



NEWS from U.S. Senator Bob Dole

RURAL DEVELOPMENT ACT 1972

(R.-Kans.)

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WASHINGTON, D.C., April 19, 1972 ---- U.S. Sen. Bob Dole (R-Kans.) told his Senate colleagues today that the greatest need for rural Americans is improved income "so that those who are presently there will find it desirable and economically feasible to remain."

The Senator from Kansas pointed out his belief that "Rural America is still the best place to live and raise a family."

These communities are largely free from air pollution. There are no traffic jams or rush hour crushes. Crime levels are dramatically lower than in urban areas. There is still room to grow and space to breathe.

Dole said that "by definition," "more than half of the nation's poverty exists in rural America," but cautioned that he believes it possible that some people might prefer rural poverty to the "corruptions of urban prosperity." Therefore, while expressing his "wholehearted" support for the goal of the Rural Development Act of 1972 --- the enhancement of rural areas as places to live and work--- Dole noted the uniqueness of rural problems and urged the need for appropriate and coordinated rural development programs.

He criticized portions added to the Act by the Senate Agriculture Committee that he said would cause duplications of federal effort and waste of taxpayers money. Dole said, "The committee bill vastly expands the authority of the Farmers Home Administration to guarantee commercial and industrial loans as well as any type of community facility loan. It also creates an entirely new rural development banking system."

Dole said existing financial institutions are best capable of providing more than adequate rural development financing in cooperation with the Farmers Home Administration, and supported striking the entirely new rural development bureaucracy from the bill.

He specifically praised portions of the Act that would increase rural fire protection and that would authorize use of watershed projects to store water for rural water districts.

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(FULL TEXT OF STATEMENT ATTACHED)

RURAL DEVELOPMENT ACT OF 1972

STATEMENT OF SENATOR BOB DOLE
U.S. SENATE
APRIL 19, 1972

As we commence consideration of legislation that will provide a means to improve rural America, I would like to present some of the most important points brought out at the extensive hearings conducted by the Rural Development Subcommittee.

1. A shift in population from rural areas to urban centers has occurred because rural residents found they could improve their income while working far less hours and provide their families a better living.
2. More than half the poverty of this nation exists in rural America.
3. Rural communities are in need of additional federal assistance to improve their communities by building water and sewer systems, electrical and telephone service, fire and police protection facilities, health and medical facilities, educational facilities, and job development.
4. Coordinated planning is needed so that communities within an area do not duplicate services and facilities that they could share.
5. Certain federal and state government services, such as welfare, food distribution and food stamps, unemployment services, and other programs are not as readily available and convenient in rural communities as in the urban centers.

I am confident that the members of the Rural Development Subcommittee and of the full Agriculture Committee would agree with these points brought forth in the hearings and at this time I would like to point out several important conclusions which can be drawn about the workings of this rural system and its relationship to government programs.

1. First, rural America is still the best place to live and raise a family in our Nation. These communities are largely free from air pollution. There are no traffic jams or rush hour crushes. Crime levels are dramatically lower than in urban areas.....there is room to grow and space to breathe. The most obvious need that I see in the communities of rural America is to improve income so that those who are presently there will find it desirable and economically feasible to remain there.
2. Rural poverty does exist, and more than half of the Nation's poverty by definition exists in rural America. However, it is possible that some people might prefer rural poverty to some of the corruptions of urban prosperity. I do not intend to minimize my concern for improving rural conditions to eliminate rural poverty. It is apparent that the definition of poverty needs a different interpretation in rural areas than in urban centers.
3. Some rural poverty is being eliminated. Jobs are being developed in rural communities; water districts are being built; sewage and solid waste disposal systems are being devised for rural communities; steps are being taken to eliminate minority discrimination. Some rural communities are improving the fire and police protection. Others are providing recreational facilities or health and medical facilities.

Utilize Existing Programs

All these efforts are being undertaken with federal assistance programs, but witness after witness testified at subcommittee hearings that they did not know what federal programs were available to rural communities, and others said they could not afford to send a delegation to Washington to apply for benefits.

It is therefore apparent that we are not utilizing present government programs to the fullest extent in rural areas, and we must take corrective steps.

- Rural residents need to be informed of government programs available to them for rural development.
- Stimulation and required coordinated planning is needed for area wide rural development to avoid waste and duplication.
- Expanded funding is needed for these programs as soon as utilization demands it.

We have the basic mechanisms to develop or improve all segments of rural America.....we need to refine and improve the system to better serve the need.

In Alma, Georgia, this subcommittee was provided a good example of what can be done with existing programs with its model cities effort, and the subcommittee saw other examples of rural community effort utilizing federal programs in McAllister, Oklahoma, in McCook, Nebraska, in Alabama and in South Dakota. But we must assure that all rural areas have ready access to federal assistance programs.

Improve Farm Income

I feel we should all recognize the primary requirement for rural development -- the improvement of farm income. All federal programs imaginable could prove ineffective unless we assure a solid foundation for their operation by providing our farmers the means to improve their net incomes. And consideration of a new farm program with such provisions will begin early in the next session of Congress.

S. 3462

I subscribe wholeheartedly to the goal set out in the Rural Development Act of 1972, "The enhancement of any rural community or rural area as a place to live or make a living."

Unfortunately, this bill was written on the theory that "if a little is good, a whole lot is better." The committee bill vastly expands the authorities of Farmers Home Administration to guarantee commercial and industrial loans as well as any type of community facility loan. It also creates an entirely new rural development banking system.

Not Exempt From Appropriations

Some have sought to justify the creation of this new financial body by pointing out that it would not be subject to the budget constraints placed on other federal departments and agencies. Under the rules promulgated by the Budget

Concept Commission, as long as any federal capital remained in the bank, all of the bank's lending would be included in the budget outlay totals and subject to authorization in annual appropriation bills.

Soft Credit

This banking system (the Federal Rural Development Credit System) has been described as a "hard credit" system which would, in effect, be in direct competition with private financial institutions. On the other hand, it contains a "soft credit" feature. These dual features make Title I (the banking system) almost totally overlapping with the new authorities granted Farmers Home Administration by Title II.

Budget Control

There are two additional reasons why the bank may never be free of budget constraints. First, a Federal Rural Development Investment Incentives Administration is created, and would be authorized to pay up to \$100 million annually in interest subsidies and grants in conjunction with loans made by the banking system.

Secondly, the Secretary of Agriculture is authorized to insure loans made by the banking system. Therefore, most of the "bad" loans made by the bank would wind up in the lap of the Secretary of Agriculture for liquidation.

In short, the question is whether duplication of effort among the Farmers Home Administration, the Small Business Administration, and the proposed banking system would create a competitive and uncoordinated situation which would permanently damage the efforts to develop rural America. I believe it would.

Because of the duplications and waste of taxpayers funds that could be created by approving Title I, I shall support the amendment. I understand the senior Senator from Louisiana will offer to strike Title I from this bill.

I do not find fault with the authors or sponsors of this original provision. But other provisions of this legislation provide these same services and to support such a duplication would be a gross injustice to my constituents.

In my view, our existing financial institutions are capable of providing more than adequate rural development financing in cooperation with the Farmers Home Administration. This would be in line with the insured or guaranteed loan programs of the Federal Housing Administration and the Small Business Administration. Both have been very successful.

Governor George W. Mitchell of the Federal Reserve Board made a very cogent statement in a recent speech which deserves our attention. After pointing out the plea of the President's task force on rural development for banks to lend more money "to small business in countryside America," Governor Mitchell added:

"But nowhere did the task force undertake to determine why bankers now run their banks the way they do, and what institutional changes might permit or encourage them to expand lending of the type desired."

Kansas Development Credit

I might point out that many of the bankers in my State of Kansas have made some changes which have resulted in the expansion of lending activities.

More than 400 banks have joined with a number of civic-minded corporations to form the Kansas Development Credit Corporation. These banks have committed a portion of their assets to making loans which will assist in the economic growth of the State.

The corporation makes loans only to companies which are unable to find suitable financing from conventional lenders. This is an example of what private enterprise can do without governmental assistance.

Revenue Sharing

With regard to grants, I would note that Title III of this bill, Rural Revenue Sharing, authorizes a \$500 million annual appropriation to be divided among the states, multi-county districts, and local governments. These funds could be used to provide grants or interest subsidies for community projects in sparsely populated areas where there is an insufficient tax base to pay the full cost of even the most basic community facilities.

Rural Fire Protection

I am gratified that the committee included as part of this legislation a bill I introduced last year which will allow the federal government to help organize, equip, and train fire departments in cities of 5,500 population and under.

Adequate Water Supply

One of the prerequisites for a stable economy and growth potential of any rural community is the assurance of an adequate supply of good quality water to meet present and foreseeable needs.

Under provisions of the Kansas State Water Plan, the Water Resources Board is authorized to request the inclusion of water supply storage space in projects constructed by the federal government and to enter into agreements with the federal government concerning the payments of such storage features. Inclusion of such storage may be made at the request of the board or through the board by other interests. In carrying out this directive, the board has participated with the Corps of Engineers in a number of reservoir projects in accordance with the provisions of the Water Supply Act of 1958 (Public Law 85-500)

Utilize Water Sheds

Also under this phase of endeavor, the board has been aware of the untapped resource available through the upstream watershed program carried out under Public Law 83-566. Several years ago, in cooperation with the Soil Conservation Service, steps were initiated to inventory possible reservoir sites within the watershed areas of the state where water supply storage could be incorporated to service a need, both present and future. At that time, about 70 potential storage sites were identified as meriting further detailed study and consideration.

It seemed logical to pursue this activity through the well-organized watershed district program of the state. Public Law 83-566 had been amended in 1962 to authorize the Secretary of Agriculture to pay, in the form of an advance, the cost of storage to meet future demands for municipal or industrial water supply included in any reservoir structure constructed or modified under provisions of the act. This was done with the intent to make PL-566 authority comparable to the Water Supply Act of 1958.

Unfortunately the language provided in the 1962 law has been found to be too restrictive to permit a state agency, such as the Kansas Water Resources Board, to underwrite a repayment agreement with the federal government, and thereby negates the opportunity for state cooperation in such cases.

My distinguished colleague from Kansas (Mr. Pearson) and I previously introduced a bill, S. 2960, amending Public Law 83-566, designed to overcome this problem. We are pleased that it has been included as part of Title IV of the bill which covers amendments to the Watershed Protection and Flood Prevention Act.

Water Essential

Multiple-purpose watershed projects have often served as a catalyst to bring about a revitalization of small watershed communities. They provide a unique opportunity for local people working in cooperation with state and federal agencies to plan and carry out a program which will meet the recognized resource needs, strengthen the local economy, and lead toward a better way of life and environmental improvement to be shared by all.