HOT TOPIC: Rural Issues

GOING GLOBAL

STATES’ AGRICULTURAL EXPORTS ARE BOOMING

THE ‘RESURGENCE IN RURAL AMERICA’

FOOD DESERTS: States Tackle Barriers To Healthy Foods Access

Keeping the Doors Open For Rural Hospitals

“The world got a whole lot smaller when technology got a lot better. We’re communicating easier, we’re shipping easier.”

Mississippi Agriculture and Commerce Commissioner
CINDY HYDE-SMITH

PLUS: America’s Knowledge Economy
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BONUS: PARTICIPATE FOR A CHANCE TO WIN A FREE REGISTRATION TO THE 2015 CSG NATIONAL CONFERENCE
Research is a critical contributor to long-term economic growth, and the United States has a long history of being a global leader. A new report from CSG and Elsevier identifies where states have a comparative advantage in research and how they can capitalize on those advantages to drive innovation and foster economic growth.

Federal food assistance programs, including the Supplemental Nutrition Assistance Program and free and reduced-price school meals, serve as key factors in the formula to reduce hunger in the United States. And as primary administrators of these programs, states can have a multiplying effect.

New opportunities are opening for agricultural exports and states are taking notice. With advancements in communications and shipping technology, states are positioning themselves to take advantage of access to new overseas markets, leading to record-breaking exports in U.S. agriculture products.
HOT TOPIC

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GROWING NEW IDEAS IN THE STATES

Here in the Bluegrass State, home to CSG’s national headquarters office, fields are tilled and planted for the summer growing season. The CSG staff also has planted a few exciting seeds that are sprouting soon!

Here’s what’s happening at CSG in May and June 2015.

1. CSG Releases America’s Knowledge Economy with Elsevier.

The United States’ long-term economic growth will be determined by its ability to encourage the research and development that fosters innovation. CSG and Elsevier, a world-leading provider of information solutions, in April released a report, “America’s Knowledge Economy: A State-by-State Review,” which analyzes the research strengths of the United States. As part of the report launch, CSG hosted an eCademy session May 5 to highlight key findings of the report and outline how states can capitalize on their comparative advantage in research to foster economic growth. To download the report and view the recorded webinar, visit www.csg.org/KnowledgeEconomy, and read more about the report on page 44 of this issue.

2. CSG Participates with the Big 7 Organizations in Infrastructure Week.

To ensure America has a vibrant economic future, we must invest in our nation’s infrastructure now. That’s the message that CSG, in partnerships with the other Big 7 organizations, helped to deliver to Washington, D.C., May 11–15 during national Infrastructure Week. As part of the schedule of events, CSG helped host a Congressional briefing to demonstrate how states and local communities are meeting transportation infrastructure needs and called for immediate congressional action to reauthorize MAP-21, the legislation governing federal transportation programs. CSG also convened its 5th Annual Transportation Leaders’ Policy Academy.

3. CSG Prepares to Kick Off Three Part eCademy Webinar Series on Civics Education.

One of the hottest topics in state capitals from coast to coast is the subject of federalism; ranging from fears about debilitating cutbacks to already-committed federal dollars to questions about how to respond to a broad use of federal branch executive authority. Charged with advancing the role of the states in America’s federal system, the CSG Federalism Task Force is pleased to present a three-part Civics Education Series. The first of three eCademy events on May 19 will examine the current relationship between the executive branch and state governments with a view toward providing a fuller understanding of the duties, powers and limitations inherent in our federal system. For more information and to register, visit www.csg.org/events/webinar.


While we look forward to the 2015 CSG regional and national meetings that are just around the corner, plans already are underway in preparation for next year! CSG is pleased to announce that the 2016 National Conference will be Dec. 8–11 in Colonial Williamsburg, Va. Mark your calendars and plan to join us as we travel back in time to our country’s founding while we plan for the future of the states.

5. CSG’s Suggested State Legislation and 21st Century Foundation to convene in Washington, D.C.

The CSG 21st Century and Suggested State Legislation committees will convene at the CSG D.C. Meeting, June 18–20, The Willard Washington Hotel, Washington, D.C. For more information, please contact John Mountjoy, CSG’s director of policy, research and strategic initiatives, at jmountjoy@csg.org.
When a rural hospital struggles, a community struggles.”
—Georgia Gov. Nathan Deal, as quoted in a February press release discussing the recommendations from the Georgia Rural Hospital Stabilization Committee.

High-speed internet access is a pillar of our 21st century infrastructure and a gateway to economic growth in rural America.”
—U.S. Sen. Shelley Moore Capito of West Virginia, in her maiden speech on the floor of the U.S. Senate in March.

COLLEGE DEGREES ARE THE KEYS TO SUCCESS IN THIS INDUSTRY THAT FEEDS AND CLOTHES THE WORLD.”
—George Hopper, dean of the Mississippi State University College of Agriculture and Life Sciences, as quoted by The Clarion-Ledger in March describing the importance of agricultural education.

I have more in common with the senate rural Democrats than sometimes the members of my own [Republican] caucus.”

OUR GENERATION DOES CARE. THESE DECISIONS AFFECT OUR LIVES AND OUR CHILDREN’S LIVES”
—Kansas high school student Adam Carr, 18, as quoted by The Topeka Capital-Journal. Carr traveled with several of his classmates in March and met with legislators in the capitol to discuss issues facing young, rural Kansans.

WHEN A RURAL HOSPITAL STRUGGLES, A COMMUNITY STRUGGLES.”
—Georgia Gov. Nathan Deal, as quoted in a February press release discussing the recommendations from the Georgia Rural Hospital Stabilization Committee.

THIS IS NOT JUST ABOUT A FARM BILL; THIS IS NOT JUST ABOUT AGRICULTURE. THIS IS ABOUT RURAL LIFE.”
—U.S. Agricultural Secretary Tom Vilsack as quoted in March by the Associated Press describing the importance of spurring economic growth in order to retain populations in rural farming areas.
HIV PROGRAMS
Rhode Island will receive $3.4 million in federal funding to provide HIV services, according to the Associated Press. The funds will be used to provide testing, prevention, medication, mental health and related health services to individuals who otherwise would be unable to afford the care needed to manage the disease.

PENSION SUIT
Lawyers for New Jersey Gov. Chris Christie say he will appeal the Superior Court’s ruling that he broke a 2011 pension law by withholding $1.57 billion in state funds. According to The Star-Ledger, Christie was given a short extension to appeal the ruling that follows a lawsuit by the state’s public worker unions for cutting this year’s payment to the pension fund. The February ruling requires Christie to work with the legislature to make a full payment to the pension fund this year.

FOOD STAMPS
Officials in Maine report that the state’s food stamps program is down more than 9,000 people since last year, according to the Associated Press. The decline comes after Gov. Paul LePage’s administration began enforcing rules requiring healthy, nondisabled enrollees without children to work, volunteer or participate in work training programs at least 20 hours per week. Advocates for the poor argue that there aren’t enough jobs or volunteer positions for participants, particularly in rural areas.

POT CONVICTIONS
A recent ruling by the Connecticut Supreme Court means thousands of residents with marijuana possession misdemeanors on their records can have those convictions erased. The Associated Press reported that the state Supreme Court ruled 7-0 in March that misdemeanor pot possession can be removed from records following the legislature’s decriminalization of the crime in 2011.

TAX CREDITS
Massachusetts Gov. Charlie Baker hopes to double the state’s Earned Income Tax Credit for low-income workers, and he’d pay for it in part by ending a controversial tax credit for the film industry. According to The Boston Globe, the film tax credit pays for 25 percent of wages and production costs for films, TV programs and commercials shot in Massachusetts, but a report by the state’s Department of Revenue showed most of the savings generated by the tax credit are felt outside the state.

NEW YORK SHAKES UP CREDIT REPORTING PROCESS
New York State Attorney General Eric Schneiderman has reached a settlement with the nation’s three major credit reporting agencies that will see major changes in the way errors are corrected and medical debts are treated in consumer credit reports. The settlement, which will affect consumers across the country, follows an investigation by the attorney general’s office that began in 2012.

Last year, the Consumer Financial Protection Bureau released results from a study it conducted that found consumers may be overly penalized for medical debts that go to collections, with many consumers learning about medical billing problems only after a bill is sent to collection and their credit already has been damaged.

According to The New York Times, the three credit bureaus—Experian, Equifax and TransUnion—have agreed to make improvements to their dispute resolution process, which will no longer be carried out by an automated system, but rather by specially trained employees. The agencies also will institute a six-month waiting period before reporting medical debts on consumer credit reports, allowing more time for consumers to resolve delayed insurance payments or other issues that often are involved in complex medical billings.

The required changes must be introduced within three years, although most changes will be carried out within the next 18 months, according to the Consumer Data Industry Association, which represents the credit agencies. While the settlement did not include a financial payment from the credit agencies, the implementation of the changes will require significant investment by the agencies for increased personnel and system upgrades.

“Credit reports touch every part of our lives,” said Schneiderman in a statement. “They affect whether we can obtain a credit card, take out a college loan, rent an apartment or buy a car—and sometimes even whether we can get jobs.”
CHARTER SCHOOLS
Alabama Gov. Robert Bentley signed into law in March a bill allowing charter schools. According to AL.com, the charter schools will operate under a contract with either a local school board or a new state commission created by the legislation. Officials from the Alabama Coalition for Public Charter Schools said the earliest a charter school could open in the state would be fall 2016.

GEORGIA PORTS
In March, the Port of Savannah moved 333,058 20-foot equivalent container units, or TEUs, surpassing its previous monthly record set in October 2014 by more than 21,000 TEUs. According to the Savannah Morning News, the Georgia Ports Authority reported increased capacity of containerized cargo over last year, with a 15.3 percent increase in TEU volumes for the fiscal year to date.

HURRICANE BUILDING CODES
Southern states dominated the top three slots of the Insurance Institute for Business and Home Safety’s 2015 building code rating report, reported The Palm Beach Post. The report assessed the progress of 18 states with coasts on the Gulf of Mexico and the Atlantic in strengthening home building code systems since 2012. The top spots were awarded to Virginia, Florida and South Carolina.

FOOD ASSISTANCE GRANTS
Georgia, Kentucky, Mississippi and Virginia are four of 10 states receiving $200 million in grants from the U.S. Department of Agriculture to participate in pilot projects that explore innovative and cost effective ways to help Supplemental Nutrition and Assistance Program recipients’ transition out of the program by finding and maintaining gainful employment. According to a March USDA press release, the projects—authorized by the 2014 federal Farm Bill—will target individuals with low skills, able-bodied adults without dependents and recipients working low-wage or part-time jobs.

SCHOOL PERFORMANCE
More than two-thirds of public schools in North Carolina received a School Performance Grade of “C” or better for the 2013-14 school year, according to a February press release from the state’s Department of Public Instruction. Approximately 65 percent of elementary and middle schools earned a grade of “C” or better, while 88.8 percent of high schools earned a grade of “C” or better.

NORTH CAROLINA, FLORIDA EXAMINING LIMITS TO EXECUTIVE BRANCH AUTHORITY
Legislators in Florida and North Carolina were debating measures in March to exert greater control over the executive branch in their state. The Orlando Sentinel reported that Florida lawmakers were discussing a bill that would require the director of Enterprise Florida, a public-private entity that facilitates business development deals in the state, to be confirmed by the Senate. If enacted, the legislation also would cap the amount of money allocated by the state for economic incentives at $50 million per year, end up-front payments to businesses and move unused funds in an escrow account held by Enterprise Florida into a state treasury fund. The current escrow account has $86 million and captures an interest rate of 0.25 percent; the treasury fund’s interest rate would be 10 times that amount.

Meanwhile, the North Carolina General Assembly was considering repealing a 1987 law that allows the state Department of Transportation to block development indefinitely on private land it might want to buy in the future for road construction, The (Raleigh) News & Observer reported. While repealing the law could make highway land more expensive for the state, it would protect landowners from potentially suffering decades of economic loss while the department deliberates whether to purchase their land.

For more on CSG South, visit: capitolideas.csg.org and www.slcatlanta.org.
CUBA AG EXPORTS
With the easing of U.S. trade relations with Cuba, some Minnesota state lawmakers are hoping to help the state’s farmers establish a new market, reported the Star Tribune. A bill introduced by Minnesota state Rep. Jack Considine would provide $100,000 in state funding over two years to help farmers export their goods into new markets in Cuba.

CIGARETTE TAX
A recent study by George Mason University suggests that proposed cigarette taxes would disproportionately hurt poor Ohioans, making it more difficult for them to rise out of poverty, reports The (Cleveland) Plain Dealer. Ohio Gov. John Kasich has proposed increased taxes on cigarettes and tobacco in order to pay for income tax cuts.

GAS TAX
The first gas tax increase in the state of Iowa since 1989 went into effect March 1. In February, Gov. Terry Branstad signed the new tax into law, which raises gas taxes by 10 cents a gallon, reported The Des Moines Register. Revenues generated by the new fuel tax are expected to provide an additional $215 million annually for Iowa’s state, city and county roads.

YOUTH MINIMUM WAGE
South Dakota Gov. Dennis Daugaard signed legislation into law in March that sets a lower minimum wage for employees under age 18. South Dakota residents voted to raise the state’s minimum wage to $8.50 per hour last November; the new minimum wage for youth will be set at $7.50 per hour through the new law, reports KOTA news. Proponents argued the legislation would provide more employment opportunities for youth and would help those who employ youth save money.

INSPIRING STUDENTS
A new program launched in March by the state of Michigan aims to inspire students to become more engaged in their own education, according to the Detroit Free Press. The project was created after student surveys showed that while 94 percent of students recognized the importance of motivation to education, only 24 percent said they felt motivated to learn.

Wisconsin Becomes 25th State to Pass Right-to-Work Legislation

With the addition of Wisconsin, half of all states have passed right-to-work legislation prohibiting unions from requiring workers to pay dues. Gov. Scott Walker signed the measure into law in March, four years after ending collective bargaining for Wisconsin’s public-sector employees, reported the Chicago Tribune.

At the signing ceremony, held at the Milwaukee-area company Badger Meter, Walker said the law “sends a powerful message across the country and around the world.” “This is one more big tool to help places like Badger Meter, when they can put jobs anywhere around the world, they can put them in Wisconsin,” Walker added.

The state is the first to pass right-to-work legislation since Michigan and Indiana in 2012, but supporters hope that other Midwestern states will follow suit. The law took effect immediately.

Opponents of the law, however, argue that it will result in lower wages and make workplaces less safe. More than 400 businesses established a coalition in opposition to the bill, and nearly 3,000 union members and others gathered at the state capitol to try to block the legislation’s passage.

In a prepared response to the legislation’s enactment, Phil Neuenfeldt, president of the Wisconsin AFL-CIO, said, “By signing Right to Work into law, Gov. Walker continues his crusade on the hard-working, middle-class families of Wisconsin.”
HEALTH CARE COVERAGE
California is reporting an increase in youth and minority enrollment for health care coverage during the latest enrollment period, Nov. 15 through Feb. 15. According to the Associated Press, enrollment figures for young adults ages 18-34 increased by 5 percent this year, up to 34 percent in 2015. Enrollment among African-Americans and Latinos also was up over last year’s numbers.

AUTOMATIC VOTER REGISTRATION
Oregon Gov. Kate Brown signed into law in March a bill that automatically registers voters from drivers’ license information, reported The Oregonian. Residents who obtain or renew their driver’s license will receive a provisional voter registration if they are not already registered and will have 21 days to opt out. Brown originally brought the bill to the state legislature in 2013, during her tenure as secretary of state.

RIGHT TO TRY
Utah is the latest state to pass “Right to Try” legislation, allowing terminally ill patients to use experimental drugs that have not yet been approved by the Food and Drug Administration. Gov. Gary Herbert signed the bill into law March 24, approving patient access to medicines that have passed the first stage of testing by the FDA, reported the Associated Press.

SCHOOL CONSTRUCTION
School districts in Nevada are no longer required to pay contractors a prevailing wage for school construction projects following the passage of a controversial bill. According to the Associated Press, Gov. Brian Sandoval signed Senate Bill 119 into law March 6 that exempts school construction projects from the wage protections, stating the bill would allow schools to stretch construction funds.

STATE UNIVERSITY TUITION
Students at Idaho state universities may get a tuition break of sorts next year, reported The Idaho Statesman. While tuition will continue to rise, the Idaho State Board of Education has requested that tuition increases be limited to less than 3.5 percent, less than tuition increases experienced in recent years at the state’s three public universities.

CDC: NEW MEXICO’S NURSE HOTLINE SETS THE STANDARD FOR STATES
New Mexico residents dealing with middle-of-the-night ailments need not leave the comfort of their homes to seek care. They simply need to pick up the phone.
That’s all due to a program established in 2006 that offers 24/7 care via a nurse call center, reported Stateline.org. It’s the only such program in the nation and is available at no charge to residents—regardless of whether they have insurance.
The NurseAdvice call center program is funded by a public-private partnership that includes insurance carriers and managed care organizations, state Medicaid and public health departments, the University of New Mexico, Indian Health Services and a variety of hospitals and private physician practices across the state.
The program is reported to have offered care to thousands of uninsured New Mexicans without access to other forms of health care, kept tens of thousands of patients out of hospital emergency rooms and saved the state $68 million in health care expenses.
Officials with the Centers for Disease Control and Prevention point to the program’s generation of real-time data that has served as a public health early warning system during epidemics. The CDC now is recommending the program as a national model for emergency preparedness in other states.
Another benefit of the program, according to the CDC, is that it is state run and staffed by nurses at the local level. Former state Sen. Dede Feldman, who sponsored start-up funding for the program, agreed.
“It’s really important that the nurses who answer the line are familiar with the state’s health care system and its unique culture and lifestyles,” she said.
The success of the program is clear. To date, nearly 75 percent of the state’s 2 million residents have registered with NurseAdvice, and the program has a 98 percent customer approval rating.

For more on CSG West, visit: capitolideas.csg.org and www.csgwest.org.
BROADBAND EXPANSION GROWS NEW CONNECTIONS IN RURAL AREAS

Broadband services have attained a high profile as a critical component of the information economy, supporting the vigorous interchange of information within and between all segments of society. Businesses, independent contractors, libraries, individuals, educational institutions, health care providers, government and the entertainment industry have enhanced their services by leveraging the capabilities of broadband services. These enhancements boost the economy, as well as enrich the education, quality of life and awareness of our citizens. In addition, the environment broadband fosters facilitates participation of our citizens at all levels of government.

Population centers were the first to enjoy the availability of and advances in broadband capability, as their demographics better supported the deployment of services by commercial providers. Even within cities, availability of services can be limited to areas with high density of potential customers. Physical network components—fiber and associated electronics—supporting broadband services have decreased in cost and increased in capacity, thereby improving the value proposition for bandwidth delivered. However, installing the components can be expensive and challenging. Issues with rights of way, conduit availability, construction requirements, physical security, geographic topology and environmental compatibility can present formidable, expensive obstacles.

Qualities that make areas of high customer density attractive can make rural areas unattractive for a company trying to earn a profit on its infrastructure investment. Potential customers desiring service in a rural area can band together to approach a service provider the way that early cable television customers approached providers to encourage wider service availability in less populous areas.

Satellite and terrestrial wireless services offer advantages in solving access issues on an interim or permanent basis for both rural and urban users. Although these services often provide less bandwidth than fiber infrastructure, the performance and bandwidth capabilities are impressive and expanding at an increasing rate. The radio spectrum used for these services has been undergoing continuous improvement for more efficient use of assigned bandwidth allocations. This, combined with technological improvements to overall spectrum efficiency, brings customers greater bandwidth at attractive rates. While fiber infrastructure often comes to mind in broadband discussions, wireless services are a key component of the broadband availability equation.

The U.S. Department of Commerce’s National Telecommunications and Information Administration, also known as the NTIA, has played a critical role in promoting advancement of our nation’s broadband capabilities. Along with the Broadband Technology Opportunities Program, the NTIA initiated development of a National Broadband Map to assess the geographic availability of broadband services from various service providers.

A March 2015 report by Anne Neville, director of the NTIA’s State Broadband Initiative, provided perspective into the progress made. Prior to the development of this coordinated gathering of data, assessing availability of services at a point in time was difficult. Regular updates from the states, territories and the District of Columbia, along with coordination with the Federal Communications Commission, have made this a success. Going forward, the FCC will maintain the data and the NTIA will focus its efforts on interaction with the states through the BroadbandUSA initiative.

President Obama recently launched the Broadband Opportunity Council, chaired by the secretaries of U.S. departments of Commerce and Agriculture. He charged the council with reporting back in 150 days with the necessary steps required in determining how government can support communities seeking broadband investment; identifying regulatory barriers impeding broadband deployment or competition; reporting back on existing programs that support broadband competition and deployment; and identifying actions to align programs and remove barriers.

The simultaneous focus on broadband deployment by state and federal organizations, along with grant programs, has advanced progress and heightened awareness at both state and federal levels. Some local governments are creating councils and committees to foster further broadband advancement and advocacy. This broadband focus also has brought attention to conversations on network neutrality, commercially provided services, municipal networks and the federal and state laws that govern these areas. These efforts, along with technological advances and commercial investments, have accelerated the availability, quality and diversity of broadband services nationwide.
The rural landscape is the foundation on which the United States was built, but in this rapidly changing world, rural America also is evolving. Although America long has been known as the breadbasket of the world, technological advancements in communications and shipping are helping state agricultural products gain access to new overseas markets. Ag tech incubators also are helping farmers produce more food on the same amount of land. Some states are expanding their crop portfolios, looking to marijuana and hemp to help boost their agricultural industries and generate new tax revenues. States and county governments continue to rely on federal assistance to strengthen rural communities, but increasingly are developing their own unique solutions to preserve our nation’s rural traditions and help link American farmers with the innovations they need to flourish in today’s global economy.

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Agriculture in the United States is a big and thriving business.

In Mississippi, agriculture is almost an $8-billion-a-year industry, while it’s a $23-billion-a-year industry in Nebraska. Farming adds $22 billion to Oregon’s economy and $52 billion in Virginia annually.

A significant and growing part of that economic impact is made in overseas markets. According to the American Farm Bureau Federation, one-in-three farm acres in this country is planted for export. In the 2014 fiscal year alone, that amounted to the U.S. exporting a record-breaking $152.5 billion in agricultural products.

“Really since the mid-2000s, there’s been this huge surge in U.S. agricultural trade,” said Barbara Glenn, CEO of the National Association of State Departments of Agriculture. “Farmers depend upon their export opportunities to ensure a market for their products. Nearly 20 percent of U.S. farm income today comes from exports.”

With a world population of almost 7 billion and thriving agricultural markets in Asia and elsewhere, states are making sure they’re situated to take advantage of this growing economic opportunity.

A Growing Market

Greg Ibach, director of the Nebraska Department of Agriculture, spends a lot of his time abroad, seeking out new markets for his state’s products. In March, he was on an agricultural trade mission to Asia.

“We are meeting with high-ranking trade officials and government officials both in the Philippines and in Malaysia and learning about the opportunities that might exist for our commodities and food products,” he said in a phone call from Manila. “We travel quite extensively as a state. We see trade as having great value and it’s very important to our producers, so we travel a number of times throughout the year to promote Nebraska and Nebraska’s agricultural products in the world marketplace.”

Ibach said Nebraska ranks fifth in total agricultural exports nationally.

“We’ve seen great growth in trade,” Ibach said. “Between 2009 and 2013, we saw soybean exports increase in Nebraska by 29 percent, beef up over 100 percent, beets and fodders are up 90 percent. Soybean milk, for example, … is up 53 percent.”

International trade has long been a tradition in the Cornhusker State, Ibach said.

“Nebraska is a big, trade-friendly state,” he said. “We’ve realized that being the third-largest ag economy in the United States with, I think, the 38th largest population in the United States, we produce way more food than we’re able to consume within our borders. Probably for over two decades it’s been a priority in Nebraska’s government, as well as among Nebraska’s commodities, to look for those opportunities to sell our product overseas.”

Over the past four years, said Virginia’s Secretary of Agriculture and Forestry Todd Haymore, the commonwealth’s governors have
taken a new look at how agricultural and forestry exports can impact their economy. Exporting had not been as big a concern in Virginia as it has been in Nebraska.

“Agriculture and forestry had not really been mistreated in state government, but they had sort of been left to their own devices,” he said.

“They weren’t really part of the whole economic development platform in state government. It was kind of strange, because you had the largest industry in the state (agriculture) and the third-largest industry in the state (forestry products) just sort of out there on their own.”

That changed when former Gov. Bob McDonnell was elected in 2010. Haymore said McDonnell wanted to expand Virginia’s global footprint and increase exports to key growth markets. Haymore said he put together a strategic plan for the general assembly to justify why his agency needed more money to accomplish the governor’s goals.

“We put together a very clear snapshot of why exports are important for the economy here,” Haymore said. “The thing I think stands out probably the largest to our stakeholders, general assembly and governors is that there are different studies that show anywhere from 80 to 90 percent of the world’s customers, consumers, live outside the United States.

“So while we’re an economic superpower, … when it comes to customer base, we’re just a small piece of it. … If we’re not exporting, we’re missing out on some huge, huge customer opportunities.”

With a $3 million investment over the past four years, Virginia has gone global. In the past, the commonwealth had just one trade office located in Hong Kong. Now, agriculture and forestry has 10 offices worldwide.

“We have trade representatives in China, Shanghai,” Haymore said. “We have an India trade rep that’s based in New Delhi, but he has satellite offices in Mumbai and Bangalore. We have an EU (European Union) trade rep that’s based just outside of London in Surrey. They also have a satellite office in St. Petersburg, Russia. We have a trade office in Canada that’s based in Toronto. And we have a Latin America/Caribbean trade representative that’s based in Mexico City, with a satellite office in Costa Rica.”

That $3 million investment seems to be paying off. Haymore said from 2010 to 2014, agricultural and forestry exports have increased by almost 50 percent. In March, Gov. Terry McAuliffe announced a new record of $3.35 billion in state agricultural exports in 2014.

“A relatively small amount of resources go a long way in agriculture and forestry,” Haymore said.
Hyde-Smith said she sees real potential for economic growth in niche products, such as a ranch outside of West Point, Miss., that has begun exporting cattle embryos. “To me, I think the growth is in those small, niche things, such as cattle embryos or cheese straws or pecans.”

Cindy Hyde-Smith, Mississippi’s commissioner of agriculture and commerce

Finding their Niche

Agricultural exports are about more than just the traditional commodities, like wheat, corn and soybeans. Some states are discovering the potential of niche markets. Cindy Hyde-Smith, Mississippi’s commissioner of agriculture and commerce, said agriculture is the state’s largest industry, with soybeans taking up more than half of the cultivated cropland. But while the state exported more than $600 million in soybeans in 2013—along with $423 million in poultry and $327 million in cotton—that’s not where Hyde-Smith sees the real opportunity for Mississippi.

Hyde-Smith said she sees real potential for economic growth in niche products, such as a ranch outside of West Point, Miss., that has begun exporting cattle embryos. “To me, I think the growth is in those small, niche things, such as cattle embryos or cheese straws or pecans,” she said. “As far as right now in Mississippi, that’s not the biggest issue we’re talking about, but I think that it will become a bigger issue because of technology. The world got a whole lot smaller when technology got a lot better. We’re communicating easier, we’re shipping easier.”

Katy Coba, director of Oregon’s Department of Agriculture, said Oregon has long been active in exporting due to the amount of wheat it raises and its location. But, she said, she also sees promising new areas for growth in exports. “I think if you were to ask me the top two growth areas that I see for exports of Oregon products, I would say dairy products,” said Coba, “cheeses, yogurts, shelf-stable milk, those kinds of things. Our dairy industry is a big part of our economy, but they’ve been focused on the domestic market; now they’re starting to look at the international.”

That growth, Coba said, has not come easily. “We’re proud to say that Oregon is the first and only state so far that has clearance to export fresh blueberries into South Korea,” Coba said. “That market opened up for us two years ago. It was a 10-year effort. Getting a new product into a new market is a long-term, consistent (effort), not an easy proposition.”
Trade Barriers

Because exports are a growing part of agricultural income, farmers and ranchers are keeping a close eye on efforts in Congress to lift the Cuba trade embargo and negotiations for the proposed Trans Pacific Partnership, also known as TPP. This partnership would open up trade relations between the U.S. and Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

“Both of these opportunities are important export opportunities for U.S. farmers and ranchers,” said Glenn of the National Association of State Departments of Agriculture. “Specifically, TPP is especially important because despite our current trade barriers, the U.S. exports to TPP countries have expanded over 40 percent in the last five years.

Nebraska’s Ibach agrees that farmers and ranchers in his state are up-to-date on these types of trade negotiations. He said Gov. Pete Ricketts, he and 27 other state agricultural leaders signed a letter to Congress in March asking them to move ahead and give President Obama Trade Promotion Authority, which would establish the objectives of negotiations and how oversight would happen.

“We didn’t have to go through the process to educate those farm organizations about what TPA was or what the Trans Pacific Partnership is,” Ibach said. “They were keenly aware of it. They knew.”

Hyde-Smith said soybean farmers in Mississippi are highly interested in what happens with the Trans Pacific Partnership. The U.S. Department of Agriculture said farmers could expect for Japan’s 20 percent tariff on soybeans to be reduced. Japan is one of the top importers for American soybeans, with about $1 billion in sales annually.

“They’re paying attention to see if that’s actually what’s going to take place,” Hyde-Smith said. “They’re paying attention to where does this eventually end up.”

Genetically modified organisms also can cause problems for farmers looking to export, Ibach said. Although the approval process to determine the safety of new genetically modified organisms may take years in the U.S., at least there is a set process.

“You don’t see that necessarily go as smoothly in other countries around the globe and China would be a great example of one,” he said. “(In) China, they usually end up accepting the traits we approve here in America, but a lot of times they lag several years behind, so that creates some problems. … At times, they (China) will use that (disparity) to adjust the flow of goods into their country.”

“I think it’s absolutely a huge issue, especially for farmers that grow corn and soy products,” agreed Matt O’Mara, managing director for food and agriculture at the Biotechnology Industry Organization, a trade organization representing biotechnology companies. “It’s not only about market access internationally, but it’s also about having the latest technology here in the U.S. to increase U.S. competitiveness.”

Although O’Mara said there is little states or even the federal government can do legislatively to get other countries to approve genetically modified organisms already cleared for use in the U.S., state leaders still have a role to play.

“In places like China, state governments carry a lot of weight,” he said. “Governors, for example, are treated very favorably or seen in high regard in Chinese culture. I think to the extent states can become involved, it’s very helpful to put a more local face to the issue. It’s not just U.S. geopolitics at stake; this is affecting farmers at the local level.”

The Policymakers’ Role

The agricultural commissioners and directors all said state legislators have a large role to play in assisting farmers in their exporting efforts.

“I think they need to realize that it (agricultural exports) impacts their state budgets, state revenue,” Ibach said. “It’s going to be necessary to be aggressive to keep up with world demand. We need to provide an environment within our state tax structure, regulatory wise, that helps promote agriculture and keeps it healthy.”

Mississippi’s Hyde-Smith, who spent 12 years as a state senator, said both she and the legislature have a job to do.

“It’s my job to get down there (to the capitol) and show them what we are exporting and the dollar amount,” she said. “It’s their job to make sure that this continues and that it continues efficiently and the money is being well-spent.”

Communication is key with the legislature and the public, Coba said.

“I think most people don’t have a clue,” she said. “I would say most American citizens don’t recognize what the global economy looks like and the fact that the population center of the world is really in Asia. When you look at the relatively speaking stagnant U.S. population, if we’re going to continue to grow in terms of manufacturing and production—whether it’s in agriculture or other areas—our markets are going to be more and more centered in Asia. We need to be prepared to take advantage of that.”
Mark Knudsen is executive director of the Great Lakes Ag-Tech Business Incubator, a new program started by the Ottawa County government in Michigan and run out of county offices. It began when the surveys of residents showed they wanted their elected officials to be more involved in economic development. A feasibility study revealed that the county was strong in agriculture, but nobody was looking at how to turn agriculture into jobs other than farming.

“We looked at a study that had been done by the National Business Incubator Association three, four years ago,” Knudsen said. “Worldwide, there were 4,800 business incubators and there were only 25 focused on agribusiness. The majority of those were in Africa and Asia and they were really designed to help create farms and farmers to help feed the population. … (We) discovered there was overwhelming demand in the agriculture community among entrepreneurs for assistance related to ag technology.”

HATCHING NEW INDUSTRIES
AG TECH INCUBATORS OPENING DOORS FOR NEW ENTREPRENEURS
by Jennifer Ginn

The story behind emerging technologies in agriculture begins with a simple truth. Everybody needs to eat.

With an estimated global population of more than 9 billion by 2050 and with no commensurate growth in arable land, that means farmers and ranchers will need to find new ways to produce more food on the same amount of land. New advances in agricultural technology may help the producers, but the ag tech startups that create those advances haven’t been getting a lot of support themselves.

That’s starting to change.

Overwhelming Demand
After a successful pilot project, the incubator secured $500,000 from the state and $250,000 in private and public sector donations to operate for three years. Participants are not charged for the services—which includes intensive counseling—but they do agree to give up 2 percent of their gross sales with a buy-out option after 10 years.

Neighboring counties can buy into the incubator by paying to sponsor one or more farmers. Half of the profits received by the incubator are returned to the sponsoring county, which must agree to reinvest those profits in additional participants.

“Based upon our projections, even with a certain number of businesses not making it,” Knudsen said, “we can make this incubator operate after three years solely … based on this revenue being generated from the clients we’ve helped.”

The state funding was given to the incubator with the intention of expanding the idea to other regions of Michigan. Former state Rep. Joe Haveman, who term-limited out in December, said he helped secure the funding because he liked how big a return the state could get for a small investment.

“What I liked about this, it wasn’t a typical incubator where you’re building a big building (and) putting a ton of infrastructure costs in, because those tools are out there in the private sector,” Haveman said. “The county was really saying, ‘We want to offer the expertise to create markets for you or to help the private sector create a market.’

“This was just seed money. We like planting seeds. If it does fail, the state isn’t out an exceptional amount of money. If it succeeds, the state steps aside and says, ‘Okay, you’re on your own.’”

“Just help plant the seed and then go away … Sometimes you’ve got to take a chance in order to see if something works.”

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Many Different Models

The RoyseLaw AgTech Incubator just completed its first five-month mentoring program with 12 startups. Located in Palo Alto, Calif., the nonprofit provides office space, legal and back office support, instructional meetings, and access to investors and major agricultural and food companies.

Roger Royse, founder of the incubator, said while he has been working with startups and investors for a long time, ag tech has been slow to develop. While the Michigan incubator deals primarily with farmers adapting technology they have developed on their own farms, the RoyseLaw AgTech Incubator is more involved with technology and software developers.

“The thing that put all of this on the map was Monsanto’s acquisition of Climate Corp.,” Royse said. “That was almost a billion dollar deal. That’s what I think sparked a lot of interest. That’s when people realized there really was something there.”

Sanjay Kumar Rajpoot, chief executive office of FarmX, is one of the first class of business owners to go through the RoyseLaw AgTech Incubator. His company creates sensors farmers can use to monitor the moisture and health of their plants remotely to save water and keep crops healthier.

Rajpoot said he sees a lot of potential in agriculture technology and incubators can play a vital role.

“I don’t believe that investors understand it very well,” he said. “I don’t believe entrepreneurs understand it very well. And I believe that’s why there’s a huge amount of value creation at stake. It’s the reason why there’s a good market. Agriculture is, I think, one of the last frontiers for many technologies to come out and reach, which is why it’s so great.”

Thad Simons is a managing director and founding member of The Yield Lab, a new for-profit ag technology incubator in St. Louis. They invest $100,000 in promising startups and one of the four managing directors—all of whom have extensive experience in large corporations—mentors them over the course of nine months.

“We’ll be involved in terms of business plans, marketing plans,” Simons said. “And if they’re still involved in rounds of capital raising, we’ll be discussing that as well and providing them access to our networks, people who are ready and willing to support them.”

Simons said he thinks the agriculture technology area will grow quickly in the near future, but there still is a lot of room for incubators.

“Yes, there should be these kind of programs in every state,” he said. “Agriculture, I can’t think of any state where agriculture is not an important part of the economy.”

Michigan’s Haveman said he thinks states have a role to play in establishing new ag tech incubators.

“Just help plant the seed and then go away,” he said. “If it succeeds, it succeeds. If it fails, nothing ventured, nothing gained. Sometimes you’ve got to take a chance in order to see if something works.”

FARMING’S FUTURE
WEST OLIVE, Mich.—Frank VanKempen, managing member of Grass Roots Energy, uses a refractor to measure the ethanol concentration in a distiller tank. VanKempen’s company, which sells machinery to help farmers produce their own ethanol was one of the first businesses to go through the Great Lakes Ag-Tech Business Incubator in Michigan. While high-tech business incubators are common, incubators that focus on agricultural technology are just beginning to come into focus.

Photo Courtesy of Great Lakes Ag-Tech Business Incubator
Although the 2014 Farm Bill was signed into law more than a year ago, it still feels new to many stakeholders. This is largely because some of the bill’s key provisions have yet to be implemented. A year might seem like a long time for rolling out a new program, but there are good reasons for the deliberate pace.

Farm programs always have been rigorously scrutinized and criticized by farm and nonfarm interests alike. This is a good thing. In fact, you would be hard-pressed to find another sector where government involvement and spending is vetted as thoroughly and as frequently. Farmers and ranchers themselves are regularly adapting to changing weather and fluctuating markets. It makes sense that farm programs also would be responsive to both the changing needs of stakeholders and the changing fiscal realities facing government.

Agricultural policy is evolutionary, not revolutionary, and changes in farm programs tend to be incremental. No two farm bills are completely alike. They may carry similarities, but these bills are meant to adapt to the changing needs of the market. Even though the 2014 Farm Bill hasn’t undergone an extreme makeover, its implementation looks daunting because of the sheer number of program changes being made at once.

Two of the most complicated program changes yet to roll out are the Price Loss Coverage and Agricultural Risk Coverage programs. These are the types of programs traditionally associated with farm bills. Both are geared for commercial row crops, like corn and soybeans, and likely will impact the most farmers across the largest geographic area.

Before signing up for either program, farmers have the option of updating their farms’ base acreage and yield information, which in turn are used to determine specific coverage that the program will provide. Farmers haven’t had a chance to update this since 2002.

Farm program payments are not based on current production, but on a historic base of production for an individual farm. Payments based on historic production give farmers a safety net, but leave them motivated to respond to market signals rather than potential program benefits. Tying these payments to current production could distort planting and other business management decisions.

Updating farm bases of production is a cumbersome and complicated process. The decision is made by the landowner, who is not always the farmer. Many farms have multiple landowners spread all over the country given traditions to pass land down from generation to generation. Managing a decision like base updating can become complicated quickly, but once the decision is complete, farmers can choose one of three programs in which to enroll their crops.

Price Loss Coverage is a relatively straightforward price deficiency program. If the market price for a crop falls below the reference price established in the farm bill, the farmer gets a payment based on the difference.

Agricultural Risk Coverage, by contrast, guarantees revenue based on historic county revenue. Here, a five-year history of national average prices and county yields is used to establish a revenue benchmark. If actual revenue for the county (i.e., county average yield multiplied by the national average price) falls below the revenue guarantee, the farmer gets a payment based on the difference.

A farmer can also choose Agricultural Risk Coverage with a revenue guarantee based on his or her own historic revenue. This program differs from the others in that the farmer’s entire revenue, from all crops on all farms, is combined in establishing the revenue guarantee and determining a payment. With the first two options, a farmer could enroll different crops in different programs. This menu of options for farmers is one of the more unique features of the 2014 Farm Bill, but it’s also what makes implementation so complicated.
Farmers are evaluating their options, but the decision is not simple or quick. Many complex variables come into play—for example, the assumed path of commodity prices over the next five years, recent county yield experience, and the relationship between county crop losses and individual farm losses. Farmers can’t predict how the markets and weather will behave, but these options will help them navigate the many risks they face each season.

The protection offered by these programs is particularly important in the many rural parts of the country where production agriculture remains a key economic driver. Here, decision support for farmers in the form of educational programs and information offered through federal, state and local partnerships such as the Cooperative Extension Service and state departments of agriculture serve a vital economic development function.

Although we’re still waiting to see how the Price Loss Coverage and Agricultural Risk Coverage programs play out, some other risk management tools in the 2014 bill already have been implemented. Several standing disaster programs for livestock and specialty crop producers were renewed from 2008, as they proved to be valuable risk management tools for farmers and ranchers who don’t have many other tools available. The U.S. Department of Agriculture made these disaster programs a high priority; sign-up began just 60 days after the bill passed.

The 2014 Farm Bill also included a new dairy margin protection program to provide dairy farmers with a new tool to manage milk price and feed cost risks. Farmers began signing up for that program last fall, about six months after the bill passed.

Looking ahead, a few things are certain. First, not all farmers will choose the same programs, even on the same crop in the same county. Under past farm bills, farmers of the same crop generally had the same program to protect them. Now, farmers in very similar situations could see widely different results from these programs.

Second, farmers will rely more and more on crop insurance to manage risk since new farm bill programs no longer offer the same level of protection. Farm program payments probably will amount to less than 15 percent of net farm income, even under the Congressional Budget Office’s March 2015 baseline budget estimates, which projected larger farm program payments than when the bill was passed. This is a dramatic shift in 10 years. As recently as 2005, farm program payments accounted for more than twice that share of farm income. Farmers have responded though by turning to flexible, market-based options and that trend likely will continue under this farm bill.

Finally, farm programs will continue to evolve as they have in the past. The certainty a five-year farm bill provides is vital to the stability of agriculture. However, it is highly unlikely that even the latest programs like Price Loss Coverage and Agricultural Risk Coverage represent the ultimate end state for farm programs.

“Farmers and ranchers themselves are regularly adapting to changing weather and fluctuating markets. It makes sense that farm programs also would be responsive to both the changing needs of stakeholders and the changing fiscal realities facing government.”

—John Anderson, American Farm Bureau Foundation

About the Author
John Anderson is deputy chief economist for the American Farm Bureau Federation.
America plays a large role in helping to feed the world. How do we balance feeding people with protecting the land for future generations?

“Conservation of our nation’s private lands not only results in healthy soil, water, air, plants, animals and ecosystems, it also provides productive and sustainable working lands. The U.S. Department of Agriculture’s support—leveraged with historic outside investments—helps support producer incomes and rewards them for their good work. One example is the Regional Conservation Partnership Program, which has thus far funded 115 high-impact projects across all 50 states and Puerto Rico to improve the nation’s water quality, enhance soil health, support wildlife habitat and protect open spaces. (The program) brings a radically different approach to investing in natural resource conservation and empowers local communities to work with multiple partners, farmers and ranchers to design solutions that work best for them.”

We hear more and more about sustainability of our farmlands. What will we need to do to ensure the future of agriculture in the U.S.?

“To ensure the future of American agriculture, we have to focus on building the bench of the next generation of farmers, ranchers and foresters. This is a challenge that the Deputy Secretary of Agriculture Krysta Harden and I take very seriously. USDA has engaged its resources to support a strong next generation of farmers and ranchers by improving access to land and capital; building new markets and market opportunities; extending new conservation opportunities; offering appropriate risk management tools; and increasing our outreach, education and technical support.”

Agricultural trade continues to grow and reach record levels. Why is such trade important for states?

“Thanks to past trade agreements, the past six years have been the strongest in history for U.S. agricultural trade. To stay ahead of the game in international trade, actively negotiate new agreements that ensure American products can compete on a level playing field and continue the forward momentum of our rural communities, we need Trade Promotion Authority. Until Congress passes Trade Promotion Authority, they force us to stand still as other countries make agreements that leave out American businesses and hold back our rural communities.”
In 2014, we announced, along with our partners, a new $150 million investment fund that will help propel the growth of small businesses across rural America. The new Rural Business Investment Company will allow private equity investments in agriculture-related businesses. Last year, we also worked with CoBank to announce a $10 billion rural infrastructure fund. This fund is supported entirely by private sector dollars with an initial investment from CoBank. The financial community should look at investing in rural America not just as a good thing to do — there is a huge opportunity for them to see a return on their investment in rural America as well.”

How can states capitalize on these expanding markets for U.S. agricultural products?

“When 95 percent of the world’s consumers live outside our borders, it’s critical that we create opportunities for our rural businesses to reach them. The Made in Rural America initiative, which came out of President Obama’s White House Rural Council, is focused on addressing this exact challenge by connecting farm and nonfarm businesses to the information and resources they need to export. USDA also provides opportunities for businesses to attend trade shows and participate in trade missions, grants for feasibility and market studies, and loan support for rural businesses that want to expand and grow.”

President Obama created the first White House Rural Council, with you as chair. What is the council’s goal?

“Since President Obama convened the White House Rural Council four years ago, we have made tremendous progress in creating new opportunities for rural businesses and communities to thrive and grow. The council works closely with local governments, nonprofits and private companies to find areas for better collaboration and leverage support for projects that drive job growth, invest in rural education, provide emergency services and address health disparities. As these opportunities expand, we are now focusing on ensuring that they are available to everyone. The White House Rural Council convened early this year to begin to explore how the administration can better coordinate and target efforts so that rural families living in poverty have the best chance to climb into the middle class.”

What will it take to see a resurgence in rural America?

“I think we are now seeing a resurgence in rural America. There is growing demand in areas such as renewable energy, local and regional food systems and the bioeconomy. The agricultural economy remains a bright spot of our economy and a job creator across rural America. To sustain and build on that progress, we have to make sure that rural areas offer the same breadth of opportunity that cities can offer. That requires strong, secure infrastructure — roads and bridges, but also Internet access and community facilities like hospitals and schools — that improves connectivity and access to information, moves products to market, and makes communities competitive and attractive to new businesses and investments.”

You have put a new focus on investing in rural America. Why is investment growing in rural areas?

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What role does the USDA play in agriculture research and how can states be a part of that research?

“Studies have shown that every $1 invested in agricultural research now returns over $20 to our economy. Since 2009, USDA has invested $4.32 billion in research and development grants. Much of that research takes place at land grant universities located in every state across the country. The new Foundation for Food and Agricultural Research, established in the 2014 Farm Bill, will do even more to leverage public and private resources to increase the scientific and technological research, innovation and partnerships critical to boosting America’s agricultural economy.”

What is driving America’s growing interest in farm to table and locally grown products?

“Consumer demand for locally produced food is strong and growing. USDA data indicate that local food sales totaled at least $6.1 billion in 2012 and industry sources estimate the market’s value could hit $20 billion by 2019. Increasingly, sales of local food are made not only through farmers markets and Community Supported Agriculture, but to retailers, restaurants and institutions like schools and hospitals. This indicates that the local food movement is growing, evolving and maturing into a more sustainable and substantial industry that is part of the broader marketplace and stimulating rural economies across the country.”

What would you say to state leaders about the Healthy Hunger Free Kids Act?

“America has the second highest obesity rate in the world. The cost of treating obesity-related illnesses is a shocking $190.2 billion per year. Given those facts, updating the school meals with more fruits, vegetables, whole grains and other healthy foods was the right thing to do for our children’s health. Doctors and other health care providers agree. A recent Harvard study showed that, thanks to the new standards, kids are now eating 16 percent more vegetables and 23 percent more fruit at lunch.”
Aneuctally, it’s been a top cash crop in a number of states for decades. But with the opening of recreational marijuana sales in Colorado and Washington, states are just now beginning to understand the full financial impact of cannabis to government coffers.

As more states look to add marijuana and its cannabis cousin, industrial hemp, to their agricultural industries, the costs and benefits are becoming clearer.

The Challenge of Being First

Colorado marked the first year of recreational marijuana sales in January. According to Lewis Koski, director of the state’s Marijuana Enforcement Division, aggregate marijuana tax revenues totaled $63.4 million for 2014, but he says it’s too early to predict what this means for marijuana revenues in the future.

“Even from a government perspective, we need to wait longer until we get more historical data before we start analyzing what the financial impact is going to be,” he said. Coloradans voted to approve Amendment 64, legalizing recreational marijuana, in November 2012. Just two months later, the state’s general assembly created the statutory framework for the program and a full set of regulations was in place by July 2013. The state began accepting applications for retail licenses in October and the first stores opened Jan. 1, 2014.

“The timeframe for us to get everything implemented was very, very tight,” said Koski. “There were some real challenges that came along with getting people hired, in getting rules promulgated, getting forms produced … just to get ready for each one of these very tight deadlines.”

Koski said one of the advantages that made it possible for the state to meet such a tight rollout schedule was that Colorado already had and was regulating a medical marijuana industry. Initially, only licensed medical marijuana dispensaries were allowed to apply for a license for the new retail market.

That’s not the case in Washington state, which opened its own recreational marijuana market in July 2014.

Unlike Colorado, the medical marijuana industry in Washington is largely unregulated. The state decided not to allow medical dispensers to apply for a retail license, which meant it had to organize and license a whole new group of cultivators to supply the market. According to Rick Garza, director of the Washington State Liquor Control Board, which regulates the state’s recreational marijuana market, it meant the process took a little longer to implement, but he said it has resulted in a safer industry for the state.

“We have been maybe criticized for being slow in opening up our marketplace,” said Garza. “We’re really comfortable with the speed with which we’re moving.”

Garza said the state had reached $120 million in sales of recreational pot as of March 2015, with nearly $30 million in revenue generated for the fiscal year so far. Considering the first fiscal year forecast of $34 million in anticipated revenue, he is optimistic about the future of the industry.

“It looks like we’re going to exceed, at least in revenue, the forecast of how much we would generate the first year,” Garza said. “It’s been healthy.”
A Comeback for Hemp?
Marijuana isn’t the only crop facing federal legal obstacles. Industrial hemp is a genetically distinct variety of cannabis with less than .3 percent THC, the active high-producing ingredient in marijuana. While hemp products are legal for trade in the United States, the Controlled Substances Act bans the cultivation of industrial hemp without a permit from the Drug Enforcement Agency.

According to Eric Steenstra, president of Vote Hemp—an advocacy organization that supports hemp legalization—22 states have passed legislation authorizing the cultivation of hemp for research or commercial purposes and another 19 states are considering such bills.

“Farmers are always looking for new crops that they can potentially make money on,” said Steenstra. “Hemp is a crop that we know grows well in the United States and has a history going back to the founding fathers of the country and before, even, to colonial times.”

A provision in last year’s federal farm bill allowed states to roll out hemp cultivation pilot projects by universities and departments of agriculture. Three states—Colorado, Kentucky and Vermont—have projects underway, while Hawaii, North Dakota and Oregon are in the process of rolling out projects.

But the process hasn’t been without issue. In 2014, the Drug Enforcement Agency seized 250 pounds of hemp seeds shipped from Italy to the University of Kentucky for its authorized research project. The seeds were released by the DEA a week later, after the state filed a lawsuit.
Top 3 State Exporters by Agricultural Product in 2013

- California: $3.5 B
  - Dairy: $286.2 M
  - Fresh Fruit: $571 M
  - Corn: $906.8 M
  - Rice: $346.6 M
  - Soybeans: $565 M
- Iowa: $2 B
  - Beef: $905.6 M
  - Pork: $695 M
  - Grains: $738.9 M
- Texas: $1.4 B
  - Cotton: $946.6 M
  - Grains: $737.4 M
  - Fresh Veggies: $646 M

BREADBASKET TO THE WORLD

U.S. farms exported $144.4 billion worth of agricultural products in 2013, according to figures from the U.S. Department of Agriculture’s Economic Research Service. The American Farm Bureau Federation says one in three U.S. farm acres is planted for export. That creates a boon to state economies. In addition, agriculture creates jobs. More than 21 million Americans, or 15 percent of the American workforce, produced, processed and sold the nation’s food and fiber in 2010, according to the American Farm Bureau Federation. The U.S. sells more food and fiber to world markets than it imports, according to the federation.

FAST FACTS ABOUT AGRICULTURE

- **97%** Farms operated by families
- **2.2 MILLION** Farms in the U.S.
- **2%** Portion of U.S. population that are farm and ranch families
- **31%** U.S. gross farm income from exports
- **23%** Portion of raw U.S. farm products exported each year
- **0.5%** Portion of total U.S. budget for farm programs

Source: American Farm Bureau Federation.
Delores McQuinn knew her city of Richmond, Va., had challenges with access to healthy foods well before she was elected to Virginia’s House of Delegates in 2008.

“This little kid … would come to my house almost every other day to see if we had food for (him) and his siblings. I realized … that there were some serious issues of people having access to food.”

McQuinn also recognized the area didn’t have supermarkets where residents could buy fresh produce and other healthy food items. The corner stores that were there weren’t necessarily selling food that was healthy or affordable.

“This particular district that I represent truly was a district that was in a food desert,” she said.

What a food desert is

The U.S. Department of Agriculture defines a food desert as a census tract with a substantial share of residents who live in low-income areas that have few grocery stores or healthy, affordable food retail outlets.

When McQuinn got to the legislature, she heard from colleagues who represented more rural communities that they saw some of the same challenges in their districts. But, at least initially, she also found a lack of knowledge and understanding of the issue.

Almost 18 percent of Virginia’s population lives in a food desert and 16.5 percent of Virginia’s children—about 300,000—are considered food insecure, meaning they can’t be sure from where their next meal will come.

Virginia’s Recommendations

The Food Desert Task Force offered several recommendations for consideration by the Virginia General Assembly. Among them:

• Expanding grant opportunities to allow organizations to support urban and community gardens, mobile markets, community kitchens and food hubs;

• Providing incentives for small businesses to develop local and healthy food enterprises in food desert areas; and

• Providing funding for the Healthy Corner Store Initiative, a national program that helps communities gain access to healthy produce and nutrition education.

McQuinn’s cause has picked up some new champions along the way. Dorothy McAuliffe, the wife of Virginia Gov. Terry McAuliffe, has made eliminating childhood hunger and improving food access her primary focus as first lady. She and McQuinn are both featured in the documentary “Living in a Food Desert,” produced by Virginia State University and accessible on YouTube.
Second Generation of Food Desert States

It was just over a decade ago that lawmakers in Pennsylvania approved a statewide financing program called the Pennsylvania Fresh Food Financing Initiative. The initiative was designed to remove financing obstacles and lower operating barriers for supermarkets in poor communities, and reduce the high incidence of diet-related diseases by providing healthy food. The state provided $30 million in seed money for the program, which ended in 2010 after being used to fund 88 projects creating more than 5,000 jobs.

Similar programs have surfaced around the country, including in Illinois, where nationally known food access researcher and consultant Mari Gallagher authored the 2006 breakthrough study, “Examining the Impact of Food Deserts on Public Health in Chicago,” which popularized the term “food desert.”

“In 2012, with knowledge of Gallagher’s work and at the urging of Illinois state Sen. Jacqueline Collins, then-Gov. Pat Quinn announced the creation of the Illinois Fresh Food Fund, a loan and grant program to help grocers succeed in underserved areas. The program is administered by IFF, a nonprofit community development financial institution whose founder and president Trinita Logue explained how the fund came to focus on certain types of stores.

“(Big chain supermarkets) … didn’t need our money and they didn’t particularly want our money because it came with other strings attached,” Logue said. “We decided that we wanted to fund independent grocers in communities that no matter what was going on in politics, they would probably remain underserved.”

But IFF also wanted to ask more of the grocers who received funding.

“We wanted the grocers to buy into the healthy foods movement in the sense of … helping (to) educate shoppers,” Logue said. “Each grocer we selected had to have a community engagement plan and enter into an agreement with us. … What we tried to be true to was that basic idea that we’re part of a much bigger ecosystem that’s trying to go through a big change.”

The IFF has deployed all of its available funds to support grocery store projects in some of the state’s highest-need areas. Repaid principal on the loans will be used to continue to fund additional projects.

“The state funding of grocery store and corner store improvements has been with good intention and has done some good,” said Gallagher. “It hasn’t always been easy for these different state programs to actually roll the money out the door and I think that’s partly because some of these markets really need to be worked at the ground level (and) states are not always poised to do that.”

Gallagher said it has been encouraging to see more states turning to good data to help direct limited resources toward the food desert problem. She pointed to a website she helped put together with the Florida Department of Agriculture and Consumer Services, which has a mapping tool designed to help government agencies and others identify gaps in services and improve access to healthy foods.

Gallagher warned that there is no quick fix and no one-size-fits-all approach for the food desert problem in every state, or even every neighborhood, and it will take an all-hands-on-deck approach to solve it.

“Food deserts are complicated,” she said. “There’s not one single problem and there’s not one single solution, which is good news. It means everybody can do something and to be successful, we really do need a wide array of actors mixed into these solutions. … This is not something that the government by itself can go fix and it’s not something that the market by itself can go fix. And if the market and the government get together and decide what’s best for the community, that might not work either. … It cannot be a single silo solution.”

“Food deserts are complicated. There’s not one single problem and there’s not one single solution, which is good news.”

» Mari Gallagher, author of a breakthrough study that popularized the term “food desert.”
Federal food assistance programs—like the Supplemental Nutrition Assistance Program (SNAP); Women, Infants and Children (WIC) and school meals—form an essential part of the social safety net in every state.

These types of programs have helped largely to eliminate severe hunger and malnutrition in this country, and they reduce poverty for millions of Americans, including children, seniors, veterans and working families. They also invest in our nation’s future by providing a healthy start and long-lasting benefits for low-income children.

State and local governments play an important role in administering many of these programs and ensuring that eligible families and children participate.

SNAP

Formerly known as the food stamp program, SNAP is the nation’s most important anti-hunger tool, helping roughly 46 million low-income Americans put food on the table. It targets those least able to afford an adequate diet and the benefits are modest—only $1.42 per person, per meal.

SNAP is designed to expand automatically when poverty and unemployment rise, then contract when the economy recovers. This enables the program to respond quickly and effectively to increased need.

SNAP reduces poverty and improves health and self-sufficiency. The program kept 4.8 million people out of poverty in 2013 under a poverty measure that counts SNAP benefits as income, including 2.1 million children, and made millions of others less poor.

Just as important, researchers have found that adults who had access to food stamps as young children had a much higher graduation rate and significantly better health than those who did not.

SNAP is also very efficient. More than 99 percent of benefits go to eligible households. States face fiscal penalties if their error rates are persistently higher than the national average.

Despite its successes, SNAP faces challenges. Of particular note for state policymakers, participation rates vary widely from state to state. While 83 percent of those eligible nationally receive benefits, 14 states have participation rates of 75 percent or below. Working-poor families and senior citizens are particularly underserved. States can help by connecting more eligible residents to this important program.
A serious threat to SNAP comes from budgets proposed in Congress, which would turn SNAP into a block grant while dramatically cutting its funding. This would leave states in the no-win position of cutting families off the program entirely or dramatically reducing benefits.

These cuts would come on top of other SNAP cuts occurring under current law. More than 1 million people will lose SNAP over the course of 2016 due to the return in many places of a three-month time limit on benefits for unemployed adults ages 18-50 not raising minor children. These people, among the nation’s poorest, will lose SNAP even if they have been actively looking for work.

“Researchers have found that adults who had access to food stamps as young children had a much higher graduation rate and significantly better health than those who did not.”

» Stacy Dean, Center on Budget and Policy Priorities

WIC

The Special Supplemental Nutrition Program for Women, Infants and Children — commonly known as WIC — is a source of nutritious foods, counseling on healthy eating, breastfeeding support and health care referrals for more than 8 million low-income women, infants and children at nutritional risk. The federal government funds the entire cost of this program — about $7 billion a year.

Infants and young children can face lifelong cognitive and health consequences if they don’t get adequate nourishment. WIC helps ensure that pregnant women get the foods they need to deliver healthy babies and that those babies are well nourished as they grow into toddlers.

Extensive research over the past four decades has shown that WIC contributes to positive developmental and health outcomes for low-income women and children. These include healthier births and lower infant mortality, more nutritious diets, stronger connection to preventive health care such as immunizations, and improved cognitive development.

States are wise to recognize these additional benefits of WIC. Healthy births and strong cognitive development are among the early building blocks of an educated workforce. Nutritious diets help reduce obesity and the many associated costs that are borne by states. And a strong connection to preventive medicine helps reduce long-term health care costs.

School Meals

Two other essential tools in reducing hunger in every state are the National School Lunch and School Breakfast programs, which provide nutritious meals to more than 30 million children daily.

These programs have a strong track record of serving children who may not get enough to eat at home each day. Federal funding goes directly to school districts for each meal they serve, with higher reimbursements for children who qualify for free or reduced-price meals.

The Community Eligibility Provision, a relatively new and particularly powerful component of the school lunch and breakfast programs, helps ensure that every low-income student has access to healthy meals at school. The option allows qualifying high-poverty schools to offer breakfast and lunch at no charge to all students without having to collect and process individual meal applications. Administrative savings and economies of scale when more students eat school meals can help offset the forgone meal fees.

As with SNAP, however, take-up of community eligibility has been uneven across the country. State policymakers can help ensure that every eligible school takes advantage of community eligibility by communicating with school districts about the importance of this option.

States, counties and school districts not only administer these nutrition programs, but also reap the benefits of ensuring that their struggling families, children and seniors have access to good nutrition each day. In addition to supporting sound oversight of the programs, state policymakers can make these programs even more effective by helping connect eligible citizens to needed nutrition assistance.

“Researchers have found that adults who had access to food stamps as young children had a much higher graduation rate and significantly better health than those who did not.”

» Stacy Dean, Center on Budget and Policy Priorities

About the Author

Stacy Dean is vice president for food assistance policy at the Center on Budget and Policy Priorities.
It lags urban areas in education—with 32 percent of urban dwellers having achieved a bachelor’s degree or higher, while only 18 percent of men and women in rural areas have, according to the U. S. Department of Agriculture. Economically, even as urban America has experienced employment growth over the past few years, rural rates remain in the doldrums. Similarly, rural poverty rates seem to be stuck in place, while the number of people below the poverty line has been declining elsewhere.

But, to paraphrase Mark Twain, “the reports of Rural America’s death are greatly exaggerated.” In fact, at least four major trends are helping improve the future of rural America: broadband, telemedicine, job training and new methods to attract young people to farming all offer hope.

Here’s the heart of the story for each:

**BROADBAND**

Dee Davis, president of the nonprofit Center for Rural Strategies, said access to broadband is a “critical issue for rural communities to have kids compete in school, … to bring goods and services to the market, to participate in the democratic process. It is increasingly a civil right. Those without will not be able to fully participate in modern democracy.”

The federal government is taking steps to help Americans in rural areas reap the benefits of broadband. The Federal Communications Commission released a 2015 Broadband Progress Report in January that created a new definition for broadband Internet service. It’s now considered a utility, much like electricity and water. That allowed the FCC to require a standard that calls for higher Internet speeds for broadband, which can result in better access in rural areas.

In addition, over the past 18 months or so, the FCC has expanded its Connect America Fund—which is valued at $4.5 billion—so that it will subsidize high-speed Internet in high-cost, often remote, areas.

The National Telecommunications and Information Administration—the federal branch agency primarily responsible for advising the president on telecommunications issues—also is pitching in. The agency has developed and maintains a public searchable map of broadband availability across the country. The benefit of this kind of work is that it will provide easily available information to organizations attempting to close the digital divide, including those in rural areas.
About Barrett and Greene

CSG Senior Fellows Katherine Barrett and Richard Greene founded the Government Performance Project, a 10-year effort by The Pew Charitable Trusts to improve state government management. As CSG senior fellows, Barrett and Greene serve as advisers on state government policy and programming and assist in identifying emerging trends affecting states.
Rural hospitals have their jobs cut out for them and so do policymakers who care about them.

Forty-eight rural hospitals have closed their doors since 2010, according to data recorded by the North Carolina Rural Health Research Program at the University of North Carolina, Chapel Hill.

The typical rural hospital has 25 to 50 beds. It is more dependent on Medicare and Medicaid, which generally pay less than other insurers, and it has lower patient volume than urban hospitals.

“The implication of lower volume is that the hospital is spreading fixed costs over less people and there is less certainty about the numbers of services that will be provided on any given day,” said Mark Holmes, director of the North Carolina Rural Health Research Program. “This uncertainty makes it hard to staff the hospital and hard to plan.”

A Long-Simmering Issue

Federal policymakers have focused on the sustainability of rural hospitals since the 1980s.

Medicare, the federal health care insurance for people 65 and older, changed the way it paid hospitals in 1983. Before then, Medicare asked a hospital for its total annual costs and paid the amount proportionate to their Medicare patient population, Holmes said. The new payment system instituted a standard payment for each procedure. Medicare used urban hospitals to set the reimbursement prices, Holmes said, which ignored the fact that rural hospitals have higher per patient costs.

By the late 1980s, a considerable number of rural hospitals closed, drawing the attention of Congress. The fix, Holmes said, was to create designations for rural hospitals that provided additional funding to the standard Medicare and Medicaid formulas. Facilities designated as sole community hospitals, rural referral centers and Medicare dependent hospitals received a bump in Medicare reimbursements.

In 1996, the federal government added the critical access hospital designation. The majority of rural hospitals—53.5 percent according to Holmes’ program—qualify as critical access hospitals. Such hospitals have fewer than 25 acute care beds, provide 24-hour emergency services and are located more than a 35-mile-drive from another hospital, or a 15-mile-drive in mountainous terrain.

“Critical access hospitals are a very different animal,” Holmes said. Their Medicare reimbursement formula amounts to 20 to 30 percent more than other payers provide.

LifePoint Hospitals, a national company that operates more than 60 facilities that are the sole hospitals in their communities, said maintaining the federal designations and additional funding are critical to keeping their hospitals open.

“It is important for policymakers to remember that, when rural hospitals struggle, their communities struggle, too,” said William F. Carpenter III, chairman and CEO of LifePoint Hospitals. “Once a rural hospital eliminates services or closes for financial reasons, these essential services rarely, if ever, return to the community. … Also, when hospitals are forced to cutback needed services, it leads to loss of jobs and economic instability for the community.”

For the second year, the Obama administration has proposed cutting funding for critical access hospitals and eliminating the designation for several hospitals, a savings of $2.5 billion over the next decade. The president’s budget is considered dead on arrival by most observers.
Wyoming Emergency Funding
Wyoming, one of nation’s most rural states, approved $3 million in the 2015 legislative session to help its beleaguered hospitals. The state has 26 hospitals, 16 of which are designated critical access.

“We have five hospitals with less than 100 days cash-on-hand and one with just 19 days,” said state Rep. Elaine Harvey, chair of the Labor, Health and Social Services Committee. “When a hot water heater went out in that hospital, staff had to carry hot water from the acute care bed section to the nursing home side of the facility.”

Expanding Medicaid would have eased hospitals’ charity care burden, estimated at $200 million annually. Instead, the Senate approved $5 million direct aid for hospitals. After the House stripped out the $5 million, Harvey found an old hospital challenge grant program already in law and used it to provide $1 million to hospitals with less than 100 days of cash-on-hand.

A final compromise in the waning days of the session restored $2 million, along with Harvey’s $1 million, for hospitals. Two-thirds of the $2 million will go to critical access hospitals.

Harvey said her committee, along with the House Appropriations Committee, will undertake a study of the governance structure of the state’s hospitals and how to support rural health care as an economic driver in rural communities.

Georgia Rural Hospital Recommendations
Five rural hospitals have closed in Georgia since 2010. Gov. Nathan Deal put together a committee of legislators and state leaders in 2014 to identify the needs of the state’s rural hospitals and develop policy solutions.

The Rural Hospital Stabilization Committee recommended establishing a pilot program in four areas using a hub-and-spoke model. The hubs are four communities with nursing homes, home health, rural health clinics and a regional hospital. The spokes include critical access hospitals, WiFi and telemedicine equipped ambulances, school clinics with telemedicine, federally qualified health centers, public health departments and local physicians.

The goal of the pilot program is to ensure patients are treated in the most appropriate setting, often with the assistance of technology, to relieve some of the cost pressure on the smallest rural hospital emergency departments.

The $3 million cost of the pilot is in the adopted budget, according to Georgia Rep. Terry England, a committee co-chair.

“The hub hospitals will put in a small amount of cash as local buy-in,” he said. Additional cash will come from the state’s Medicaid managed care organizations and local providers.

“The goal of the hub-and-spoke model is to get the right patient to the right place at the right time,” England said. Technology will allow ambulances to access real-time bed and doctor inventories and take patients to the hospital best suited for a particular patient.

“If the model works as we hope, we are trying to help the small rural hospitals survive,” England said. “The goal is to maintain as many as we can. But I am probably kidding myself if I say that no rural hospitals will close.”

“Early in the committee’s work, there was a quick search for a magic bullet—stand-alone emergency departments—but the financials didn’t work out,” said Gary Nelson, president of the Healthcare Georgia Foundation, whose mission is to advance the health of all Georgians.

Nelson hopes that as leaders consider a new model of rural health care for Georgia, they don’t become reliant on the state’s safety net programs—such as school clinics and federally qualified health centers—to replace community hospitals.

“What happens to mental health care where a hospital is lost?” Nelson said. “What about the golden hour following a stroke?”

What hospitals are forced to cut back needed services, it leads to loss of jobs and economic instability for the community.”

> William F. Carpenter III, Chairman and CEO, LifePoint Hospitals

GOING THE EXTRA MILE FOR RURAL HOSPITALS
BELHAVEN, N.C.—Bellhaven, N.C., Mayor Andy O’Neal greets Lanell Cardwell in July 2014 at the end of a 273-mile walk to Washington, D.C., to draw attention to the importance of keeping rural hospitals open. Bellhaven’s Vidant Pungo Hospital was closed July 1, 2014. The closure of a rural hospital can have compounding impacts on the community it serves. Photo by Tom Williams / CQ Roll Call
Living in a rural area or an urban one can offer very different experiences. Of the 3,069 counties across the United States, no two are the same.

They range in area from 26 square miles (Arlington County, Va.) to 88,695 square miles (North Slope Borough, Alaska) and in population from 86 residents (Loving County, Texas) to more than 10.1 million (Los Angeles County, Calif.). Approximately 70 percent of counties are considered rural, with populations less than 50,000.

Yet, despite these differences, county governments often face similar challenges and share similar priorities. All counties are administrative arms of state governments and assigned vast responsibilities by state constitutions or laws. They provide fundamental services that help build healthy, safe and vibrant communities. But often, these responsibilities are underfunded or unfunded, making it difficult to carry out these tasks.

Counties face challenges like economic instability, natural disasters and other circumstances that complicate reaching their goals. But, perhaps, the biggest challenge is having enough revenue to provide the services needed. Forty-three states have some type of limitation on property taxes collected by counties, the main source of county revenue. Thirty-eight of them impose statutory limitations on property tax rates, property tax assessments or both.

Counties are stuck between rising costs of programs and services and state limitations on their ability to generate revenue.

In addition, while the national economy shows signs of continued growth and other promising trends, the National Association of Counties’ (NACo) 2014 County Economic Tracker revealed that the economic recovery remains sluggish and uneven. While 2014 was a year of growth for county economies, 95 percent of them have not returned to their pre-recession unemployment rates.

NACo’s in-depth analysis of county economies tracks annual changes in four key economic performance indicators: unemployment, jobs, economic output and home prices. Only 65 county economies recovered across all four indicators by 2014, and they are mostly small counties with less than 50,000 residents. The areas of greatest growth have booming energy and agriculture sectors in states like Alaska, Kansas, Montana, North Dakota and Texas. (To read more about the findings, go to www.naco.org/CountyEconomies.)

Counties in different regions confront other obstacles. Federal lands cover nearly one-third of the United States, touching 62 percent of America’s counties. For some counties in the West, 80–90 percent of their land is federally owned.

Federal land is exempt from local property taxes, but counties must still provide services that support residents, businesses and the 720 million people who visit federal lands annually. To compensate the 1,900 counties across 48 states and the District of Columbia that are home to federal lands, Congress created the Payments in Lieu of Taxes program to offset the lost property tax revenue and help counties provide essential services. Unfortunately, counties have to lobby Congress every year to secure this funding.

In the Northeast, counties are dealing with the cost and operation of nursing homes, as well as aging infrastructure. In the South, with more counties experiencing growing populations, jobs and the economy are factors.

**Transportation and Infrastructure**

Nearly all counties play a critical role in transportation and infrastructure. Counties own and maintain 45 percent of the nation’s road miles, nearly 40 percent of the nation’s bridges and are involved with roughly 30 percent of the nation’s public transit systems and airports.

**Counties share a common goal with their state, federal and other partners—enhancing the quality of life for all Americans.**

» Matthew Chase, Executive Director of NACo
Nationwide, counties invest more than $100 billion each year in roads, bridges, transit, water systems and other public facilities that play a key role in everything from daily commutes to shipping goods around the world.

When Congress passed the most recent surface transportation authorization law, the Moving Ahead for Progress in the 21st Century Act—or MAP-21—a shift in approach caused federal funding for locally owned highways and bridges to be decreased by 30 percent.

At the same time, Congress has passed stop-gap reauthorizations, which has brought uncertainty at the local level, delaying and even preventing major highway and transit projects. Delaying investment only makes the problem worse, raising overall costs and increasing the likelihood of major—even catastrophic—infrastructure failures.

Reauthorization of the surface transportation law and fixing the Highway Trust Fund are necessary to move America forward.

**Flexibility in Financing**

Creative and flexible financing options are essential in fulfilling counties’ mandated responsibilities over our nation’s transportation and infrastructure systems. Municipal bonds have been a key financing tool for state and local governments for more than 100 years. Municipal bonds are used by counties, states and other local governments to finance many of our nation’s schools, hospitals, roads, bridges and other critical infrastructure—even playing a key role in New York’s state financing of the construction of the Erie Canal.

The federal income tax code designated municipal bonds tax-exempt in 1913 as part of the co-sovereignty rule of no taxation between different levels of government. If fully taxable, municipal bonds issued between 2003 and 2012 would have cost state and local governments and local authorities an additional $495 billion in interest expense.

The administration has proposed capping tax benefits at 28 percent, for both interest earned on new or outstanding tax-exempt bonds. A cap like this would have cost state and local governments and local authorities an additional $173.4 billion in interest expenses between 2003 and 2012.

While counties support additional financing options, they must not come at the expense of the tax-exempt status of municipal bonds. Any tax imposed on municipal bond interest would affect all Americans two-fold, as the main investors in municipal bonds and as taxpayers securing the payment of municipal bonds.

Through NACo, county governments work to strengthen collaboration with federal policymakers on a range of issues that impact all counties. Decisions made by the White House, Congress and federal courts have a major impact on county officials’ ability to lead their communities. That is why federal policies matter to county government and why county government matters to America.

NACo is also partnering with CSG’s Justice Center on issues including reducing the number of people with mental illness in jails, the Second Chance Act and others.

Counties share a common goal with their state, federal and other partners—enhancing the quality of life for all Americans. From transportation and infrastructure to the social safety net, public health and other programs, counties in every region are united in building thriving communities.
WE LOOK FORWARD TO SEEING YOU SOON!

70TH ANNUAL MEETING
MIDWESTERN LEGISLATIVE CONFERENCE
BISMARCK, ND | JULY 12–15, 2015

www.csgmidwest.org/MLC/AnnualMeeting.aspx
Registration Deadline: June 5
Hotel Deadline: June 5

69th Annual Meeting
SOUTHERN LEGISLATIVE CONFERENCE
SAVANNAH, GEORGIA - 2015
July 18-22, 2015

www.slcatlanta.org/GA2015
Online Registration Deadline: June 30
Hotel Deadline: June 12

CSG WEST ANNUAL MEETING
VAIL, COLORADO | JULY 28–31, 2015

www.csgwest.org/annualmeeting/default.aspx
Regular Registration Deadline: July 27
Hotel Deadline: July 6

Delaware
CSG ERC 55TH ANNUAL MEETING
AUGUST 16–19, 2015 | WILMINGTON

www.csg-erc.org/2015-annual-meeting-
general-meeting-information
Regular Registration Deadline: July 15
WHAT DO YOU CURRENTLY SEE AS THE BIGGEST CHANGE IN AGRICULTURAL POLICY IN YOUR STATE?

CAROLYN MCGINN
State Senator, Kansas
Agriculture Committee Member
Senate Rural Caucus Chair
2010 Toll Fellow

“I over the years, agriculture has changed from very small and diversified family farms to highly specialized production grain and livestock. Today, it appears we are trending back to some of the older practices. This does not mean large production operations are going away, but large and small agriculture producers are responding to local demand for fresh food from local consumers. In Kansas, a task force has been working on how to expand fresh market outlets to meet the need of consumers and to provide alternative income to rural areas. The study will be brought to the 2016 legislature.”

WATER QUALITY

“Two years ago, the state appropriated $22.4 million for a new water quality initiative, soil conservation and watershed protection to clean our lakes and rivers. Several statewide watershed demonstration projects were given grant funding so that farmers could learn and implement effective ways to curb extra nitrogen and phosphorus that often pollutes Iowa’s water. This work must continue. While too many of us take it for granted, water quality is one of the most important legacies for the next generation. We have an obligation to use science and technology to assist farmers, and to analyze and reduce the nutrients that go into our waterways.”

DAN KELLEY
State Representative, Iowa
Agriculture Committee Member
2012 Toll Fellow
DIVERSIFICATION

“The biggest change to Vermont agriculture is, perhaps, our increased shift to diversified agriculture. While dairy is still our anchor, bringing $3 million into our state daily, increasing numbers of farmers are focused on raising vegetables, meat, poultry, fiber and value-added dairy products. Together, our Farm to Plate and Working Lands Enterprise Initiatives have increased economic output and created 4,200 jobs in four years, far more than original estimates predicted. The ‘localvore’ movement and increased number of farmers’ markets, direct sales and CSAs (community-supported agriculture) have made it much easier to access fresh, healthy, local food.”

NEW INITIATIVES

“Abraham Lincoln once said, speaking of agriculture, ‘To produce two where there was but one is both a pleasure and a profit.’ Our general assembly recently appropriated $600,000 for the College of Agriculture and Life Sciences at North Carolina State University to conduct a feasibility study for a plant science and food processing initiative. This demonstrates our proactive policy supporting food production, processing and distribution both for ourselves and our valuable livestock. To remain free, we must be able to feed ourselves. This visionary policy will enhance our ability to do so.”

URBAN AGRICULTURE

“I am passionate about agriculture and want to see policy that supports urban agriculture. Philadelphia has over 50 viable and sustainable farms and the agricultural high school in (Pennsylvania) is located in my district. W.B. Saul High School is one of only three agricultural high schools in the country. … We need to ensure that we develop policy that will support urban initiatives. Many start out on vacant parcels that have been abandoned. In many instances the continuity of use is jeopardized by development in gentrifying neighborhoods. Recent land banking legislation is helping to aid this situation by creating a pathway to transfer this land to community groups on a permanent basis.”
The value of agritourism and on-farm recreational services such as hunting, fishing, hay rides, and farm and winery tours in 2012 was $704 million—up 24 percent since 2007.

U.S. Farms sold fresh farm products directly to consumers via farmers markets, community supported agriculture (CSA) programs, etc., in 2012. Direct farm-to-consumer sales totaled $1.3 Billion in 2012.
New farmers are more likely to be female, minority or have another occupation as their primary occupation.

Source: U.S. Department of Agriculture, Census of Agriculture 2012
Balancing Innovation and Tradition in State Government

by Dyan Alexander

Everywhere we turn today, whether we are setting the public policy agenda, managing a start-up company or standing at the kitchen sink, we are being urged to reinvent ourselves, to innovate, to lead change.

What does that actually mean—leading change? Why not keep to what we know works, adhere to tradition instead of striking blindly—or somewhat informed—off on other paths?

Governing is all about tradition. Witness the maintenance of the Electoral College, the lightning rod of controversy in every presidential election. Legislators take pride in their state histories and those who work within the state senate and house chambers have a special affection for the original desks that hint at previous occupants or the scroll work adorning Corinthian columns that echo long-ago architects more focused on beauty than cost. In fact, it is only relatively recently that many state chambers have allowed elected officials to take personal computers onto the floor.

But at the same time, we must keep pace with the speed of our society as it evolves at ever accelerating rates.

To lead change means first to step back and to assess where we have been, where we are and where we would like to be in the future. It means assessing what is valuable to us now, as well as what we believe will become valuable to us down the road.

Women in Government, or WIG, is going through this process. Declaring 2015 its “Year of Innovation,” WIG aims to spread a commitment to fresh ideas, effective partnerships and critical policy research to state legislatures across the country.

Here are a few tips to help today’s state leaders achieve that delicate balance between tradition and innovation.
Stop, Look and Listen

Take time to make a list of what you have been doing, how you are doing it and with what tools. For instance, over the course of your career, you may have evolved from using typewriters to desktops to laptops to handheld devices and tablets. But are you using all the tools at your disposal to lead more effectively? Are there tools from yesterday that can be used alongside today’s newest gadgets to make a difference for the communities you serve?

For instance, are you using U.S. mail or email to distribute constituent newsletters? Or, perhaps you have created a constituent portal for important information about your legislative activities or held annual meetings with particular groups in order to explore and gain support for your policy agenda?


Meanwhile, using social media tools WIG’s immediate past chair, North Dakota Rep. Kathy Hawken, took to Facebook to share the story of a bill that would require medical providers to notify patients if a mammogram reveals they have dense breast tissue, which puts them at an increased risk of undetected tumors. She was able to connect with her bipartisan sponsor, post pictures and articles, and turn the passage of the legislation into a story we could follow at our office in Washington, D.C.

And she is not the only one. During the 2015 legislative sessions, we have followed women legislators telling stories of late nights stuck in session; making powerful connections to support their work in mental health, substance abuse and domestic violence; sharing candid moments in a planning session; and working on a snow day in an empty state house. They share pictures of their families and travels, building an audience that really feels connected to the individuals behind the titles. These legislators especially have harnessed the power of online social networking to make their legislative challenges and achievements accessible.

Evaluate the Past

Once you have your list, use a clinical eye to look at what has been successful—and what has not. Have you repeated successes without altering the framework, process or message? Are these processes still achieving the desired return on investment or are you losing ground? Have you been fearful of using technology to your advantage? Has an aversion to using new tools translated into reducing your effectiveness as a leader? Or have you looked at every new practice in communication, management and constituent/sponsor outreach as an opportunity to learn and innovate?

Such an assessment will give you a better idea as to whether you want to weigh expanding upon a tried and true approach, incorporating one or two new tools, or to explore a totally new frontier.

Take a look at where women legislators, for instance, historically have focused their attention: healthcare and education. Although women comprise only 24 percent of the legislative bodies across the country, today they comprise 31 percent of the membership of health legislative committees across the states and represent 30 percent of health committee chairmanships. The rates are similar for human services and education committees. Women have shown distinct capacities to lead in the areas of health and education policy—a tradition certainly worth continuing—but are there opportunities for women legislators to expand their leadership in new and emerging areas?

Make Your Plan

You now have your list and have honestly evaluated where you have been so you can use this third step to begin crafting a blueprint that will take your leadership to a new level. For instance, are the committees, caucuses and task forces on which you currently serve helpful to reaching your goals? Or are there other areas that would provide not only professional strength, but personal satisfaction?

Consider these statistics. While women comprise about 20 percent of legislative energy and telecommunication committees, just 13 percent of women have a leadership role on them. Similarly, women represent just 22 percent of state transportation committees nationwide, with only 7 percent as chairs. Are these critical issue areas ones where you feel you can make a difference? Or are there other issue areas in which you could grow and bring increased value to yourself and your community?

Don’t be Afraid to Let Go

Does a carefully planned change in direction mean jettisoning dearly held practices and tools? Remember, you can always change your mind if any component of your plan doesn’t work. Saying YES and moving out of your comfort zone by adopting new communications practices—such as tweeting or posting your legislative calendar on Facebook, holding meetings with district advocates by video conference without leaving the capitol or pursuing opportunities to demonstrate leadership in new policy areas—all have the potential for moving you closer to your goals. But if they don’t bring you the advantage you anticipate, then let it go.

Use what works to achieve your goal, but don’t be afraid to let go of what doesn’t get you where you want—or need—to be as a leader.

Constantly Review Your Position

Being intentional with every interaction and practice allows you the ability to be purposeful so you can adhere to tradition where it works, while at the same time embracing innovation to achieve a fresher, more dynamic approach to your life and career. This, in some small measure, creates an ever shifting balance.

About the author

Dyan Alexander is the executive director of Women in Government, a national, nonprofit, nonpartisan organization of women state legislators that provides leadership opportunities, networking expert forums and educational resources to address complex public policy issues. To learn more, visit www.womeningovernment.org.
As the United States’ economy gains momentum, everyone—from legislators and regional planners to corporations and everyday workers—is focused on answering a few key questions. How can the U.S. sustain that momentum? Where should states and institutions place their bets and invest their resources to create long-term pathways to prosperity?

Brad Fenwick, senior vice president for global strategic alliances at Elsevier, thinks that a focus on higher education research and the knowledge economy is a good bet. Elsevier is a scholarly information and solutions provider to the global research community.

“It’s really very simple,” said Fenwick. “Scientific research = discovery = innovation = jobs = economic and social well-being. The output of higher education research institutions is an integral part of a state’s economic picture. Those states and municipalities that have invested in developing a knowledge economy have seen a return on their investment over the years, even during economic slowdowns.”

David Adkins, executive director/CEO of The Council of State Governments, agrees. “American competitiveness in the global marketplace starts with strong state economies,” he said. “Our research capacity is world-class and, as such, is a vital asset to leverage.”

To help policymakers take a closer look at the research specialities of their states, CSG partnered with Elsevier to offer a new report—“America’s Knowledge Economy: A State-by-State Review”—designed to spur and inform discussions about higher education research funding and prioritization, and how the policy goals of states align with the goals and expertise of its research institutions.

Analysis throughout the report pulls from a variety of measures and data sources, but in particular it relies heavily on analysis of Elsevier’s proprietary abstract and citation database of peer-reviewed research literature that includes 56 million documents published in more than 22,000 journals, book series and conference proceedings by some 5,000 publishers.

For example, according to the report, the U.S. published more than 536,000 publications in 2013. California, New York, Massachusetts, Texas and Pennsylvania produced the largest absolute number of publications. To put that into perspective, the number of publications by California-based researchers in 2013 (almost 92,000) comprised 17.1 percent—more than one-sixth—of the total U.S. publication output and was higher than the entire output of Canada.

“This new report provides a wealth of information that can guide policymakers, higher education administrators and faculty, and business leaders as they consider strategies for building stronger alliances,” said Tom Rudin, director of the Board on Higher Education and Workforce at the National Academies of Science. “It can also catalyze important business-university partnerships that can build on existing strengths and expand both economic growth and educational quality.”

“This is the (first) national assessment of the American landscape picture with a state-by-state breakdown,” said Fenwick. “We believe it will serve as a crucial resource when exploring future economic development opportunities.”

While economic development officials know the importance of a strong research base to a state’s economic and workforce development growth prospects, identifying empirically where a state has a comparative advantage in a particular research field can be difficult.

“This report provides hard data that state and local municipalities can use to demonstrate the return on investment of academic research as well as to attract potential sources of new economic development opportunities,” said Adkins.

The information found in the new CSG-Elsevier report also can help guide policymakers as they work to identify more cost effective and efficient ways to leverage their state’s research educational resources.

“It’s not just about investing more money, but rather investing in programs that are most effective in bringing economic and other benefits to the citizens of the state,” said Rudin. “This report emphasizes that states can
make smart, informed investments in higher education and research—especially in areas where a state’s research universities have already given it a competitive advantage—and by doing so can see an even greater return on investment in the resources they provide to support R&D, education and training.”

According to Rudin, the economic role research institutions play in their states and communities has grown increasingly important since Congress and President Abraham Lincoln recognized their essential role by creating the Morrill Act, or Land Grant College Act, in 1862.

“That legislation moved public colleges and universities into the center of economic activity in the nation, and it also gave the federal government and states a substantial role in supporting higher education. That government-higher education compact continues to flourish today, more than 150 years later,” said Rudin. “One significant step policymakers and research institutions can take is to rededicate themselves to the compact that was initiated by the Morrill Act.”

A 2012 National Academies report highlighted the importance of the relationship between higher education research instructions and the government: “It is essential that we as a nation reaffirm, revitalize, and strengthen substantially the unique partnership that has long existed among the nation’s research universities, the federal government, the states, and philanthropy by enhancing their individual roles and the links among them and also by providing incentives for stronger partnership with business and industry. In doing so, we will encourage the ideas and innovations that will lead to more high-end jobs, increased incomes, and the national security, health, and prosperity we expect.”

Elsevier CEO Ron Mobed also believes that strengthening the nation’s educational and research institutions—particularly in science and technology—is key to future economic success.

“We believe we need an education system that encourages learning in the STEM areas,” he said. “We need a regulatory and tax regime that encourages investment in technology. We need policies that promote small and medium-size enterprises, where great ideas often begin. And we need to keep global markets open, so that data, information, ideas and innovation can not only flow across borders, but also cycle back and benefit the local economy.”

To download a copy of the report, go to www.csg.org/KnowledgeEconomy.
CSG’s 2015 chair, New York state Sen. Carl Marcellino, led the meeting and offered both national and New York-specific highlights from the report.

Analysis throughout this report pulls from a variety of measures and data sources, but in particular it relies heavily on analysis of Elsevier’s proprietary abstract and citation database of peer-reviewed research literature. The database includes 56 million documents published in more than 22,000 journals, book series and conference proceedings by some 5,000 publishers.

The information found in the new CSG-Elsevier report also can help guide policymakers as they work to identify more cost effective and efficient ways to leverage their state’s research educational resources.

The report and highlights from each of the 50 states is available for download at www.csg.org/KnowledgeEconomy.

Above, left to right:

David Adkins
Executive Director/CEO, The Council of State Governments

Jennifer Burnett
Director—Fiscal and Economic Development Policy, The Council of State Governments

Charles J. Kruzansky
Associate Vice President—Government Relations, Cornell University

George Lan
Analytical Product Manager—Research Management, Elsevier

Dr. Brad Fenwick
Executive Vice President—Global Strategic Alliances, Elsevier

New York state Sen. Carl Marcellino
National Chair, The Council of State Governments

At left: The New York State Assembly, in Albany, N.Y.
Justice Center Launches New Mental Health Initiative

The Council of State Governments Justice Center, the National Association of Counties and the American Psychiatric Foundation jointly launched “The Stepping Up Initiative,” May 5 from the U.S. Capitol, calling on counties to take detailed steps to reduce the number of people with mental illnesses in jails.

Stepping Up asks counties to commit to developing an actionable plan that makes more efficient use of budgets, promotes access to treatment and support services, and encourages research-based practices.

Along with the national launch from the U.S. Capitol, the initiative also held three local rollout events in Johnson County, Kansas; Miami-Dade County and Sacramento, Calif., to highlight some of the progress already being made across the nation. To learn more about the initiative, visit www.stepuptogether.org.

Mark Your Calendars!

- **CSG Midwestern Legislative Conference**
  70th Annual Meeting, July 12–15, Bismarck, N.D.

- **CSG Southern Legislative Conference**

- **CSG West**

- **CSG Eastern Regional Conference**
  55th Annual Meeting, Aug. 16–19, Wilmington, Del.

- **CSG National**

Risk/Needs Assessment Paper Released

The American Probation and Parole Association, or APPA, along with several partner organizations, has released an issue paper on risk/needs assessments in community corrections. Recent media reports have shed doubt on the utility of assessment tools however those reports fail to fully explain that assessment tools are just one element of case planning and are not stand-alone decision makers. The issue paper is available on the APPA website at www.appa-net.org.

Adkins Named Chair of the Big 7

David Adkins, executive director/CEO of The Council of State Governments, has been named chair of the Big 7. This is the first time a CSG director has led the group.

The Big 7 is a group of nonpartisan, nonprofit organizations that represent state and local governments. In addition to CSG, the group is comprised of the International City-County Management Association, National Association of Counties, National League of Cities, National Conference of State Legislatures, National Governors Association and U.S. Conference of Mayors.

Executive directors of the Big 7 member organizations meet regularly to discuss issues of importance to state and local governments. The group submits joint letters to Congress about pending legislation that could impact state and local governments to present a unified position.

Looking Ahead: Capitol Ideas July/August 2015 Issue

States Serving Veterans
FRANK BIGELOW
California State Assemblyman & Rancher

Elected in 2012, Assemblyman Frank Bigelow may be a relative newcomer to the California Assembly, but his roots in the state—and in its agricultural sector—go way back. The fourth-generation rancher says the arrival of his great-grandparents in the Sierra Nevada set the foundation for a way of life that continues in his family today. “So, we’ve been there ever since those early days in agriculture in one way or another, farming on the valley floor and running cattle.” Bigelow feels strongly about the need to preserve the rural way of life in America. “A lot of folks who have been generational in those rural areas, they have a tremendous amount of respect for the land. They’ve learned how to live with the land, to live off the land. … Wanting to protect it, nurture it and preserve it is near and dear to the hearts of so many.” And for Bigelow, preserving America’s rural landscape and its agrarian roots isn’t just about holding on to tradition—it’s about providing for the future. “I’m a firm believer in American ingenuity. I’m a firm believer in American agriculture. I know that we, the farmers, can provide the best, most efficient food possible—not just for the people of America, but for the world.”
The United States’ long-term economic growth will be determined by its ability to encourage the research and development that fosters innovation. The Council of State Governments and Elsevier, a world-leading provider of information solutions, release *America’s Knowledge Economy: A State-by-State Review*, a report that analyzes the research strengths of the United States. Check out the full report at:

[www.csg.org/KnowledgeEconomy](http://www.csg.org/KnowledgeEconomy)