



WRITTEN STATEMENT FOR THE RECORD

**Mathias J. McCauley,
Director of Regional Planning & Community Development
Northwest Michigan Council of Governments**

In partnership with the
**National Association of Development Organizations (NADO)
and the National Association of Counties (NACo)**

Before the
**U.S. Senate Committee on Agriculture, Nutrition, and Forestry
2012 Farm Bill Hearing: Energy and Economic Growth for Rural America**

**Washington, D.C.
February 15, 2012**

Thank you, Chairman Stabenow, Ranking Member Roberts and members of the committee, for the opportunity to testify today on the 2012 Farm Bill's Rural Development Title and the important role it plays in helping regional and local organizations provide financial and technical assistance to rural communities, entrepreneurs and businesses.

My name is Mathias McCauley. I serve as the Director of Regional Planning and Community Development for the Northwest Michigan Council of Governments (NWMCOG), a multi-disciplinary regional planning and workforce development organization serving the ten-county region of northwest lower Michigan (including Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford Counties). I am pleased to also be representing the National Association of Counties (NACo) and the National Association of Development Organizations (NADO) with my testimony this morning.

The NWMCOG's mission is to build stronger communities and improve the quality of life in northwest lower Michigan. We provide a variety of programs and services within our region,

Mathias J. McCauley, NWMCOG
Testimony on Rural Development Innovation
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
February 15, 2012

with particular emphasis on partnerships, economy of scale, and leveraging of resources to address common concerns among multiple members and across sectors.

In this capacity, our organization serves as the Economic Development District (EDD) designated by the U.S. Economic Development Administration (EDA), regional planning partner to the Michigan Department of Transportation (MDOT), regional administrator of the Small Business Development Center Program (SBDC), regional administrator of the Procurement Technical Assistance Center (PTAC) of Northwest Michigan, and the business-led workforce investment board (WIB) for our region. I also serve as a Board Member to the Michigan Association of Regions (MAR) and the Michigan Economic Development Corporation's (MEDC) Community Development Council.

Before I begin, let me first thank the committee in advance for your leadership and support of the rural development mission area as part of the 2012 Farm Bill reauthorization process. The broad portfolio of USDA Rural Development programs for business development, infrastructure, value-added agriculture production and marketing, regional strategic planning and broadband deployment are essential to the long-term economic competitiveness of our nations' rural communities. We firmly believe America's rural regions are essential to the overall economic health of the nation. As such, your continued commitment and focus on the success of small town and rural America will further strengthen our shared goals of promoting economic prosperity and opportunity across the entire nation.

Madam Chairman and members of the committee, I will focus my remarks today on three key areas related to USDA Rural Development and the future of our rural counties and regions:

- 1. The mission area of USDA Rural Development is a critical piece to the overall competitiveness of rural regions as we work to foster job growth, regional innovation, and economic prosperity.** This includes basic yet essential investments for infrastructure and utilities, housing and community facilities, and access to capital and entrepreneurial development. In today's era of intense budget pressures and growing local needs, it is important that we make more strategic investments that strengthen regional and local competitive advantages and coordinate our public sector resources.

- 2. With rural regions facing increasingly global competition and opportunities, we need to ensure USDA Rural Development has the tools, resources and flexibility to assist rural communities and regions with cutting-edge, asset-based regional innovation strategies and investments.** To be successful in the modern economy, rural entrepreneurs and communities must be connected to global and domestic markets—digitally, institutionally, and physically. This will take a new level of sophistication and capacity within our rural regions and at USDA Rural Development. It will also mean improving federal interagency collaboration, fostering stronger public-private-nonprofit partnerships, and leveraging

existing strategy processes, such as the U.S. Economic Development Administration's Comprehensive Economic Development Strategy (CEDS) framework.

- 3. USDA Rural Development applications, policies, and reporting requirements should be streamlined and broadened to reflect the scale of rural investments, emerging needs and opportunities of rural regions, and capacity of local organizations.** While retaining necessary financial and performance accountability standards, Congress should ensure USDA Rural Development has a modern set of policies, programs, and incentives to help all rural communities pursue community and economic development growth.

First, Madam Chairman, the mission area of USDA Rural Development is a critical piece to the overall competitiveness of rural regions as we work to foster job growth, regional innovation, and economic prosperity. With USDA's assistance over the decades, rural communities across the nation are now in a better position to pursue regional asset-based and innovation-focused development strategies that are resulting in new job and local wealth retention opportunities.

However, continued gains are increasingly at-risk due to Rural Development funding cuts in recent years. In the final FY2012 USDA appropriations bill, the Budget Authority for the USDA Rural Development mission area was cut by nearly \$200 million, including reductions of \$45.76 million in the Rural Utilities Service, \$133.72 million in the Rural Housing Service and \$18.59 million in the Rural Business-Cooperative Service. Over the past two years, water and waste water grants have been cut \$41.61 million, community facility grants are down 44 percent and support for rural microenterprise lending and technical assistance was eliminated this fiscal year (including for previously appropriated program support for intermediary lenders and technical assistance providers.)

While some of these cuts have been masked by increases in USDA's direct loan and loan guarantee program levels (especially due to the historically low subsidy level for the community facilities program), the reality remains that the most distressed rural communities will increasingly struggle to make the improvements necessary to remain economically viable. In addition, the areas hit hardest by recent budget cuts include the agency's smaller, more flexible business and community assistance programs, such as Rural Business Enterprise Grants (RBEG), Rural Business Opportunity Grants (RBOG), and the Rural Community Development Initiative (RCDI), as well as the Intermediary Relending Program (IRP). Combined, these three community and economic development programs have been cut \$17.27 million, or 36 percent, over the past two years. The program level for IRP, an important access to capital resource for rural businesses and entrepreneurs, is down 47 percent over the same period.

While we understand this committee is not directly responsible for the annual appropriations for USDA Rural Development, the committee can strengthen the agency's position by, at a minimum, maintaining the \$150 million mandatory funding level of the 2008 Farm Bill and by

updating the agency's policies and program structure. Additional funding for Rural Development's programs would certainly lead to job creation in rural counties. Therefore, it is essential that we maintain mandatory funding, look to improve existing programs, and ensure program investments are tied to regional and local strategies.

During challenging fiscal times, it is often easy to get caught up in the numbers and forget the real impact federal programs like USDA Rural Development have on the communities and people across America. In northwest lower Michigan, our organization is using a USDA Rural Business Enterprise Grant (RBEG) to work with many area farmers, businesses, local governments, and citizens to leverage our regional and local assets for economic growth and improved community health. We are developing the data, facilities, technical expertise, and partnerships necessary to develop feasible and competitive regional food innovation hubs. This includes establishing food innovation districts, improving regional branding initiatives, and increasing the integration of these efforts with growing opportunities with agri-tourism and culinary-tourism.

The USDA's Business and Industry Guaranteed Loan Program is also very important to supporting small businesses in rural regions. In the last two fiscal years, this program has guaranteed loans in excess of \$27 million within our region, helping create 165 jobs and saved another 441. These include "head-of-household" type jobs at lumber mills, high-tech manufacturing facilities, and food processors. Northwest lower Michigan is competing globally and strengthening communities because of these jobs. Additionally, the Rural Energy for America Program (REAP) has provided northwest lower Michigan with the resources to explore and implement renewable energy and energy efficiency projects. REAP has supported wind turbines, insulation improvements, and solar feasibility studies for small businesses throughout our region, with a total investment of approximately \$230,000.

Second, Madam Chairman, it is a simple fact that our nation's rural communities are facing enormous pressure from our global competitors. At the same time, our rural regions have the assets and drive to compete and take advantage of new opportunities and innovations. Therefore, it is imperative that USDA Rural Development has the tools, resources, and flexibility to assist rural communities and regions with cutting-edge, asset-based regional innovation strategies and investments. To be successful in the modern economy, rural entrepreneurs and communities must be connected to global and domestic markets—digitally, institutionally, and physically. This will take a new level of sophistication and capacity within our rural regions and at USDA Rural Development. It will also mean improving federal interagency collaboration, fostering stronger public-private-nonprofit partnerships, and leveraging existing planning frameworks, such as the U.S. Economic Development Administration's Comprehensive Economic Development Strategy (CEDS) process.

Mathias J. McCauley, NWMCOG
Testimony on Rural Development Innovation
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
February 15, 2012

In January 2012, General Electric's (GE) "Global Innovation Barometer" examined the state of business innovation in a volatile global economy. This global study of business executives confirmed the belief that innovation is the main driver of prosperity, competitiveness, and job creation today. The survey of nearly 3,000 senior business executives in 22 countries also indicated that "innovation and competitiveness are more connected than ever before." As a result, there is a growing necessity for increased collaboration between partners (and sometimes competitors), greater value being placed on the creative power and contributions of smaller organizations and individuals, and the importance of tailoring solutions to meet local needs.

While the *GE Global Innovation Barometer* and similar studies by the McKinsey Global Institute and others are often focused on corporations, many of these findings and observations are transferable to our rural regions and communities. Just like any business, communities must constantly reevaluate and sharpen their community and economic development strategies, including their competitive advantages, to stay at the forefront. Otherwise, they will be left behind in today's ultra-competitive economic climate.

One of the many specific ways the NWMCOG supports regional development is through our long partnership with the U.S. Economic Development Administration (EDA). The EDA, through its national network of 380 economic development districts, provides vital seed capital and matching funds for local communities to craft and implement regional economic development strategies. As such, the vast majority of rural America is supported by a Comprehensive Economic Development Strategy (CEDS).

The CEDS is an invaluable framework for identifying the economic conditions, shared development goals, and the regionally impactful investments that will enhance the competitiveness of rural America. Because they are regionally based, locally owned strategies, the CEDS would provide USDA with an established system to help make more strategic investments. In addition, USDA should be given additional resources and authority to assist rural counties and regions with more robust support for developing and implementing in-depth rural asset mapping, key industry analysis, and regional innovation readiness assessments that build upon the groundwork of the CEDS process and document.

In northwest lower Michigan, we have been embarking on a regional project that demonstrates the importance and power of connecting often disparate issue areas for the purposes of regional development. After years of public participation (direct involvement of more than 12,000 people, or 8.5 percent of the total regional population) and relationship building across a spectrum of often divergent stakeholders, *The Grand Vision* is beginning to be realized throughout a six-county region representing over 100 local units of government. Governmental bodies are collaborating, business leaders are endorsing a focused vision for the future, community members are engaged, and projects are being conceptualized and implemented

within regional networks that include *Food & Farming, Energy, Growth & Investment, Affordable Housing, Natural Resources* and *Transportation*.

The Grand Vision is succeeding by demonstrating the importance of regions working with existing assets as a means to focus efforts towards programs and projects that create conditions for job growth and ensure a high quality of life for all. National organizations such as NADO have recognized our unique approach as a national model. However, it will require stronger leadership, technical assistance and capacity building, including the support of federal partners like USDA, to bring efforts like *The Grand Vision* to scale across small metropolitan and rural regions.

In this last year alone, *The Grand Vision* has inspired a variety of communities in the region to create planning processes and documents that integrate their assets into a singular plan for managing growth and creating prosperity for their residents. Villages such as East Lake, Elberta, Kalkaska, and Mesick are taking leadership roles in northwest lower Michigan as communities moving beyond traditional land use planning. Each of these communities now chooses to integrate land use, housing, energy, food and farming, economic development, and transportation into their policy making. Finally, *The Grand Vision* is demonstrating positive change in transportation projects in the region. It has inspired and provided support to a complete overhaul of the streetscape in the Village of Buckley, provided a much needed arterial connector in Traverse City, and has connected critically important commuter corridors in Garfield Township—all for the purposes of improving traffic flow, safety, aesthetics, and contribution to the region’s economic development infrastructure.

Additionally, NWMCOG’s “Economy, Environment, and Energy (3E)” Planning Initiative helped build local economic development capacity and implement the goals of the CEDS by convening a local sector-based strategic initiative related to renewable energy and water resources. It is intended that the *3E Initiative* will lead to action that will create jobs, educate our regional workforce, and cultivate business. The 3E business strategy now promotes renewable energies and water resources as significant economic development drivers for northwest lower Michigan.

A criticism of USDA Rural Development is that its investments are not always driven by local and regional priorities. Instead of rural communities and small businesses working regionally on common goals, they often are forced to fit their economic development initiatives into federal priorities and funding stovepipes. I would urge a greater recognition and support of existing regional development strategies, including the EDA CEDS and our region’s Grand Vision and the 3E Initiative, which could assist Rural Development in making sound decisions regarding their investments.

Federal programming should incentivize and support, not restrict or universally define, regional approaches that have demonstrated a path and culture of cooperation among citizenry, business leaders, governmental entities, nonprofits, and educational institutions. Our nation's villages, townships, and counties are working internally, and through multi-jurisdictional and multi-state partnerships on these regional approaches. Our national network of regional development organizations, such as the NWMCOG, are uniquely positioned to serve as neutral conveners, facilitators, and technical assistance providers to counties and communities looking to use their own asset base as means to compete in today's global marketplace.

Finally, Madam Chairman, USDA Rural Development applications, policies, and reporting requirements should be streamlined and broadened to reflect the scale of the rural investments, emerging needs and opportunities of rural regions, and capacity of local organizations. While retaining necessary financial and performance accountability standards, Congress should ensure USDA Rural Development has a modern set of policies, programs, and incentives to help all rural communities pursue community and economic development growth.

Northwest lower Michigan is much like other rural regions across America. Communities and small businesses in this region often lack the staff capacity to apply for USDA Rural Development's programs. Too often, I am made aware of a community's feelings of intimidation about federal programming. This is unfortunate yet fixable, since programs like USDA Rural Development were established specifically for the purpose of assisting rural communities, especially those with severe distress and poverty.

Every federal program should be adjusted to meet not only the needs, but the capacity of all rural communities and businesses. In order to maximize access to the services and programs that rural regions need to create conditions for job growth, Rural Development should strongly consider a process to identify the current concerns felt by their customers and enter into a program of continuous evaluation and improvement for the purposes of maximizing program impact. Rural Development should also strongly consider providing a linkage and support to localized entities, such as regional development organizations and counties, to provide technical assistance to rural communities and small businesses.

Lastly, all federal programs, including Rural Development, should strongly consider an integration of applications, policies, and reporting processes as a means to create a consistent message of service and accessibility to rural regions. Federal applications, policies, and reporting processes need to be streamlined in such a way that there is consistency in access and ease for everyone looking to improve the conditions of rural America.

Mathias J. McCauley, NWMCOG
Testimony on Rural Development Innovation
U.S. Senate Committee on Agriculture, Nutrition, and Forestry
February 15, 2012

In closing, I urge your continued support of Rural Development programs and funding in the 2012 Farm Bill, especially those built around regional, asset-based development strategies that create conditions for quality job growth. USDA Rural Development is an essential partner and funding source for rural people and places. It is also a vital tool for regional development organizations, such as the NWMCOG, and our local government and community partners as we strive to position our communities for the future. That is why NADO and NACo are joined by a broad base of 30 other national organizations in advocating for USDA Rural Development through the Campaign for a Renewed Rural Development. The campaign's joint principles mirror much of this testimony and demonstrate the wide support for USDA Rural Development and consensus on the critical policy changes needed in the upcoming reauthorization of the Farm Bill.

On behalf of our nation's counties, regional development organizations and the rural communities throughout northwest lower Michigan, I urge you to make Rural Development a top priority in the 2012 Farm Bill.

Thank you again, Madam Chairman, Ranking Member Roberts and members of the committee, for the opportunity to testify today. I would welcome any questions.