



WRITTEN STATEMENT FOR THE RECORD

**THOMAS HIGGINBOTHAM, EXECUTIVE DIRECTOR
OF THE NORTHEAST NEBRASKA ECONOMIC DEVELOPMENT DISTRICT**

**BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
AGRICULTURE COMMITTEE
SUBCOMMITTEE ON RURAL DEVELOPMENT, BIOTECHNOLOGY, SPECIALTY CROPS
AND FOREIGN AGRICULTURE**

**ON BEHALF OF THE
NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS (NADO)**

**WASHINGTON, DC
JULY 20, 2010**

Thank you, Chairman McIntyre, Ranking Member Conaway and members of the subcommittee, for the opportunity to testify today on U.S. Department of Agriculture (USDA) Rural Development programs in advance of the 2012 Farm Bill.

My name is Thomas Higginbotham. I am Executive Director of the Northeast Nebraska Economic Development District, headquartered in Norfolk. I also serve on the Board of Directors of the National Association of Development Organizations (NADO).

Before I begin, let me first thank the subcommittee for your leadership and support of rural development programs. The broad portfolio of USDA Rural Development programs for business development, community facilities, broadband and telecommunications, and value-added agriculture production and marketing are essential to the long-term economic competitiveness of our nation's small urban and rural communities.

My goal today in covering this important topic is to offer some concrete examples about the effectiveness of USDA's rural business programs and to provide suggestions as you look toward the next Farm Bill. As debate begins on the rewrite of the Farm Bill, I strongly encourage members of this subcommittee to make rural business, and rural development programs in general, a central theme of the proposal. These programs are critical to economic expansion in rural America.

ABOUT THE NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

The National Association of Development Organizations (NADO) provides advocacy, education, research and training for a national network of 520 regional development organizations. NADO members—known locally as councils of governments, economic development districts, local development districts, planning and development districts, regional councils and regional planning commissions—are focused on strengthening local governments, communities and economies through regional solutions, partnerships and strategies.

This morning, I would like to focus my remarks on three key points.

- 1. USDA's business loan, grant and technical assistance programs provided through the Rural Business and Cooperative Service (RBS), are essential resources for rural communities as they strive to create economic opportunities and improve the quality of life for their citizens.** With USDA's assistance, rural communities across the nation are now in a better position to pursue new job and wealth-generating opportunities, whether in traditional sectors such as agriculture and natural-resource based industries or emerging science and technology fields.
- 2. USDA Rural Development's Rural Business Enterprise Grant (RBEG) program and Intermediary Relending Program (IRP) are highly effective resources** that allow intermediaries to assist rural entrepreneurs, business leaders and local officials as they pursue innovative development strategies and business opportunities. NADO encourages the committee to look at ways to increase funding resources for these small yet invaluable programs.
- 3. The administration's newly proposed Regional Innovation Initiative will make USDA's infrastructure investments more efficient and effective by rewarding regional strategic approaches to rural development.** The Regional Innovation Initiative will provide incentives and resources for the enrichment of rural development strategies on a regional and local basis to implement area-wide priority projects and initiatives. NADO urges the subcommittee to support this promising initiative.

First, Mr. Chairman, USDA's vital business loan, grant and technical assistance programs provided through the Rural Business and Cooperative Service (RBS) are essential resources for rural communities as they strive to create economic opportunities and improve the quality of life for their citizens.

The ability to create and sustain viable small businesses and generate wealth is the core of successful community and economic development. However, rural and small metropolitan communities face special challenges, such as limited access to capital and technological infrastructure and a depleted employment base that restricts their ability to attract and retain these new businesses.

Through its portfolio of over 18 different loan, grant and technical assistance programs, RBS provides rural businesses and entrepreneurs the tools needed to overcome some of those challenges, harness

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their independent spirit and better position themselves to pursue innovative opportunities. These opportunities result in new job creation and wealth generation for their communities, whether in traditional sectors such as agriculture and natural-resource based industries or emerging science and technology fields.

The Northeast Nebraska Economic Development District (NENEDD) covers a 17-county region of our state. The total population of the region is 214,271, of which nearly 70,000 is concentrated in our three largest communities. Of the 117 communities in the NENEDD footprint, 110 have a population less than 2,500. Our region faces many of the economic challenges common to rural communities throughout the country. The University of Nebraska-Lincoln, Bureau of Business Research Service Population Projections forecasts a population loss in our region of 20,251 from years 2000 to 2030. From 1999 to 2009, the state of Nebraska documented a net job loss of more than 11,000, of which, 2,000 were from our 17-county region.

Our local governments do not qualify for direct grant assistance offered through programs such as the HUD Community Development Block Grant program. As USDA Rural Development is one of the few federal agencies focused on providing resources for rural business and community development, our communities depend on USDA to provide the assistance they need.

For this reason, USDA Rural Development is one of NENEDD's key grant and loan partners. NENEDD, together with our 501(c)3 non-profit organization, Northeast Economic Development, Inc. (NED, Inc.), maintains a USDA rural business grant and loan portfolio that is worth \$2.2 million and comprises more than 45 percent of our organizations' total business. Since 2001, these funds have helped to create or retain more than 450 jobs throughout our region.

The ever-changing character of rural America's economic drivers requires that federal assistance programs incorporate a level of flexibility that allows the programs to grow with the changing needs of its recipients. According to recent U.S. Census data, in 1990 Northeast Nebraska's two biggest industries were Retail Trade and Agriculture. By 2000, the two biggest industries had switched to Manufacturing and Education/Health/Social Services. Today, Manufacturing is the only industry that employs more than 20,000 people. Educational Services, Agricultural Services and Retail Trade industries employ more than 10,000. The Wholesale Trade industry employs the second-fewest number of people at 3,881, and Public Administration employs the fewest at 3,215.

In Northeast Nebraska, the flexible nature of the USDA RBS programs allows our lenders and intermediaries to respond to the evolving nature of the region's economy and the changing needs of our businesses and entrepreneurs. As the subcommittee works to evaluate USDA rural business programs, NADO encourages you to ensure this flexibility is maintained.

Second, Mr. Chairman, USDA's Rural Business Enterprise Grant (RBEG) program and Intermediary Relending Program (IRP) are highly effective resources that allow intermediaries to assist rural entrepreneurs, business leaders and local officials as they pursue innovative development strategies and business opportunities. When traditional banks are not interested in financing rural companies, these funds fill that gap. NADO encourages the subcommittee to look at ways to increase funding resources for these small yet invaluable programs. In addition, we encourage USDA Rural Development and Congress to provide as much flexibility as possible in these programs to allow intermediary investments in new and emerging knowledge-based firms which often lack the traditional collateral required by federal lending programs.

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As one of the smaller USDA initiatives, the RBEG program is often overlooked. However, the broad nature of RBEG assistance combined with its focus on small business development makes the program an indispensable tool in many rural regions across the country. In total, RBEG investments have helped to create or retain more than 180 jobs in our region.

After the 2008 flooding that occurred in Platte, Colfax and Butler Counties, Northeast Economic Development (NED), Inc. received a \$200,000 Rural Business Enterprise Grant (RBEG) for the establishment of a disaster assistance revolving loan fund (RLF) to assist local businesses rebuild. Under the disaster assistance RLF, businesses were provided a zero percent interest loan for up to 90 percent of the total project cost.

Using this funding, NED, Inc. was able to provide assistance to four businesses: Kracl Funeral Chapel, Inc. (Schuyler, NE), John's Tire Sales & Service (Schuyler, NE), Grubaugh Machine, Inc. (Platte Center, NE) and Creative Touch, Inc. (Schuyler, NE). With the help of these funds, Kracl Funeral Chapel, Inc. retained five full-time employees and continued operations as usual; John's Tire Sales & Service retained two full-time employees and changed their business focus to tire sales instead of a gas service shop, helping them become more profitable; and Creative Touch, Inc. retained four full-time positions. Finally, Grubaugh Machine, Inc., a family-owned business, retained three full-time positions and purchased a new piece of equipment which has helped them expand their operation.

Without the assistance USDA's RBEG program provided to help these businesses get back on their feet after the flooding, they might not be in operation today. While these types of businesses are taken for granted in more urban settings, in a highly rural area such as ours, there may be only one tire center or one funeral home in a community or county. Their closure would result in a complete loss of vital and specialized services to our citizens.

USDA Rural Development's Intermediary Relending Program (IRP) is another invaluable and often overlooked resource for rural regions. Since 2001, NENEDD and NED, Inc. have been awarded a total of \$1.5 million in USDA IRP funds through three separate awards. Using these funds, we made 58 loans, generated more than \$23 million in leveraged funds and helped to create or retain more than 435 jobs throughout our region.

Recently, IRP gap financing was the key ingredient needed to complete a medical expansion project. Dr. Randall Hedlund owns and operates The Family Chiropractic Center, a successful chiropractic clinic in Albion (Boone County, NE). The business, which began in 2000, was operated in a 1400-square-foot space that Dr. Hedlund leased. However, in 2008, due to the tremendous growth of his business and the desire to offer an improved health care facility, Dr. Hedlund embarked on an expansion project.

At the same time, the Boone County Economic Development, the City of Albion and other business leaders in town saw the need to recruit a dentist to Albion to replace two retiring dentists. Community leaders encouraged Dr. Hedlund to expand the scope of his project to include additional office space that would accommodate the needs of one new dentist and one other professional business, such as an attorney or accountant. Through a combination of bank financing and IRP loan funds, Dr. Hedlund was able to finance a new three-bay professional office building.

Through its loan program, NED, Inc. staff provided key technical assistance in business plan preparation and \$100,000 in IRP loan funds to help finance the project. Since its completion, this project has retained two and created ten full-time positions.

But my region is not the only one benefiting from USDA's critical business program assistance.

Holley's Sweets, a small rural business in **Coffee County, Alabama** was able to expand its operations due to assistance from the **Southeast Alabama Regional Planning and Development Commission** and USDA Rural Economic Development Loan and Grant (REDLG) investments. Holley's Sweets began baking flavored cakes in a small house using two ovens. The cakes were sold to local grocery and convenience stores. The company continued to grow and needed more space, a larger freezer and a loading dock. In 2001, a new 15,000-square-foot bakery facility was constructed with financing that included a \$450,000 REDLG loan. After this critical expansion was completed, the company's sales grew to over \$1 million annually and they were able to add 56 new jobs.

In 1995, **the Androscoggin Valley Council of Governments (AVCOG) in Auburn, Maine** secured an RBEG award of \$500,000. Of this total, \$425,000 was for microlending and \$75,000 was dedicated for technical assistance. To date, AVCOG has lent over \$900,000 that has leveraged an additional \$14.8 million in owner equity and private funds. The average RBEG loan amount is approximately \$27,000, and the program has helped AVCOG and its partners create or retain 350 jobs in its rural region. AVCOG has also been awarded three IRP loans for a total of \$3.5 million. To date, the AVCOG IRP program has lent nearly \$8.4 million that has leveraged over \$43.7 million in other capital investments.

The **Southern Georgia Regional Commission in Valdosta** was the first recipient of IRP funds in the nation in 1989. Since then, the commission has received four additional IRP awards for a total of \$2,899,790. The commission also received RBEG funds totaling \$268,400. Combined with RLF recapitalized funds and private leverage, over \$17 million has been injected into the commission's 18-county area and 1,291 jobs have been created.

The North Central Pennsylvania Regional Planning and Development Commission (North Central) in Ridgeway administers five separate IRP loan pools with an aggregate value of over \$4.3 million. North Central used this loan portfolio to assist DuBrook, Inc., a concrete manufacturer owned and operated by Rosemary Barber. DuBrook, Inc. operates at four facilities in Pennsylvania: one in St. Marys (Elk County), one in DuBois (Clearfield County) and two in Butler County. To remain competitive and efficient, DuBrook needed to upgrade its equipment to include the acquisition of four advance front discharge mixers. With the commitment of \$200,000 from the North Central IRP loan pool, Rosemary was able to leverage additional loans from the Clearfield County Industrial Development Authority and the local bank. These new mixers will enable DuBrook to run a more efficient and technology advanced service and retain 70 jobs.

North Central also facilitated the preparation of two RBEG awards that provided additional opportunities for economic growth in its rural six-county area. One grant was for \$99,000 to establish a small revolving loan program in the **Coalport area of southern Clearfield County**. North Central submitted the successful application, established a local loan intake committee, provided the essential staff training of the local industrial development corporation, and monitored the activity of the initial loans. As a result, the Glendale Industrial Development Corporation now has a small loan pool that can give their local businesses access to capital.

Since opening in 1994, **Big Equipment Company of Havre, Montana** has sought the financial assistance of the **Bear Paw Development Corporation** to help start the business, purchase a building for the business operations, and purchase additional equipment and inventory as it grew. Bear Paw

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Development Corporation has provided \$450,000 in IRP funds, combined with other federal dollars and Montana Department of Commerce micro-business loan funds to meet the financing needs of Big Equipment over the years. Since opening its doors, the company has grown from one employee and \$200,000 in sales to 15 employees and over \$4 million in sales.

In 2005, the **Catawba Regional Development Corporation (an affiliate of Catawba Regional Council of Governments in Rock Hill, South Carolina)** provided \$112,000 in IRP loan funds to J&S Enterprises (the real estate holding company of an operating company called Davis Neon). Davis Neon is a contract commercial sign manufacturer in **Heath Springs, South Carolina**, population 1,044. The company had outgrown its former manufacturing plant and acquired a 150,000 square foot former textile distribution facility. At the time the loan was made, Davis Neon employed 95 people, making the company one of the largest employers in the small town of Heath Springs. Through the building, machinery and equipment acquisition, the company was able to add 25 new manufacturing jobs.

Finally, Mr. Chairman, the administration's newly proposed Regional Innovation Initiative will make USDA's infrastructure investments more efficient and effective by rewarding regional strategic approaches to rural development. This reflects the reality of today's marketplace where rural communities are not only competing statewide and nationally, but more likely, internationally. The Regional Innovation Initiative will provide incentives and resources for the enrichment of rural development strategies on a regional and local basis to implement area-wide priority projects and initiatives. NADO urges the subcommittee to support this promising initiative.

The Regional Innovation Initiative is designed to provide a new framework for USDA to promote economic development and job creation in rural communities. The initiative's new approach will lead to increased efficiency as rural community capacity is enhanced through greater coordination and leveraging of regional funding. We strongly support the goal of moving rural development toward a commitment to regional strategies designed by local leaders.

To support this regionally based, locally driven approach, USDA requested a set-aside in the FY2011 Budget of more than \$280 million of existing program funds, roughly five percent of the funding from approximately 20 existing USDA programs, including USDA's rural business programs. The initiative will allocate funds competitively among innovative regional economic development projects tailored to local needs and opportunities.

NADO was encouraged by early reports indicating the draft FY2011 Department of Agriculture Appropriations bill approved by the House Agriculture Appropriations Subcommittee includes \$176 million to support the Regional Innovation Initiative. We urge Congress to finalize its commitment to fund this program and adopt provisions included in the President's FY2011 Budget request giving USDA authority to set aside funding needed to begin the initiative.

We applaud the Secretary for advancing the importance of regional approaches to rural competitiveness. We also understand the immense pressures on the federal budget. At the same time, we encourage Congress to dedicate new resources for rewarding and promoting regional economic development across rural America, not just the proposed carve-out of existing programs.

The Regional Innovation Initiative will help address one of the most important but underfunded parts of rural community and economic development—rural development strategies and institutional capacity to implement priorities.

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Most rural local governments simply lack the financial resources to hire professional economic development practitioners, and few federal programs are specifically designed for their needs. Our rural regions are lagging behind in economic development, job creation and growth, but not because they lack the assets or willingness needed to strengthen their communities. Whether through the timber, agricultural, natural resources, energy or manufacturing industries, rural regions truly are key drivers of America's economic and national security. What they lack are the resources to successfully leverage those assets into economic growth opportunities for their own citizens.

The Regional Innovation Initiative will provide these regions with resources and a framework to examine their strengths, move beyond current program stovepipes, and develop a structure leveraging those assets to address challenges in their local economies. The initiative also recognizes the value of working regionally. No community will have to "go it alone" but by the same account, no community can thrive alone. In order to benefit from this new initiative, communities will have to work together to address their common priorities and goals.

Ultimately, the proposal will provide rural regions with the resources necessary to build their workforce and strengthen their existing community infrastructure, creating prosperous rural communities where people want to live and raise families. The Initiative will also provide much-needed incentives and resources for the enrichment and implementation of regional rural development strategies. NADO urges the subcommittee to support this promising initiative.

In closing, I urge your continued support of USDA Rural Development programs, especially vital business loan, grant and technical assistance programs. USDA Rural Development is an essential partner and funding source for rural regions. It is also a vital tool for regional development organizations such as NENEDD as we strive to provide assistance and build capacity for the communities that rely on us for expertise and assistance. I urge you to support enhanced funding for USDA Rural Development programs in the next Farm Bill and increased emphasis on regional development strategies through initiatives such as the Regional Innovation Initiative.

Thank you again, Mr. Chairman and members of the subcommittee, for the opportunity to testify today on the views of NADO and our members. I welcome any questions.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Thomas L. Higginbotham Jr

Address: 111 South 1st Street

Telephone: 402-379-1150 ext. 103

Organization you represent (if any): Northeast Nebraska Economic Development District
and Northeast Economic Development, Inc.

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: n/a Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: see attached for both organizations Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: _____

Signature: Thomas L. Higginbotham Jr

Digitally signed by Thomas L. Higginbotham Jr
DN: cn=Thomas L. Higginbotham Jr, o=Northeast Nebraska Economic Development
District, ou, email=thomash@nenedd.org, c=US
Date: 2010.07.13 13:33:39 -05'00'

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

Northeast Economic Development, Inc. (10/1/2007 to present)

Source	Amount
CDBG Neighborhood Stabilization Program	367,000.00
HOME Funds for Owner Occupied Rehabilitation	1,000,000.00
USDA RBEG Disaster Grant	200,000.00
USDA IRP Loan Funds	250,000.00
	<u>1,817,000.00</u>

Northeast Nebraska Economic Development District (10/1/2007 to present)

EDA Planning Grant	166,840.00
EDA Planning (Peer Review Grant)	30,028.00
EDA Local Technical Assistance Grant (Conference Grant)	75,000.00
CDBG Neighborhood Stabilization Program Administration Contract	17,000.00
HOME Funds for Owner Occupied Rehabilitation Administration Contract	186,500.00
	<u>475,368.00</u>

Thomas L. Higginbotham Jr.

111 South 1st Street Phone 402-379-1150 • E-mail thomash@nenedd.org

OBJECTIVE To be a leader in community and economic development

EXPERIENCE 2000 – Present Northeast Nebraska Economic Development District, Norfolk, NE

Executive Director December 2005 - Present

Deputy Director October 2004 – December 2005

Economic Development Coordinator May 2000 – October 2004

- Assisted Executive Director in all facets of operating the District
- Prepared materials for monthly Board meetings
- Prepared annual budget for the District
- Assisted in developing policy recommendations and designing annual work plan
- Assisted with scheduling and coordinating all District work activities
- Performed advanced level of professional work in community and economic development activities including, housing, city administration, grant writing, grant administration, comprehensive planning, zoning, subdivision regulation, blight and substandard determinations and strategic planning.
- Performed significant amount of coordination in other district activities with public bodies, public officials, agency committees, state and federal departments.
- Completed Environmental review courses
- CDBG & HOME certified grant administrator
- Lead Hazard Visual Assessment Certified
- Completed Heartland Basic Course
- Completed EDI Course one and two

2005 – Present Northeast Economic Development Inc.

Executive Director

- Manage overall organization
- Manage business and housing loan programs

2009- Present National Association of Development Organizations (NADO)

- Board Member

1998–2000 Morrow, Davies & Toelle, P.C., Norfolk, NE

Staff Accountant

- Prepared taxes for individuals, corporations and non-profits.
- Prepared audits for non-profits, banks and units of local government.
- Performed accounting, payroll and other duties for business clients.

1995–1998 Fringe Benefits Design, Inc, Leawood, KS

Staff Accountant

- Performed accounts payable, accounts receivable and payroll duties.
- Responsible for daily bank deposit and monthly reconciliation.

EDUCATION

1991–1995 DeVry Institute of Technology, Kansas City, MO

- Bachelor of Science degree in Accounting.