Shared Goals, Contrasting Approaches:
The Nixon and Ford Administrations Implement the Rural Development Act of 1972

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Despite its promise of new Federal assistance to rural places and people, the Rural Development Act (RDA) of 1972 coincided with political, economic, and demographic changes that complicated implementation of the new rural development policy. Most immediately, while the RDA embodied many of the Nixon administration's expressed goals for rural areas, congressional resistance to the administration's proposals for revenue sharing and cabinet-level reorganization of community development programs thwarted cooperation between Congress and the administration in implementation of the Act.

The Nixon and Ford administrations supported the principle of assistance to rural areas, but emphasized State and local, rather than Federal, direction of rural development policies. Their New Federalism approach to governance led them to favor transferring control of Federally funded programs to State and local governments through special revenue-sharing plans. Under these plans, the Federal government still provided the money for authorized programs, but State and local governments had wide authority to choose how that money would be spent. Local entities would no longer apply for funding to the various Federal agencies responsible for administering categorical grants and loans designed for specific kinds of activities, as provided for in the RDA. Instead, State and local governments would receive an allocation or block of funds designated for broad categories—rural development, law enforcement, community development, among others—and then spend that money as they deemed most appropriate.

As the Nixon administration began, Congressional and rural organizations continued to promote the RDA and a comprehensive approach to rural development. Much of the push for the RDA in Congress had come from former members of the Kennedy and Johnson administrations who entered Congress after 1968. Led by Senator Hubert H. Humphrey (D-MN), these congressional representatives continued to emphasize Federally directed initiatives of the 1960s, which included categorical grants to States and localities. Their efforts led to the formation of the Congressional Rural Caucus (CRC), created in the House in 1973 under the leadership of Congressmen Charles Rose (D-NC) and Clem McSpadden (D-OK). The bipartisan CRC grew from an initial 22 members in 1973 to 101 members by January 1976. Concentrating on support of rural issues that reflected a consensus among its members, the CRC worked most consistently for full implementation of the Rural Development Act and in favor of a comprehensive Federal rural development program, including rural health care and improved transportation systems.

A Senate counterpart, the Midwest Conference of Democratic Senators, commonly called the Midwest Caucus, formed in 1974. The conference included Democratic members of the Senate influential on rural issues such as Jim Abourezk and George McGovern of South Dakota, Dick Clark and John Culver of Iowa, Stuart Symington of Missouri, and Walter Mondale and Humphrey of Minnesota. The group's priority echoed that of the CRC: full appropriations for the programs authorized in the RDA and expansion of those programs to include rural health care and transportation, among other new services. Other senators with rural constituencies, including Robert Dole (R-KS), supported some of the same issues independently of the Caucus.

Organized interest groups also gathered in support of Federal rural development policies and programs. Longstanding interest groups that supported particular Federal rural programs included the National Rural Electric Cooperatives Association and the Independent Bankers Association of America, whose members favored low-interest and guaranteed loan programs to assist economic development in rural areas. Organizations of local government officials, including the National Governors' Association, the National Association of Development Organizations, the National Association of Regional Councils, and the National Association of Counties, worked to encourage local government involvement in rural policy implementation. Newer groups, including the Rural Housing Coalition and Rural America, Inc., organized around rural development issues related to social services, particularly housing, health care, and employment. These groups provided testimony on local conditions and needs at hearings and acted as lobbyists in support of legislation tailored to assist with rural problems. As did the CRC, these groups tended to support the funding mechanism of categorical grants, which allowed local governments and interest groups to apply directly to the Federal government for assistance, rather than working through State government-administered block grants.

Implementing the Rural Development Act of 1972

Because of the Nixon administration attempts to implement the RDA using New Federalism principles, Senator Humphrey (Chairman of the Senate Agriculture Committee's Subcommittee on Rural Development) and his staff incorporated reporting and congressional oversight requirements into the law. Hearings to review progress toward implementing RDA were held quarterly in the Senate for about a year-and-a-half, until regulations were drafted and all programs were operating.

Of primary concern to most RDA supporters testifying at these hearings were the delays in funding and implementing the provisions of the act, particularly the loan programs. These delays were complicated by differences between the administration and the Congress over relative powers regarding budgetary matters. Throughout the first half of the 1970s, Nixon and then Ford tried to reduce appropriations for rural development programs. Congress continually passed appropriations at higher levels, only to have the White House impound the additional funds using an interpretation of executive branch authority over the actual outlay of Congressionally authorized funds. In the interests of attaining a balanced Federal budget, Nixon and Ford claimed the power to choose not to spend money that would create a budget shortfall. Among the programs affected by these impoundments or rescissions were rural development programs.

Congress, however, refused to accept the rescissions and funding was restored to appropriated levels. But the delay pushed funding of many authorized rural development programs well beyond a year after passage of the 1972 RDA. Furthermore, the Budget Control and Impoundment Act of 1974 provided for consultation between the President and Congress over proposed rescission of funds in the face of budget shortfalls, leaving some programs constantly vulnerable to cuts. Rural development programs fell within this group of vulnerable programs, since they were not designated a fundamental national program area. The subsequent variability in funding made it difficult for rural areas to plan for projects dependent on Federal funds.[1]

In 1974, the new budget law did prevent Agriculture Secretary Earl Butz from allowing governors to designate appropriate sites for demonstration programs in their States, a move that would have placed control of a national loan program in the hands of State governments. Since

Congressional Democrats felt State governments would not direct the money to the neediest people and places, they stipulated that this approach could not be used for rural assistance.

The New Federalism Meets Rural Development

Secretary Butz' attempt to alter the method of funding rural projects reflected the Nixon and Ford administrations' commitment to implement rural development policy in the spirit of the New Federalism philosophy. Because RDA programs had been designed by Congress to be funded largely through categorical grants, efforts to replace categorical grants with State and local block grants delayed the Act's implementation.

Congress did pass a General Revenue Sharing Act in 1972, sharing Federal tax revenues according to a formula based on local population, incomes, and taxes. The $30 billion allocated over 5 years came from a special trust fund, not from existing programs as Nixon would have preferred, with limitations on how States and local governments could use the money.[2] Most general farm organizations, even the American Farm Bureau Federation, favored these limits because they feared States would use allocations created from existing programs to fund industrial infrastructure development or remove funds from already established programs and use them as a substitute for locally generated matching funds to secure Federal categorical grants.[3]

The tension created by the differing approaches to governance between Congress and the executive branch became evident in the annual report process mandated in the RDA. Rather than set the specific national goals expected by Congress, the Secretary's first report provided very broad philosophical statements about the need to provide enough jobs and adequate housing for rural people. Congress pressed the Secretary to adopt quantitative goals and reporting methods. Congress produced a detailed critique of the second annual report, transmitted in early 1975, and called hearings to review progress in implementing the RDA. A USDA representative testified that although 21 of the Act's 85 provisions had not been implemented under Nixon, and were not planned for implementation under Ford, all appropriated funds had been obligated. The Department representative explained that delays in funding programs reflected careful preparations for initiating new projects. The USDA produced a third report the following year that Congress found more acceptable, but the Department continued to maintain the view that only local communities could set specific numerical goals for rural development.[4]

These fundamental disagreements over the level of national direction called for in the RDA hindered full implementation of the Act. Although the comprehensive, coordinated Federal rural development policy advocated by supporters of the RDA never emerged, Congress continued to provide assistance to rural areas through a variety of other avenues. With the onset of the recession of 1973-1975, Congress sought to stimulate the economy through new local development programs. Provisions for grants to rural communities were included in the Housing and Community Development Act of 1974, which created the Community Development Block Grants (CDBG) program. The State/Small Cities CDBG program played an important role in rural development for the rest of the century, despite sharply contrasting approaches to rural development among the administrations that followed. Similar provisions in the Local Public Works Capital Development and Investment Act of 1976 guaranteed funds to rural areas for local public works. These programs were administered by the Department of Housing and Urban Development and by the Economic Development Administration, not by USDA.

USDA Assumes Leadership for Rural Development

Although their approach to implementation of the RDA diverged from that of Congress, the Nixon and Ford administrations moved quickly to enhance USDA's leadership of already established rural development activities. USDA took on a greater role in White House deliberations on rural development issues and those responsible for rural development achieved a higher status among Department leaders. Also, within a year after passage of the Rural Development Act, USDA representatives were invited to join the Federal Regional Councils, which Nixon had established in the 10 Standard Federal Regions to coordinate government services and to help decentralize policy deliberations in his administration. On these councils, USDA joined representatives of the departments of Housing and Urban Development; Labor; Health, Education, and Welfare; the new Environmental Protection Agency; and the Law Enforcement Assistance Administration. USDA's presence at the table became important when the Rural Development Act gave it leadership responsibility for a wide range of programs in rural areas. The Department's involvement remained limited, however, in part because its field activities were organized by counties and States, rather than by Federal regions, and because it had little presence in the cities where these councils met.

USDA already administered its own rural development programs through such agencies as the Farmers Home Administration (FmHA), Cooperative Extension Service (CES), Soil Conservation Service (SCS), and Rural Electrification Administration (REA). The Rural Development Act, however, explicitly assigned USDA the task of coordinating its own rural development work with related work throughout the Federal government, as well as with the interests and needs of State and local governments and regional development areas. In essence, this mandated USDA to coordinate its own programs with those of eleven other Federal Departments and independent agencies operating in the 50 States, over 200 regional development areas, and uncounted small cities and rural towns. These programs had fragmented into an unorganized mix of categorical grants targeted to specific people, places, and problems. Such fragmentation concerned rural advocates both in and out of the Federal government who feared the lack of coordination resulted in duplication of services, overly specific Federal regulations that undermined local control, and static program responses to diverse and changing rural needs.

The Rural Development Act authorized a new Assistant Secretary for Rural Development to carry out these new rural development coordination responsibilities. Secretary of Agriculture Earl Butz appointed William Erwin, who had been serving as Deputy Under Secretary for Rural Development since February 1972, to the new position. Erwin was a successful Indiana grain and cattle farmer and an Indiana State senator from 1965 to 1968, with a special interest in natural resources, migrant workers, and civil rights issues. He had served on the Nixon administration's Task Force on Rural Development in 1970-1971 and from 1971 to 1972 as an advisor to Environmental Protection Agency Administrator William Ruckelshaus on pesticides, air and water quality, and rural affairs.[5]

Erwin appointed Walter A. Guntharp as Administrator of the Rural Development Service (RDS), the agency established to coordinate USDA rural development programs in May 1971 and further tasked in 1972 with carrying out the interdepartmental coordination responsibilities outlined in Rural Development Act. Guntharp, a 23-year U.S. Army veteran and doctoral candidate in political science (Ph.D. in 1973), had joined Erwin at USDA in June 1972 as a consultant to Erwin on rural issues.[6] Erwin had met Guntharp at the U.S. Army War College in the 1960s and believed he could provide the commanding leadership that would be necessary to elicit cooperation among the many agencies and departments expected to coordinate their rural development activities through the Rural Development Service.[7]

Guntharp's hopes for active coordination proved unrealizable, at least among agencies outside USDA. The Assistant Secretary's Working Group on Rural Development, intended to bring together subcabinet officers and administrators of all Federal agencies involved in rural development, never held a meeting, despite numerous attempts by USDA to arrange one. USDA agencies, however, managed to coordinate program efforts, particularly FmHA, REA, SCS, and the Forest Service (FS). Relations with the Extension Service remained somewhat strained as a result of overlap of responsibilities for education and rural development outreach, but they did cooperate in advertising what became the primary program activity of RDS, the Rural Development Leadership Schools.[8]

The Rural Development Leadership Schools offered 1-week of training in issues and effective techniques for fostering rural development strategies in local areas. Attendees were chosen from among applications submitted by rural leaders. RDS attempted to bring a mix of leaders from Community Action Programs, Chambers of Commerce, industrial developers, and local government to encourage discussion of varying needs and approaches. In some cases, political considerations affected the choice of attendees, but in general the schools reached interested and motivated local and regional leaders. The first school, held in Lincoln, NE, in August 1973, drew applications from across the nation. The 12 additional schools held in the next 5 years addressed rural development from a regional perspective to improve the focus and develop a larger pool of leaders who would know one another within particular regions. Approximately 120 students attended each school, taught by a faculty made up of local and regional specialists in economic development and rural issues, including business and industry leaders, Extension specialists, State and local government officials and employees, educators, and public interest group representatives.[9]

Although the program was discontinued early in the Carter administration, many former RDS staff who worked with the program considered it one of their great successes. They agreed its achievements were difficult to measure, but believed the students and faculty worked well together and that the schools imparted an excitement about rural development that supported the efforts of RDS and the Rural Development Act. Some felt the schools never reached a broad enough audience across the country and because of its 1-week, full-time format, could not draw the high-level local officials and leaders who might have brought a longer-term impact to rural development training.[10]

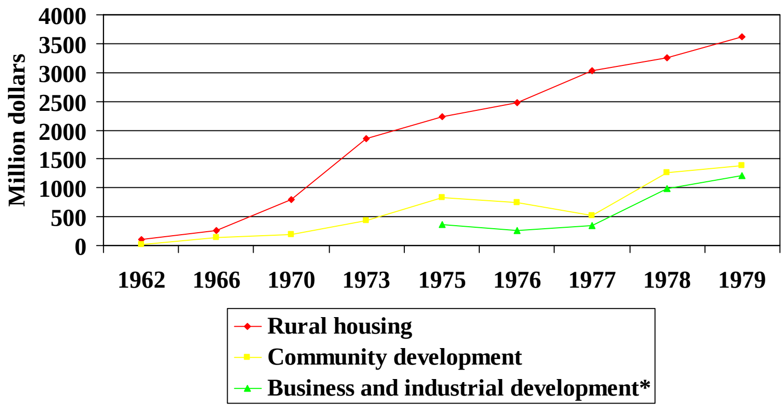
Two other programs within RDS received high marks from former RDS staff. The development by Paul Kugler of the Federal Assistance Programs Retrieval System (FAPRS) computer database system made it easier for RDS staff to provide details to local and regional governments and other organizations on Federal grant and loan programs in rural areas. During Kugler's tenure with the agency, over 800 programs from the Federal Catalog of Domestic Assistance were kept up-to-date on the system and patrons seeking help from RDS logged over 100,000 requests per year. Related to the FAPRS referral system, John Evans operated a follow-up program by which RDS tracked the progress of requests for assistance from the field to ensure action was taken by appropriate program agencies and that local communities received useful advice to deal with their particular needs. RDS accumulated about 5,000 case files in this system during Guntharp's term.[11]

In addition to the responsibilities for coordinating rural development that fell primarily to RDS, the RDA authorized USDA to offer credit to promote small businesses and industry in rural areas; to expand programs for soil and water conservation and pollution control; to initiate Federal financial and technical assistance for rural fire protection; and to support increased research and extension programs focusing on rural development. FmHA carried responsibility for the new small business and industrial loans and grants, as well as for community water and waste disposal systems. These programs could be coordinated with complementary programs of the Department of Housing and Urban Development (HUD), the Economic Development Administration (EDA), the Appalachian Regional Commission (ARC), the Environmental Protection Agency (EPA), and the Small Business Administration (SBA). RDA authorized up to $50 million a year for support of these programs. FmHA was also expected to continue and even increase traditional areas of lending for rural homes and operating expenses for small farms. Soon after passage of RDA, FmHA rewrote loan regulations to expand borrowing categories covered by farm, home, business, and community loans, to allow borrowers to hold higher levels of debt, and to make private financing more appealing.

To respond to its increased rural development responsibilities, FmHA administrator Frank B. Elliott reorganized the Community Services Division of FmHA into three new offices—the Water and Waste Disposal Loan Division, the Community Facilities Loan Division, and the Business and Industrial Loan Division. He also hired former EDA and SBA employees to handle rural business and industrial loans for the agency’s State offices, permitting FmHA to begin distributing newly authorized rural development loan funds as soon as the first appropriations became available in 1974.[12]

FmHA pointed to staffing shortages as a reason for its lower than expected performance. The Office of Management and Budget reduced its staff ceiling by 12 percent between1973 and 1976, although over the same period the value of loans serviced by the agency doubled. Overburdened FmHA staff chose to approve large loan amounts for low-risk borrowers who required little followup, rather than take on many smaller loans with borrowers who might require continual attention. Congress responded to FmHA's staff constraints by increasing the agency’s 1976 budget enough to hire an additional 1,500 staff for field offices (fig. 6). When FmHA hired only 700 new staff members and nearly half of those only part-time, Congress mandated a minimum number of personnel for the agency in its 1977 appropriation that amounted to a 13-percent increase in staff over 1975 levels.[13]

Figure 6--Funding for Selected FmHA Rural Programs,1962-1979



Source: Economic Research Service, USDA
*Business and industrial development program funding began in 1975.

The SCS Watershed and Resource Conservation and Development (RC&D) programs took primary responsibility under the Rural Development Act for rural soil and water conservation and pollution control programs. Earlier RC&D programs, which SCS had been operating for about 10 years, had depended on direct loans for funding; RDA authorized insured and guaranteed loans that greatly expanded SCS's ability to support new projects. Fire protection programs came under the jurisdiction of the FS, authorizing FS technical support and assistance for fighting wildfires in small communities as well as in National Forests.

The RDA authorized special funding for new Extension Service programs in support of rural development and small farms and for pilot programs to support rural development research at land-grant and other universities, particularly in the areas of economic, social, and environmental improvement of rural areas. Rural development research, in fact, began to play a more noticeable role in the Federal rural development initiative, although its use in policy formulation has been difficult to trace.

Rural development research had been carried out since 1961 under the auspices of the Economic Development Division of the Economic Research Service, an agency within USDA. In 1973, soon after Secretary Butz established RDS, the Economic Development Division (EDD), with its staff of more than 100, was transferred to RDS to become an integral component of the Department's rural development program, increasing the staff under Walter Guntharp from its original 10. The transfer was envisioned as part of the Nixon plan to consolidate community development agencies into a Cabinet-level department. Congress rejected Nixon's overall reorganization plan and the consolidation of EDD and RDS was quickly reconsidered when it became apparent that the program orientation of RDS was incompatible with the research orientation of EDD. RDS administrator Guntharp found it difficult to reassign EDD researchers already working on long-term projects to program functions, and many left RDS as a result. EDD returned to ERS after only 10 months and retained its research mission. The RDS staff slowly grew to around 40 as Secretary Butz transferred small numbers of positions from other USDA rural program agencies and increased the budget for RDS each year.[14]

Despite its primary leadership position following the implementation of the Rural Development Act, USDA was not the only Federal agency involved in rural development. Transportation programs, including highway, railway, and airport development programs administered by the Department of Transportation (DOT) provided important infrastructure support to rural areas, and DOT eventually set up a range of special programs targeted to rural areas. Environmental program funding and regulations of the EPA, created in 1972, helped to improve water and sewer service in small communities and supported rehabilitation of some rural industrial sites, although the bulk of its funding remained focused on the needs of cities. Development and public works programs of the Economic Development Administration and loan programs of the Small Business Administration in the Department of Commerce provided funds for many public and private development efforts in rural areas. HUD also played a role in rural development through its cooperation with USDA and EDA in administration of planning grants, as well as through community development block grants and support for rural housing assistance programs.

Health care programs of the Department of Health, Education, and Welfare (HEW) received attention from a number of rural development advocates because studies in the early 1970s indicated that rural areas suffered from inadequate access to health care. Although the Medicare and Medicaid programs provided individual health insurance for the elderly and the poor, a disproportionate number of whom lived in rural areas, too few physicians and hospitals served rural areas and most provided only general, nonspecialized care. By 1976, HEW had developed several programs to respond to these conditions. The Health Underserved Rural Areas Grants Program offered funds for demonstration projects and research examining potential uses of public and private resources to better finance and deliver health care in nonmetro areas. The Health Manpower Act of 1976 expanded the National Health Service Corps and increased the number of scholarships available for physicians willing to serve rural areas for 2 years after completion of medical training. It also provided for loans to improve health care facilities in locations eligible to receive such physicians.

A more controversial program to improve health care, mandated under the Health Planning and Resources Development Act of 1974 but not implemented until 1976, involved establishing Health System Agencies (HSAs) to plan for health care needs in designated planning areas. The intent was to require regional health planning, so that adequate access could be provided over large designated areas. Controversy arose because in most cases the designated areas did not coincide with local jurisdictions or already established regional governmental organizations. Local interests feared a loss of control over their ability to choose and fund health care facilities. Health care personnel feared that public officials would gain control of planning health facilities, removing trained health professionals from decisionmaking about appropriate health care. A compromise, reached by FY 1977, allowed local governments and preexisting planning bodies, as well as newly formed private nonprofit corporations, to be designated as HSAs. HAS boards would be comprised of a mix of physicians and other health care providers, public officials, and health care consumers.

Early 1970s Offer Promising Start for Federal Rural Development Policy

In many ways, the early 1970s proved to be among the most productive for rural development policy, benefiting from a confluence of Congressional, Presidential, and public interest in rural areas. The Rural Development Act of 1972 articulated the first comprehensive national rural development policy and made some progress in rationalizing and coordinating Federal assistance to rural areas. At the same time, the second Nixon Administration, followed by the Ford Administration, asserted a philosophy of decentralized government that shared revenues and program authority among Federal, State, and local governments. The intergovernmental relationships fostered in this period became a model for a smaller direct Federal role in program delivery and a greater capacity among State and local governments to determine the direction and carry out development programs tailored to local needs. It is notable, however, that unlike urban development programs, which were almost completely converted into community development block grants, most rural development programs continued to be funded through Federal categorical grants that remained largely under Federal control.

Nixon and Ford both attempted to increase centralization at the Federal level, advocating massive reorganization of the Cabinet into four superdepartments as well as new powers for the President over implementation of Congressional budget decisions. These new budget powers were largely intended to contain what appeared at the time to be runaway Federal deficits in the face of growing inflation but had relatively little impact on rural development in the early 1970s. Such concerns foreshadowed the budget difficulties of the 1980s and 1990s.

Overall, the Nixon and Ford years saw tremendous increases in overall budget outlays for rural development, coupled with a noticeable reorientation of those outlays toward nonfarm sectors of the rural economy. Within FmHA alone, the changes were dramatic: The proportion of FmHA loans that went to farmers fell from 60 percent in 1969 to 39 percent in 1976. Rural housing loans rose from 38 percent of the total number in 1969 to nearly 60 percent in 1976. On a value basis, the changes were somewhat less dramatic, suggesting the size of nonfarm loans and grants remained smaller than those for farmers, but the reorientation remained clear: The value of FmHA farm loans and grants fell from 45 percent of total FmHA lending in 1969 to 34 percent in 1976, while the value of housing loans and grants increased from 39 percent of the total to 47 percent. With overall funding increasing over the period—from $1.3 billion in 1969 to $5.4 billion in 1976—actual spending on rural nonfarm programs was significantly greater during the Nixon and Ford years.[15]

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1. Norwood A. Kerr, "Rural Development and the USDA: 1969-1976," unpublished ms. in possession of the author, n.d., p. 5.

2. Congressional Quarterly, *Congressional Quarterly Almanac: 1972*, Washington, 1972, pp. 113, 640.

3. Kerr, "Rural Development: 1969-1976," p. 3-4.

4. Congressional Research Service, *Critique of the Second Annual Report of the Secretary of Agriculture to Congress*, prepared at the Request of the Congressional Rural Caucus, August 22, 1975; Senate Subcommittee on Rural Development, Implementation

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5. U.S. House of Representatives, 93d Congress, 1st Session, Committee on Appropriations, Subcommittee on Agriculture-Environmental and Consumer Protection, Hearings on Agriculture-Environmental Appropriations for 1974, Part 2, Agricultural Programs, Washington: U.S. GPO, 1973, p. 649.

6. Ibid., p. 649-650.

7. Taped interview by Joseph Doherty with Gary Madson, Capitol Hill Club, March 5, 1986.

8. Ibid.

9. U.S. Department of Agriculture, Rural Development Service, "Announcing National Rural Development Leaders School, August 5-11, 1973, Lincoln, Nebraska," n.d.

10. Taped interview by Joseph Doherty with Paul R. Kugler, March 19, 1986; taped interview by Joseph Doherty with Jim E. Thornton, April 16, 1986; interview with Gary Madson.

11. Interview with Paul Kugler.

12. House Subcommittee on Family Farms and Rural Development, Implementation Hearings: 1973, pp. 70, 93; House Committee on Appropriations, USDA Budget Hearings: 1975, Part 2, p. 503 and Part 3, p. 466.

13. House Committee on Appropriations, USDA Budget Hearings: 1977, Part 4, pp. 612, 714 and 1978, Part 3, pp. 583, 659.

14. "USDA Reorganizing Development Staff," *Area Development Interchange* Vol. 3, No. 5, 1 March 1973; USDA, Office of the Secretary, Secretary's Memorandum No. 1832, December 4, 1973.

15. Kerr, "Rural Development: 1969-1976," p. 39.