities. Also in 1990, the Congress authorized the establishment of the Rural Development Administration to administer rural policies and programs assigned to the U.S. Department of Agriculture (USDA).

These actions follow dramatic changes in the economic and demographic profile of rural counties over the last several decades. For example, during the 1980s, employment in farming, mining, and forestry—the sources of traditional rural employment—declined as a percentage of rural areas' total economy, while the percentage of employment in service-providing industries, such as restaurants and nursing care facilities, increased. This shift in the sources of employment has meant that 2.5 million rural workers—1 in 5 of whom were high school dropouts—were less likely to find employment in manufacturing and resource-based industries, and the employment they found elsewhere was not likely to pay as well. In addition, between 1930 and 1990, the proportion of the nation's population living in rural areas dropped from about 44 percent to about 25 percent.

GAO used an economic model, developed in cooperation with USDA's Economic Research Service, to assist in identifying the 31 counties in 13 states and 29 regions that served as case studies for this review.

Results in Brief

Many factors can affect the economic vitality of a rural community; no single factor or combination of factors will guarantee economic success. Some of the major factors that may deter development stem from the very characteristics that define rural areas—sparse population, isolation, and dependence on a single industry. However, effective local leadership and long-range planning can enhance an area's opportunities for economic development. These factors are generally necessary because each area has unique qualities that require customized, rather than off-the-shelf, solutions to its economic problems.

The web of federal policies, programs, and regulations that accompany federal funding makes the delivery of assistance inefficient, according to local and regional officials. The many complex and narrowly focused programs are generally difficult and costly to use because officials must grapple with the programs' different rules and regulations. These numerous programs are an inefficient surrogate for a single federal policy for economic development in rural areas. Moreover, the federal interagency group established to address some of the problems in the programs' delivery of assistance can take only limited action because it lacks the authority to make changes in the programs.

Principal Findings

Multiple Factors Affect Economic Development

Three characteristics of rural areas—distance from metropolitan areas; reliance on a single, often natural-resource-based industry; and sparse population—are factors that frequently inhibit growth. For example, during the 1970s and 1980s, rural counties adjacent to metropolitan areas generally grew more rapidly in population than those farther away, according to a 1993 study by USDA's Economic Research Service. Furthermore, when a rural community relies on a single industry, the community's economic performance depends heavily on the performance of that industry. This single focus has hurt many rural areas because employment in the types of industry they rely on—resource-based industry and manufacturing—has not grown in recent years. Finally, sparse population can inhibit economic growth because, among other things, it can increase the costs of delivering essential services to rural areas.

Of the many other factors influencing economic development, local leadership can be key. For example, one county GAO visited has performed exceptionally well, according to local officials, because local leadership promoted, among other things, the development of a diversified economy. In addition, rural development officials in 15 of the 29 regions GAO visited noted that inadequate local leadership created significant obstacles to development in their regions.

Effective solutions to rural economic problems are likely to involve long-range planning, according to virtually all the officials GAO interviewed. However, 17 of the 31 counties GAO visited did not have economic development plans that systematically examined the strengths, weaknesses, opportunities, and threats associated with an area's income and employment base. Officials cited a lack of funding and staff resources as reasons for not developing such plans.

Officials Consider Federal Programs Difficult and Costly to Use

Regional and local officials welcome federal assistance, which between 1983 and 1992 exceeded $15.5 billion for such activities as business and industrial development and economic planning. However, officials told GAO that the assistance is often not provided efficiently. Rural development officials in the counties and regions visited for this review found that the programs' rules were costly and difficult to follow. GAO identified four problems that rural areas have in attempting to use federal programs: (1) identifying sources of federal assistance, (2) understanding the programs' rules and regulations, (3) learning the intricacies of the different application processes, and (4) reconciling inconsistencies and/or conflicts in rules and regulations among the programs. For example, some county officials told us that the requirements for Community Development Block Grants are so complicated that several small counties have hired contractors—at an initial cost of up to $10,000, not an insignificant sum in many rural areas—to apply for and/or administer these grants.

Many of the problems the rural officials identified occur because numerous narrowly focused federal programs are a weak substitute for an integrated federal approach to fostering economic development in rural America. For example, there are 11 different programs in six different federal agencies that provide assistance for water and sewer projects, each with its own set of regulations. These narrowly focused programs multiply the difficulties associated with using a single federal program. Inefficiencies also result when a rural area has to piece together several different programs to complete a single project. Finally, to obtain funds from a narrowly focused program, rural areas may need to be as concerned with designing their projects to meet the program's criteria as they are with meeting their development needs.

Federal Efforts to Address Programs' Problems Have Fallen Short

The groups established under the 1990 Presidential Initiative on Rural Development—the Economic Policy Council Working Group on Rural Development, the National Rural Development Council (an interagency coordinating group), and the State Rural Development Councils—have brought together rural development officials to discuss common problems and solutions. But these groups have had little impact on improving the programs' delivery of assistance in rural areas. The Working Group no longer functions, the National Rural Development Council lacks authority to resolve problems in programs, and most state councils have only recently been formed.

Moreover, federal agencies have made only limited efforts to evaluate the impact of federal rural development programs. As a result, it is difficult to gauge the impact that federal expenditures have had on rural areas. Recent legislation emphasizes the importance of program evaluation; however, it is too early to determine the effect of this legislation on rural development programs.

Matters for Congressional Consideration

To improve the effectiveness and efficiency of federal assistance to rural areas, the Congress may wish to consider establishing an interagency executive committee and directing it to report back on (1) the interim actions taken to resolve impediments to using federal rural development programs and (2) alternatives to the current system of multiple, narrowly focused programs—alternatives that may, over the longer term, more efficiently deliver federal assistance to rural areas. The latter would include establishing measurable federal goals for rural America that ensure the best use of federal funds and developing strategies for achieving those goals.

To ensure the greatest chance of success, GAO suggests that the interagency executive committee be jointly chaired by officials from USDA and the Office of Management and Budget.

GAO's suggested approaches to improving federal assistance for rural development are described in chapter 4.

Agency Comments and Our Response

Overall, USDA stated that this report lays the foundation for developing new policies for rural America. It generally agreed that a comprehensive strategy is needed for federal assistance to rural America. However, USDA emphasized that developing and implementing such a strategy would be difficult because no single executive agency or legislative committee has the responsibility and authority to do so. GAO agrees and believes that this report highlights some of these difficulties. Additionally, USDA officials expressed concern over what they perceived to be an overemphasis on solving rural problems through better interagency coordination. GAO agrees that better coordination will not solve all the problems. For this reason, this report suggests that the proposed interagency committee, over the long term, explore alternatives to the current set of federal programs, not merely examine ways to better coordinate them.

The Steering Committee of the National Rural Development Council stated that the report supports findings and conclusions it has drawn over the last 5 years.

The Office of Management and Budget did not provide comments on the report.

Contents

Table

Abbreviations

CDBG	Community Development Block Grant
CFFR	Consolidated Federal Funds Report
EDA	Economic Development Administration
EPA	Environmental Protection Agency
ERS	Economic Research Service
FEMA	Federal Emergency Management Agency
FmHA	Farmers Home Administration
HUD	Department of Housing and Urban Development
JTPA	Job Training Partnership Act
MMG	Monday Management Group
NIRA	National Initiative on Rural America
NRDC	National Rural Development Council
NRDP	National Rural Development Partnership
RDA	Rural Development Administration
SBA	Small Business Administration
SRDC	State Rural Development Council
USDA	U.S. Department of Agriculture

Introduction

For many of the 62 million persons living in over 2,300 rural counties in the United States, the 1980s were a time of economic hardship. Because of decades of structural changes in traditional rural industries, many rural areas could not provide a standard of living comparable to that in metropolitan areas. While some areas adapted successfully to these changes, many could not offset the employment being lost from farming and natural-resource-based industries with jobs at comparable pay in other sectors. In addition, low-skill, low-paying jobs in manufacturing were more concentrated in rural areas, while high-skill, high-paying jobs were more concentrated in urban areas. Consequently, by 1990 the poverty rate in rural areas was 16.3 percent—higher than it had been in 1972.[1]

The federal government has made a considerable investment in rural America. Between 1983 and 1992, the federal government funneled over $15.5 billion to rural areas for such activities as small business assistance, industrial development, and economic planning. In addition, rural areas received other federal funds that are not specifically targeted to economic development but that nevertheless influence rural economies. Between 1983 and 1992, rural areas received about $651.6 billion in such federal assistance through a variety of programs, such as agricultural payments, infrastructure assistance, and job training. However, the largest share of federal funds—$1.14 trillion—came from general entitlement payments such as social security and disability payments and payments to special groups such as veterans.

Much of Rural America Has Declined Economically

The 1980s was a decade of broad stress in rural areas. The period was marked by rural unemployment rates that were generally higher than urban unemployment rates, and the gap between rural and urban income levels began to widen for the first time in about 35 years. These economic conditions in part explain why so many people left rural areas—over half the nation's rural counties saw a decline in population in the 1980s.[2]

[1]The poverty rate is defined as the percentage of the population living in poverty. According to the U.S. Department of Agriculture's Economic Research Service (ERS), a person is in poverty if his or her family's money income is below the official poverty threshold appropriate for that size and type of family. Different thresholds exist for elderly and nonelderly unrelated individuals, for two-person families with and without elderly heads of household, and for different family sizes according to the number of children.

[2]In the spring of 1994, ERS reported some recent improvements in certain of the rural economic indicators. For example, it noted that between April 1990 and July 1992, over 64 percent of the rural counties gained population. However, ERS also cautioned that it was too early to conclude that this represented a significant new trend.

During this same period, employment in goods-producing industries such as farming, mining, and forestry—the sources of traditional rural employment—declined as a percentage of a rural area's total economy, while the percentage of employment in service-producing industries, such as restaurants and nursing and personal care facilities, increased. This shift in sources of employment meant that 2.5 million rural workers—1 in 5 of whom were high school dropouts—were less likely to find employment in manufacturing and resource-based industries, and the employment they found elsewhere was not likely to pay as well. Moreover, the skills these workers developed in their previous jobs may not have been readily transferrable to other available types of employment.

Rural Areas Lost Jobs in Goods-Producing Industries

The loss of income and jobs in the farm sector is old news—a trend begun in the 1930s as the industry became more efficient and less labor-intensive. These losses increased in the last decade, when changes in the national and global economy placed additional stress on farming and closely related industries. During the first half of the 1980s, U.S. farm exports declined because of a worldwide recession, unfavorable exchange rates, and increased world production. Financial stress in the farm sector had a ripple effect throughout farm-dependent rural areas: Employment among agricultural suppliers of farming equipment, fertilizer, and other goods declined by 20 percent in nonmetropolitan areas between 1975 and 1989—a large drop in farm-related jobs. This stress contributed to the decline in the number of farming-dependent counties nationwide: There were 716 such counties in 1979 and 512 in 1986, according to the U.S. Department of Agriculture's (USDA) Economic Research Service (ERS).

The Midwest, Great Plains, and Delta regions were particularly hard hit by the farm financial crisis of the 1980s. Because these areas produce commodities for export, their economic vitality is tied to world markets, and these areas lost, on average, 23 percent of their farm production jobs between 1975 and 1989. In contrast, the Mountain and Pacific regions lost about 9.4 percent of their farm production jobs during this period.

There were similar job losses in natural-resource industries such as mining and energy. These industries make a larger relative contribution to employment in rural areas than in metropolitan areas. Performance in these industries was affected by broader economic changes during the 1980s—instability in world commodity markets; improvements in labor productivity; and changes in fiscal, monetary, and resource management policies. For example, employment in mining in nonmetropolitan areas declined by 34.1 percent during the 1980s. According to ERS, this decline probably reflects the United States' worsened competitive position in fossil fuels prices, gains in mining productivity, and decreases in the production of primary metals in this country. Losses in mining employment were greatest for the South and the West.

While manufacturing was an important alternative source of employment in rural areas during the 1960s and 1970s, it did not work as well to buffer rural areas from economic decline in the 1980s. Until the early 1980s, manufacturing was a leading source of rural job growth, particularly in counties adjacent to metropolitan areas. However, through the 1980s, rural manufacturing was caught in the wave of "industrial transformation," a challenge that was aggravated by foreign competition, productivity-enhancing technologies, and a strong dollar. ERS estimated that by 1989, rural manufacturing employment was slightly lower than it had been in 1979. Nevertheless, as of 1990, manufacturing accounted for nearly 21 percent of all rural jobs, or more than twice the level employed in agriculture and mining combined.

Other Sources of Income Replaced Jobs in Traditional Industries

Between 1980 and 1990, nearly all of the new job growth in rural areas occurred in service-producing industries such as restaurants, nursing and personal care facilities, financial services, retail operations, and government. However, service jobs do not generally provide wages that are comparable to those provided in some traditional rural industries. For example, between 1981 and 1986, the top industries gaining jobs in rural areas were eating and drinking establishments and grocery stores. Many of these jobs, however, offered part-time work and an average annual salary of less than $10,000 per year—considerably lower than the annual salaries offered by some resource-based occupations.

Government activities—local, state, and federal—also played an increasing role in rural areas as traditional rural industries declined. Nationwide, the number of rural counties relying on government activities for at least 25 percent of their labor and proprietary income increased sharply—from 226 to 347 between 1979 and 1986—for a variety of reasons. For example, export-oriented farm communities in the Midwest, Great Plains, and Delta dealt with the impact of poor export markets by increasing their dependence on USDA farm commodity payments. In addition, state and federal prisons provided an increasing share of income for many rural areas. Between 1980 and 1991, the number of correctional facilities in rural areas more than doubled, bringing full-time, year-round employment with benefits to many rural areas experiencing serious economic decline.

In addition, unearned income—such as social security and disability payments, returns on investments, and pensions—has increased dramatically in nonmetropolitan areas over the last two decades. Although the growth leveled off somewhat in the 1980s, much more income in nonmetropolitan areas came from unearned income in 1988 (36 percent) than in 1969 (23 percent). Moreover, government transfer payments provided nearly one-fifth of personal income in these areas in 1987; one-half of this income is related to retirement and disability programs, according to ERS. ERS estimated that the population in retirement counties, about one-fifth of all rural counties,[3] grew by 2 percent annually throughout the decade—a growth rate twice that of the total U.S. population. Many of these counties are recreation or second-home areas. In 1990, 67 percent of total employment in these counties was service-related, according to ERS.

Federal Programs Are Used to Support Rural Areas

The federal government has historically focused its rural development efforts on farms and the needs of the farm population. Over the years, however, the range of federal assistance to rural areas has broadened, creating a patchwork of programs that aid a variety of rural organizations, businesses, governments, and individuals. Between 1983 and 1992, rural areas received assistance from approximately 800 programs aimed at achieving various short- and long-term objectives, from helping farmers to alleviating rural poverty.[4] In 1990, the Congress authorized the establishment of the Rural Development Administration (RDA) to administer rural policies and programs assigned to USDA. However, no single federal executive agency or department or legislative committee has both the responsibility and authority to administer all of these programs.

Many of these 800 programs are not primarily oriented to serving rural areas, but they do provide considerable funds to them. These programs fall into two broad categories: (1) those that assist rural development and

[3]ERS defines retirement counties as those with net in-migration rates—of people aged 60 and over—that were 15 percent or more of the total expected 1980 population aged 60 and over for the period 1970 to 1980.

[4]We identified these 800 programs in an earlier report, Rural Development: Federal Programs That Focus on Rural America and Its Economic Development (GAO/RCED-89-56BR, Jan. 19, 1989). Our current analysis extends that work through 1992. In addition, our analysis reflects program changes as reported by the Catalog of Federal Domestic Assistance. Over one-third of the programs had changed since our 1989 report.

(2) those that support individual well-being. Programs in the first category address rural development and/or indirectly influence economic well-being in rural areas by focusing on agriculture/natural resources, economic development, human resources, and infrastructure issues. Each of these programs has a specific objective, such as aiding small business, insuring farm production, protecting natural resources, cultivating workers' skills, or improving the quality of life. In contrast, programs in the second category provide entitlements—social security, disability, and Medicare benefits—and assistance to special groups, such as veterans, Native Americans, and disabled persons. These programs usually do not aim to build economic capacity. Table 1.1 shows the number of programs within each of the six groupings—economic development, agriculture/natural resources, human resources, infrastructure, entitlements, and special groups—and the obligations and/or expenditures for each between 1983 and 1992.

Table 1.1: Federal Programs Serving Rural America, 1983-92

Type of program	Number of programs	Dollars in billions
Economic development	35	$15.5
Agriculture/natural resources	109	288.0
Human resources	461	119.8
Infrastructure	84	243.8
Subtotal (development)	**689**	**$667.1**
Entitlements	29	1,037.2
Special groups	110	101.5
Subtotal (individual well-being)	**139**	**$1,138.7**
Total	**828**	**$1,805.8**

Note: The number of programs is based on our 1989 report, with some adjustments. The estimates are adjusted to 1992 dollars, using data reported by federal agencies to the Bureau of the Census through the Consolidated Federal Funds Report. The estimates include contingent liabilities such as direct loans, guaranteed loans, and insurance; as a result, they may not exactly correspond to budget allocations.

Most Federal Programs Serving Rural America Address Development Needs

Approximately 689 programs that provided rural development assistance fell into four groupings: economic development, agriculture/natural resources, human resources, and infrastructure. However, our estimates in some areas may be understated because our analysis does not include federal funds distributed by state governments.

We identified approximately 35 programs that targeted economic development.[5] Between 1983 and 1992, these programs channeled about $15.5 billion to rural areas through five different departments—USDA, Housing and Urban Development, Commerce, Defense, and Health and Human Services—as well as the Small Business Administration and the Appalachian Regional Commission. These agencies administer economic development programs to, among other things, build industrial parks, start small businesses, and help local officials design and implement economic development plans.

In addition, over the 10-year period, approximately 109 agriculture/natural resources-related programs, administered by six departments[6] and the Small Business Administration, allocated $288 billion to rural areas. Agricultural/natural resource assistance included programs such as commodity price supports as well as those that protect the environment and wildlife, promote the use of efficient energy technologies, and facilitate exports of U.S. farm products.

Approximately 461 human resource programs from at least 17 different federal sources provided $119.8 billion to rural areas between 1983 and 1992. Among the agencies providing this assistance were the National Science Foundation, Equal Employment Opportunity Commission, Environmental Protection Agency, Department of Education, National Endowment for the Humanities, and National Endowment for the Arts. Human resource assistance included job training, rural health care, and housing assistance.

Moreover, approximately 84 infrastructure programs provided $243.8 billion to rural areas. Programs were administered through 13 different sources, including the departments of Transportation, Housing and Urban Development, and Veterans Affairs and the Appalachian Regional Commission. Infrastructure assistance included funds for airport development, highway planning and construction, wastewater treatment facilities, and public transportation.

[5]While our 1989 report grouped the Department of Housing and Urban Development's Community Development Block Grant programs with infrastructure programs, we included six of these with other economic development programs because the local officials we interviewed repeatedly identified them as such.

[6]The six are the departments of Agriculture, Labor, Commerce, Interior, Energy, and Transportation.

Most Federal Funds Allocated to Rural Areas Support Individual Well-Being

Approximately 29 entitlement programs promoted the well-being of rural Americans. These programs provided about $1.04 trillion between 1983 and 1992. Three departments—Health and Human Services, USDA, and Labor—provided most of the funds through programs such as social security, disability, Medicare, the National School Lunch Program, unemployment insurance, and food stamps.

Another $101.5 billion went to special groups—veterans, visually-impaired individuals, Native Americans, migrant workers—through 110 programs in 11 departments and agencies, including the departments of Justice, Education, and Veterans Affairs.

Objectives, Scope, and Methodology

This review was requested by the Members of Congress listed in the letter transmitting this report. We were asked to analyze (1) the factors affecting the economic well-being of rural areas and (2) the effectiveness and efficiency of federal efforts to assist rural areas.

To address these objectives, we conducted structured interviews with local, regional (intrastate), state, and federal officials responsible for rural economic development. For the local perspective, we interviewed officials in 31 rural counties. (See app. I for a list of the counties we visited.) We judgmentally selected these counties with the assistance of an economic model developed by USDA's Economic Research Service and GAO. Using the model, we selected 12 counties whose economies did significantly better than predicted by the model, 12 whose economies did significantly worse, and 7 whose economies performed according to the model's prediction. (See app. II for a discussion of the model and how it was used to select the counties.) The local officials we met were generally or specifically responsible for their county's economic development. They included representatives from community development corporations, local politicians, community lenders, business people, and representatives of other private nonprofit groups that are major agents for economic change.

For the regional and state perspective, we conducted similar structured interviews with rural development officials in 13 states and 29 regions. The 31 counties we visited were located in these regions.

For a national perspective on this review's two objectives, we discussed with agency officials in Washington, D.C., the concerns that local officials had identified. We met with officials from the Department of Commerce's Economic Development Administration (EDA), USDA's Economic Research

Service and Rural Development Administration (RDA), the Department of the Treasury, the Department of Housing and Urban Development, the Environmental Protection Agency, and the Small Business Administration. Many of these officials were also members of the National Rural Development Council (NRDC)—previously called the Monday Management Group—which is the central federal focus group currently dealing with rural economic development issues. We discussed these concerns with federal representatives who are closely involved with the National Rural Development Partnership (NRDP)—previously established as the Presidential Initiative on Rural America and subsequently called the National Initiative on Rural America—and with members of the NRDC, the action arm for NRDP. NRDP is the major force behind the newly formed State Rural Development Councils, which are intended to improve coordination among the federal, state, and local officials responsible for rural economic development. We spoke to the officials of 24 State Rural Development Councils, including 13 that are associated with the 31 counties we visited.

To analyze federal expenditures and/or obligations for the approximately 800 programs that provided assistance to rural areas between 1983 and 1992, we used data from the Bureau of the Census. The Bureau tracks 85 percent of the total federal domestic outlay through the Consolidated Federal Funds Report (CFFR). The CFFR data base lists countywide data on direct federal outlays, including grants, salaries and wages, indemnity claims, retirement and disability payments, procurement contracts, and other obligations such as direct loans, guaranteed loans, and federal insurance coverage. Because of limitations in time and data reporting, the estimates we provide may be understated. We do not include all amounts distributed through state governments. In addition, these expenditures and/or obligations are estimates. Actual outlays may be higher or lower in any given year because some funds can be deobligated at any time.

We also employed a consultant, Dr. Ronald Cooper, who assisted us in reviewing economic studies and developing and analyzing the model used to identify counties for our case studies.

We obtained comments on this report from USDA and the Steering Committee of the NRDC. Their technical comments are incorporated throughout the body of the report and their overall views on the conclusions and matters for consideration are summarized in chapter 4. The Office of Management and Budget did not comment on the report.

We conducted our work between February 1993 and April 1994 in accordance with generally accepted government auditing standards.

Local Leadership and Initiative Are Key to Promoting Rural Economic Well-Being

The economic vitality of rural communities depends on a complex interrelationship of many factors that can impede or promote development. Major factors inhibiting rural economic development stem from the very characteristics that define rural areas. These include (1) remoteness from metropolitan areas, which, among other things, can limit awareness of the technology and other information that is necessary to monitor competitive industries; (2) sparse population, which can inhibit efficiencies that depend on economies of scale; and (3) dependence on a single industry, which can reduce a community's ability to withstand the effects of downturns in that industry.

There are no off-the-shelf solutions to these problems—the unique advantages and disadvantages of a given area require customized efforts. Nevertheless, rural areas can play a role in determining their own long-term economic well-being. Our interviews with county and regional officials, as well as some rural economic development studies, suggest that local leadership and long-range planning are essential to development.

Many Factors Affect Rural Economic Development

A number of factors that are often used to characterize rural areas—remoteness, sparse population density, and reliance on a single industry that is typically tied to a natural resource or low-skill manufacturing—are frequently at the root of rural areas' economic development woes in today's rapidly changing economic conditions. In addition to these factors, many others, by their presence or absence, can affect economic development either positively or negatively. These include an adequate infrastructure for transportation, water and sewer, and communications; a favorable business climate in terms of credit availability, the tax structure, and suitable worker skills; and adequate local business expertise. Finally, officials in rural areas have noted that unfunded federal and state mandates also affect economic development because they may draw money away from, or prevent the launching of, local economic development initiatives.

Characteristics of Geography, Demographics, and the Economic Base Pose Unique Obstacles to Rural Economic Development

Overall, the remoteness and sparse population density of rural areas, as well as the reliance on a single industry that is common in rural areas, generally work to deter economic development. For many rural areas, the more remote they are, the more they depend on their existing economic base and the more difficult they find it to develop alternatives if that base weakens. Part of the difficulty in making adjustments to economic changes occurs because remote rural areas are not well connected to sources of information, technology, and innovation, which are normally concentrated in metropolitan areas. These sources are increasingly essential to maintain competitive industries and to fuel the growth of service activities, such as information processing. In one county, for example, officials sought to attract new industry as the value of the county's oil, gas, and uranium resources was decreasing. However, according to regional and local officials, these efforts have been largely unsuccessful, mostly because of the county's remote location: It is over 100 miles from the nearest metropolitan center, and that center is in another state.

The importance of remoteness is underscored by studies indicating that rural counties with access to metropolitan areas are more likely to have stronger economies or population growth than those without access. For example, a 1992 ERS study noted that, during the 1980s, rural counties with comparatively strong earnings tended to have the best opportunities to interact with metropolitan areas.[7] Our model also indicated that adjacency was a factor influencing growth in earnings in the 1980s. Additionally, a 1993 ERS study stated that the population grew more rapidly in rural counties adjacent to metropolitan areas than in remote counties during both the 1970s and 1980s.[8] However, the study cautioned that adjacency did not ensure growth during the 1980s as it had in the 1970s. One reason for this was the shift in national economic growth from manufacturing—typical for rural and especially adjacent counties—toward producer services—typical for metropolitan areas. In the 1970s, manufacturing generated about 2 million new jobs, a quarter of which went to rural areas adjacent to metropolitan areas. In the 1980s, no net gain in manufacturing jobs was realized.

The problems of remoteness can be compounded by sparse population, another characteristic of rural areas. For example, the delivery of public services or private sector services can be considerably less efficient and more expensive in rural areas than in urban areas. This is because such services are in part driven by a need to achieve economies of scale, which help to spread the cost of the service over as many users as possible. Additionally, sparse population may also inhibit the development of agglomeration economies—the efficiencies gained when industries locate in close proximity. Other weaknesses associated with sparse population

[7] Growth and Stability of Rural Economies in the 1980s, Differences Among Counties, U.S. Department of Agriculture, Economic Research Service, Dec. 1992.

[8] Rural Development Perspectives: Adjacency to a Metro Area Didn't Assure Rural Growth in the 1980's, USDA, Economic Research Service, vol. 8, issue 3, Oct. 1993.

include a smaller tax base from which to finance community improvements and a smaller pool of expertise to draw on in efforts to address rural development problems. These weaknesses may, in part, explain the 1992 ERS study finding that the more densely populated rural areas were more likely to experience economic growth in the 1980s than the sparsely populated areas.

Finally, reliance on a single industry, which has long been a characteristic of rural areas, often presents a two-fold obstacle to economic development. First, an area wholly dependent on one industry has no other economic activity to rely on if that industry declines. Second, and related to the first point, many of the types of industries that rural areas rely on, such as low-wage, low-skill manufacturing and industries related to the extraction and/or development of natural resources, are extremely vulnerable to changes in regional and world markets and have not been sources of job growth in recent years. For example, local officials in a county in an eastern state said the county depended primarily on coal mining for its economic well-being. Its economy quickly deteriorated when coal mining operations shifted from the deep mines in the East to the surface mines in the West. Between the late 1970s and 1990, the number of mining-related jobs in this county plummeted from 3,000 to 300 and total earnings dropped significantly as well.

Rural areas faced with a decline in their traditional resource-based economy may have some alternatives. According to some experts, many rural areas have used their natural resources to provide services for retirees and vacationers, putting these areas in a better position for future growth. One expert stated that virtually all of the population growth in nonmetropolitan areas after 1982 occurred in retirement and recreation counties. Similarly, our model indicated that rural retirement communities tended to perform very well during the 1980s, particularly in comparison with rural areas that have other economic bases, such as agriculture and mining.

Infrastructure Is Important for Rural Development

Research conducted by university and USDA rural development specialists indicates that adequate infrastructure—roads and bridges, water and sewer systems, and communications systems—is essential for economic development. Similarly, many of the regional rural development officials we spoke with emphasized the importance of infrastructure, noting that infrastructure-related problems posed significant obstacles to the economic development of rural communities in their regions. More specifically, officials from 14 of the 29 regions we visited were very concerned about water and sewer services, 13 about roads and bridges, and 11 about telecommunications.

While a profitable economic area is more likely to have good infrastructure, it is not clear whether infrastructure is primarily the cause or the result of business development. In one county, officials told us that a wood products company had decided not to locate there because the county lacked access to a four-lane highway. Another county we visited, however, had successfully developed its tourism industry even though it lacked transportation infrastructure: It had no airport or rail service, and bus service was available only once a day. Therefore, it is unclear whether it is prudent for local areas to rely on the development of infrastructure as the major mechanism for improving their economy. While some basic infrastructure services may need to be in place, these services may not be the engine that drives economic development.

Favorable Business Climate Facilitates Economic Development

Rural development officials we spoke with indicate that a business climate that attracts and keeps industry is particularly important to rural areas, which must compete with metropolitan areas that may be able to offer substantial advantages. We identified the availability of credit, state tax burdens, and worker skills as some factors that can help to create a positive or negative business climate.

Credit Availability

Officials in 19 of the 29 regions we visited stated that inadequate access to credit was a major obstacle to rural development. Changes toward more interstate banking and bank mergers make access to credit more problematic for rural borrowers, according to some county officials we interviewed. Decisions on loans may occur at a distant headquarters location, removing the advantage of local lenders who are familiar with local conditions and are willing to invest in the community, some officials said. However, data are not available nationally to determine the scope of rural credit problems. The banking industry, in general, believes that credit is usually available to creditworthy businesses.

The lack of access to venture capital for business start-ups or expansion is a related concern that many officials we interviewed shared.[9] In response to this problem, one state is developing a venture capital pool to offer business development and financial assistance of up to $20,000 to

[9]Venture capital is funding that becomes part of a business's capital base. This capital provides the investor with partial ownership, which yields a return based on the profitability of the business.

businesses in the start-up or early stages of development. In another state, venture capital was obtained by selling stock to residents of the local community in which a company that manufactured photographic reproduction equipment wanted to expand. The company eventually hired an additional 50 employees.

Tax Incentives

State and local tax structures may help or hinder rural development efforts. For example, officials from three counties in one state said that state taxes are not conducive to attracting industries or keeping them in the state. In one county, six large industries left between 1979 and 1989, and the county had difficulty attracting new industries, partially because of the tax burdens, according to local officials. On the other hand, ERS researchers have noted that some rural areas have used the tax structure to create a favorable business environment. However, some caution is in order. In one county we visited, a plastics manufacturing plant was attracted, in part, by the offer of a tax abatement over 40 years that amounted to at least $9 million over the first 15 years. The county has only about $13 million per year in total tax revenue. In addition, local officials state that the plant employs virtually no county residents, so that the county has received almost no benefit from this plant.

Worker Skills

Officials from 15 of the 29 regions and 11 of the 31 counties we visited cited the poor skills of rural workers as a significant problem in advancing economic development in a county. Many officials stated that the work ethic was strong among local residents but that they lacked (1) technical skills, such as the ability to operate computers; (2) specific skills that industry needs, such as the ability to maintain equipment used in the wood products industry; and/or (3) basic skills, such as reading, writing, and mathematics.

For example, one county economic development official said that the county had a number of workers who needed to learn new skills and that the county had a good vocational training system. However, he said that the wrong things—typing and welding—are being taught. He indicated that the education system needs to ask industries that are already in the county or that might consider locating there about the skills that are needed.

Some industries refuse to locate in counties where such skills are lacking. For example, in one county, officials told us that several businesses had decided not to locate there because of the poor skills of the work force. According to these officials, the antiquated vocational education curriculum—carpentry and auto mechanics—exacerbated this problem. In another county, because a county's work force had limited skills, the Department of Energy had to import its own employees from a neighboring state to dispose of mine tailings—a 12-year project.

Local Business Expertise Is Important for Rural Development

Business expertise—knowing how to develop or expand a business and/or how to recruit new businesses—is also a factor that contributes to a rural area's economic well-being. In 10 of the 31 counties we visited, local officials believed that the lack of such expertise significantly inhibited growth in their counties. Many regional officials also said that this was a problem in their regions. In one region we visited, several local residents who planned to open resorts did not receive financing, not because funding was unavailable but because the potential borrowers lacked experience with resorts, knowledge of start-up and operating costs, and/or information on their potential cash flow. If the borrowers had had this expertise or knowledge, state or private funding might have been more forthcoming through a state revolving loan program targeted to the development of rural businesses or through private sources.

In some instances, rural areas have found ways of managing these problems. For instance, a nonprofit organization operating in a 14-county, predominantly rural area provides venture capital and other financial support for small businesses, and advice on business development, banking, law, accounting, and planning. This blending of expertise and credit enables the organization to help applicants that commercial banks might not consider creditworthy to launch successful businesses.

Unfunded Mandates Can Draw Funds and Effort Away From Economic Development

Rural areas are concerned about financing an increasing number of requirements mandated by federal and state laws.[10] Regional or county officials from 20 of the 31 rural areas we visited said that their counties are addressing these mandates with funds that could be used in other ways, including furthering economic development. County and regional officials generally do not quarrel with the ultimate goals of providing better living conditions—for example, cleaner water and higher wages. However, they do question whether the regulations specifying how to achieve these goals are appropriate for their area.

[10]These mandates include (1) satisfying environmental requirements, such as ensuring the safety of drinking water and developing environmentally safe landfills; (2) meeting the requirements of the Americans With Disabilities Act; and (3) meeting federal contract requirements, such as paying the prevailing wage.

For example, according to officials in one county, the county's wastewater treatment system—funded largely through federal funds—can adequately treat wastewater under normal conditions. However, because it cannot meet the demands of an exceptionally heavy rainfall, the system may violate its state permit—issued in compliance with EPA and the Clean Water Act requirements. Consequently, another $3.5 million in improvements to the wastewater treatment system may be necessary to meet these requirements. The federal government appears to have no additional funds for the project, and local officials stated that they will have to borrow $2.2 million and raise the balance of $1.3 million from the community's 3,000 residents. At the same time, county officials believe that they have other pressing needs such as affordable housing, for which funds are not now available.

In a 1992 report on wastewater treatment and a 1994 report on drinking water,[11] we pointed out that the problem of insufficient funds adversely affects small communities. Because small communities do not benefit from economies of scale, they often face higher per-household costs for wastewater treatment as a percentage of household income than larger communities do. In addition, they often have lower per-household incomes. However, they are less likely to receive support through state loans because many small local governments may have difficulty repaying such loans.

The Regulatory Flexibility Act of 1980 might alleviate some of the burden of unfunded mandates, according to some experts. The act directed federal agencies, when promulgating new regulations, to evaluate the effects of such regulations on small businesses, governments, and nonprofit organizations and to allow these small entities to meet agencies' regulations by using alternative approaches. However, we reported on the implementation of the act with respect to small governments in January 1991 that, primarily because of weaknesses in the act, (1) federal agencies may not be complying with it and (2) the Small Business Administration (SBA)—which is designated to monitor agencies' compliance with the act—lacks the expertise to carry out its duties.[12] We also pointed out another weakness of the act: It does not allow SBA to take legal action in response to agencies' decisions or inactions, leaving SBA and

[11]Water Pollution: State Revolving Funds Insufficient to Meet Wastewater Treatment Needs (GAO/RCED-92-35, Jan. 27, 1992) and Drinking Water: Stronger Efforts Essential for Small Communities to Comply with Standards (GAO/RCED-94-40, Mar. 9, 1994).

[12]Regulatory Flexibility Act: Inherent Weaknesses May Limit Its Usefulness for Small Governments (GAO/HRD-91-16, Jan. 11, 1991).

small communities with little recourse if they object to new regulations or mandates. Several actions have been taken to address such weaknesses. First, EPA issued internal guidelines in April 1992 on how to comply with the act. Second, the President issued Executive Order 12866 (Sept. 30, 1993) to encourage agencies to conduct studies on how all regulations affect all layers of government, including local government. Finally, the Congress is considering several legislative proposals addressing the judicial review issue. It is too early to determine what impact, if any, these actions may have on the act and, in turn, the act's impact on unfunded mandates in rural areas.

Rural Areas' Own Efforts Are Critically Important

Although rural areas cannot change some of the conditions that may impede economic development, they can exert control over other factors that are critical to economic success. Their efforts can spell the difference between a vibrant rural area and one that continues to lose population and business. Studies and our analysis indicate that factors such as effective local leadership and long-range planning are necessary for effective rural economies.

Leadership Is Essential to Local Economic Development

Effective leadership can spur economic development by facilitating plans and projects for county, business, and financial institutions and others. One county, for example, has performed exceptionally well because of "progressive leadership" and a desire for growth since before the 1950s, according to county and other local economic development officials. The county's active local leadership is credited with earmarking a certain percentage of local taxes for economic development. Moreover, these leaders were partially responsible for attracting a diverse mix of industries with high-wage jobs.

In contrast, inadequate local leadership contributed significantly to a lack of economic development in some of the counties we visited, according to business officials and county and regional economic development personnel. In fact, officials from 15 of the 29 regions and 10 of the 31 counties we visited said that inadequate leadership was a key obstacle to economic development. Leadership was inadequate for the following reasons. First, leaders often do not have the business perspective that is necessary to see opportunities for business development. For example, one county economic development official said that elected county officials and business leaders are two distinct groups that are not equally motivated to spur development. Other regional, county, and private officials stated that many talented business people will not take on leadership positions because there is little financial incentive to do so, or because they do not have time to commit to local leadership. Those who do serve are usually elderly and/or semi-retired. They may not understand business needs and may tend to be cautious and risk-averse. In one county, which has long focused on agriculture, the local leadership rejected a restaurant proposed by local people that would have generated 15 to 20 jobs. The leaders believed that the restaurant would be an inappropriate use of agricultural land. Second, local leaders do not always act to reverse economic decline. According to an economic development official in one county, elected leaders in local communities did not take a proactive approach to economic development and consequently lost six businesses, at least two of which could have remained in the county.

Long- and Short-Term Planning Help Foster Economic Development

The President's Council on Rural America and virtually all the officials we spoke with recognized the importance of planning for economic development at the regional and county levels. Rural economic experts also agree that planning should include all aspects of economic development and take into account both short- and long-term goals. Such planning would systematically and continuously examine strengths, weaknesses, opportunities, and threats to an area's resource base. This analysis may require many types of expertise, which may be difficult to find in rural areas. Such an analysis should lead to a development plan based on realistic possibilities for economic security.

Of the 29 regions we visited, officials from at least 24 said they had economic development plans—many of which were periodically updated—for their multicounty regions, as required by the Economic Development Administration (EDA). EDA requires such planning for a number of reasons, including its view that any project it funds must support the economic progress of the region. Rural development experts state that planning on a regional basis—at least multicounty and possibly multistate—is essential to overall economic development efforts in rural America. They maintain that such overall plans, incorporating local plans, can enhance decision-making on the use of limited funds and ensure that local areas share services when possible.

However, local officials from only 14 of the 31 counties we visited said they had formal economic development plans for their counties. Furthermore, according to county and regional officials, some of the plans were driven by the availability of federal funds rather than the systematic assessment of needs. These officials said that many counties do not develop plans for many reasons, including lack of (1) staff, (2) funding, and/or (3) expertise. Nearly all of the county and most of the regional officials said they had no formal means of measuring success in meeting their plan's goals.

Without planning, counties may not develop economically and/or may put money into projects that will not provide the economic payoff they hope for. For example, one county we visited had built an industrial park in 1991 to house as many as 60 companies, expecting that businesses locating there would generate 500 jobs and $500,000 in annual tax revenue within 5 years. However, a regional official pointed out that this park was built when industry was generally leaving the area and when prospects for development were in the service sector. In 1994, the park housed four companies, providing about 200 jobs and generating about $200,000 in annual revenue, according to a county official.

Federal Economic Development Programs Are Difficult to Use and Their Impact Is Unclear

The web of federal policies, programs, and regulations that accompany federal assistance to rural areas makes that assistance both difficult and costly to obtain and use, according to local and regional development officials. These problems generally occur because the federal government substitutes a large number of narrowly focused programs—to address specific needs—for a single policy that would support an integrated set of economic development programs in rural areas.

Recognizing these difficulties, the federal government has begun to assist rural areas in making better use of current economic development programs through state and federal interagency coordinating groups. While the federal group helped launch the state groups, it has not taken the lead in resolving the regulatory issues that rural development officials face daily.

Even if these issues were resolved and the federal programs and policies made more "user friendly," a fundamental question remains: What are the programs accomplishing? Most local and regional officials we spoke with emphasized the importance of federal economic development to their rural areas. However, little has been done to evaluate the effect of individual programs, and no evaluations have documented the overall impact of federal assistance on rural economic development. Such evaluations are difficult but necessary efforts if the federal government wants to ensure that its assistance is, or can be made, effective.

Participating in Federal Programs Is Difficult

A myriad of federal programs, available through at least 16 federal agencies, make it both time-consuming and costly for rural officials to (1) identify and apply for programs and (2) comply with the program's rules and regulations. In addition, many of the programs available for rural development are narrowly focused—targeted on achieving specific objectives and/or meeting the needs of specific groups. Therefore, rural officials may have to consider and use multiple federal programs, from several different agencies, to complete a single project, increasing the difficulty of using the programs.

Compliance With Diverse Federal Rules and Regulations Is Costly in Time and Money

According to our analysis, the cost of complying with the rules and regulations of federal programs is the overarching factor hindering the use of these programs in rural areas. Officials in 14 of the 31 counties and 16 of the 29 regions we visited said that complying with federal rules and regulations is costly. Using federal programs is problematic in four respects: (1) identifying the sources of federal assistance; (2) understanding the various programs' rules and regulations about factors such as eligibility, funding availability, and the type of projects allowed; (3) learning the intricacies of the different application processes; and (4) resolving inconsistencies between the programs.

First, time and staff must be dedicated to identifying federal programs that can be used for a particular project. Officials in 19 of the 31 counties we visited stated that their inability to identify available federal programs greatly hindered using such programs in their counties or regions. Officials cited the following problems:

- Information on federal programs is not disseminated in any organized way. The Catalog of Federal Domestic Assistance—a listing of all federal programs—is voluminous but provides little concrete information. While a program listed in the catalog may look like a possible funding source, the relevant state (states sometimes administer the programs) may not receive funds for that program or may impose additional requirements that disqualify certain projects.
- Some rural areas may find it too costly to subscribe to the Federal Register—a principal source of information on new and existing federal programs—or they may lack expert staff to read and interpret the publication.
- Even when a state tries to provide assistance, rural areas may not use it. One state we visited offers a computerized network of information on rural assistance, including state and federal programs, low-interest loans, and technical assistance available to local governments. However, some rural areas do not use the network because it is difficult to get time on the system or because they do not have sufficient staff and/or computer equipment.

Second, because the rules and regulations for federal programs are unclear, local and regional staff must spend additional time and effort to determine (1) whether a project can qualify for a particular program and (2) how to obtain program funds. According to officials in 15 of the counties and 12 of the regions we visited, this lack of clarity greatly hinders the use of programs. For example:

- Rules and regulations are often ambiguous and therefore subject to different interpretations. These differences are compounded by staff turnover in presidential administrations, agencies, and programs. According to regional officials, the U.S. Fish and Wildlife Service in one case could not decide whether land designated for an airport and industrial park met the criteria for wetlands. Because of the resulting 1-1/2-year delay, EDA funds were withdrawn and the project was cancelled.

- Problems in clarity are compounded by the fact that the rules and regulations frequently change for some programs. For example, application rules for Community Development Block Grants (CDBG) usually change at least once a year and have changed as many as three times in one year.

Third, according to officials from 14 counties and 9 regions we visited, lack of familiarity with application processes has greatly hindered the use of federal programs. Because local officials are not familiar with a number of federal programs, any effort to obtain a new source of funding requires extra effort to learn about and gain access to a program. Local areas must therefore dedicate staff from their limited pool, obtain assistance from the region, and/or hire consultants to help in preparing applications. For example, one official told us that CDBG applications require the applicant to provide extensive information to demonstrate that the project will principally benefit low- to moderate-income people, as defined by the Department of Housing and Urban Development (HUD). Because of these requirements, almost half of the 31 counties we visited had to hire consultants or obtain other outside help to complete CDBG applications and administer the grant funds. According to officials in one region, these contractors may charge as much as $10,000 "up front" to prepare a CDBG grant application, with no assurance that the grant will be forthcoming. Recognizing how complicated CDBG applications are, at least one state now requires state certification of anyone administering CDBG program funds and is encouraging rural areas to use certified administrators to prepare their CDBG applications.[13]

Fourth, when funds from more than one federal program are needed to accomplish a project, local and regional officials must deal with rules and regulations that are not consistent between programs, including differences in environmental impact statements, timing schedules for loan and grant applications or approvals, and funding. As a result, they must allocate more staff, time, and financial resources to the project. According to officials from 13 counties and 18 regions we visited, inconsistency in the rules and regulations among similar programs greatly hindered their use of federal programs. For example, according to a regional economic development official in one state, disagreements over the designation of an

[13]These and other problems that grantees experience when using CDBG assistance are discussed in a prior GAO report—Community Development: Block Grant Economic Development Activities Reflect Local Priorities (GAO/RCED-94-108, Feb. 17, 1994).

area as a flood plain have delayed the construction of housing. He said that this town, where over 85 percent of the population meets HUD's poverty requirements, is in an area designated as a flood plain by the Federal Emergency Management Agency (FEMA), but according to the regional economic development officials, the town has never flooded. HUD is willing to finance the construction of 48 new housing units if the designation can be changed. The U.S. Army Corps of Engineers has undertaken a study to determine if the community has ever flooded. FEMA officials, however, have told these regional officials that they do not like the Corps' methodology and probably will not change the area's designation as a flood plain no matter what the Corps concludes. The regional officials said the three agencies in this case will not talk with each other. Likewise, officials in another rural area noted that one sewer project involving three federal programs was difficult to manage because the "windows of opportunity" for receiving funds from the agencies did not coincide. Total funding from the Environmental Protection Agency (EPA), the Farmers Home Administration (FmHA), and HUD was made available after a 2-year period, delaying the project by over a year.

A recently published USDA survey of 340 small communities in 34 states revealed concerns similar to those we found.[14] More specifically, the purpose of the survey was to determine why the communities had not used Rural Development Administration (RDA) water and wastewater programs. In response, many leaders and elected officials of these communities said that they were not able to use RDA program funds because they were either not aware that such funds were available or were not sure how to apply for them. Other officials indicated that they were unable to absorb the "up-front" costs required as part of the application process even if some of the costs would ultimately be reimbursed when a project was funded. Several were intimidated by the process and did not believe they could complete a successful application without assistance.

In addition to the four problem areas discussed above, most local and regional rural development officials were also concerned about other costs of participating in federal programs including (1) wage-rate requirements under the Davis-Bacon Act that discourage some projects because federally mandated rates are higher than the local area's prevailing wage rate, and (2) requirements to document and report that federal guidelines are followed or verify that the target population is benefiting from the program. More specifically, under the Davis-Bacon Act, contractors on federal public works projects must pay workers the

[14]Rural Community Assistance Program, Incorporated: RCAP Special Project Report, USDA, Jan. 1993.

prevailing local wage rate as determined by the Department of Labor. The prevailing wage provisions have been extended by many statutes to include construction financed in whole or part by the federal government. Officials in several counties we visited noted that these requirements force local companies working on federally financed projects to pay wages that may be considerably higher than the local wages. In one county, officials stated that these requirements increased overall costs by about 30 percent for two EDA-funded construction projects. These increased costs were primarily attributed to general contractors' having to pay their workers $15 per hour, more representative of the prevailing wage in a large city, rather than the local wage rate of $7 per hour. Officials from some counties also believe that the costs and reporting burdens imposed by the Davis-Bacon Act often deter local communities and businesses from getting involved with federal programs. Because of these types of concerns, amending legislation was introduced in 1993 aimed at decreasing the number of federally funded projects subject to the provisions of the Davis-Bacon Act.

Many Problems Result From Too Many Narrowly Focused Programs

Rural officials identified many problems that occur because there are too many narrowly focused economic development programs that are not coordinated under the structure of a national rural development policy with goals and objectives.[15] Clearly, the large number of programs, each with its own particular objectives and set of rules and regulations, contributes to inconsistency. For water and/or sewer projects alone, rural areas can consider assistance from at least 11 different programs within six federal agencies. This large number of programs may also increase participation costs because rural communities, if they want to make maximum use of federal assistance, must become familiar with, or find someone who is familiar with, the operations of many, often complex, federal programs.

The narrow focus of these programs can result in inefficiencies when local communities have to piece together several programs to reach a goal. For example, a regional official noted that one town, in order to replace lead pipes in its water system, had to pull together assistance from FmHA, EPA, and HUD because of restrictions on how each program operates. The assistance was splintered because each program had a different focus in providing this assistance. HUD's CDBG funds could be used only to replace lead pipes used on main water system lines, but could not be used to

[15]Rural development experts, and at least one government-sponsored task force, have recommended establishing a national policy. However, their recommendations have not been implemented, in part because of a lack of leadership and support from policymakers.

replace any water lines that passed beyond private property lines. The town thus could not use CDBG funds to replace the lateral lead pipes that connect each house to the main system or to main water lines. As a result of the restriction, the town was forced to use funds from FmHA, EPA, and eventually HUD's housing rehabilitation program to assist in replacing the lateral lines. According to the official, as a consequence of the narrow requirements of the CDBG public facilities programs, the project manager had to identify the programs, complete the application paperwork, and meet the criteria of additional sources of funding in order to complete the project. This process can be an exhaustive and time-consuming effort, especially for local and often understaffed government bodies. As a result, the project has taken several years and is still in progress.

Narrowly focused federal programs can also create difficulties in determining eligibility for program benefits. For example, one regional official told us that his office works with 76 different Job Training Partnership Act (JTPA) programs and that each of these programs has different eligibility criteria (e.g., low-income, veteran, and disabled) regarding who can be trained with program money. The official stated that the large number of narrowly focused JTPA programs makes it difficult to identify which programs a particular trainee is eligible for. Similarly, we recently issued a report stating that conflicting eligibility requirements and differences in annual operating cycles are hampering the ability of federal employment training programs to provide needed services.[16]

Additionally, when narrowly focused programs are administered inflexibly, rural areas may tailor their projects to obtain program funds or otherwise modify their projects. For example, one county official told us that the county had obtained FmHA assistance for a water and sewer project. The county had planned to use 6-inch pipes—a larger diameter than allowed by FmHA's regulations. The larger-sized pipes were chosen to prepare for future increases in the use of the system as the population increased. When FmHA rejected the larger-sized pipes, the county installed the smaller ones. As expected, the county has since outgrown the system and is tearing it out to install the larger pipes that it had wanted to use originally.

[16]Multiple Employment Training Programs: Conflicting Requirements Hamper Delivery of Services (GAO/HEHS-94-78, Jan. 28, 1994).

Federal Efforts to Address Programs' Problems Have Fallen Short

The Presidential Initiative on Rural Development—currently called the National Rural Development Partnership—was intended to address some of the problems with program delivery outlined above. The Initiative was designed primarily to improve the coordination and organization of federal, state, local, tribal, and private rural development activities. The Initiative has resulted in the establishment of federal and state coordinating bodies and has promoted discussions among rural development officials. However, it has not resulted in significant changes to programs or the manner in which they are delivered. Furthermore, the State Rural Development Councils (SRDC) established under the Initiative have, for the most part, only recently begun operations. As a result, these actions have had little impact on improving program delivery in rural areas.

The 1990 Initiative Has Generally Not Improved Delivery of Assistance

The 1990 Initiative has not resulted in federal policy decisions that significantly improve program delivery to rural areas. In part, this is because federal policymakers have not functioned in the role the Initiative established for them. More specifically, a permanent Economic Policy Council Working Group on Rural Development, chaired by the Secretary of Agriculture and made up of officials from about 17 federal agencies, was created to coordinate rural development activities within the federal government. Initially, the Working Group met on a regular basis and established the National Rural Development Council (NRDC),[17] composed of senior program managers, as its action arm. However, the Working Group has not met for about 2 years. While the NRDC continues to meet twice a month to discuss rural development issues, it can only foster discussions among federal agencies; it does not have the authority to make program decisions.

The NRDC has some accomplishments to its credit. First, it has provided a forum in which the many federal agencies involved in rural development can routinely discuss rural problems and issues. Second, it has helped establish the SRDCs, as required under the 1990 Initiative. These councils, in addition to coordinating state rural development efforts, provide the NRDC with a direct link to a forum on local, regional, and state concerns about rural development. As a result of this linkage, the SRDCs have identified a number of impediments to using federal programs, such as the differences in requirements for filing grant and loan applications and the reporting requirements that cost more to carry out than the applicants gain from the funds provided.

[17]Originally called the Monday Management Group.

However, without the involvement of the Working Group or another high-level executive committee, it is difficult to make interdepartmental policy decisions at the federal level on how to improve or change programs to better assist rural America. For example, one of the principal concerns of local and regional officials we spoke with was that the large number of narrowly focused programs in multiple federal agencies made participation difficult and costly. While the NRDC has sought to stimulate better coordination among these programs, it has not been successful in fostering the development of more fundamental solutions to the problems, such as the problem of inconsistent, unclear, and costly program rules and regulations. Similarly, the NRDC has asked the SRDCs to identify potential impediments to rural development activities and submit those they cannot resolve to the NRDC. The SRDCs have done so, but the NRDC has not had the authority to take action, and has done little to evaluate or otherwise address their concerns. According to many NRDC members, these and other problems have not been addressed because the NRDC has not had the support of high-level policymakers that it needs in order to have leverage with executive agencies.

SRDCs Are in Their Infancy

The SRDCs were established to, among other things, develop and implement a strategy for the efficient and effective use of public and private resources within the state. Because most SRDCs are in their early stages of development, they have had little time to bring about change in rural areas. Eight states piloted the concept beginning in 1991; by 1994, all but three states had established, were establishing, or were considering councils.[18] Two of the states we visited were pilot states. In the other eleven states we visited, an SRDC was being established or had only recently been established.

We and others have not evaluated the effect of the pilot programs on rural development. However, the eight pilot states generally agreed that the SRDCs had greatly enhanced communication among state-level rural development organizations and had helped improve the dissemination of technical information to rural areas. There was less agreement on the extent to which the councils had made progress in other areas, such as standardizing application forms or reducing the time it takes state and federal governments to approve rural development projects. Finally, according to some state and federal officials we spoke with, one potential

[18]Thirty-seven SRDCs are operational. Ten states, Puerto Rico, the Virgin Islands, and the Pacific Territories are considering forming councils. Connecticut, New Jersey, and Tennessee have not taken any formal actions to establish SRDCs. The eight pilot states were Kansas, Maine, Mississippi, Oregon, South Carolina, South Dakota, Texas, and Washington.

hindrance to the councils' operations was a lack of authority to allocate funds and enforce decisions. However, other state and federal officials stated that the SRDCs should not have that authority. The NRDC Steering Committee stated that "having a source of funds to allocate would encourage SRDCs to chase federal funds rather than focus on solving the problems."

Effects of Federal Support on Rural Development Are Uncertain

While program improvements are important and can be made, a larger question remains: What impact do federal programs have on rural economic development? The answer is largely unknown. In part, this uncertainty stems from the inherent analytical problems of identifying cause-and-effect relationships among the many factors that determine where and to what extent development will occur. It is difficult to isolate the effects of a given federal program from the effects of the numerous other factors that can influence a rural area's economy.

But analytical difficulties only partially explain why it is hard to clearly identify the effects of rural development programs. Some of this uncertainty can also be attributed to limited efforts to perform such evaluations. In particular, federal agencies involved in rural development have historically done little to analyze the impact of their programs on a rural area's development. Instead, some agencies, such as the RDA and EDA, determine the success of programs by using such measures as the number of jobs a federally assisted project creates, or the number of grants or loans made. These measurements are weak proxies for determining the overall economic strength of a given rural community or region. Instead, other measures or combinations of measures—such as reduced unemployment, an increased tax base, or income growth or income distribution in a community or a region—might better reflect economic well-being and provide a clearer picture of the impact of federal assistance on economic development.

Recently, there has been an increased emphasis on the importance of evaluating the effects of federal rural development programs. In its August 1992 report, the President's Council on Rural America noted that the ability to measure performance was one of three key ingredients for success in rural development and was essential for determining the effectiveness of programs.[19] Furthermore, the Council recommended developing a long-term national rural development strategy, as well as standards for evaluating progress towards achieving goals set in that

[19] President's Council on Rural America, Aug. 1992.

strategy. However, this recommendation, and others contained in the Council's report, has not yet been implemented because policymakers in the executive branch have not actively considered the recommendations.

The Government Performance and Results Act of 1993 further emphasized the importance of program evaluation. The act requires federal agencies to develop goals for each of their major program activities by fiscal year 1999. Such goals are to be stated in objective, quantifiable, and measurable terms by which progress toward achieving these goals can be assessed. At the time of our review, it was too early to evaluate the impact that this legislation may have on improving the ability of the federal government to gauge the effects of its rural development efforts.

Conclusions and Matters for Congressional Consideration

Rural America has undergone dramatic economic change. Poverty rates in rural areas were higher in 1990 than they had been 18 years before, and low-skill, low-paying jobs in manufacturing were more concentrated in rural areas while high-skill, high-paying jobs were more concentrated in urban areas. Furthermore, from 1930 to 1990, the nation's rural population declined from 44 percent of the total population to only 25 percent.

Why has this happened? There is no single, simple answer. Many factors and complex combinations of factors can influence a rural area's economy. However, an overarching explanation for the decline is that rural areas have not adjusted to changes in the rural industries that have traditionally been their source of economic vitality.

At the same time, we have to acknowledge that rural areas do not have complete control over their economic destinies. Some factors that may help or hinder these areas' economic well-being—location and regional changes in industry—are outside the areas' realm of influence. However, the fate of rural areas is not predestined. Through leadership and planning, they can build on their strengths and mitigate their weaknesses. While such actions cannot guarantee success, they can maximize the chances for a stronger long-term economic life in these areas.

Problems in rural America have not gone unnoticed. The federal government has disbursed billions of dollars to rural areas through various economic development programs. However, the impact that these expenditures have had on rural economic well-being is, at best, unclear. At worst, the more cynical would point to declines in rural populations as an identifiable measure of federal failure.

One of the fundamental obstacles to evaluating the effectiveness of federal rural development programs is the absence of a well-articulated policy for rural America that defines national goals. Without such a policy, it is difficult to identify suitable criteria for measuring whether federal programs are achieving the desired results. Similarly, there is no overall federal strategy that provides a "game plan" for accomplishing federal goals that may be identified for rural America.

While the effectiveness of federal programs may be uncertain, their inefficiency in delivering benefits is self-evident. Rural areas find it costly to comply with the regulations of a patchwork of 35 federal economic development programs. Instead of focusing on economic development needs, rural areas are generally devoting scarce time, money, and staff resources to understanding programs, complying with reporting requirements, and dealing with inconsistencies between programs. For example, federal agencies have different requirements for, among other things, loan and grant applications. Resolving rural areas' concerns over the delivery of federal assistance will be no easy task because many of these concerns stem from inherent conflicts between a rural area's desire for funding flexibility and the federal government's need for accountability.

Financing a variety of requirements mandated by federal and state governments is another source of concern for rural areas. The costs of implementing these mandates can be particularly prohibitive for small rural communities that do not have a large tax base over which to spread the costs.

Only recently have the many federal agencies involved with rural development begun discussing these concerns with one another through federal and state-level interagency coordinating groups. Conceptually, the interagency groups make sense. However, they have made only limited progress in resolving rural development issues. In part, this is because the current federal interagency group lacks the authority to provide national leadership by taking significant action on these issues. The Economic Policy Council Working Group on Rural Development, a cabinet-level interagency group, may have had such authority but has not met in 2 years. The National Rural Development Council (NRDC), the operating arm of the Working Group, continues to meet. It has been instrumental in facilitating interagency discussions and fostering the development of the State Rural Development Councils. However, its membership lacks the authority to resolve major problems in rural development, including the impediments to using federal programs identified by the state councils.

The problems associated with federal assistance for rural areas are not new. "Blue ribbon" panels of experts have identified them in the past—most recently in the August 1992 report by the President's Council on Rural America—and made such recommendations as developing a national strategy and improving interagency coordination. The underlying problem seems to be following through on these recommendations. For example, there still is no national strategy, and the working group with the authority to improve interagency coordination has stopped meeting. Also, as USDA officials noted in commenting on this report, developing and implementing a national rural development strategy is all the more difficult because there is no single agency or legislative committee with both the responsibility and authority to do so. Certainly, any significant changes to the federal approach to rural development will require a long-term commitment by cabinet-level executive agency officials. However, the executive agencies cannot by themselves address all the problems linked to federal rural development assistance because some of these problems may require legislative action. It is therefore necessary that the Congress also be committed to a long-term process of critically reevaluating federal rural development assistance and making what will surely be difficult legislative decisions to improve the current system.

Matters for Consideration by the Congress

Because the current federal approach to providing assistance is generally inefficient in helping rural areas adjust to changing economic conditions, the Congress may wish to implement a two-part strategy to improve such assistance. The first step would be to make short-term changes in the way federal assistance is delivered to rural areas. The second step would be to develop and implement a more comprehensive and cohesive federal strategy that would, over the long term, substantially change the current approach.

To implement the two-part strategy, the Congress may wish to establish a permanent interagency executive committee, similar to the Economic Policy Council Working Group on Rural Development, to oversee and provide better delivery mechanisms for federal programs and services to rural communities. We suggest that the committee be jointly chaired by officials from USDA—the traditional focal point of federal rural development activities—and the Office of Management and Budget—the agency with overall budget authority for all federal programs affecting rural development. Other members would include high-level officials from agencies with an interest and role in rural America. This executive committee should be supported by the NRDC, which currently has representatives from each of the agencies.

As part of the short-term improvements, the Congress may wish to direct the executive committee to take the following actions:

- To the extent permitted by law, reconcile divergent departmental and agency requirements for similar federal programs to make it less burdensome for rural areas to carry out these requirements: For example, identify reporting requirements for individual programs that may need to be reduced and resolve other impediments to using federal programs pointed out by the State Rural Development Councils, such as the lack of

43

uniform requirements for completing loan and grant applications that are acceptable to all federal agencies.

- Recommend to executive agencies those program changes considered necessary to reduce the burden of federal requirements.
- Recommend to the Congress changes in federal statutes considered necessary to achieve the reduction in unnecessary federal regulations.

For long-term improvements, the Congress should direct the executive committee to develop a comprehensive, national strategy for federal assistance to rural America. The strategy should recognize that economic realities may dictate a disturbing political reality: No reasonable amount of federal assistance will enable some rural areas to successfully adjust to changing economic conditions. Additionally, the strategy should ensure the best use of federal funds—important during this time of budget deficits—and include measurable federal goals for rural America and methods for achieving them. On the basis of these federal goals, the executive committee should identify alternatives that might more efficiently deliver federal assistance to rural areas than the current approach of multiple, narrowly focused programs. These alternatives could include merging or eliminating programs that do not contribute to federal goals.

The executive committee should report to the Congress at least annually on its progress in achieving the short-term improvements and developing a long-term strategy, with recommendations for any necessary legislative changes. (As requested by your offices, we have provided, in appendix V, suggested legislative language for establishing an interagency executive committee.)

Agency Comments and Our Response

Overall, USDA stated that this report lays the foundation for developing new policies for rural America. The Department generally agreed that a comprehensive strategy is needed for federal assistance to rural America. However, USDA emphasized that developing and implementing such a strategy is difficult because no single federal executive agency or legislative committee has both the responsibility and authority needed. We agree and believe that the report highlights some of these difficulties. Additionally, USDA officials expressed concern over what they perceived as an overemphasis in the report on solving rural problems through better interagency coordination. We agree that improved coordination will not solve all the problems. For this reason, the report suggests that the proposed interagency committee, over the long term, explore alternatives to the current set of federal rural development programs, not merely examine ways to better coordinate them.

The Steering Committee of the National Rural Development Council also agreed with the need for a comprehensive strategy for federal assistance to rural America. The Committee stated that the report supported the findings and conclusions it has drawn over the past 5 years.

The Office of Management and Budget did not provide comments on the report.

States and Counties GAO Visited

Alabama	Bullock Jackson Lowndes
Georgia	Polk Jeff Davis Wilkinson
Indiana	Steuben
Kentucky	Butler Ohio
Minnesota	Lake Roseau
Missouri	Bates Carroll New Madrid
New York	Columbia Franklin Yates
North Carolina	Pitt Polk
Oklahoma	Le Flore Nowata Payne
Texas	Lynn Zavala

Utah	Emery Millard San Juan
Washington	Skamania Pend Oreille
Wisconsin	Iron Waushara

Methodology Used to Select the 31 Counties

GAO used a combination national and regional growth model, developed with the U.S. Department of Agriculture's Economic Research Service (ERS), to select counties to visit for this report. This appendix describes the attributes of this model and its use in selecting the counties.

The Model

The empirical literature on rural economic performance shows that several variables are statistically significant in explaining the economic condition of rural counties. Many of these known and measurable variables were included in the statistical model, which is a linear regression of the percentage change in rural county earnings from 1979 to 1989. The variables used were limited to those for which ERS had readily available data.

The dependent variable in the model was the percentage change in total workers' and proprietors' income in a county over the period. We selected this variable, rather than per capita income, because it emphasizes the change in overall economic activity within a county.

The following independent variables were used to help explain the differences in the income growth across counties:

- indicator variables in the national model for each of the Bureau of the Census's nine regional divisions, to capture the independent effects of regional differences on growth in earnings;
- ERS-developed economic-base variables indicating if a county's economy depended on income from the mining, manufacturing, agriculture, government, or retirement sectors;
- variables in the quality of the work force in 1980, including average earnings per job for 1976-78; the percentage of the work force made up of professional, technical, or managerial workers in 1980; total expenditures per pupil in 1977; the location of a nearby state college; and high school completion rates in 1980;
- a variable measuring federal expenditures for community development as a percentage of workers' and proprietors' total local income in 1980;
- variables indicating advantages resulting from location, such as adjacency to a large metropolitan area, adjacency to a small metropolitan area, and the population density in 1980;
- variables indicating other possible incentives to locate a business in the county, such as natural-resource amenities (an ERS-developed variable) and location in a right-to-work state in 1980;

- infrastructure variables; including location near an airport and/or a highway interchange and the local revenue effort in 1977 (total local taxes as a percentage of a county's total personal income); and
- demographic variables, including the Hispanic population as percentage of the county's population in 1979 and the African-American population as a percentage of the total population in 1980.

Selection of the Counties GAO Visited

We used the results of both the national and regional models to identify counties that did better or worse than expected as predicted by the models. A county was classified as an "outlier" if the percentage change in its income growth rate was 25 points above or below the predicted, approximately 1.4 standard deviations in both the regional and national models. In our analysis, 268 of the 2,357 counties were classified as outliers by both models. One of our goals was to identify factors that were not explicitly modeled but that might have caused a county to have a growth rate for income substantially different from what the model predicted.

We selected 24 counties to visit from the list of outliers—12 that did better than expected and 12 that did worse. We also selected seven counties that performed about how the model predicted they would.

Comments From the Department of Agriculture

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

MEMORANDUM

To: John W. Harman, Director
Food and Agricultural Issues,
Resources, Community, and Economic Development Division
General Accounting Office

Through: Bob J. Nash
Under Secretary
Small Community and Rural Development
U. S. Department of Agriculture

From: Karl N. Stauber
Deputy Under Secretary for Policy and Planning
Small Community and Rural Development
U.S. Department of Agriculture

Date: June 3, 1994

Subject: Draft Report on Rural Development--1540 (94-49)

Summary

See comment 1.
See comment 2.

The report does an excellent job of identifying the fragmentation of current Federal rural development policy and is very useful for policy-makers in defining major impediments for rural development strategies. The report is less successful in identifying the complexity and diversity that have been contributing factors to the fragmentation. The proposed solutions to the problems of fragmentation place heavy reliance on coordination, without examining the success or failure of this approach.

Discussion

Governments and their programs are often created as expressions of hope and as a means to realize those hopes. Yet, over time, governments can become a source of discouragement and despair. Federal programs should be a source of hope for rural Americans. Are they? Are they a source of hope for low income people? The report

See comment 3.

suggests that efficiency and effectiveness are the only relevant criteria for examining rural development programs; it ignores the original variety of intents in establishing most Federal initiatives.

Rural America is complex. It is characterized by a variety of opportunities and needs. Economic opportunities are expanding in areas adjacent to urban communities, rural areas with scenic beauty or recreational amenities, or areas with other competitive advantages. The GAO Report does not fully acknowledge this complexity. It conveys the image that all of Rural America is declining.

See comment 4.

As the report correctly points out, economic opportunities are stagnant in areas which are most distant from population centers, have the lowest population densities, or are highly dependent on certain industrial sectors. Some parts of rural America are in serious economic decline. These include areas where historic and continuing patterns of racism have produced uneven education, lack of access to capital, and other precursors of growth. The draft report largely ignore issues like racism as a source of rural poverty.

See comment 5.

We believe that it is important to consider Federal rural development policy in its historic context. In the beginning, almost all Federal policy was also rural policy because America was a country defined by the "Frontier." Federal policy focused on occupying rural America. But, around 100 years ago, we completed the "Settlement"[1] phase and shifted to mostly urban industrialization. Rural America became the "Storehouse" from which high quality people, capital, food, timber, etc. were efficiently extracted. During the Storehouse period, many Federal policies were created to improve the extraction of rural resources to feed the modernization of urban America.

Other policies, particularly beginning with the Great Depression, focused on the problems of rural poverty. The poverty alleviation, or "Poor House" policies of the 1930s attempted to help the displaced farm families survive through the provision of food and temporary shelter. In the 1960s additional initiatives added long-term housing for low-income people and targeted infrastructure development.

Most recently, we have seen the accelerated development of the "Backyard" period for parts of rural America. The Backyard sees rural America as primarily a place for recreation, not development. Under this approach, some rural areas have become places where urban and suburban Americans go for rest, spiritual rejuvenation, holiday and retirement. This has been supported by an array of Federal policies, such as cheap energy, extensive highway systems, and changing use patterns in National Forests and Rangelands.

Today, we have multiple sets of Federal rural-development policies-- Frontier, Storehouse, Poor House, and Backyard--operating simultaneously. This produces a "layer cake" effect, in which policies and programs are stacked up over time. Rarely does a new initiative eliminate the previous layer. This produces confusing sets of regulations,

2

51

authorities, and programs. Resulting waste and duplication must be managed by local, state and tribal governments, businesses, and non-profit groups.

The report does an excellent job of pulling together many of the concerns of local officials that must manage rural development at the community level. The "Layer Cake" metaphor and historical context may help to make the confusion experienced by the local officials more intelligible, although no more manageable.

Not only do we have "layer cake" confusion, but many of our existing policies are based on a "one-size-fits-all" mentality. For example, the recent Federal Empowerment Zone program was designed with the idea that low-income communities are typically isolated enough to fit with-in a discrete number of Census tracks. However, in some parts of rural America, very poor and very wealthy communities are very close together. By focusing on only Census tracks as the operational unit, we have unintentionally discriminated against some parts of the Country. "One size fits all" makes it easier to control and standardize programs, but it makes it harder to provide high-quality, locally appropriate services. In several places the report appears to promote a "one-size-fits-all" approach.

See comment 6.

The "one-size-fits-all" approach ignores the diversity that exists in rural America. The diversity begins with ecological and physical features--rainfall, soil-types, distance from navigable waterways, etc. Human settlement patterns, infrastructure investments, local cultural norms all add a social dimension to diversity. Finally, our literature, movies, and television programs give snap-shots of what the "real" rural America is like. While the notion "all development is local" is an overstatement (for example, the development of the national system of Interstate highways was not local), most development <u>does</u> occur in a local context. When policy is made that ignores the diversity is rural America, it is likely to create programs where "one-size-fits-none."

See comment 7.

The report could more clearly reflect many of the fundamental changes that have altered rural America in the last 100 years. For example:

— Rural America's population has been declining, as a percent of the country's total population, almost since the founding of the Republic. In 1920, urban population exceeded rural population for the first time. By 1990, only 25 percent of the nation's population lived in rural America. <u>However, for the last several decades, rural population (in total, not as a percentage) has been relatively stable.</u>

— Between 1980 and 1990, 72 percent of all towns of less than 2,500 decreased in population. In 10 contiguous agriculturally dependent Farm Belt states, the rate of decline was over 80 percent. <u>Thus, there a major population shifts within rural areas, as well as between urban and rural.</u>

3

BEST COPY AVAILABLE

— Agriculture no longer dominates rural America. In 1890, 24.7 million Americans, or 39.3 percent of the population, lived on farms. There were 4.6 million farms with 623 million acres in production, with the average farm covering 137 acres. By 1990, 3.9 million Americans lived on farms, or just 1.5 percent of the population. There were 2.1 million farms using 987 million acres, for an average farm size of 461 acres in 1990. Between 1940 and 1989, agricultural productivity, as measured by output per hour of farmwork, has increased by approximately 1,300 percent. Because of the success of public and private investments, agriculture is today a critical, but no longer dominant rural occupation.

— Not only is agriculture no longer the major source of employment in rural America, it no longer is the major source of income for the majority of farmers. In 1989, there were no counties in the United States where earned income from agriculture was more than 50 percent of total earned income; there were no congressional districts where people living on farms were a majority of the electorate. Increases in farm subsidies or farm prices will, by themselves, do little to increase total rural income.

-- In the Twentieth Century, rural development policy has primarily focused on: 1) efforts to increase productivity of agriculture, increase or stabilize farm prices, or increase access to markets for farm goods; 2) programs to recruit manufacturing jobs to utilize surplus labor and reduce population decline; and, 3) initiatives to provide infrastructure-based amenities, such as electricity, water and highways.[2] The report does not acknowledge these patterns. It does not ask the critical questions, "Are these still appropriate approaches, are they the best approaches?"

See comment 8.
See comment 9.

The report suggests the need for more multi-agency, cross-departmental coordination and suggests the creation of an interagency working group on rural development. Almost everything called for in this regard replicates responsibilities already granted to the Secretary of Agriculture under the Rural Development Policy Act of 1980. Similar calls for and efforts at multi-agency coordination and cooperation can be found in studies and legislation back to the 1930s. Unfortunately, the report encourages the view that all we need is a little will and a new mechanism.

See comment 10.

The literature on cross-departmental, multi-agency government cooperation and coordination is not nearly as encouraging. Bryson and Crosby's Leadership for the Common Good, Sacred Cows and Hot Potatoes: Agrarian Myths in Agricultural Policy by Brown, et al, Within Our Reach by Shore and Dewitt John's A Brighter Future for Rural America, New Alliances for Rural America, and Civic Environmentalism: Alternatives to Regulation in States and Communities all suggest that cooperation and coordination are not enough. The literature suggests that the granting of **responsibility** without commensurate **authority** typically fails.

4

Alternative Strategies

See comment 11.

It is not clear from the report what alternative strategies were considered and rejected by the authors. Several more systemic approaches have been considered in the past and could be considered again.

-Create a Department of Rural Development. Create a new Federal department and consolidate the functions that are currently spread throughout a large number of Federal agencies and departments. Give the new Secretary of Rural Development the **authority and responsibility** to integrate and rationalize Federal rural development activities.

-Create standing rural development committees within the House and Senate. How many of the problems identified in the draft report would have been identified through adequate and systematic Congressional oversight as part of legislative and appropriational activities? As with the highly fractured structure in the Executive branch, Congress' oversight function is weakened by the lack of centralization. To the extent that the existing Agriculture Committees already have authority, this is much less of a problem. Consideration should be given to the Agriculture Committees having oversight of all rural development.

-Re-examine the intergovernmental relationships under-girding rural development. During the Frontier stage of rural development, the Federal government had a direct relationship with local communities, most often through the military. Remnants of that relationship remain through entities like the Bureau of Indian Affairs and the Corps of Engineers. During the Storehouse phase, most new rural development relationships Federal-state. Land grant universities, major transportation systems, and the Appalachian Regional Commission all reflect this state-Federal partnership approach. The Poor House period of Federal rural development policy often attempted to avoid state and local government by setting up new, local entities. Today we still have the county committees of Farmers Home Administration and Agricultural Stabilization and Conservation Service from the 1930s and the Community Action Agencies and Programs (CAPs) of the 1960s operating Federal programs at the local level. The county committees and CAPs typically operate without any formal relationship with local government. Under President Nixon "New Federalism" attempted to place responsibility for program delivery with local and state governments, weakening the alternative mechanisms of the 1930s and 1960s. This pattern was intensified under the Reagan-Bush Administrations.

Federal-non-Federal relationships are irrational and overlapping. The evolution of rural development policy over the last 100 years has made this situation worse. Congress could mandate a re-examination of rural development policy as the first step toward creating a new rural development department.

5

The report, in what may be its most important finding, correctly suggest that current rural development programs suffer from a lack of clear, strategic vision, Like much of rural America, rural development policy is in a period of transition. Old development policies will recede. We can hasten and direct these changes. Under the leadership of Secretary Espy, USDA has issued a vision statement for its rural development programs.

Assumptions of a New Rural Development Vision

A core set of assumptions should underlie all of USDA's rural development initiatives. These include:

The for-profit economy-- the marketplace--is and should be the dominant force in rural development. Whenever possible, we should rely on the marketplace to direct and support rural development. Government should not subsidize people and communities to do what the marketplace can do better.

Rural communities and the marketplace-- not national programs-- will determine whether areas prosper or decline. However, not all areas have equal access to political and economic power. Historic and current patterns of discrimination are an important cause of poverty. This is not acceptable. Further, competition and the marketplace, by themselves, have rarely overcome such problems. Therefore, government actions are needed to ensure that traditionally disadvantaged communities and individuals have the opportunity to compete.

In some parts of rural America, **community development** must precede and then overlap with **economic development**. If communities are to prosper, all people must have access to certain basic services such as water and waste, healthcare, education, and transportation. Without such essential services, a community will be constrained in its ability to participate in the marketplace.

However, infrastructure alone will not produce community development. Leadership development, the creation of locally controlled institutions and experience in managing and owning assets are also critical elements of community development. None of these approaches--business creation, infrastructure development, leadership, or asset control--are a panacea. Instead they are critical starting points in a long-term process.

Federal finances will continue to be constrained by the budget deficit. Therefore, there will not be adequate Federal resources to meet all the needs of rural America. Federal resources should be targeted to those places where the marketplace will not be able to provide adequate economic activity to ensure

6

55

opportunity for all. Federal resources should be focused on those communities where opportunity is declining or stagnant. This includes approximately 500 persistent poverty counties and regions of shrinking population and job opportunities.

Improving environmental quality should be a critical part of most future Federal rural development initiatives. The rural development strategies of the Storehouse period must be replaced by a new, more environmentally-friendly ethic. This approach requires assisting rural communities in moving from activities that have unintended, negative environmental consequences to ones that improve or protect the natural resource base.

If rural development policy is to succeed, it must explicitly focus on reducing the widening gap between rural America and the rest of the Nation. National economic prosperity has, in recent decades, rarely trickled down to most rural communities.

Finally, even as we develop new ways to invest in rural America, we also must improve the efficiency and effectiveness of our programs. Constrained resources. limited tax-payer patience, and unmet rural needs require that we change and improve the ways we deliver rural development services.

A NEW VISION OF USDA'S RURAL DEVELOPMENT PROGRAMS

The new vision of the federal role in rural development should be to assist communities, based on inclusive development initiatives, to become more competitive in a world marketplace, through creating sustainable economic opportunities for all residents. To achieve this new vision, USDA will have three priorities for its rural development efforts, including: 1) reduction of long-term poverty in the approximately 500 poorest rural counties in the United States; 2) increased viability of rural communities with declining population density and job opportunities; and, 3) assistance for those parts of rural America experiencing short-term difficulty from rapid structural change due to shifts in public policy, the international marketplace and natural disasters.

Within the three priority areas, emphasis will be placed upon those initiatives which have the greatest potential impact and those which represent the most opportunity for demonstration, experimentation, and learning. USDA rural development initiatives will work cooperatively with other federal agencies, non-profit and for-profit private groups, tribal, state and local governments. These cooperative ventures will be designed to create innovative new approaches to providing of physical infrastructure, ensuring the health and well-being of all rural Americans and stimulating business enterprises that can provide employment and ownership opportunities throughout rural America.

The Federal government can not solve the problems of rural America. But it can assist others in developing and implementing solutions that are inclusive of all people and meet the needs unique to the great diversity of the United States. The rural development efforts of USDA are designed to benefit from the leadership and capacity that exists throughout this country.

Conclusion

See comment 12.

The entire Federal government needs a strategic vision similar to the one outlined above for USDA. At the current time no single Federal executive agency or department, or legislative committee has the combination of **responsibility and authority** needed to develop or implement such a vision. The GAO report would be strengthened by going further to identify this fundamental imbalance as the source of many of the individual problems.

The GAO and requesting Members of Congress have done the Nation a significant service in the creation of this report. It serves as a strong starting point from which to examine current Federal rural development policies, as experienced by local officials. The report lays the foundation for developing new policies that will benefit all of rural America.

1. This ignores the existing Native American civilizations that were well established prior to the arrival of other peoples.

2. Organization for Economic Co-operation and Development, *Rural Economic Development Trends and Strategies in the United States: ADAPTING TO CHANGE*, Paris, 1993, p. 12.

8

The following are GAO's comments on the Department of Agriculture's letter dated June 3, 1994.

GAO's Comments

1. The report acknowledges the complexity and diversity of the current federal programs for rural areas. We attribute this primarily to the federal government's substituting a large number of narrowly focused programs for a single rural development policy that would support an integrated set of economic development programs in rural America.

2. We recognize that better coordination of federal agencies is only a partial solution to the problems identified in this report. For this reason, we note in our matters for consideration by the Congress that the proposed interagency committee should, over the long term, explore alternatives to the current approach for providing rural development assistance in addition to, on an interim basis, better coordinating the existing programs.

3. The report focuses on efficiency because of the interest of the requesters.

4. We believe that the report not only acknowledges this complexity, but highlights it in chapters 2 and 4. More specifically, the report notes that rural vitality depends on a complex interaction of many factors, such as remoteness, sparse population density, and the economic base. It also points out that some rural areas—such as some retirement areas—have adapted successfully to economic change, while many others—such as some mining areas—have not.

5. We realize that racism may affect economic development. However, the officials in areas we visited did not highlight it as a primary obstacle.

6. The report does not support the "one-size-fits-all" approach. On the contrary, it notes that there are no off-the-shelf solutions to rural problems: The unique advantages and disadvantages of a given rural area require customized efforts to resolve its problems.

7. The report recognizes that rural America has changed considerably since the early 1900s. It briefly describes the economic and social changes that have occurred in rural America during that period, but concentrates primarily on the problems experienced by rural areas since 1979. It discusses rural population trends and the decline of agriculture as a major

rural economic force, and questions whether current federal programs and policies are efficiently addressing rural problems.

8. We agree that federal assistance for rural areas has changed and recognize this in the report's first chapter.

9. We would expect that questions concerning the best approaches to rural development would be part of the process of developing an overall federal strategy, as we suggest in our matters for consideration by the Congress.

10. We agree and, in fact, highlight past recommendations for better coordinating the delivery of federal rural development assistance. However, in chapter 4 we also point out that the federal government has failed to follow through on these recommendations. In our opinion, the lack of federal action does not diminish the value of the recommendations. We believe that our suggestions to include an official from the Office of Management and Budget as the co-chair of the proposed interagency committee and to involve the Congress in direct oversight of the committee may provide the impetus to finally initiate actions. Also, see comment 2.

11. In our view, exploring these alternatives would be part of the longer-term responsibilities of our proposed interagency committee. In the interim, we believe that the committee could take actions to better coordinate existing rural development programs.

12. We incorporated this thought into the report's conclusions.

Comments From the Steering Committee of the National Rural Development Council

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

United States Department of Agriculture | Soil Conservation Service | P.O. Box 2890 Washington, D.C. 20013

23 MAY 1994

Mr. John W. Harman
Director, Food and Agricultural Issues
Resources, Community, and Economic
Development Division
U.S. General Accounting Office
Washington, D.C. 20584

Dear Mr. Harman:

On behalf of the Steering Committee of the National Rural Development Council (NRDC), I offer our thanks for the opportunity to review the draft report RURAL DEVELOPMENT: Patchwork of Federal Programs Needs to be Reappraised. Basically, the report is excellent. It supports the findings and conclusions we have drawn over the past five years as we have evolved and tried to establish demonstration projects and remove impediments. These conclusions have been further reinforced by our own Outcome Monitoring Team and by the University of Southern California during their evaluation of the National Rural Development Partnership (NRDP). The report highlights the need for leadership and planning and suggests ways to help strengthen the NRDP. We do have a few technical comments which we feel would help strengthen the report.

See comment 1.

1. The report keeps mentioning the National Initiative on Rural America (NIRA) and the Monday Management Group (MMG). The terms were recommended to be changed to NRDP and NRDC by the NRDC at its retreat in October 1993 and approved by USDA Under Secretary Bob Nash for Small Communities and Rural Development earlier this year. We suggest changing the terms or mention that the change has occurred.

See comment 2.
Now on p. 6.

2. Page 4. We suggest changing the last sentence to read as follows: "*Since the Working Group no longer functions, the NRDC is operating under difficult constraints and lacks authority to resolve program problems. The majority of State Rural Development Councils (SRDC) are emerging as vibrant and effective at the state and local level but the federal agencies are generally weak across the board.*"

See comment 3.
Now on p. 13.

3. Page 12. FEDERAL PROGRAMS ARE ... - We suggest adding to the first sentence "... *since the farm population was the rural population.*" to indicate the change in the makeup of the non-metro population.

The Soil Conservation Service is an agency of the Department of Agriculture

See comment 4.
Now on p. 15.

4. Page 16. - In the first line, we suggest rewording to "*the National Endowment for the Arts and the National Endowment for the Humanities.*" since they are not the same agency. This assumes that the National Endowment for the Humanities is one of the "17 departments and agencies providing $119.8 billion to rural areas between 1983 and 1992."

See comment 5.

5. We suggest adding some acknowledgment of the importance of issues such as quality of health care, social services, education and cultural resources in rural areas as concerns that affect economic development.

See comment 6.

6. We also suggest adding some observations about the interrelationships of the urban, suburban and rural problems.

See comment 7.
Now on p. 25.

7. Page 28 UNFUNDED MANDATES - We suggest changing the second sentence in the second paragraph as follows: "*However, because many older rural systems carry combined storm and sanitary sewer flows, they can not meet the demands of an exceptionally heavy rainfall. Thus, the system may ....*" If a wastewater system is properly designed, these flows are kept separate and rainfall (runoff) does not enter the system or affect their treatment plant.

See comment 8.

8. Page 44. We suggest deleting the last sentence in the main paragraph ("*According to a USDA ... forthcoming.*") since it does not add any substance to the paragraph.

See comment 9.
Now on p. 36.

9. Page 44. SRDCs ... - Actually, only 37 SRDCs are operational. Ten states, Puerto Rico, the Virgin Islands and the Pacific Territories are considering forming councils while three states have not taken any action.

See comment 10.
Now on p. 37.

10. Page 45. We suggest adding the following last sentence to the main paragraph: "*Having a source of funds to allocate would encourage SRDCs to chase federal funds rather than focus on solving the problems.*" Our experience has shown that anytime we showed funds were earmarked by federal agencies to support SRDC projects, schemes were generated to go after the funds rather than apply for them if they were needed and could be used to accomplish a goal.

See comment 11.
Now on p. 42.

11. Page 52. We suggest clarifying the main paragraph that talks about ensuring "the best use of federal funds" and about including "measurable federal goal for rural America." Should these be national goals instead or goals based on the federal role? A national goal should be a healthy rural America which should be a local goal as well. Whereas, a goal based on the federal role may be contradictory to a local goal or need as has often been the case.

Please contact me at 202-720-8767 if further explanations are needed or if the NRDC can help in any way.

Sincerely,

CARL E. BOUCHARD
Deputy Director
Basin and Area Planning Division
Chair, National Rural
Development Council

The following are GAO's comments on the letter dated May 23, 1994, from the Steering Committee of the National Rural Development Council.

GAO's Comments

1. We now use the terms National Rural Development Partnership (NRDP) and National Rural Development Council (NRDC) throughout the report instead of National Initiative for Rural America (NIRA) and Monday Management Group (MMG), respectively.

2. We state that the NRDC has not had the support of high-level policymakers to provide leverage with executive agencies. We feel that no further elaboration is needed. In addition, we feel that the SRDCs have not functioned long enough to determine their effectiveness, as stated in chapter 3.

3. The suggested addition is too general and, in many rural areas, would not be a true statement.

4. We made the suggested change.

5. While we recognize that issues such as health care and education have an enormous impact on rural America, this report concentrates on federal rural assistance programs that are more easily identified as economic assistance.

6. This issue is beyond the scope of the report.

7. The report refers to a specific situation in a rural area as explained by the local officials who were experiencing the problems. A generic explanation such as that suggested might not apply to this situation.

8. We deleted the sentence.

9. We made the suggested changes.

10. We added the sentence suggested.

11. We agree that all efforts at development in rural America should be under an umbrella of "national" strategy and goals. We have revised the paragraph to reflect that thought.

Suggested Legislation for Establishing an Interagency Committee on Rural Development

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled;

Section 1. Short Title

This act may be cited as the "Federal Rural Development Policy Act of 1994."

Section 2. Findings and Purpose

(a) Findings—The Congress finds that

(1) there is no well-articulated national policy with definitive goals for rural areas;

(2) the federal government has disbursed billions of dollars to rural areas in the United States through numerous programs without a clear idea of the impact on these areas;

(3) federal programs often impose on program recipients costly, duplicative, and conflicting requirements, which hinder local rural development efforts; and

(4) previous efforts to coordinate federal program assistance, including the 1990 Presidential Initiative on Rural Development, have not been successful in avoiding obstacles to more effective use of the programs.

(b) Purpose—It is the purpose of this act to create a permanent mechanism to ensure the more effective coordination of federal assistance to rural areas in the United States and to develop a comprehensive and long-range strategy for such efforts.

Section 3. Interagency Committee on Assistance to Rural Areas

(a) There is hereby established within the federal government an Interagency Committee on Assistance to Rural Areas (hereinafter referred to as the Committee), comprising such members of the executive branch as the President may select, from at least the following departments and agencies: the departments of Agriculture, Commerce, Housing, Health and Human Services, and Labor; the Small Business Administration; and the Office of Management and Budget. The Secretary of Agriculture and the

Director of the Office of Management and Budget or their designees shall serve as co-chairpersons of the Committee.

(b) It shall be the purpose and function of the Committee

(i) to develop a long-term comprehensive policy and strategy for federal assistance to rural areas in the United States with measurable goals, which takes into account the different economic and other circumstances affecting such areas, the limited amount of federal assistance available, and the alternatives for more efficient and effective delivery of federal assistance to rural areas;

(ii) to the extent permitted by law, in order to make the delivery of federal assistance less burdensome for rural areas, to reconcile and eliminate different departmental and agency requirements for similar federal programs;

(iii) to recommend to the Congress changes in federal statutes that will reduce unnecessary federal regulations; and

(iv) to work with state and local bodies and organizations to identify and help to resolve problems hindering federal assistance to rural development.

(c) In carrying out its functions, the Committee shall be assisted by the National Rural Development Council—composed of senior program managers who represent each of the agencies serving on the Committee—originally created as the Monday Management Group under the 1990 Presidential Initiative on Rural Development.

(d) Subject to the overall guidance and supervision of the co-chairpersons, the decisions of the Committee shall be carried out through the existing National Rural Development Council and the State Rural Development Councils.

(e) the Committee shall report to the Congress within one year after enactment of this statute and annually thereafter on their actions under sec. 3(b).

(f) The Secretary of Agriculture shall provide support services to the Committee and the Council through the National Partnership Office.

[Or, as an alternative to paragraph (f), substitute the following paragraph (f) and section 4.

(f) The Committee is authorized to

(i) appoint in accordance with the civil service laws a Director of Operations and such other personnel as may be necessary to assist the Committee and the National Rural Development Council in carrying out their functions and activities and to fix the compensation of such personnel in accordance with chapter 51 of title V, United States Code;

(ii) employ experts and consultants or organizations thereof as authorized by section 3109 of title V, United States Code. Such individuals (A) shall be compensated at rates not in excess of the daily equivalent of the rate payable to a GS-18 employee under section 5332 of such title and (B) while so employed, shall be allowed, while away from their homes or regular places of business, travel expenses (including per diem in lieu of substance) as authorized by section 5703 of such title for persons in the government service employed intermittently;

(iii) with their consent, utilize the services and activities of federal agencies, with or without reimbursement, and with the consent of any state or a political subdivision of a state, accept and utilize the services and facilities of the agencies of such state or subdivision, with or without reimbursement;

(iv) to enter into contracts and agreements with public departments and agencies and private nonprofit organizations to carry out the provisions of this act; and

(v) generally perform such other activities and exercise such additional powers and authorities as the Committee deems necessary or appropriate to carry out the provisions of this act.

Section 4. Authorization of Appropriations

There is hereby authorized to be appropriated for the work of the Committee $__ million for fiscal year 1995 and fiscal year 1996, which shall remain available until expended.]

Major Contributors to This Report

Resources, Community, and Economic Development Division, Washington, D.C.	Robert E. Robertson Project Director Ken Goodmiller, Project Manager Clifford J. Diehl, Senior Evaluator James L. Dishmon, Jr., Senior Evaluator Valerie S. Dumas, Evaluator Carol Herrnstadt Shulman, Reports Analyst Curtis L. Groves, Senior Operations Research Analyst Annette Wright, Senior Evaluator
Atlanta Regional Office	Frank Smith, Deputy Project Manager Fred Mayo, Senior Evaluator Signora May, Senior Evaluator Stuart Ryba, Evaluator
Chicago Regional Office	Alexander G. Lawrence, Jr., Deputy Project Manager
Dallas Regional Office	Willie D. Watson, Deputy Project Manager Arthur L. Nisle, Senior Evaluator
Kansas City Regional Office	Dale A. Wolden, Deputy Project Manager Francis J. Schaefer, Jr., Senior Evaluator John G. Snavely, Senior Evaluator Olin S. Thummel, Evaluator

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

United States
General Accounting Office
Washington, D.C. 20548-0001

Official Business
Penalty for Private Use $300

Address Correction Requested

Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100

98100433/RCED-94-165 M/001
Pat Coulter
ERIC
Rm 202C
555 New Jersey Ave NW
WASHINGTON DC 20208-0001