

**Statement Of  
Billy Ray Hall, President  
The North Carolina Rural Economic Development Center, Inc.**

**Before the**

**Committee on Agriculture  
Subcommittee on Specialty Crops, Rural Development and Foreign  
Agriculture  
U.S. House of Representatives**

**March 21, 2007**

Thank you Chairman McIntyre, Ranking Member Musgrave and Members of the Subcommittee for this opportunity to present our views on the development needs of rural America, as you prepare legislation to guide federal investments in our communities through USDA.

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

Today I will be talking with you about the challenges and opportunities before us in rural North Carolina; the lessons that the Rural Center has learned over the last 20 years that have bearing on the deliberations of this committee; and why it is critical that USDA Rural Development remain a lifeline to our rural communities as we grapple with the dramatic changes ahead.

First, a bit of background on North Carolina. If ever there was a study in contrasts, North Carolina is it. Located in the heart of the state, the Research Triangle Park is home to multinational companies with 40,000 full time employees and a total payroll of \$2.7 billion. The park is near, and strongly connected to, three world-class universities – the University of North Carolina, Duke University and N.C. State University. The state's banking and finance industry has experienced skyrocketing growth in recent years and achieved a dominant position in interstate banking. The combined financial assets headquartered in Charlotte total over \$1.8 trillion, second only to New York City. As a result of such engines of growth, the state as a whole has experienced dramatic population growth in the past two decades. By 2030, North Carolina's population is expected to climb to 12 million, an increase of nearly 50 percent over the 2000 total.

It will come as no surprise to anyone that a large percentage of this growth is concentrated in and near our urban centers, especially in the Charlotte and Raleigh-Durham-Chapel Hill areas. These urban areas and the smaller cities and towns surrounding them consistently rank at the top of nearly every national score card as best places to live and/or do business. And, we're proud of them.

That doesn't mean that we have not done right by our rural communities in North Carolina. In fact, I would assert that no other state in the nation has believed in or stood by its rural areas more than ours. I think back to the farm-to-market roads built by Governor Kerr Scott beginning in the late forties and to the balanced growth policy of Governor Jim Hunt in the seventies, which made good on the promise of providing jobs, public services and a good education in all parts of the state. And then the N.C. Rural Economic Development Center was created in 1987 to address the increasing economic disparity between rural and urban areas as a result of dramatic economic change. Since that time, the Rural Center has become the state's recognized rural policy leader and, thanks to incredibly strong partnerships with the N.C. Congressional delegation and federal agencies, the N.C. General Assembly, the philanthropic community and corporate North Carolina, we have been able to invest more than \$400 million in the state's 85 rural counties.

And yet – even with this substantial commitment by the State of North Carolina and the tireless efforts of hundreds of creative local leaders, rural North Carolina today finds itself in an intense struggle to stay afloat. Consider these facts.

- Rural North Carolina's two great economic pillars, agriculture and manufacturing, have experienced massive job losses over the last two decades.
  - Agriculture – still a powerful \$68 billion industry in North Carolina with great opportunity for growth – now employs less than .25 percent of the population in on-the-farm jobs.
  - The eighth largest industrial employer in the country, North Carolina is losing manufacturing jobs rapidly, especially in traditional, natural resource based industries. Since 1990, North Carolina's rural counties have lost nearly 150,000 manufacturing jobs, many of which are in textiles, apparel and furniture. In fact, rural areas have lost 70,000 manufacturing jobs just since 2001.

No state has felt the impact of job loss more than ours!

- Jobs in mills meant that families could earn a decent wage near home and receive basic benefits. Former manufacturing workers now face the reality that their limited education (nearly 60 percent of North Carolina's rural population has only a high school education or less) does not prepare them for the more challenging jobs of the knowledge economy.
- Poverty is on the increase. Rural North Carolina's poverty rate is now estimated to be well over 14 percent, with a total of 564,000 people in poverty and many more living

at the economic fringes. Child poverty is 45 percent higher in rural areas than in urban areas and in the state's northeast corner averages 26 percent.

- Rural communities are doing all they can. For example, many of the state's smallest towns now charge twice as much for water service as their large urban counterparts. The average "ability to pay" (based on population, per capita income and tax valuation) in North Carolina's towns under 10,000 people is a score of only 6.78 points out of a possible 100. In other words, a vast majority of these towns do not have the capacity to go forward with infrastructure projects, no matter how much they desire to improve services for their local citizens.

My point is this. We're stretching ourselves to the limit at the local and state levels. And I have every reason to believe that North Carolina will continue its strong commitment to its rural communities. But we cannot address these enormous challenges and take advantage of new opportunities in rural North Carolina without a strong federal partner.

I will now shift my focus to four specific issues that we are addressing at the Rural Center, offer my thoughts on what we've learned about these issues and suggest ways that Congress, through the Farm Bill and other critical legislation, can help.

## **1. Stimulate small business growth and entrepreneurship development.**

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

Small business is already a powerful force in rural areas of our state:

- Rural North Carolina has nearly 90,000 establishments with fewer than 50 employees. These small businesses account for more than 95 percent of all establishments in the state's 85 rural counties;
- In addition, there are nearly 265,000 self-employment establishments in rural areas;
- While North Carolina's largest establishments (100 employees or more) reduced their payrolls by 44,000 jobs during the period 2002-2003, establishments with fewer than 20 employees added 43,000 new jobs; and
- A recent survey showed that more than 60 percent of rural businesses are started by individuals who grew up in rural North Carolina and most indicate no intention of selling or relocating their businesses.

Yet small business owners cite serious concerns. These include a sense of isolation, lack of knowledge about emerging markets, lack of access to capital, limited understanding of available business support services, and the need for more training and education programs tailored for different levels of experience.

The Rural Center began responding to these needs nearly 20 years ago when it established the North Carolina Microenterprise Loan Program to help rural men and women create small businesses to support themselves and their families, and later added the Capital Access Program, which is operated in conjunction with the state's banks. Together, the two programs have had significant impact on small business development in North Carolina:

- Since 1992, the N.C. Microenterprise Loan Program has served 2,600 businesses and made 1,267 loans totaling nearly \$7 million to a diverse customer base that includes 47 percent minorities; 53 percent women; and 41 percent low-income individuals.
- Since 1994, the Capital Access Program has made more than 1,600 loans totaling \$92 million, which have helped create/retain over 12,000 jobs.

Then, in October 2003, the center intensified its small business development efforts by establishing the Institute for Rural Entrepreneurship to serve the needs of rural entrepreneurs and develop statewide policies in support of entrepreneurship. Just last month, the Institute joined with nearly 50 statewide partners for the second annual entrepreneurship summit that drew 600 public and private leaders and announced a dozen initiatives to bolster entrepreneurship development. Among these were:

- The N.C. Consortium for Entrepreneurship Education, a collaboration of the Rural Center, the N.C. Department of Public Instruction, N.C. Community College System, University of North Carolina System and the N.C. Independent Colleges and Universities to improve, increase and connect entrepreneurship education across all age levels; and
- The Rural Venture Fund, a new source of capital specifically designed for qualified businesses in economically distressed counties of North Carolina. It will enable the Rural Center to fill a gap in available types of business finance for rural business owners. This fund will be a unique hybrid capable of making equity investments and issuing subordinated debt. The fund was established with \$3 million in initial capital; the goal is to identify other sources to reach a total of \$7.5 million.

To support the emergence of a dynamic, growing small business sector in rural North Carolina and rural America:

**The Rural Center supports efforts by Congress to establish a new rural entrepreneurship and microenterprise assistance program to provide training and technical assistance to qualified intermediary organizations, so they in turn can build the capacity and expertise of rural entrepreneurs. A low-interest loan fund should be established to assist this effort, in addition to the technical assistance grants. This is one development strategy that consistently works in rural communities.**

## **2. Invest in the construction and maintenance of water and sewer infrastructure in rural areas.**

Nothing is more important to the economic future of rural communities than a reliable supply of clean water and dependable systems for disposing of wastewater. One North Carolina state senator became famous for saying, “If you can’t flush, you can’t dance.” The meaning is clear. Without clean water, we cannot grow businesses, we cannot grow neighborhoods, and we cannot ensure the health of our citizens.

In 2006, the Rural Center completed its Water 2030 Initiative, the most comprehensive water resources study ever undertaken in North Carolina. The study documented the need for \$16 billion in public water, sewer and stormwater infrastructure investments statewide by 2030. In the near term, the state faces \$500 million in immediate, critical capital needs. The project also examined financing options for clean water infrastructure and questions about long-term water supply.

Here’s what we found, in brief:

- Private market loans now account for 70 percent of water and sewer financing in North Carolina, yet low bond ratings prevent more than 60 percent of local governments from qualifying;
- Federal program budgets continue to be reduced, especially grant monies that are so critical for the most impoverished communities;
- By 2030, North Carolina’s water consumption is expected to increase from 241 billion gallons a year to 335 billion gallons for households alone; and
- Continued population and industrial growth will place additional pressure on water quality. Currently, water in nearly 3,000 miles of the state’s river systems is considered unsafe for drinking and recreation.

On the state level, the N.C. Water 2030 Initiative has led to renewed calls for a dedicated, permanent state funding source for clean water infrastructure and a new clean water bond fund to finance infrastructure. Bills now before the General Assembly (HB 127 and SB 208) would set the bond level at \$500 million.

Based on the Water 2030 study and the Rural Center’s extensive experience in water and sewer grants management (It manages the state’s largest water and sewer grants portfolio and has provided more than \$326 million in grants to 426 communities since 1994):

**The Rural Center strongly supports efforts by Congress to increase funding to USDA Rural Development and other agencies to help rural communities invest in water and wastewater infrastructure.**

### **3. Ensure that farmers and rural communities benefit from the burgeoning biofuels industry.**

Even though agriculture remains robust and highly diversified in North Carolina, farming as we have come to know it is changing dramatically. Small and medium sized family farms are rapidly disappearing, with serious consequences to the businesses and communities that have depended on them.

North Carolina leaders believe that the emerging biofuels industry holds tremendous potential for reinvigorating the rural economy of North Carolina. In addition to crops grown in North Carolina including sweet potatoes, corn, soybeans and switch grass, the state has abundant sources of energy in its wood chips, animal waste and municipal waste, creating opportunities for ethanol production from cellulose.

The private sector is stepping up its efforts to make North Carolina an energy-producing state through investments in research and facilities. In 2006 the North Carolina General Assembly created the Biofuels Industry Strategic Plan Work Group, with the Rural Center as one of five convening agencies. With the participation of more than 40 state, university and industry leaders, the work group has developed a nine-point plan to make this state the top biofuels producer on the East Coast.

The plan will be submitted to the N.C. General Assembly March 30. Its recommendations include research on biomass feedstocks, creation of a public-private partnership to build a test facility for biofuels production, increased public awareness of the benefits of biofuels, and appropriate, targeted incentives. In addition, it establishes the goal that, by 2015, 10 percent of the liquid fuels sold in the state will come from biofuels grown and produced in North Carolina.

The 2007 Farm Bill proposed by USDA includes several provisions to advance biofuels research, production and commercialization. The Rural Center recommends passage of these provisions, including:

**1) Authorize a program to provide direct support to producers of cellulosic ethanol.** Conventional ethanol is produced from grain, primarily corn. Cellulosic ethanol – made from such sources as switch grass, wood and straw – has the potential to replace a larger portion of fossil fuels. Targeted federal investment will be beneficial in helping overcome the initial barriers to production of cellulosic biomass and agricultural processing waste products for ethanol and electric power production.

**2) Expand and improve the Federal Procurement of Biobased Products program.** The program encourages federal purchases of biobased products.

**3) Provide loan guarantees for cellulosic ethanol projects in rural areas.** The guarantees would support billions in investments in plant-based ethanol production in rural communities providing jobs and stability to the local economy.

#### **4. Stimulate deployment of broadband technology to rural communities.**

Access to broadband infrastructure is vital for communities to remain competitive in the global market and to support the transition to a knowledge-based economy. With the creation of the e-NC Authority by the General Assembly in 2000, North Carolina became one of the most aggressive states in the country in increasing Internet availability for rural areas.

Housed by statute in the Rural Center, the e-NC Authority is charged with bringing the benefits of broadband technologies to rural and distressed urban areas of the state. Its primary work centers on assisting counties with Internet connectivity planning and coordination of technology-based economic development initiatives.

The authority has had a measurable impact on North Carolina by expanding Internet infrastructure, applications, training and economic promise. It has managed over \$20 million in incentives grants to build broadband infrastructure across the state and has overseen development and implementation of such demand-building activities as the e-Communities Program. The authority also has created a system of Business and Technology Telecenters that serve as hubs of innovation in economically distressed counties.

But the job is far from done. In 26 rural North Carolina counties, less than 70 percent of households and businesses have the ability to access broadband Internet. Five counties have less than 50 percent access.

The Rural Center supports efforts by Congress to increase the amount of federal dollars devoted to broadband build-out in the rural areas. Specifically, the center calls for Congress to:

**Strengthen the Rural Development Telecommunications Program of the U.S. Department of Agriculture.** The program provides loans and grants to build broadband infrastructure and to support distance education and telemedicine in rural communities. The e-NC Authority supports making the funding more accessible, providing increased funding through the grant programs, and streamlining the application process to make it easier for distressed communities to apply and participate. In addition, the authority suggests that there be more collaboration with intermediary organizations and that Congress consider changing eligibility requirements to allow statewide organizations such as the e-NC Authority to apply for funds on behalf of the rural communities of the state.

To conclude, let me state how important a flexible, well-funded USDA Rural Development program is to the future of rural areas and small towns. Federal funding should be mandatory, providing assured funds to State USDA-Rural Development staff to implement programs, rather than tied to discretionary funding decisions that are vulnerable to changing Administration priorities that leave poor rural communities even

further behind. Federal rural development programs work best when USDA staff, non-profit intermediaries, community based organizations, and local governments leverage each other's strengths, coordinate and tap all available resources. Not one of these parties working alone can transform a rural region from one of despair to one of hope. Federal rural development programs should challenge rural areas to identify their own priorities and strategies and then align federal investments with regional strategies. USDA rural development programs can and must help state, regional and local partners address the basic needs of local communities, such as water and wastewater systems, key community facilities, telecommunications, and housing. But they should also be agents of change by helping rural areas support new economic ventures that build on natural assets and the unique character of rural places. Rural development programs also should enhance community and regionally based networks that are using innovation and entrepreneurship to form a new rural economy.



**Committee on Agriculture  
U.S. House of Representatives  
Information Required From Non-governmental Witnesses**

**House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.**

1. **Name:** Billy Ray Hall
2. **Business Address:** N.C. Rural Center Economic Development Center  
4021 Cary Drive  
Raleigh, NC 27610
3. **Business Phone Number:** 919-250-4314
4. **Organization you represent:** N.C. Rural Center
5. **Please list any occupational, employment or work-related experience you have which add to your qualifications to provide testimony before the Committee:**  
Deputy Secretary, N.C. Department of Natural Resources and Community Development  
Executive Director, N.C. Commission on Jobs and Economic Growth  
Assistant Director for Policy Development, N.C. Department of Administration
6. **Please list any special training, education or professional experience you have which add to your qualifications to provide testimony before the Committee:**  
Master of Economics, 1970, N.C. State University, Raleigh
7. **If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:**  
Rural Center President

**PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.**

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

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Billy Ray Hall

Address: 4021 Carya Drive, Raleigh, NC 27610

Telephone: (919) 250-4314

Organization you represent (if any): Rural Economic Development Center, Inc.

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: None Amount: \_\_\_\_\_

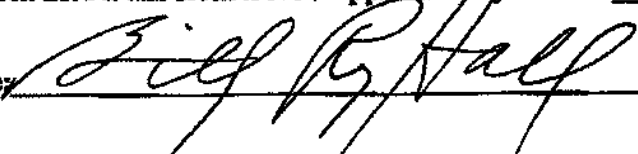
Source: \_\_\_\_\_ Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: see attached schedule Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

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

Signature: 

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

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.

**Rural Economic Development Center, Inc.**  
**Federal Grants Awarded after October 1, 2004**

U.S. Department of Commerce Economic Development Administration Public Works Improvement Project (notification letter 12/19/2005)	1,000,000.00
U.S. Department of Labor Employment and Training Administration Workforce Investment Act - Project New Start (notification letter March 2, 2005)	396,800.00
U.S. Department of Agriculture Rural Community Development Initiative (commitment letter 2/14/07)	300,000.00
U.S. Environmental Protection Agency North Carolina Water 2030	994,100.00
Awarded 12/21/2004	198,400.00
Awarded 5/25/2006	
U.S. Small Business Administration Capital Access Program Support (notice of Award dated (9/14/2004)	742,108.00
	<u>3,631,408.00</u>