



**Statement Of  
Billy Ray Hall, President  
The North Carolina Rural Economic Development Center, Inc.  
Before the  
Committee on Agriculture  
U.S. House of Representatives  
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Thank you Chairman McIntyre and Representative Thompson for this opportunity to speak today about the rural development needs of this country and the great opportunities that lie before us.

I am Billy Ray Hall, President of the North Carolina Rural Economic Development Center (Rural Center). For more than twenty years, the Rural Center has worked to make life better for people in rural North Carolina. As a statewide nonprofit organization, the Rural Center has developed, promoted, and implemented sound economic strategies to improve the quality of life of rural North Carolinians. Throughout these two decades, the Rural Center has had a very productive partnership with USDA Rural Development, working together on ventures that brought new jobs and businesses, infrastructure improvements, innovative technology, and community facilities to rural communities.

First, let me underscore that *rural* is important in North Carolina.

- There are five states that account for 25 percent of the rural population. North Carolina is one of those five and, in fact, is generally ranked second behind Texas. Depending on whose definition you use, the rural population in North Carolina is as high as 4.6 million people. That's larger than the populations of half the states in this country.
- North Carolina also has the distinction of having the highest number of rural schoolchildren. That doesn't mean they all graduate – fewer than 7 in 10 finish high school. And it doesn't mean that many won't move away to find jobs. But, in farm vernacular, we've got good seed corn and plenty of it.
- And, to every extent possible North Carolina takes care of its own. We have a strong and active philanthropic sector that's been a friend to rural people for many decades. We have a Governor who, when the economic chips were down this year, found a way to put dollars into rural development. We have a General Assembly that has never flagged in its commitment to rural people, including its

full support for the North Carolina Rural Economic Development Center for more than 22 years.

I repeat ... rural *is* important in North Carolina.

Yet, even with these assets, too many of our rural people are struggling at the economic edge.

- Some live in places where poverty is a legacy passed from one generation to another. Some are newly poor. In 2008, 24 rural counties in North Carolina had poverty rates over 20 percent. Together, these 24 counties – concentrated in eastern North Carolina, near the coast, and in south-central North Carolina – are home to more than 250,000 rural poor. Altogether there are more than a half million rural North Carolinians who now live in poverty.
- The economy of rural North Carolina has undergone seismic change. For years, nearly every small town in North Carolina was home to one or more manufacturing facilities. These manufacturing jobs, often in textiles and other traditional industries, have been on the decline since a peak in 1995. The recession of 2001 hit, and we found ourselves on the front page of nearly every paper in the nation because of our massive job losses. Just when we thought we couldn't bleed any more, the recession of 2008 struck. In the period 2000-2008, rural North Carolina lost 34 percent of its manufacturing jobs for a total loss of 134,440 jobs. And we know those numbers continued to worsen as the recession wore on.
- In fact, unemployment in our 85 rural counties did not peak until February of this year – at 12.7 percent. That figure dropped to 10.6 percent in April, but five rural counties still have unemployment rates of over 14 percent.
- It is no surprise that North Carolina leads the nation in trade-affected layoffs.

The hardship in North Carolina is serious, it is widespread, and it will not be resolved quickly. To address current needs, we must move on several fronts simultaneously. We look to USDA to continue as our strong federal partner.

First, we must continue large-scale investments in rural infrastructure.

The partnership with USDA's Rural Development Office is essential to our rural areas' efforts to provide safe drinking water and environmentally sound waste disposal at rates that our rural citizens can afford.

- In (federal) FY 2008, the Rural Center joined North Carolina's Rural Development Office in a memorandum of agreement to combine our resources to

meet more of the water and wastewater needs of rural North Carolinians. We were able to gain the support of our General Assembly, and together the Rural Center and USDA targeted a combined \$250 million to address basic water and wastewater needs. For example, 13 of our rural communities currently have applications pending for USDA grants and loans. Their approval will trigger a Rural Center investment of \$8.3 million and total investments of \$36 million in critically needed water and sewer projects. We have a wonderful joint record of accomplishment, but we still have an estimated \$16 billion in unmet water and wastewater infrastructure demand. Unfortunately, neither the Rural Center's special state funding nor the USDA money we were able to tap is a recurring appropriation.

- The recent recession affected available revenues. Between 2008 and 2009 total state and federal assistance for water and wastewater infrastructure in North Carolina declined by \$20 million – that's despite the significant infusion of ARRA money during that time period.
- Recently we calculated the unmet water and sewer needs in the most distressed rural areas of North Carolina. A total of 150 water and sewer projects in those most economically distressed rural counties were deemed "ready to proceed" but exceeded the ARRA allotment for our state's revolving loan funds by more than \$200 million. In fact, only a quarter of all rural eligible projects could be funded, leaving more than half a billion dollars in shovel-ready projects in need of financial assistance for construction to begin. This unfunded amount far exceeds the total amount of state and federal assistance for water and wastewater infrastructure for all of North Carolina.
- The USDA's Rural Water and Waste Disposal Grants and Loans have helped the rural communities in our state meet many critical water and sewer challenges. Our partners in Rural Development have responded to challenges that threatened the health of our rural people with failing septic systems and contaminated wells, to the emergency need to keep the water flowing during the extended drought of 2007-08, and to the necessity of finding alternative water supplies when the level of groundwater aquifers dropped dramatically. The continued authorization and increased appropriations for that program are vital to protecting the health and well-being of rural citizens and the economies of their communities. This appropriation should be mandatory under the Farm Bill and re-establish a more generous allocation to grants rather than loans for distressed communities.

Second, we must stimulate small business growth and entrepreneurship development.

As a result of plant closings and job losses suffered by our rural communities, North Carolina was among the first to recognize the importance of homegrown jobs. In the economy of the future, rural communities will become increasingly dependent on risk-taking and innovative individuals to create jobs and grow businesses.

- Small business is already a powerful force in the rural areas of our state. Rural North Carolina has 87,000 businesses with at least one but fewer than 50 employees. These small businesses account for more than 95 percent of all businesses in the state's 85 rural counties. In addition, there are nearly 288,000 self-employment businesses in rural areas. North Carolina's small businesses added more than 125,000 jobs during the period 2001-08 while companies with more than 100 employees lost 40,000 jobs over that same period. A survey in 2005 showed that more than 60 percent of rural businesses are started by individuals who grew up in rural North Carolina and most indicate no intention of selling or relocating their businesses.
- Yet small business owners cite serious concerns. These include a sense of isolation, lack of knowledge about emerging markets, lack of access to capital, limited understanding of available business support services, and the need for more training and education programs tailored for different sectors and levels of experience.
- The Rural Center began responding to these needs nearly 20 years ago with the creation of the North Carolina Microenterprise Loan Program. We now also operate a venture capital fund that enables the growth of existing businesses in our most economically distressed communities. Together these two programs have made over 1,400 business loans valued at nearly \$11 million. Through two loan-loss reserve programs, we have leveraged another \$104 million in private lending, leading to the creation or retention of more than 27,000 jobs. With the creation of the Institute for Rural Entrepreneurship in 2003, we intensified efforts to serve the needs of entrepreneurs and develop statewide policies in support of entrepreneurship and small business growth. Just last year, we joined with several state partners to launch a new project helping laid-off workers hone the skills that can lead them to become successful, self-employed entrepreneurs. So far that program, funded by the U.S. Department of Labor, has resulted in the creation of 60 small businesses. In these and other ways, we have created a model for the nation in how to fuel rural economic growth, and we know that with determination and resources, we can do more -- and so can other states.
- To support the emergence of a dynamic, growing small business sector in rural North Carolina and rural America, we encourage USDA to expand its investments in rural entrepreneurs. The Rural Center participated in the discussions that led to federal funding for qualified intermediary organizations such as ours to provide technical assistance under the rural entrepreneurship and microenterprise assistance program (RMAP). We support increased funding for RMAP in general and specifically propose an increase in funding levels for non-lending technical assistance providers. We also support continued and expanded funding for the Rural Business Opportunity Grant to improve entrepreneurship infrastructure.

Third, we must stimulate deployment of broadband technology.

Broadband connectivity is vital to local economic development and job creation, standing in importance alongside water, sewer, roads and electricity. Communities that lack adequate broadband access will fail to retain existing business or create new commerce through entrepreneurship – plain and simple.

- North Carolina has had a nationally recognized state broadband authority since 2001 and has served as a national model for efforts to expand broadband access. Yet, approximately 17 percent of the households in North Carolina still have no high-speed Internet service available to them.
- We are encouraged by the renewed focus on broadband for our country and for North Carolina, as demonstrated through the American Recovery and Reinvestment Act programs of the U.S. Department of Agriculture and the U.S. Department of Commerce and with the March release of the National Broadband Plan from the Federal Communications Commission.
- We applaud the goals of the National Broadband Plan, but ask that Washington not forget the focus on rural solutions. The National Broadband Plan calls for increased broadband speeds for all households, but targets just a fraction of the population for ultra high-speed broadband. The possibility exists that rural America will be left out of the quest for higher speeds and that pockets of underserved or even unserved areas will remain. Rural America needs the same broadband access and speeds that urban America needs.
- Adequate broadband service is critical to building the base for a competitive economy across all of America. Research shows that a higher percentage of rural citizens in North Carolina operate home-based businesses than do urban North Carolina citizens. Broadband is the platform that enables them to operate these businesses. We expect that is true all over rural America.
- We look to you, and the USDA, to continue to focus on solutions and funding sources for broadband deployment to rural areas. North Carolina recently produced 40 competitive applications for funding consideration by the Rural Utilities Service for the ARRA-funded Broadband Initiatives Program (BIP) to build out last-mile broadband infrastructure in our state. We ask that the Rural Utilities Service implement any lessons learned from the BIP program and update and expand its historical grant and loan programs, traditionally geared toward telephone service, to offer continued assistance for broadband deployment.
- We also encourage the USDA to consider the benefit of funding for Web applications. In Rutherford County, the Foothills Connect Farmers Fresh Market program has provided enhanced incomes to more than 60 local farmers. Using an online platform that connects local farmers to chefs in neighboring metropolitan

areas, these farmers have learned to use computers, to bar code their products and to grow foods that chefs in our major cities wish to buy. Broadband Internet is the platform that enables this network of growers and chefs to operate. The Farmers Fresh program is now expanding into other areas of the state. With support at the early stage, other Web-based applications can lead to new and expanded business opportunities across rural America.

Fourth, we must seize the opportunity to supply renewable energy for all of America.

Rural areas offer many advantages to the renewable energy sector that can translate into opportunities for farm businesses. Utilities and renewable energy brokers are seeking and finding sites in rural areas where the availability of land and exposure to sun and wind create potential for electric generation. North Carolina farmers who once supported their families and communities by growing tobacco are now exploring business ventures that can tap into the emerging interest in renewable energy sources, including biofuels.

- Like many states, North Carolina has set a renewable energy portfolio standard calling for private electric utilities to obtain 12.5 percent of their power from renewable sources and efficiency measures by 2021. (Electric cooperatives have a standard of 10 percent.) But the market price for renewable energy certificates is far from stable and hard to predict as utilities strive to meet their first targets in 2012.
- Many farmers in North Carolina also are looking for profitable ways to grow feedstock for the emerging biofuels industry. Working with farmers, universities and agricultural leaders, the North Carolina Biofuels Center has set a goal of having 10 percent of liquid fuel sold in North Carolina come from locally grown and produced biofuels. North Carolina has over 17.6 million acres in underutilized timberland, which makes woody biomass a significant resource with great potential for advanced biofuels development.
- Programs under the Farm Bill are contributing to North Carolina's ability to move forward with the development of renewable energy, and they have the potential to do even more. For example, by supporting farmers producing biofuel feedstocks, the Bioenergy Program for Advanced Biofuels has assisted three North Carolina energy projects. Development is under way on several other projects that we hope will qualify for the Biorefinery Assistance Program. And the Rural Energy for America Program has funded 60 North Carolina projects, addressing both renewable energy generation and energy conservation. As we witness the ongoing catastrophe in the Gulf of Mexico, we receive daily confirmation of the critical importance of the continued emphasis on these measures.
- Similarly, USDA's Rural Energy for America Program (REAP) has attracted tremendous interest from rural businesses and farms seeking to make their operations more efficient and renewable energy generation feasible. The number

of REAP projects approved by USDA has grown steadily over the past four years and is expected to reach 100 this year in North Carolina alone, with a dollar value exceeding \$13 million in loans and grants.

- This year we are hopeful the North Carolina General Assembly will fund the Agricultural Efficiency and Innovation Cost-share Program, which will assist farmers with energy audits that will identify ways to save energy and prove the feasibility of energy-efficient technologies and equipment. With energy audits in hand, more farmers will be able to apply for REAP loans and grants and leverage federal assistance for their energy improvements.
- I know that this year's REAP funding deadline is Wednesday, but looking to the future, we encourage you to increase REAP appropriations from the current \$100 million to meet more of the demand. Additional benefits will accrue if you will extend more energy technical assistance to farmers, businesses and communities in the most distressed areas, to help them recognize the best energy opportunities and make sound investments.

Fifth, we must invest in economic innovation across rural America.

Rural North Carolina has many challenges. But opportunities abound and can be realized through the application of creative ideas and resources.

- In Carteret County, a marine scientist, on his own time and dime, is testing a new way of raising oysters that could significantly increase production, jobs and income for fishing families.
- In Burke and Cleveland counties, small and mid-size manufacturers are implementing new ways to increase energy efficiency and improve the bottom line.
- In Bertie County, biotechnology is taking root through efforts to create a pilot extraction facility that will explore new farm-raised plants for use in the pharmaceutical industry.
- Secretary Vilsack clearly recognizes the critical role of innovation. In fact, he said recently: "This country has got to get serious again about a strong, vibrant, creative, innovative rural America. And I can guarantee you the USDA is committed to making that happen." USDA's continued investments are vital to encourage and seed rural innovation, whether that innovation is the idea that will create a profitable niche for local agriculture or the regional partnership that will enable more efficient use of resources while enhancing the rural quality of life. With that help, rural Americans and rural communities can thrive.

In closing, I would like to make a few brief observations:

- Open debate over important issues is critical. It is one of the great privileges of living in this country. It's what helps us to get things right. But I hope that we can soon get beyond the clashes of opinion over large-scale agriculture versus local food systems. We need both, and they have much to learn from one another. I also hope we can rise above the conflicts over agriculture funding versus rural development funding. One cannot survive without the other. We must put less time into debates about who gets a piece of the pie and work together to create a bigger economic pie.
- Federal dollars from the American Recovery and Reinvestment Act have provided a lifeline for states during the recent recession. Without this money, we would be in truly desperate straits. But I would like to stress today, to USDA and to members of Congress, that what rural North Carolina and rural America need most are mandatory, on-going programs with predictable funding streams and terms. Small, rural, understaffed communities simply do not have the capacity to compete in a fast-moving, ever-changing funding environment.
- USDA Rural Development in North Carolina has been a great partner to the North Carolina Rural Center. We have successfully combined resources from the federal and state levels to serve the rural communities of this state in ways that far surpass what either of us could have done individually. We believe we have a model for other states to consider. We ask that as Congress and USDA consider future funding, you remember that there are highly capable intermediary organizations that can and should be viewed as valued partners at the state level.
- Finally, we live in an urbanizing nation. Today, by some measures, more than 80 percent of the population lives in urban areas. It is therefore natural for "rural" to be viewed through an urban lens as the place where "our" food is produced, the place where "our" water supply comes from, the place "we" go for recreation as a break from the city and the suburbs. We depend on USDA to maintain the rural lens. We applaud the new focus on cross-agency collaboration at the federal level, and we look to USDA to carry the rural message into these partnerships.

Thank you for this invitation to speak today. Your presence here – at a time when matters of the nation are so urgent and consuming – speaks to your commitment to rural people and to rural places.