

Jobs, Economic Development and Sustainable Communities

Strategizing Policy Needs and Program Delivery for Rural California



Submitted by Dr. Glenda Humiston
State Director, USDA Rural Development
February 9, 2010



Committed to the future of rural communities.



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ACKNOWLEDGEMENTS

A major effort like this could not have been done without the support of many people.

When USDA Rural Development was tasked by Agriculture Secretary Vilsack to reach out to our rural communities, we quickly recognized that one or two large Town Hall meetings would not suffice in a state as large and diverse as California. There was a need to allow people throughout the state to discuss these issues and offer their thoughts; however, we were on a very short timeline to produce this report. Fortunately we are blessed with an amazing array of local partners that responded to our call for help.

These groups and individuals took on the responsibility to organize and moderate a Forum in their county with only a week or ten days to do so. As part of that effort, they reached out to local media, government officials and various interest groups as well as handling all logistics for the meetings themselves. Mere words cannot begin to express our thanks to these local leaders for this service they provided to their communities. A full list of the individuals and their host organizations are in Appendix A at the end of the report. Please thank them whenever you get a chance.

Our sister agencies at the USDA, the Farm Service Agency and Natural Resources Conservation Service offered assistance and staff support as did the California Association for Local Economic Development. Sue Ladner, Program Outreach Coordinator for Rural Development, took on the difficult task of receiving reports from each forum and sorting the information into categories that could be used by the writers. Sarah Pursley, Rural Development Public Information Coordinator, handled media interactions and dozens of questions from the field as well as overseeing the installation of video-conference capabilities throughout all the Rural Development field offices and management of the final statewide video-conference. Despite their busy workloads, Program Specialists from every field office did a great job collaborating with the local leaders to ensure that logistics were covered and the forum reports were submitted quickly to the state office for processing.

Various Rural Development staff took responsibility for writing individual chapters and several local leaders offered content on specific subjects. These people deserve many thanks for pulling together such a thorough synopsis of the many issues raised throughout the 43 local forums. They are: Al Aiello, Bob Anderson, Mehroz Baig, Rich Brassfield, Chuck Clendenin, Deborah Coggins, Morgan Doran, David Ferrier, Karen Firestein, Debra Garrison, Bryon Hadwick, Dan Johnson, Stan Keisling, Judy Moran, Dick McCleery, Debra Moreton, Jovita Pajarillo, Sarah Pursley, Mike Starinsky, Holly Shiralipour, Toni Symonds, Ron Tackett, Robert Tse, Jason Vega, Janice Waddell and Reweti Wiki.

Last, but not least, we thank the almost 900 Californians who braved snow, flooding, short notices and multiple demands on their time to participate in local forums and offer up ideas and recommendations on how we can better pursue jobs, economic development and sustainable communities in our state. Their input was invaluable and we look forward to working with them as we pursue implementation of the recommendations in this report!



Glenda Humiston, State Director
USDA Rural Development

FOREWORD

California is a land of diversity – its multiple regions and diverse communities pose unique challenges as well as unlimited opportunities for rural development in California. Distances from north to south are long – for example: the distance from Smith River, in the Northwest corner of California, to Winterhaven, in the Southeast corner, is the same distance as it is from Chicago to Washington, D.C. This vast geography includes the tallest peak in the lower 48 states and the deepest valley in the nation, as well as 450 miles of fertile farm land known as the Central Valley, one of the very few geographic features that can easily be identified from space. Variations in climate include coastal rainforests and the arid high desert as well as the massive Whitney Glacier on Mt. Shasta and Los Angeles’s sunny beaches – the iconic image most equated with California. These attributes, coupled with dozens of languages and cultures, a diverse array of economic sectors and multiple layers of governance, pose great challenges as our citizens seek to balance the vital need for economic development with equally important sustainability goals.

USDA Rural Development was tasked by Agriculture Secretary Vilsack to continue the conversation begun at President Obama’s December Forum on Jobs and Economic Development and make sure that the needs and concerns of our rural communities were not only heard, but that solid recommendations were produced that could be acted upon. As we began to plan for this outreach in California, we quickly recognized that any meaningful attempt to confront those multiple challenges would have to involve more than a few government leaders coupled with the traditional economic development experts. In other words: one or two large Town Hall meetings would not suffice – we needed to engage all sectors of our economy and our rural communities in this conversation.

But Rural Development couldn’t do it alone, nor did we try. We reached out for assistance to our sister agencies at the USDA, the Farm Service Agency and Natural Resources Conservation Service as well as the University of California Cooperative Extension (UCCE) and the California Association for Local Economic Development (CALED). We then enlisted help and support from our diverse partners throughout the state – asking them to take on responsibility to organize and moderate a Forum in their county. Despite a very short timeframe – made even more difficult by record snowfall and rain throughout the state coupled with flooding and landslides – these groups quickly made arrangements for local forums and began to advertise them with their local media and constituents.

Thanks to these efforts, USDA was able to host forty-three forums across California with locations ranging from the Elk Valley Rancheria Community Center in Crescent City to the San Diego Gas and Electric Renewable Energy Resource Office in El Centro. Among other diverse locations, we went to the Mount Whitney Hostel in Lone Pine, the Veteran’s Hall in Hollister, CSU Chico and a Food Bank in Calaveras County. Groups that provided leadership for their county forums included Tribal Governments, Resource Conservation and Development Councils, local Economic Development Corporations, California State Universities, the Central Valley Health Network, the Sierra Nevada Conservancy, Farm Bureaus, Self-Help Housing Groups, Agricultural Commissioners, Resource Conservation Districts, County Supervisors, Community Colleges and many others.

Through these amazing partnerships we were able to connect with almost 900 Californians from all reaches of California. We heard from farmers, business owners, non-profit groups, housing organizations, economic development professionals, school officials, health care organizations, tourism councils, tribal nations, and ordinary citizens concerned about their communities. These participants voiced their issues and shared their ideas for stimulating the local economies and creating jobs. And what did we learn? We found that over and over again the same themes were being discussed across California. People in Tulare County faced issues seen in Tehama County and people in Imperial County shared the same concerns with those in Inyo County.

At the conclusion of our county forums, input was analyzed at a statewide videoconference moderated by Rural Development State Director Dr. Glenda Humiston. This roundtable networked 20 USDA offices throughout the state and gave local forum leaders opportunity to share and discuss their individual findings with the USDA state leadership and several state partners including the California Department of Food and Agriculture, California Business, Transportation and Housing Agency, the State Assembly Committee on Jobs, Economic Development and the Economy, the State Senate Committee on Business, Professions and Economic Development, the California Labor Federation, and others.

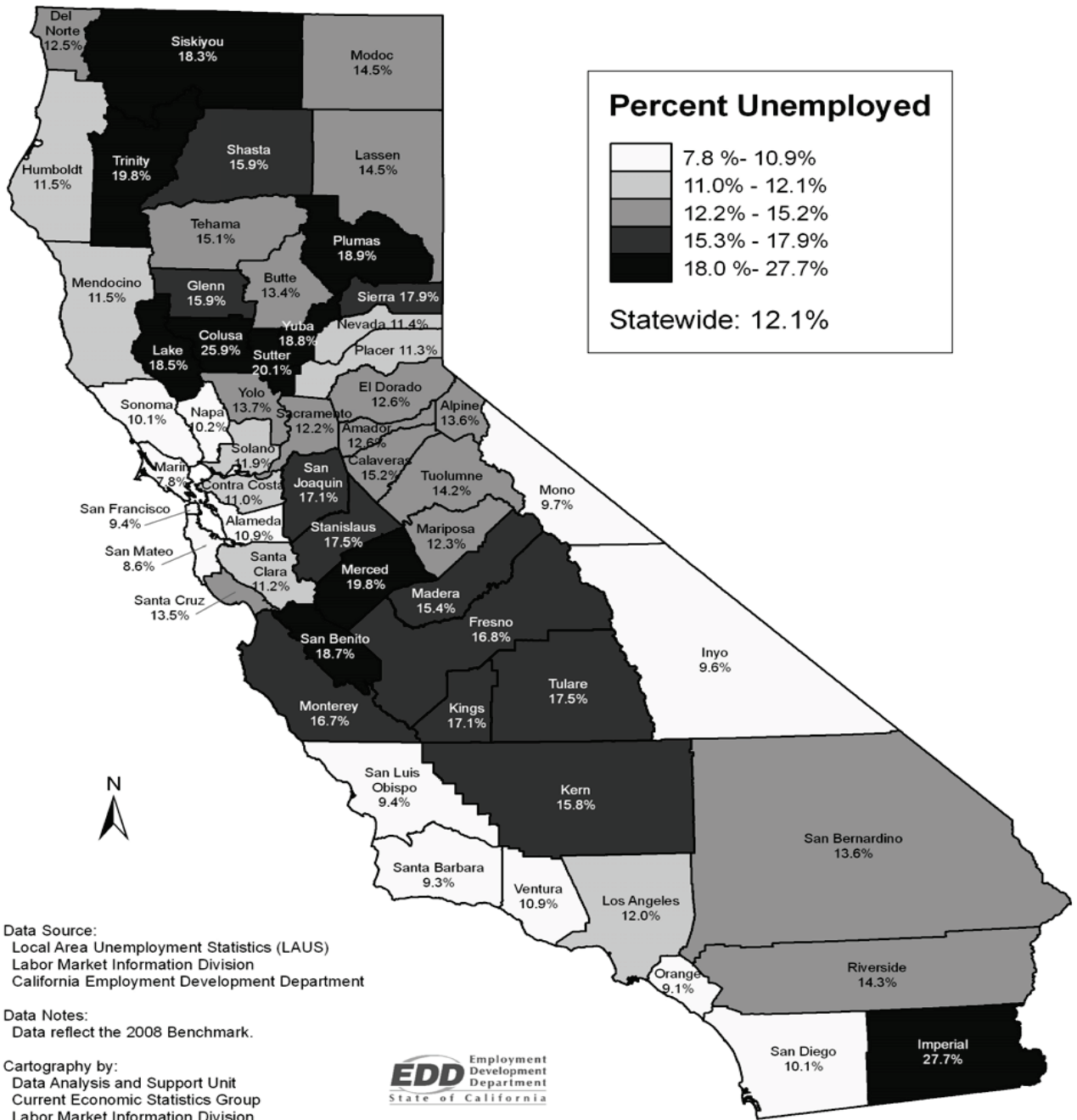
Information from local forums, feedback from state leaders and content of recent reports related to these issues all show an amazing amount of consistency in their messages and, despite the diversity of the state's many regions, several common themes emerged:

- Expand and Upgrade Infrastructure
- Improve Access to Capital and Financing
- Streamline Regulations and Permit Processes
- Develop a Better Definition of Rural That Fits California's Needs and Realities
- Find Ways to Expand and Improve Service to Applicants
- Provide More Technical Assistance and Planning to Local Communities
- Assist and Enhance Traditional Job Training Institutions
- Enhance Programs and Opportunities in Specific Sectors:
 - Enable Regional Food Systems and Improve Access to Healthy Food
 - Support Value-added Business Growth and Tourism
 - Expand Programs to Stimulate Green Jobs and Projects
 - Increase Opportunities to Produce and Utilize Alternative Energy Sources
 - Stabilize and Expand the Supply of Affordable Housing
 - Improve Access and Affordability of Health Care

This report details the topics we heard most often in our forums and includes specific ideas and recommendations as shared from the ones who know it best – the people who live and work in California. The content has had only minimal editing to add clarity and background; no attempt has been made by California Rural Development to assess the feasibility and/or desirability of any specific recommendation, nor can we endorse specific ideas without further research and discussions. Having said that, we are excited by the depth and breadth of ideas offered and look forward to working with the relevant interest groups to pursue solutions to these challenges.

County Unemployment Rates

December 2009 (Not Seasonally Adjusted)



Data Source:
Local Area Unemployment Statistics (LAUS)
Labor Market Information Division
California Employment Development Department

Data Notes:
Data reflect the 2008 Benchmark.

Cartography by:
Data Analysis and Support Unit
Current Economic Statistics Group
Labor Market Information Division
California Employment Development Department
<http://www.labormarketinfo.edd.ca.gov>
January 2010



California is one of the ten largest economies in the world with a 2008 gross state product (GSP) of \$1.84 trillion. The latest California Research Bureau estimate of California foreclosures is 1.1 million between 2007-2012, currently California has 435,527 foreclosed properties. December unemployment was at 12.4% (seasonally adjusted) representing an estimated 2.25 million unemployed workers in California.

1) Expand and Upgrade Infrastructure

Forum participants raised a number of infrastructure issues that create barriers to job growth including aging water and sewer infrastructure, lack of affordable broadband, and aging, inadequate transportation facilities such as roads, ports and rail. Advanced supply chain systems supported by today's complex and fast information systems are able to support higher trade volumes consistent with manufacturing, wholesalers and the retailers' desire for "just-in-time" inventory delivery; however, our current physical infrastructure does not keep up. This also affects agricultural value-added enterprises and smaller Main Street businesses that are attempting to access new markets. Broad government investment in infrastructure was urged with the focus on grant funding due to the severe economic distress in rural California. "The lack of infrastructure can often be a major impediment to local economic development activities. Traditional means for funding infrastructure are not reasonably accessible given the current economic environment, yet without adequate infrastructure many economic recovery projects cannot move forward."¹ Specific recommendations included:

BROADBAND: Lack of broadband was seen as a significant barrier to job growth for existing businesses and for the creation of new business and was mentioned in almost every Job Forum. "The Final Report of the California Broadband Task Force – January 2008, The State of Connectivity – Building Innovation through Broadband" found while 96% of California residences have access to broadband, 1.4 million mostly rural Californians lack broadband access at any speed and barely more than half of Californians have adopted broadband at home. Broadband infrastructure is deployed unevenly throughout the state, from state-of-the-art to nonexistent."² The Recovery Act appropriated \$7.2 billion and directed the Department of Agriculture's Rural Utilities Service (RUS) and The Department of Commerce's National Telecommunications Information Administration (NTIA) to expand broadband access to unserved and underserved communities across the U.S., to increase jobs, spur investments in technology and infrastructure, and provide long-term economic benefits.

- **Change the definition of “underserved” to reflect the upload/download speeds needed for global competitiveness.**

The minimum speeds listed in the RUS/NTIA Notice of Funding Availability are inadequate to allow rural businesses to compete globally. Wayne Schell, CEO of CALED, noted that the RUS/NTIA programs should require faster upload/download speeds in order for a community to be considered adequately served.

- **Provide adequate funding to ensure high-speed access in rural California.**

Vast distances and rugged terrain limit access. Investment needs to be made to ensure access across rural California.

¹ Honorable Manuel Perez, Chairman, Ca State Assembly Committee on Jobs, Economic Development and the Economy, Comments filed January 29, 2010

² "The Final Report of the California Broadband Task Force: The State of Connectivity – Building Innovation through Broadband", January 2008, <http://www.calink.ca.gov/>

- **Ensure sufficient grant funding to result in increased adoption rates.**

Rural California's high unemployment and low incomes limit the ability of residents to afford broadband. Rates need to be kept affordable to foster increased utilization.

COMMUNITY WATER AND WASTEWATER FACILITIES: USDA's Economic Research Service in the study "Economic Impact of Water/Sewer Facilities on Rural and Urban Communities" provides insight into the significant effect in rural communities of infrastructure investments. The study shows that \$1 invested in water or sewer infrastructure results in \$11 in private and public investment and a \$9 increase in property tax base over time.³ The study focuses on funding provided by the Economic Development Administration which is looking for direct job benefit from the investment but one could expect to see significant results from infrastructure improvement throughout the rural economy. Infrastructure investment puts people to work directly in construction, engineering, inspection, and materials manufacturing, and indirectly through the opportunity for businesses to locate and expand in rural communities with capacity to serve them. Water and sewer capacity is essential for economic development. Local officials and economic development professionals in the Job Forums raised several concerns.

- **Increase the percentage of grant funding in infrastructure projects.**

The requirement for a 25% – 55% match for Rural Development Water and Environmental funding makes projects unaffordable for many rural communities in the midst of this deep recession. Statutory language to increase the percentage of grant Rural Development can put into a project is essential to the long-term survival of many small and remote communities in California.

- **Release funding at the beginning of projects in small communities.**

Grants and agreements for project implementation frequently require funds to be expended before reimbursement takes place. Small local operations and communities often do not have the capital on hand to implement these projects.

- **Provide funding for project development costs.**

The lack of funding for project development costs is an impediment to project development especially during this time of tight credit. The lack of technical assistance can serve as an impediment for rural communities in applying for and/or receiving infrastructure funding.

ELECTRIC TRANSMISSION GRID: Increase funding for critical infrastructure to produce and distribute greener electricity. With growing electricity consumption and federal and state mandates to use greener electricity there is inadequate infrastructure to produce, collect and distribute it. Lack of capacity has led to problems including blackouts that have darkened much of California.

³ Faqir S. Bagi, "Economic Impact of Water/Sewer Facilities on Rural and Urban Communities", Rural America, Volume 17, Issue 4, Winter 2002, <http://www.ers.usda.gov/>

- **Ensure access to capital for construction of transmission lines and encourage expedited processes to plan, design and locate lines.**

The expansion of the grid to accommodate large amounts of intermittent wind or solar power is much more complicated than the cost-sharing arrangements made with generators of known size that run regularly. Debate is currently occurring between the federal and state governments over who should ultimately exercise authority over siting and building transmission lines. For example: wind farms tend to be in remote locations where gusts are strongest, while the greatest power demand is in cities. Until now, wind developers have piggybacked on existing wires, but after wind energy soared 45% last year, spare transmission capacity is depleted.⁴ A wind farm can be built in 18 months, while a transmission line can take five to 10 years. The transmission-line shortage is threatening to slow alternative energy's growth and could prevent some states from meeting renewable energy mandates. Wind developers won't go ahead with projects until transmission lines are in place, and utilities are reluctant to build the lines until they're sure the developers won't back out. Also, the first wind developer in an area is often asked to invest much of the \$1.5 million-per-mile cost of a high-voltage line.

- **Create a smarter grid that will minimize electricity losses and facilitate more consumer-generated power to interconnect.**

Each state regulates the process under which a generator can connect to the distribution grid. These policies seek to keep up the stability of the grid as well as the safety of those who use and maintain it. A smart grid incorporates multiple technologies into the existing electricity delivery system and enables more visibility and control of both the existing electricity infrastructure and new "smart" components, such as smart meters, automated demand response, plug-in electric vehicles and electricity storage devices. A Pacific Northwest National Laboratories study estimates that the value of an energy system transformed with smart grid technology could yield savings in excess of \$80 billion over the next 20 years.⁵ The smart grid's much broader cost and operational benefits are provided through high-speed, two-way communication, sensing and real-time coordination of assets all the way down to the customer meter and other end use devices, such as smart appliances and thermostats. Regional smart grid projects are increasingly being pursued around the country, yet they would benefit enormously from an influx of public investment.

- **Facilitate improvements to net metering systems so that kWh generated by an individual customer, including commercial and industrial entities, provides not only savings but payments for excess power produced.**

Utility companies remain wary of the administrative burden of buying power from thousands of customers. There are also technical difficulties; for example, utility

⁴ "Freeing the Grid 2009", Network for New Energy Choices, November 2009, <http://www.newenergychoices.org/uploads/FreeingTheGrid2009.pdf>

⁵ Haas, Anne, "Smart grid could reduce emissions by 12 percent", Pacific Northwest National Laboratory, Department of Energy, January 28, 2010, <http://www.pnl.gov/news/release.aspx?id=776>

linemen have to ensure that the small producers are disconnected from the grid when they work on electric lines. Critics also point out that the cost to buy the power from homeowners and other small producers is higher than it would be from a conventional power plant, or an efficient large wind farm. Nevertheless, advocates for renewable energy are urging that utilities allow all renewable technologies to net meter as well as all customer classes with minimal or no limitations. Customer-sited generators should not have to face unnecessary and burdensome red tape and special fees in order to connect and net metering standards should apply to all utilities in the state, so customers and installers fully understand the policy, regardless of service territory. Although California has staked out strong leadership in many aspects of this issue, and recently enacted policies for payments to consumer-producers, participants in several forums indicated that utilities still need to implement these policies much better.

TRANSPORTATION – ROADS, RAILROADS AND PORTS: Without quality roads, railroads and ports products cannot reach the market, raw materials cannot get to manufacturers and vital inputs cannot reach farmers. Studies done by the University of California Agricultural Issues Center and USDA Economic Research Service have found:

Including agricultural production, farm inputs and processed food products, the food sector uses almost one-third of U.S. freight transport. Trucks are the most widely used system of transportation for agriculture, accounting for about two-thirds of all agricultural freight transport. Rail transport provides about one-quarter of agricultural freight, and barges and multiple modes of transport make up the remainder of freight shipments. The dairy and meat industries are most reliant on truck transport. Overall, the food sector uses more infrastructure per dollar of domestic consumption than other industries in the United States.

Nationwide, 95 percent of perishables are delivered by truck and in California about 98 percent of fresh fruits and vegetables were delivered by truck in 2004. Almost all California milk is transported by truck from the farm to the processing plant, and most dairy products are shipped by truck again after processing. Truck transport is used for a high share of agricultural products in California because many of the goods produced in the state require controlled temperatures and fast delivery. These facts emphasize the importance of road construction and maintenance for California agriculture.⁶

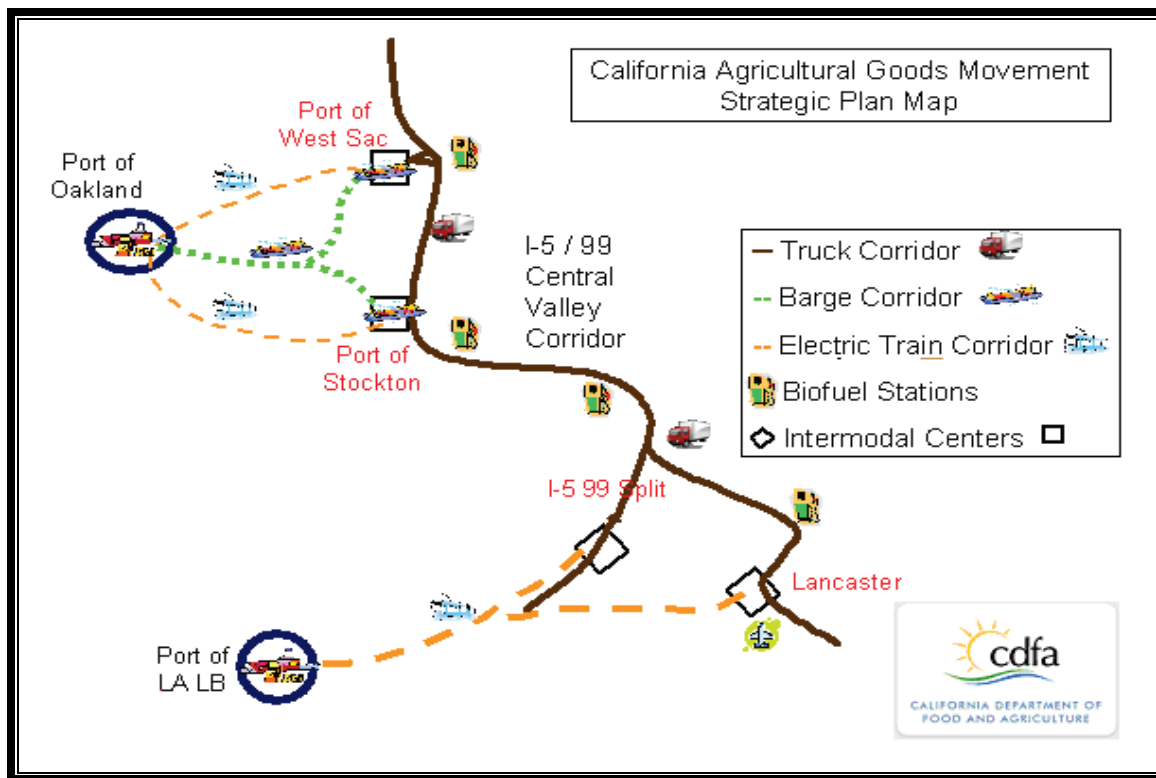
In 2005, Congress passed the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA) which designated state Route 99 from Bakersfield to Sacramento as the “California Farm-to-Market Corridor” in the National Highway System. This high priority route was scheduled to become an interstate highway and approximately \$35.5 million was allocated to improving state Route 99 between 2005 and 2009; however, given the roughly \$2.2 million cost to construct a mile of single lane highway in California this allocation could only construct about 16 lane miles. With 28% of California’s agricultural output exported in 2007, ports are also an important form of infrastructure as are railroads which are mainly

⁶ "Agricultural Infrastructure", University of California Agricultural Issues Center, White Papers on California Agricultural Issues, November 2009

used in the transport of “hard” products such as grains, nuts, onions, potatoes, and carrots.⁷ The American Recovery and Reinvestment Act of 2009 (ARRA) apportioned to California \$2.57 billion for highways, local streets and roads, freight and passenger rail, and port infrastructure. Despite all this, California’s highways and other transportation infrastructure have become more congested and maintenance has lagged.

Periodically, the Legislature and the Governor put forth "comprehensive" investment plans in transportation, energy, and water infrastructure; however, even when a rural component is added, its addition often occurs at the end of the process rather than it being a central component to the plan. As an example, early discussion on the allocation of the goods movement moneys from the 2006 infrastructure bonds focused on how much money would go to Los Angeles and the Bay Area. Even though 45% of trucking related to goods movement travels through the Valley, it took an extended, aggressive, and coordinated effort for the San Joaquin Valley to even get 25% of the \$1 billion of funding available.⁸

Leadership at CDFA has developed an Agricultural Goods Movement Strategic Plan (below) which will reduce environmental impact and ensure that agricultural producers have reliable transportation to sell their product thereby ensuring their long-term sustainability.⁹ However, no funding has been procured for the elements of this plan as yet.



⁷ "Agricultural Infrastructure", University of California Agricultural Issues Center, White Papers on California Agricultural Issues, November 2009

⁸ "Economic Opportunities in California's Rural Communities: Defining the New Rural Economic Strategy", Report for the Assembly Committee on Jobs, Economic Development, and the Economy, October 2008

⁹ Robert Tse, Deputy Secretary of Agriculture, California Department of Food and Agriculture

- **Develop Commercial Biofuel Market and Goods Movement Strategy**

The concept is to development enhanced intermodal transfer centers (truck, rail and barge) in the Central Valley that will allow barge delivery of freight to the port of Oakland from the Ports of Stockton and Sacramento. This will remove trucks from the Oakland, San Francisco Bay Area and reduce traffic congestion. Rail would deliver product to the Port of Long Beach for many of the same reasons. Tied to this transport plan is the development of biofuel stations on the Interstate 5 and Highway 99 corridors that would utilize methane from dairies and other agricultural sources as well as biomass.

- **Increase funding for transportation infrastructure and start projects quickly.**

- **Explore opportunities to better utilize existing infrastructure.**

Some specific examples of transportation solutions were offered by forum participants. For example, in Merced County the former Castle Air Force Base offers an existing airport with some of the longest runways in the state. This could be developed into a regional consolidation facility for both perishable value-added products as well as other manufactured goods that would benefit from immediate air transfers to markets. Other retired military bases offer potential as do shuttered government buildings throughout the state.

One specific statewide proposal forwarded by the California Department of Food and Agriculture involves upgrading County Fairgrounds to better serve several public goals: solar energy farms, disaster evacuation and response and possibilities to consolidate agriculture product in support of value-added enterprises:

The 76 California fairgrounds play a major role as emergency and evacuation centers. In the past three years, over 30 fairgrounds have been utilized extensively as emergency centers for local and regional natural disasters. Upgrading these facilities would create over 4,000 jobs in construction and related trades at 74 separate sites throughout California which would result in economically stimulating communities large and small throughout this great state.¹⁰

In many cases, California's fairgrounds are now among the first line of defense as they have repeatedly been called upon to respond to emergency needs in wildfires, floods, earthquakes and evacuation and emergency staging situations. The working relationships developed between California's fairs and the U.S. Forest Service, the Red Cross, the Governor's California Emergency Management Agency (CalEMA), Cal Fire and the county Offices of Emergency Services (OES) has created an effective evacuation and emergency alliance to save lives, pets, and property. Of the 30 fairs utilized in emergencies since 2007, many were filled to capacity for extended periods with fire-fighting personnel and/or citizens with their animals. The necessity of upgrading facilities is urgent. Investing ARRA funds in California

¹⁰ Robert Tse, Deputy Secretary of Agriculture, California Department of Food and Agriculture

fairgrounds will result in substantial job creation, notable improvements in emergency service and facilities throughout California.

- **The Federal Emergency Management Agency (FEMA) at the Department of Homeland Security should have a national disaster evacuation and staging area strategy prepared to deal with any natural or manmade disaster.**

This should include an assessment of facilities capable of being used as disaster response center, and funding identified for maintenance of the disaster infrastructure capacity.

WATER RESOURCES: California's water issues are serious and well-documented and were brought up in all the Job Forums throughout the state as a significant issue for California. The excerpt below from Congressman Dennis Cardoza's House of Representatives website describes the situation well.

"The State of California is experiencing a drought for the third consecutive year, what many experts are calling one of the worst droughts in California history...The result is that California reservoirs are dangerously low, and the U.S. Bureau of Reclamation has issued a ZERO water supply for federal Central Valley Project water deliveries in the San Joaquin Valley. California has announced a 15% supply for the State Water Project. It is estimated that over 847,000 acres of the world's most productive farmland will be fallowed, causing massive impacts to farms, farm workers, and farming communities. U.C. Davis has released an economic impact analysis of these reduced water deliveries, **estimating as many as 80,000 jobs lost** and an economic impact of as much as \$2.2 billion in the San Joaquin Valley. When measured on a statewide basis, the income loss increases to \$2.8 billion and more than 95,000 in jobs.¹¹ **These job losses are more than GM, Ford, and Chrysler's combined losses for this last year...**Because job losses will be concentrated among low-wage farm workers who have few alternatives for other work, state and local social services budgets will be further stressed as well.

Over 50% of our nation's supply of fruits, vegetables, and nuts are grown in California...we will become even further reliant upon foreign food sources. These water shortages will lead to an **increase in food prices, further overwhelming consumers.** Experts predict that this crisis will put a significant dent in our nation's agricultural trade surplus. Historically, the agricultural sector has one of the few remaining trade surpluses that our nation can claim. As the top agricultural export state, California agriculture accounts for \$11 billion in annual agricultural exports—over 15% of all U.S. agricultural exports.

I commend US Department of Agriculture Secretary Vilsack and Department of Interior Secretary Salazar for forming a Federal California Drought Action Team. Farmers are not seeking a bailout, but rather swift action by the federal

¹¹ Howitt, Richard, MacEwan, Duncan and Medellin, Josue; "The Economic Impacts on Agriculture of the Biological Opinion & Drought in 2009", U.C. Davis Department of Agricultural & Resource Economics, & UC Davis Center for Watershed Sciences, January 2009

government to blunt the impact of this crisis and get water to their farms. The federal and state governments must provide short-term relief by relaxing standards temporarily to allow water to be transferred from willing sellers to willing buyers through the Sacramento-San Joaquin Delta River system. The long-term solution for California's water needs requires fixing the Delta and adding to our state's water supply to maintain our farms, meet the needs of our growing cities, and provide for environmental restoration".¹²

CURRENT RESERVOIR CONDITIONS

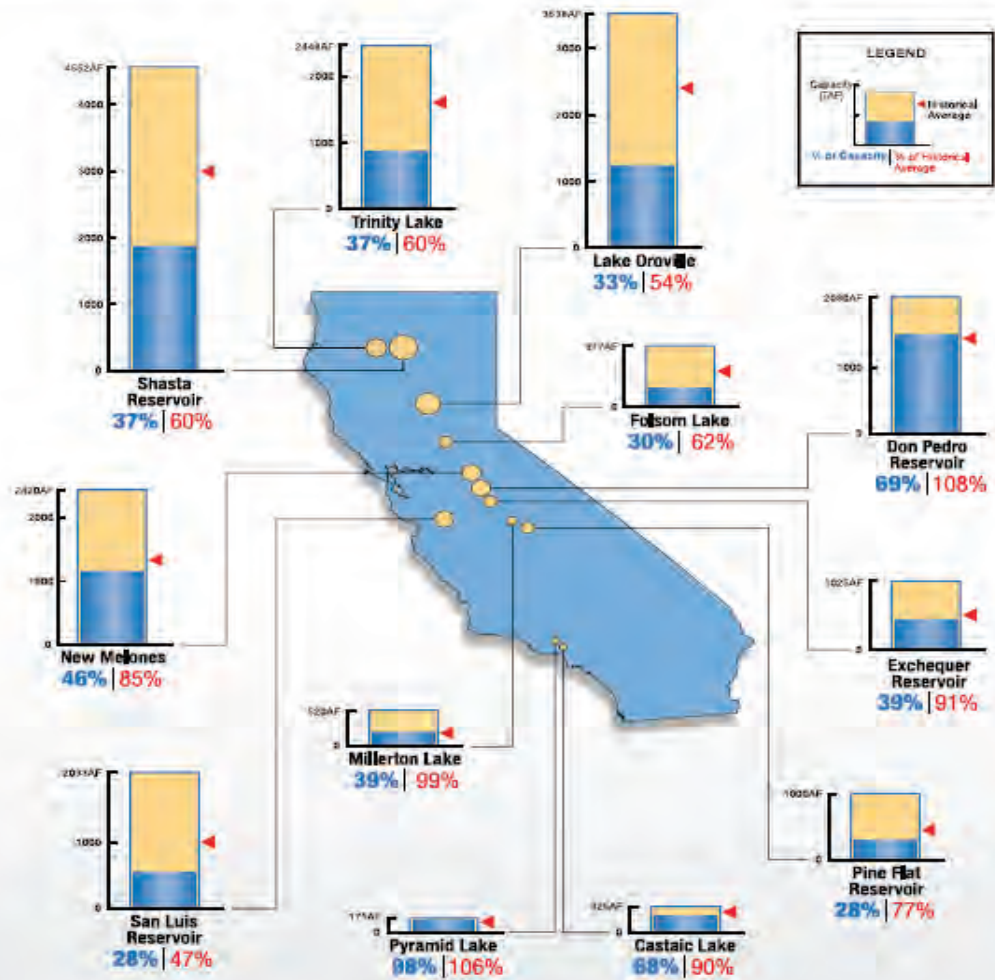


Figure 1. Reservoir storage for select reservoirs shown as percent of capacity (blue) and percent of average (red). The three-year drought, from 2006 to the present, is evident in the well-below normal storage readings. The state entered the Water Year 2010 with its key supply reservoirs only about half full.

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¹² Cardoza, Dennis, "Addressing the Water Crisis", Excerpts from Testimony to House Committee on Natural Resources, March 31 2009, <http://www.house.gov/cardoza/drought.shtml>

¹³ California's Drought Update, Division of Water Resources, Nov 30, 2009, <http://www.water.ca.gov/drought/docs/DroughtUpdate-113009.pdf>

Solutions to solve the state of affairs with water resources will have to include a combination of conservation, increased efficiency, expanded storage and development of alternative sources. Forum participants offered recommendations for all of the above:

Water Conservation and Increased Efficiency:

- **Provide funding priority for water conservation measures including meters and bulk purchases of home water saving devices.**

Federal and State programs that fund water system improvements are typically prohibited from funding improvements on private property. Water conservation could be enhanced if funding agencies allowed the bulk purchase of home water savings devices by public water agencies to be eligible for their programs.

- **Funding agencies should also provide incentives to encourage communities still without water meters to initiate meter projects.**

Water conservation programs are generally implemented during periods of water shortages. Communities interested in water conservation should take immediate action since public support for such programs will wane once the current drought ends. Any policy changes to encourage conservation should be implemented as soon as possible for the same reason.

- **Pursue opportunities to implement conjunctive management of surface and groundwater resources.**

In the immense and complicated water system of the Central Valley of California, as well as other areas of the state, operating existing reservoirs in conjunction with groundwater banks could generate surplus water to restore more natural flow patterns while also satisfying growing demand from agricultural and urban users. Because it utilizes existing infrastructure, conjunctive management is faster and less costly to implement than other water supply augmentation strategies. Indeed, it could generate more new water supply than any other current alternative, and, uniquely, do so without any governmental subsidies.

Recycled/Reclaimed Waste Water and Desalinization: The importance of recycled water for agricultural operations in arid western states is not fully understood on a national level and has never received the appropriate level of support in terms of funding. Many communities interested in water reclamation are financially unable to implement such a program due to the associated costs. Financial incentives and policy changes are needed to encourage the use of recycled water. In addition to providing grants, the Rural Development system for ranking projects needs to list this as one of the specific criteria that provides priority points. Groups that represent western water interests need to continue this process of education.

- **Educate the public about recycled water to encourage its further use.**

There continues to be a negative perception of recycled wastewater despite strict regulatory standards that exist and a history of recycled water being effectively used for decades. Outreach involving the California Department of Public Health is

needed to educate communities to alleviate this unfounded fear. Use a “Green Campaign” to improve public perceptions on use of recycled water.

- **Review of federal and state regulatory policies that limit use of reclaimed water in agriculture to determine their merit.**

Local and regional planning efforts need more access to data to make decisions on use of recycled water. Agricultural users have expressed some concerns about potential liability in the event that they inadvertently irrigate with improperly treated wastewater. Research on standards and best management practices must be completed and an information program conducted to better inform the agricultural community of the facts of using recycled water. Inter-regional partnerships should be encouraged for recycled water and cost-sharing. Include opportunities for indirect potable reuse of water.

- **Expand authorities for USDA Rural Utilities Service and/or other Community Programs to engage in development of pipelines and other infrastructure that will facilitate use of this valuable resource.**

Many communities interested in water reclamation are financially unable to implement such a program due to the associated costs. Financial incentives and policy changes to encourage use of recycled water should be made available through additional grant funding and increased priority score for projects involving recycled water.

- **Explore opportunities to utilize desalinization efficiently and make it more cost-effective.**

Large-scale desalination typically uses extremely large amounts of energy as well as specialized, expensive infrastructure, making it very costly compared to the use of fresh water from rivers or groundwater. Nevertheless, some communities are already exploring this option and, with better technology, desalinization offers potential to serve as a new source of water in some areas.

Water Storage Projects: Although there is a great deal of interest in larger dams and traditional on-stream storage, the construction of water storage projects is severely hindered by environmental constraints and legal challenges to the point where even small scale reservoir and dam projects can take up to ten years from project conception to completion. Given the highly diverse views of forum participants on this subject, it appears highly unlikely that environmental requirements will be reduced in the foreseeable future. Therefore the public needs to explore and pursue all other available options in order to avoid expending significant time and expense on planning and environmental studies for projects that may never get constructed. Such alternatives include:

- **Explore options for small to medium size reservoirs and off-stream storage.**
- **Opportunities to raise existing dams should be examined for feasibility and cost effectiveness of additional storage capacity. Small communities should consider projects with minimal environmental impacts such as storage tanks if there is need to increase water storage.**

- **Expand programs for urban/suburban rain capture.**

Rain harvesting still lacks widespread usage in California, however its progress should be monitored to determine whether it can become a cost effective method to combat drought conditions. A home with an average annual rainfall of 32 inches can collect up to 34,000 gallons of rainwater per year, whereas a home with an average annual rainfall of 8.5 inches could collect about 9,000 gallons. As Los Angeles implemented a rainwater harvesting program, the city estimated that if it could put one barrel at each of the city's 800,000 residential parcels, demand for tap water could drop by about 800 million gallons a year.¹⁴ In Europe, large scale implementation is already underway, as one Irish Senator put it:

“The potential to create jobs, save money and secure our domestic water needs by investing in rainwater harvesting systems cannot be understated. The Chartered Institute of Environmental and Water Management in the U.K. recently stated that a German study into rainwater harvesting showed that 35% of new buildings built in Germany in 2005 were equipped with a rainwater collection system. The turnover from this industry is estimated to be in the region €340 million (approximately \$600 million), with around 5,000 jobs having been created. Even very large organisations have embraced the initiative with the Daimler-Benz plant in Cologne reportedly covering all its ‘greywater’ needs through rain harvesting and a large underground reservoir.”¹⁵

2) Improve Access to Capital and Key Financial Resources

Even in the best of times, access to credit in rural areas has been challenging for many reasons. Access to capital is only one impediment to economic development; however, it can be a significant one. It is particularly challenging for policymakers to address because it means engaging the private sector on how investors and financial institutions choose to allocate their money. Given the events in the national capital markets of the last few years, it is unclear how future community development activities will be undertaken through private finance. Some experts suggest that the Community Reinvestment Act (CRA)¹⁶ is a luxury that can no longer be afforded, while others suggest that better investing in low- and middle-income communities is taking finance back to its roots.

Job Forums’ participants made it very clear that there was a severe lack of access of credit at all levels. Many stated that the banks were not loaning to the rural businesses

¹⁴ Selvin, Molly, "Turning on to rain, and turning off the tap, 55 gallons at a time", Los Angeles Times, December 17, 2009

¹⁵ Cannon, Ciaran, "Job creation potential from rainwater: Germany leading the way with 5,000 jobs created", Fine Gael Breaking News, Ireland, January 19, 2010, <http://www.finegael.org/news/a/2098/article>

¹⁶ The Community Reinvestment Act (CRA), enacted by Congress in 1977 (12 U.S.C. 2901) is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate. For more information see: <http://www.ffiec.gov/CRA/>

regardless of their financial strength. They stated a need to be better informed of government programs that might be available to enhance bank lending. They believed that more tax incentives and venture capital also needed to be available to encourage investment in the rural areas. Several felt that rural residents need to be better educated on not only government programs, but also on overall financial literacy. This includes learning how to access other rural lending sources such as micro-lending, seed funding, foundations and peer lending as well as learning how to establish bank accounts.

Traditionally in California, the Economic Development Corporations (EDC) and the Small Business Development Centers (SBDC) have provided technical assistance to rural businesses. As many stated, since funding to these entities have been reduced and/or eliminated, the businesses have not been able to obtain technical assistance to assist with the development of their business plans and information on how to access credit and other financial assistance. Overall, there was a lot of discussion on how there needs to be a better flow of financial information to businesses and rural residents.

INCREASE ACCESS TO TRADITIONAL SOURCES OF CAPITAL: The ideas that were mentioned in the forums were to establish incentives for banks to loan in rural areas as well as set different standards for banks who lend in the rural areas. There were also suggestions that the government guaranteed loan programs need to be streamlined and that these programs need more incentives for the banks to utilize them in the rural areas.

- **Increase “Block Grant” types of funding for rural redevelopment, regional initiatives and marketing efforts; utilize existing USDA Rural Development programs to deliver these funds quickly.**

Business start-up grants and loans are a vital need to enable rural communities to realize economic stability. Although Rural Development is the best entity to administer the overall program, utilize USDA’s Resource Conservation & Development Councils, local Economic Development Corporations and other appropriate non-governmental organizations to implement on the ground.

- **Enhance the Community Reinvestment Act with more incentives specifically for providing loans in the rural areas and expand the role of Community Development Financial Institutions (CDFIs)¹⁷ in the rural economy.**

Rural communities have traditionally had less credit available to them than urban areas. This distribution needs to be more equitable and these programs need to be tailored to fit the unique needs of smaller, rural communities.

According to the California Association for Micro Enterprise Opportunity (CAMEO), the CDFI Fund, under Treasury, has proved itself an efficient and swift conduit for millions of stimulus funds to our communities. Rather than giving TARP funds to banks, they urge that TARP funds go to the network of Small and Micro Business development organizations, Women’s Business Centers and local Chambers of

¹⁷ Through monetary awards and the allocation of tax credits, the CDFI Fund helps promote access to capital and local economic growth in urban and rural low-income communities across the nation. For more information see: http://www.cdfifund.gov/what_we_do/overview.asp

Commerce throughout the United States, to ramp up management assistance and coaching to help small businesses stabilize and grow. If just 10% of the 24 million very small businesses added one employee, it could create 2.4 million new jobs.¹⁸

- **Small Business Administration and Rural Development need to be sure that an ongoing dialogue between lenders and these agencies take place to help ensure programs are meeting the needs of lenders and borrowers to the maximum extent possible.**

Lenders routinely indicate that the government guaranteed loans have unnecessary paperwork and take too much time to process. Specific recommendations include:

- Establish a Committee of Community Bankers, Rural Development and SBA Employees For Review and Elimination of Unnecessary and Duplicative Loan Making and Servicing Regulations.
- Specific Recommendations for Rural Development to Streamline the Business and Industry Guaranteed Loan Application Process are:
 - Eliminate the 6 day LAPAS reservation of funds requirement;
 - Remove tangible equity requirement;
 - Eliminate business plan requirement for existing businesses;
 - Speed up National Office reserve approval process;
 - Establishing local pre-application and application response time standards (short).

REVIEW RECENT FDIC REQUIREMENTS TO LABEL CURRENT BUSINESS LOANS AS "TROUBLED DEBT RESTRUCTURES":

Banks and small businesses are complaining of a new servicing requirement being imposed on banks by Federal Deposit Insurance Corporation (FDIC) regulators. FDIC would like all loan restructures to include payment of interest and principal, and furthermore the interest rate in force during the restructure be designated at "market" rates and not to contain interest rate concessions. FDIC would also like restructures based solely on current (not clearly defined) business performance which does not take into account projected future larger revenues than what the business is currently experiencing. The projections also cannot take into account recent increases in clientele, new contracts, new products targeting new markets, new revenues, etc. Cash flow is strictly based upon a very narrow definition of "current" activity.

If a debt restructured loan meets the criteria as defined by FDIC for a "Troubled Debt Restructure" or TDR, then the regulators require the bank to put the loans on non-interest accrual and designate them as "troubled" even though they are current on payments with the restructure. It is unclear whether this is a new designation or recently increased enforcement by FDIC due to increasing stresses on businesses operating in the current recession. These requirements are strict and by their very nature, do not allow for a helpful restructure where a borrower can temporarily reduce their payments to a meaningful level

¹⁸ California Association for Micro Enterprise Opportunity, Policy Statement, February 1, 2010

until business recovers. These restrictions require the business to report only its recession level business activity, while not allowing them to reduce the interest payment below market rate, even though this is what the business needs during the current difficult economic times. Typical examples of Rural Development's Business & Industry Guaranteed Loan restructures include:

- Interest Only for 6 months (or 1 year) followed by a re-amortization (within remaining term) at the end of the restructure period.
- Reduced interest only for 1 year followed by a loan re-amortization at the end of the restructure period.
- Deferral of interest and principal for 6 months (or 1 year), followed by increased designated interest payments.

All of these USDA restructure examples would be classified as a Troubled Debt Restructure under FDIC's new requirements. Strict enforcement of this designation can unnecessarily cause the borrower's business to go into liquidation and possibly force them into failure despite the borrower being able to demonstrate that they are current on their restructured debt payments and repayment ability. This will create more job losses in a current struggling economy. Furthermore this strict enforcement will:

- 1) Force the lender to try to get the asset off of their books as it is designated as a non earning asset, further reducing the banks overall profitability, putting additional financial stresses on already struggling banks.
- 2) Create a disincentive for lenders to work with borrowers to keep them in business with restructured payments. Lenders will become less willing to develop workouts and will move toward liquidation quicker, which will cause businesses to go under quicker and some to fail when they may be able to survive with a workout until the economy recovers.
- 3) Prematurely force government agencies such as Rural Development to purchase back the guaranteed portions of these loans that were sold on the secondary market, unnecessarily encumbering millions of dollars and increasing the cost of the program to the government.

To resolve this issue recommendations received included:

- **Modify FDIC requirements for TDR's to allow lender concessions for government guaranteed loans since the guarantee on the loan reduces the lender's risk on this type of loans.**
- **Require FDIC to expand the definition of "Market Rate" to include those rates agreed to by the lender and the secondary market as "market" so that borrowers can truly be helped with decreased debt payments, thereby increasing cash flow.**
- **Modify FDIC regulations to allow for increases in projections for tangible reasons such as new clientele, new contracts, and new products targeting new markets or business development, recent sales increases, etc.**

INCREASE ACCESS TO NON-TRADITIONAL SOURCES OF CAPITAL: An increase in non-traditional credit also was mentioned at several of the forums. The types of non-traditional credit that they would like to have increased are provided by the micro-lending programs, revolving loan programs, Community Development Financial Institute, Certified Development Corporations and Foundations.

- **Expand Micro-Enterprise (ME) and Small Revolving Loan Funds (SRLF).**

The micro-lending programs and small revolving loan funds have been utilized for many years in small scale situations and were funded by various sources. However, there has been substantial interest in these programs the past two years due to the cutback of credit by traditional lenders. As the California Association for Micro Enterprise Opportunity (CAMEO) states: “Micro Enterprise development can, for a small fraction of the state and federal stimulus and recovery efforts, create hundreds of thousands of jobs right now through helping more Californians become their own bosses.”¹⁹ Their recommendations are shown on the following page.

- **Increase access to venture capital.**

Historically, venture capitalists have not invested in the rural areas for a variety of reasons; however, recent discussions indicate the potential for change in this field. A report, entitled, “A Vision for the Future of Rural Developmental Venture Capital”, by the Kentucky Highlands Corporation, states that rural economies are inadequately served by venture capital.²⁰ The report also states that the way to make rural areas more fertile ground for venture capital investment will require developing a culture that is conducive to the creation and nurturing of entrepreneurs.

Venture capital, whether in Silicon Valley or in rural areas of the country, is a tool in the hands of an entrepreneur. Educational and research institutions, banks, foundations, endowments, economic development entities, and venture funds are supporters of entrepreneurial activity. The most important players in the company creation and growth process are the entrepreneurs. Without an energetic, hopeful, capable entrepreneur driving a business, the supporting infrastructure has little likelihood of producing profit-generating, job-producing, shareholder-enriching companies. Rural communities must establish entrepreneurial support and education systems.

- **Consider creation of “Rural IRA's”.**

Another idea that was brought up as a means to promote and stimulate investment in rural communities was accounts that would be tax deferred for investments made in rural small businesses.

¹⁹ “MICRO ENTERPRISES: CALIFORNIA’S JOB GENERATORS”, California Association for Micro Enterprise Opportunity January 2009, <http://www.microbiz.org/CAMEO2009-fs-04-online.pdf>

²⁰ The entire report can be viewed at: www.frbsf.org/publications/community/review/122006/moncrief.pdf



California Association for Micro Enterprise Opportunity

Micro Enterprise: A business with five or fewer employees, requires \$35,000 or less in initial capital and may not have access to traditional commercial loans. Micro Enterprises start small, but can grow into large businesses.

The California Association for Micro Enterprise Opportunity (CAMEO) published a "Rural Initiative Action Plan" in January, 2009, identifying issues to be addressed to enhance the availability of micro enterprise programs in rural California.

- 1. Increased funding.** Rural ME programs need additional resources from public and private sources. They could also use assistance in developing "meta-businesses:" projects that generate revenue to support member organizations.
- 2. Organizational Capacity Building.** Rural members need easy access to state-of-the-art training and management capacity building resources. The time and cost involved in traveling to metropolitan areas for training can be prohibitive.
- 3. New Program Strategies.** ME should move into new arenas of economic development strategies. Local First projects such as BALLE, sector development, Energizing Entrepreneurs, meta-businesses: all these are broader economic development projects in which expand the power and reach of ME programs.
- 4. Linking Members through technology.** Members could receive great support through strong, pertinent and practical business networks. Resources, best practices and innovations could be quickly shared through the proper IT solution.
- 5. Creating regional networks for ME organizations and clients.** Many of the leading ME strategists call for regional approaches to rural development. Only through regional cooperation across multiple jurisdictions can there be sufficient scale, resources and expertise for successful rural entrepreneurship.
- 6. Establishing our Brand and Increased Advocacy.** Members identified need for a lead ME association to create a unified voice/brand for ME in general and rural ME in particular; to create economies of scale for members; reduce cost to compete for funding; to work with foundations and government agencies on the front end to increase funds for rural programs.
- 7. Data collection to make our case.** The ME movement continues to need to make the case for its efficacy vis-à-vis other economic development strategies. Strong data collection, with common indicators of success used across all programs, is required give ME the position it deserves in the vast arena of economic development.
- 8. Resolving CDBG regulatory constraints.** A vital resource for rural ME is CDBG funding. Rural members, largely located in untitled areas, cannot access these federal funds directly; they must go through the CA State Department of Housing and Community Development. HCD-developed protocols have become onerous, making these critical funds challenging to use. CDBG guidelines need to support ME with relative ease and reason.

The entire report can be viewed at: <http://www.microbiz.org/Rural-Action-Plan-Final-for-Web.pdf>

Micro Enterprise development needs to be an integral part of every local economic and workforce strategy. For a small fraction of the state and federal stimulus and recovery efforts, hundreds of thousands of jobs can be created right now through helping more Californians become their own bosses.

INCREASE FINANCIAL LITERACY AND UTILIZATION OF FINANCIAL TOOLS: Increasing financial literacy was mentioned as a need in the rural areas of California by providing youth and adults with financial literacy classes as well as create programs so individuals can learn how to utilize the banking system.

- **Establish a program similar to the “Bank on San Francisco” model that is appropriate for rural areas of California.**

One of the ways to increase financial literacy and at the same time increase their standard of living is to establish a program where “unbanked” households learn how to become “banked” households. This enables these households to reduce spending fees on check-cashers, increase their credit scores, and become able to obtain loans to purchase houses and to send their children to college. Such a program “Bank on San Francisco”²¹ was established in 2006 as the result of an innovative public-private partnership that includes government agencies, for-profit banks and credit unions and a range of nonprofit and community groups. In recruiting banks, city officials sold the initiative not as a philanthropic effort, but as a business opportunity—a way to reach new clients and reclaim business lost to check-cashers and other fringe outlets. Today, more than 75 percent of the bank and credit unions in the city are participating. A large percentage of rural residents are “unbanked” and could benefit greatly from opportunities to better utilize financial services.

- **Establish tax incentives for rural investment.**

Tax incentives for companies have been utilized over the years throughout the state. The state’s Enterprise Zone program allows for tax incentives if businesses invest in those areas. However, the report entitled, “California’s Enterprise Zones Miss the Mark” by the California Budget Project, states that California’s Enterprise Zone (EZ) Program fails to effectively target areas most in need of assistance.²² The number of zones prevents the program from effectively directing economic activity to the areas most in need. Corporations in urban areas, such as San Francisco and Los Angeles, claim high proportions of zone tax breaks. In contrast, EZs in Calexico, Delano, and Shafter, which are in rural areas with very high unemployment rates, account for a relatively small share of the program’s costs.

Some states have created tax incentives that solely target rural areas. For example: the Rural Michigan Economic Growth Authority (MEGA) tax credits are available to companies in counties with population less than 90,000.²³ The job creation requirement for a Rural MEGA is five new jobs by the first year of the credit and 25 new jobs by the fifth year of the credit. This rural tax credit allows substantially lower number of new jobs than typically required than standard statewide tax incentive available.

²¹ Overview of the program is at: <http://www.frbsf.org/community/issues/assets/bankonsf/index.html>

²² The report can be viewed at http://www.cbp.org/pdfs/2006/0604_ezreport.pdf

²³ Michigan Economic Growth Authority (MEGA) was created in 1995 to promote high quality economic growth and job creation. Since its inception, MEGA Tax Credits have generated billions in private investment and created in excess of 120,000 jobs. For more information see: <http://ref.michigan.org/medc/>

- **Enhance knowledge of, and access to, economic development programs.**

The Economic Development Corporations (EDC) and the Small Business Development Centers (SBDC) have been a source for businesses to obtain technical assistance to assist them in maintaining and expanding their businesses. These sources have had substantial reductions in funding at the same time that businesses need this technical assistance the most.

- **Create a “Rural Resource Center” to serve as an information clearinghouse.**

There was discussion that a statewide inventory of government programs and how they can interconnect needs to be developed so cities, counties, non-profits, businesses and individuals can access it to locate financial and technical assistance. Some offerings of this type of assistance already exist in California such as the Tools for Business Success Online²⁴ web page that is housed with the California Association of Local Economic Development (CALED) or the online catalogue of state programs called California Business Investment Service (CalBIS).²⁵ However, this information needs to be expanded and encompass all relevant sources in one easy-to-use location.

One possible example is a catalog that has been developed by the Maryland Department of Planning and is called the Red Book Online.²⁶ This is a database of financial and non-financial assistance offered by Maryland State government agencies. The Maryland Department of Planning maintains the database and each sponsoring agency provides updated information. The Red Book Online has more than 800 programs providing financial assistance and technical services to governmental entities, civic and private organizations, and individuals. This type of catalog could be duplicated to list all of the financial assistance and technical services available in California which would be an excellent resource.

SUPPORT RURAL ENTREPRENEURS: The *Rural Entrepreneurship Report* found that most firms never leave the rural community in which they start and that over 80% of the net growth in such establishments is attributable to sectors related to health, regional experience, and innovation services. Further, the report states that national research and experience suggest that the growth of entrepreneurship is highly dependent on the local supporting infrastructure, including education, technical assistance, and access to credit.

The Regional Economies Project also undertook a special analysis of California's rural regions in their report, *Patterns of Entrepreneurship in Rural California* (Rural Entrepreneurship Report)²⁷. The Rural Entrepreneurship Report found entrepreneurship to

²⁴ This CALED online resource guide is at: http://www.toolsforbusiness.info/index_ca.cfm?state=CA

²⁵ CalBIS can be found at: <http://www.labor.ca.gov/calBIS/>

²⁶ For more information see: <http://www.mdredbookonline.com/>.

²⁷ “*Patterns of Entrepreneurship in Rural California*”, A Report of the California Regional Economies Project, a joint effort of the California Workforce Investment Board and the California Economic Strategy Panel, July 2005, <http://www.labor.ca.gov/panel/pdf/patternentre.pdf>

be the single biggest driver of economic growth, job creation, and industrial and technological innovation in California's rural regions. Virtually all of this report's recommendations were also offered by participants of the local forums and are within the various sections of this report; however, a few key ideas should be highlighted here:

- **Support regional innovation models.**

Update local rural development strategies to place innovation at its core. Innovation based strategies focus on strengthening inventor-fancier business networks and increasing the ability of communities to uptake new business models and technologies that help businesses be competitive in global markets.

- **Undertake key financial research.**

Establish a Center of Excellence on Entrepreneurship at a California State University to support research on the issues surrounding business models, investment vehicles, and regulatory regimes that make it possible for investors to invest in emerging domestic markets.

- **Enact rural-focused trade agreements.**

Establish trade promotion agreements that specifically benefit the non-agriculture related portion of rural economies.

- **Establish a clean-tech research center.**

Call on the University of California to consolidate certain clean-tech research facilities at U.C. Merced and establish strategic partnerships with California State Universities in the Central Valley to leverage regional expertise and maximize economic impact.

3) Streamline Regulations and Processes

Regulations at all levels of government have been necessary to insure that all citizens and business are treated uniformly. Many federal programs have been created to address specific needs and to prevent discrimination; however, each new program also brings a new set of regulations. The net effect of burdensome regulation is a reduced economic pie as production costs rise while innovation and expansion are repressed. Participants in every forum noted that improved relationships between government, business and individuals would result in increased returns to all stakeholders through improved efficiencies that would lead to increased tax revenues, jobs and quality of life.

It was expressed by many participants that the present process to apply for permits, satisfy various required reviews, and/or pursue government assistance can be a long, confusing and frustrating experience. For example, just within Rural Development's mission area there are over 30 initiatives, loan and grant programs and each program has its own set of rules and program requirements. Sorting through the requirements to find the most applicable program can be daunting. This is true of not only USDA, but the many other departments and agencies within the local, state and federal government as well.

California's dominance in many economic areas is based, in part, on the significant role small businesses play in the state's \$1.8 trillion economy. Businesses with fewer than 100 employees comprise more than 97% of all businesses, and are responsible for 37% of all workers in the state. Historically, small businesses have functioned as economic engines, especially in challenging economic times. Unfortunately during the current recession, small business have been especially hard hit with small business bankruptcies up 81%, as compared to 44% nationally. While the cost of regulatory compliance is not the sole reason bankruptcies are up, the costs associated with regulatory compliance can be significant to an already struggling business. Research from the Small Business Administration, for example, finds that small businesses continue to bear a disproportionate share of the federal regulatory burden: **on a per employee basis, it costs about \$2,400, or 45%, more for small firms to comply with federal regulations than their larger counterparts.**²⁸

As the world shrinks with advances in communications, transportation and the internet, new competition is arising on a global scale. Regulatory streamlining has the potential to unleash a pent up desire for expansion in many of the nation's small businesses and promote a quicker recovery in the job markets. A uniform application process would be something that would promote more rapid economic development.

- **Ensure that federal and state regulations are cohesive, not contradictory.**

Rules and regulations tend to be built one on another, causing complexity of programs to grow over time. Attention should be given to reducing regulatory complexity each time a program regulation is revised or created. Elimination of outdated rules needs to become a priority when new regulations are published.

- **Improve coordination within and between different regulatory agencies as well as between administration of individual media (water, air, solid waste, wildlife, etc.) to reduce the regulatory tangle that impedes implementing projects.**

For the past four years the Pacific Southwest Organic Residuals Symposium (PORS), has organized discussions and pursued options to advance technology for renewable energy and new uses of organic residuals. It looks at ways to achieve greenhouse gas reductions, select and fund new technologies, and coordinate cross-media regulations. PORS works with a wide array of parties interested in putting organic residuals to their best uses and includes the public and private sector, researchers, students, laboratory technicians, and environmental groups. It is sponsored by the U.S. EPA, Integrated Waste Management Board, Central Valley Regional Water Quality Control Board, California Department of Food and Agriculture, Western United Dairymen, Sustainable Conservation, California Association of Sanitation Agencies, Sacramento Municipal Utilities District, and the University of California Davis.

²⁸ "Economic Opportunities in California's Rural Communities: Defining the New Rural Economic Strategy", Report for the Assembly Committee on Jobs, Economic Development, and the Economy, October 2008

As part of this effort, PORS has begun to address the complex issue of cross-media coordination. Stakeholder groups have also identified the same problem of cross-media conflict and coordination as a significant barrier to watershed restoration, on-farm restoration, appropriate placement of housing projects, reuse of biosolids and composting. The PORS planning committee is seeking to join efforts with other groups to begin raising this “inconvenient truth” to those who may be able to disentangle the complicated maze of regulations that often work at cross purposes and pose an undue burden on those committed to innovation and contributing to mitigation strategies to global warming. Other efforts to address this issue include:

- California Roundtable for Agriculture and the Environment: Their draft proposal is “Building Regulatory Support for Environmental Enhancement on California Farms” and focuses on on-farm restoration and watershed enhancement projects.
- California Agricultural Vision 2030 (sponsored by CDFA and American Farmland Trust): A draft has been prepared which is entitled “Ombudsman for Improvement of Regulatory Administration” and addresses these conflicting regulations and offers a detailed solution.
- UCLA and UC Berkeley’s law schools: A draft paper is circulating for review and is entitled “ROOM TO GROW – How California Agriculture Can Help Reduce Greenhouse Gas Emissions.” The draft identifies barriers and solutions for reducing GHG emissions and was prepared by a group of agricultural leaders, academics, policy makers, non-governmental organizations and water experts. It also offers recommendations for policy makers and industry leaders to overcome these barriers.
- The California Biomass Collaborative: This partnership of government, industry, environmental groups, and education institutions is examining these issues. The Collaborative is administered by UC Davis and sponsored by the California Energy Commission and other agency and industry partners. The Collaborative works to enhance the sustainable management and development of biomass in California for the production of renewable energy, biofuels, and products.

- **Food safety and water quality protection should not be in conflict.**

California has long been a leader in water quality protection and implemented a variety of programs to reduce polluted runoff from agricultural operations. To accomplish this, California’s farmers have installed a broad array of best management practices that include buffer strips and other improvements to riparian vegetation. Due to recent food safety scares, however, many farmers are being forced by the private sector food purchasers and distributors to remove these environmental practices and institute a “bare-earth” style of farming that will seriously damage efforts to improve water quality and riparian health. These so-called “super-metrics” are not based on any science. Additionally, the poorly trained inspectors that attempt to enforce such super-metrics sometimes place additional requirements on farmers with little or no notice or explanation.

- **Match program requirements with project size.**

It was noted that for some programs there is a wide variety of project size. Often the amount of documentation for a small project is the same as the documentation that is required for a very large project. To the degree possible, all levels of government should pursue some tailoring of review requirements to match the actual needs on varied projects. It was noted in a forum by the local Resource Conservation District representative: “it appeared that it was easier for Walmart to get permission to pave over a local wetland than it was for us to get permits to install a fish ladder – that is just ridiculous!”

- **Streamline environmental compliance: allow environmental review done under the California Environmental Quality Act (CEQA) to be used to meet the National Environmental Protection Act (NEPA) requirements where possible.**

Projects must complete environmental review to receive permits and funding. In addition to the Federal NEPA requirements many state governments have a state environmental protection act. In California we have CEQA which in many cases is equal to or more stringent than NEPA requirements. In those portions of the review, the federal government should allow state documentation to suffice.

Since the CEQA address most of the same issues that are protected under NEPA programmatic agreements should be put together to help speed up the environmental process. An example of this type of agreement is one between Rural Development and the State Historic Preservation Officer (SHPO). This agreement identifies types of Rural Development projects that are exempt from SHPO reviews. The end result is that projects that don't require review do not tie up staff time allowing SHPO to review projects that do need their attention.

- **Explore opportunities to enact more programmatic agreements.**

Other programmatic agreements might also be developed with state, county and local governments. Something similar to an environmental punch list could be developed based on these agreements. This would allow projects to make it through the environmental review and permitting process without unnecessary reviews that add undue burden to the review and regulatory agencies for minimal environmental benefit. The bottom line would be to preserve government resources for situations that are more environmentally sensitive and require extensive review.

- **Rural Development should reduce its multiple NEPA processes and streamline existing requirements for environmental reviews.**

Projects could be evaluated more thoroughly and quickly with improved processes for environmental review. Current procedures use a substantial amount of staff time and frustrate project applicants with little or no environmental benefit. Rural Development should compile an administrative record for the Council on Environmental Quality to document new categories for categorical exemptions and pursue rule changes as appropriate. Program applicants urged that this process be given a high priority as the savings in both time and cost could be substantial.

- **Establish certification for “Permit-Ready” parcels and development areas.**

Communities need to be ready to seize business opportunity when it arises. Forum participants stated that due to the difficulty in getting a parcel permitted they have had to pass up opportunities to expand their operations. A coordinated effort by local, state and federal officials might be established to allow certain parcels to be determined as acceptable development locations meeting local, state and federal requirements. Another idea is a universal project application accepted by all regulatory agencies and entities. The establishment of a free or low cost website for public announcements and notices by email would speed the process further.

The State of California has established a program for site certification. That process is very extensive; however, it is currently used mainly for industrial sites. Few local jurisdictions are using this process due its complexity. This process might be streamlined and adapted to include a NEPA review so that certified sites would also be readied for federal, state or locally funded projects. This program should also be expanded to potentially include infill housing and other projects which clearly satisfy local general plan goals.

- **Expand and renew the concept of Empowerment Zones.**

Many of our rural communities have extreme unemployment and poverty rates. In the past there have been Federal Empowerment Zones and Enterprise Communities (EZ/EC) established to help communities overcome these high unemployment and poverty rates. Presently the remaining EZ / EC designations are expiring. No new designations have been made for many years. In these designated areas loan and grant programs requirements could be tailored to better fit that local area.

The EZ/EC concept is a good tool to help communities focus on their goals and strategies instead of the problems. It also allows grass roots input from the entire community, which then leads to buy in and participation. Comprehensive training for community leaders in strategic planning, and effective participation on boards of



Welcome to the State of California Certified Sites Program. This site has been developed by the State of California to assist the commercial and industrial business planning, site selection, and development process in the state. The Certified Sites Program provides a current inventory of commercial and industrial sites that are available for purchase or lease, have the support of local permitting authorities, meet current evaluation criteria for various commercial and industrial uses and are available for project development or initiation of use in the shortest time possible.

http://www.dre.ca.gov/ind_certified_sites.html

directors / city councils would greatly benefit the communities. Government allocations (loans and grants) could then be used to assist the communities with projects that do not fit into any other program.

- **Encourage regional collaboration and planning in federal and state programs.**

Provide financial incentives to assist whole regions to work together on common issues relating to all the communities involved. Multiple regional workshops held regularly over many years, with measurable results in projects or programs would then tie the funding to projects/programs that show results over time. Duplication of program/projects in the same community would be discouraged, and collaboration would be financially encouraged.

- **Better utilize existing governance tools to encourage public and private sector efforts to develop sustainable rural economies.**

In order to take full advantage of any effort to streamline regulations, there needs to be a significant amount of consensus on the proposed development being considered. Efforts at regional coordination and community planning should involve all affected interested groups to the degree possible. When done properly, such participatory processes can greatly reduce challenges and the need for additional project reviews.

For example, during the General Plan Update in Calaveras County, community stakeholders have worked together to draft an Economic Element, a Water Element, and an Agriculture & Forestry Element. In their words: “We hope that these optional general plan elements will help guide public and private sector efforts toward a sustainable rural economy in the future.”

- **Ensure inheritance taxes and other tax codes don’t adversely affect rural residents, family owned businesses, and farm operations.**

Reform of the tax code will be needed. As it is now, the tax code encourages the migration of wealth out of the rural communities to the urban centers. Tax incentives are needed to encourage investment into rural small businesses. With Congress facing a deadline to act on the estate or inheritance tax, which taxes property as it passes from one generation to the next, farmers, ranchers and business owners are concerned that the inheritance tax exemption will not be reauthorized. Participants in one online discussion of the issue last week stressed the need to support the Family Farm Preservation Estate Tax Act H.R. 3524. H.R. 3524, as introduced by Rep. Mike Thompson, D-CA, and Rep. John Salazar, D-CO would exempt farm and ranch assets from estate taxes, as long as the property remains as a family agricultural operation.

While forum participants generally supported this approach, most also pushed for the idea of including some clearly defined version small, family-owned, and/or “Main Street” businesses in a similar type of exemption.

4) Find a Definition of Rural That Fits California's Needs and Realities

The USDA definition of "Rural" impacts the eligibility of communities and individuals to receive financial assistance. Rural Development has several different definitions for its programs. The definitions are not standardized and often confusing. Different programs and services at the state and national level define rural area, rural community, and rural city and/or county in a variety of ways. Some programs use definitions such as "communities under 50,000 that are rural in nature," "areas of less than 2,500 not in census places," or "nonmetro county."

Some of the most common definitions used by federal researchers define rural as simply being the absence of urban. Using this type of definition for rural can provide an inaccurate picture of a community and lead policy makers to undercount the number of rural areas and the true scope of challenges which they face. The negative impact of these definitions is especially true for rural communities that have been experiencing inordinately high in-migration from other areas of the state. This growth is not necessarily occurring due to increased economic opportunity from within the region, but rather from the lack of affordable housing for low- and middle-income people in other areas of the state. The growth experienced within the San Joaquin Valley is an excellent example of population growth without the generally-related economic benefit.

These types of rural areas are sometimes called rapidly urbanizing areas even though they do not share similar characteristics to urban areas, such as diversified economies, developed infrastructure, and access to important services such as health care and higher education. Lack of access to a comprehensive set of financial services is also common among these areas and further limits business development. When applying for resources, rapidly urbanizing rural areas can find themselves ineligible for rural-targeted programs due to tight population eligibility criteria. However, because of the limitations discussed above, these areas are often unable to compete when vying for resources against truly urban and suburban areas. One example of this imbalance is each area's ability to provide a local financial match when applying for state funding.

- **Changes to federal funding formulas should be made to reward counties working to direct growth to cities to protect agricultural land and open space.**

California policy encourages "city-centered" or "regional" growth patterns that concentrates population growth, development and economic activities in areas that are then considered non-rural under current USDA definitions. Essential community services are often provided in regional centers located in cities. Many rural residents must travel to non-rural areas to obtain socio-economic services. Rural areas often lack capital (both monetary and human) to support essential facilities when compared to regional centers in cities that are considered non-rural. Agricultural land and open space are highly-valued and preserved in rural areas.

For example: over 88% of Yolo County's population lives in cities because of responsible land use planning principles. However, the formulas that guide several federal programs benefit counties with large populations in the unincorporated area to the detriment of counties like Yolo, which have directed growth to cities to protect agricultural land and open space. Counties with significant service responsibilities,

but low unincorporated area populations, are either not eligible or receive minimal funding from some existing formulas. A case in point: only 125 miles of Yolo County's almost 800 miles of roads are eligible for federal funding, yet Yolo County is responsible for maintaining these roads for agricultural and vital farm to market routes, industrial, and residential use. As a result of Yolo County's responsible land use planning, the County does not have sufficient funding to adequately maintain the County's eligible roads, much less important ineligible roads.

- **Enable Rural Development programs to support essential community facilities in areas considered non-rural but that serve rural populations.**

Hospitals, health clinics, food banks, and social facilities are often located in non-rural areas. The rural definition should be "flexible" to support at least the portion of essential facilities that serves rural people and communities. For example, assume that a new health clinic is proposed in a non-rural area that serves 60% non-rural clients, and 40% rural clients. The facility should be eligible for Rural Development funding consideration (or other benefits) in the amount of at least 40%.

- **Ensure viability of agricultural support industries regardless of location.**

Although agricultural production occurs in rural areas, California's agriculture is highly diverse and many types of processing and marketing facilities are required in non-rural areas to prepare and deliver products to various domestic and international markets. Program rules need to allow maximum flexibility in the "rural" definition to support enterprises and facilities that support agriculture in non-rural areas. Farmers markets, processing plants, food banks, and school kitchens are examples of facilities in non-rural areas that benefit agricultural and rural economies. There can also be additional benefits related to better access to healthier foods, improved nutrition and the promotion of sustainable agriculture in regional locations (rural and non-rural).

- **Standardize and simplify the definition of "Rural".**

USDA has several different rural definitions which can be confusing and contradictory. Rural Development has separate and distinct rural definitions for its Housing, Business, Water & Waste, and Community Facilities programs. Simpler and more standardized definitions would improve public understanding about USDA programs that are available in rural areas.

- **Permanently change the state non-metropolitan median household income requirement for the grant calculation to Median Household Income (MHI) of communities eligible for Rural Development programs in the state.**

Percentage of grant eligibility for several Rural Development programs is partially dependent on the MHI of the community as a percentage of the state non-metropolitan median household income. Using this criterion in California eliminates most of the rural population from the calculation of the state's non-metropolitan median household income and includes only the most remote areas which tend to have lower incomes. Since the State non-metropolitan MHI establishes the

maximum income allowable to be eligible for grant many eligible low income communities are eliminated from grant eligibility. This issue was recognized with receipt of the 2000 census and a modification was made. This modification needs to be made permanent.

- **Base the maximum grant eligibility on the likely users of the facility.**

Currently income is based on the service area which might be the city or county where a facility is located. However some facilities only serve low income portions of a community therefore Rural Development needs the option of basing the grant eligibility on the income of those utilizing the facility. For example, it is unlikely that the higher income members of a community will be accessing a Food Bank therefore Rural Development should be able to base the grant on the income of beneficiaries of the project.

- **Funds should be allocated to states based on the percent of the population that lives in eligible communities.**

Fifty percent of the weight in allocating funds nationally under the Water and Environmental Program and Communities Facilities Program is based on rural population. In the past the population data came from the population living in communities the census determined to be rural (less than 2,500 population). However program eligibilities under the actual statutes are much higher. Aligning allocations with actual numbers of population that is eligible under the statutes would allow for a much more equitable allocation of funds throughout the country.

- **Programs targeting small and underserved farms must clearly define the target, taking into account the many categories of small and underserved farmers not addressed in current ERS definitions.**

Forum participants shared frustration that the USDA definition of Limited Resource Farmer compares a farmer or rancher's income to the average within a county so if you are poor in a poor county - you are not qualified for the extra percentage of funding that would otherwise be made available to you. Use of a farm definition may not be appropriate in today's economy. Economies of size and scale are often used as a rationale for the growth in farm size; however, with current technologies and practices, the efficient point — in terms of costs of production — is achieved at a level that does not sustain a modest standard of living. Farms may be getting bigger for the income — not the efficiency. It is also worth noting that many of the so-called economies of size exist because the farm does not have to absorb the external costs associated with production.

One set of small farms identified by ERS is the limited-resource farms that include any farm with sales less than \$100,000, with farm assets less than \$150,000, and with a total operator household income of less than \$20,000.²⁹ Other categories of small and underserved farmers are not addressed in the ERS definitions. One of these groups would be a farm with sales of less than \$250,000 that lists something

²⁹ Rural America at a Glance, 2009 Edition, USDA Economic Research Service

other than farming as their principal occupation. Young or beginning farmers who aspire to become full-time farmers at a later time operate many of these farms. Some may classify these as the residential/lifestyle farms, but they are farming this way only as a means to move into commercial categories.

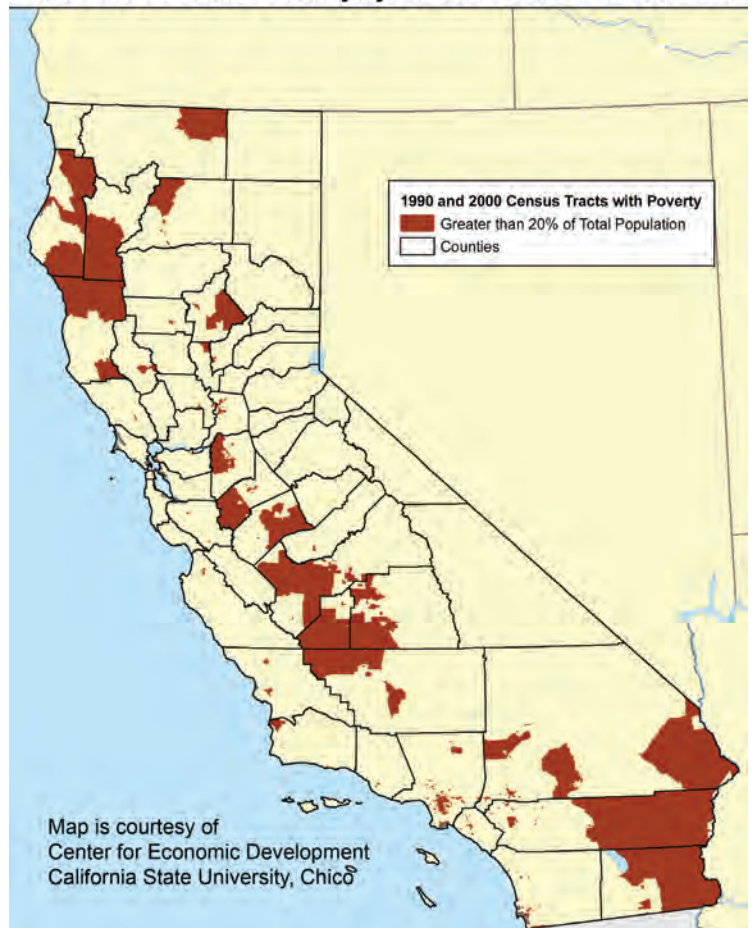
In many instances, what small farms need are not new programs, but adequate funding for the programs now in place. The small and underserved farmers of the United States need to know that there is a real desire to work with them and serve them. The 20th Century was marked by the drive to increase agricultural output, increase labor efficiency, and move people off the farm so they could be employed in other occupations. Society is realizing that the small farm occupies a unique niche in the American landscape, and that it deserves special attention. Even if one does not feel that the small farms deserve special consideration, government policies, research, and legislation should not penalize them.

- **Utilize census block group data instead of county level data to determine areas of persistent poverty.**

Several Rural Development programs maintain set asides for persistent poverty counties. These set-asides supplement regular state allocations to provide added resources in areas of persistent poverty.

USDA's Economic Research Service defines counties as being persistently poor if 20 percent or more of their populations were living in poverty over the last 30 years (measured by the 1970, 1980, 1990, and 2000 decennial censuses). County size varies significantly across the country.

1990-2000 Persistent Poverty by Census Tract within Counties



Georgia has 159 counties with an area of 59,000 square miles. Fifty counties are designated persistent poverty. California has 58 counties in 164,000 square miles and **no persistent poverty counties**. Census income data is collected to the Block Group level. If persistent poverty were calculated on that basis throughout the country there would be a greater possibility of eliminating areas of persistent poverty that exist in many states.

- **Consider terrain and topography where distance is included in the definition.**

California is one of the most geographically diverse states in the USA. California's Central Valley is one of the few landforms on earth that can be seen from space without magnification. The Sierra Nevada, Cascade, and Coastal Mountains are all major land forms and the California coastline is 840 miles long. The distances between two points may seem close if a lineal (as the crow flies) measurement is used. However, when roads are used to traverse between two points, the distance can be much greater and the travel quite onerous. This is especially true in mountainous, coastal, and open space areas due to topography and road routes. California's land features and road routes must be considered in any definition for rural. Distances in road miles must be used for determining the location or the attributes of a rural area or community.

5) Find Ways to Expand and Improve Service to Applicants

Approximately 80% of California's total land mass is rural and agriculture remains a major economic driver and employer for much of that area. California's 2007 farm gate of \$36.6 billion far outpaces #2 Texas at \$19.1 Billion and accounts for approximately 13% of US agricultural cash receipts. In 2007 California exported \$10.9 billion in agricultural products. Nine out of ten of the nation's top producing agricultural counties are in California. Fresno County alone has farm receipts greater than 29 individual U.S. states: \$5.345 Billion in 2007.³⁰ Despite these numbers, accessing USDA programs in California has long been difficult for our rural communities due to the limited number of USDA offices and staff.

Much of this is due to the historical practice of relying on counties as the jurisdiction for USDA's field-based agencies. While this has generally worked well in the east and Midwest, it does not make any sense for the western U.S. for the simple reason that our counties are extremely large. For example, San Bernardino County covers 20,164 square miles and is one of the THIRTY California counties that are larger than the state of Rhode Island. In fact, San Bernardino County is larger than nine U.S. states³¹, yet it does not have a single Rural Development or Farm Service Agency office located within it.

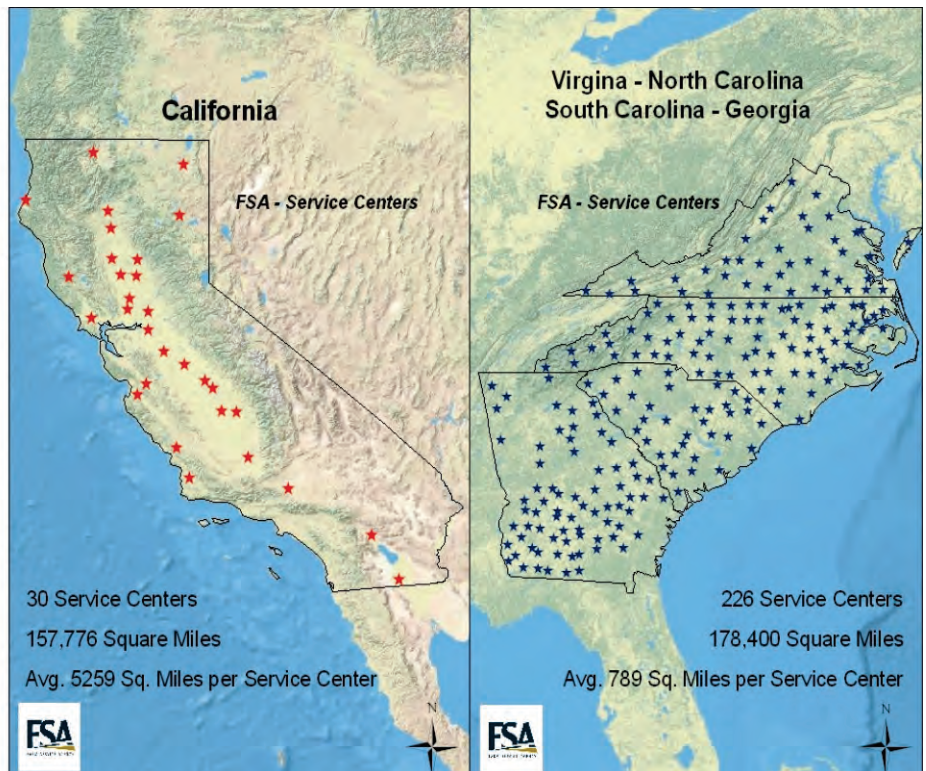
Long distances to offices, lack of transportation and difficulties accessing information online are just some of the hurdles rural residents must face to get information about our programs. Other concerns focused on federal agencies, as well as some state agencies, that do not have very much presence in local communities and are perceived to be even more difficult to work with. In general, forum participants advocated for better access to information on programs, more assistance from agency staff to maneuver through processes, forms that could be filled out online and streamlining of processes at all points.

³⁰ California Dept of Food and Agriculture

³¹ Maryland, Hawaii, Massachusetts, Vermont, New Hampshire, New Jersey, Connecticut, Delaware, and Rhode Island

The lack of offices and staff in rural communities makes customer service an ongoing challenge. California Farm Service Agency has recently analyzed this issue, as seen in these maps. California's has 58 Counties compared to 400 in the states shown.

Rural Development has only 18 field offices located in California. Each office serves 8,765 Sq. miles: more territory that the state of New Jersey (8,722 square miles), Connecticut, Rhode Island or Delaware.



Despite these challenges, many participants in the local forums expressed a great deal of satisfaction regarding USDA service in general; comments highlighted the individual staffs' desire to help and willingness to steer applicants to other programs when appropriate as well as the overall knowledge USDA staff had about the many state and federal programs that might be helpful. Forum participants who had worked directly with USDA programs expressed concerns about the workload USDA staff were carrying as well as the widespread perception that program rules were not written with California in mind.

Specific recommendations are:

- **Assign USDA staff to locate themselves in communities not currently served by an office on a periodic basis.**

These employees would act as “circuit riders” and would visit these locations once or twice a month. As one forum participant suggested: “Have federal agencies establish and share hub offices in smaller communities to develop a local presence.” These offices could be in city or county buildings, with local Economic Development Agencies or nonprofits. Offers for three such locations (City of Half Moon Bay, Southern Siskiyou County and Mono County) have already been tendered to Rural Development during the course of the forums.

- **Enhance local federal workers' role as community developers to work closely with the communities that they live and work in.**

The preferred concept of forum participants for community development is to have staff knowledgeable in all USDA programs, able to guide applicants to all

appropriate resources and build relationships with community leadership. “Let federal workers with local expertise stay in their local area; quit forcing them to move in order to achieve promotions” as one forum participant put it.

There was strong desire expressed for field office staff to be better trained in all aspects of community development and have easy access to and knowledge of the variety of local, County, State and other Federal programs. In other words, Rural Development staff should be able to function as a “one stop government shop”.

- **Provide better coordination of information and service between government agencies, educational institutions and local nonprofit partners.**

These institutions could team up to provide improved access to the internet, guidance on how to access various programs, booklets specific to each county that was a one-stop guide on how to find programs that can assist them, i.e. housing, job training, energy efficiency, agricultural resources, etc. One idea that came up in several forums was to enable more use of volunteers to deliver programs and help potential customers through the application processes.

- **Improve websites and offer options to receive forms in plain text.**

Rural residents also can not easily access Federal programs via the internet. Web sites are not helpful to residents that do not own computers or have internet access. Even if rural residents have internet access it is often from dial up servers which are slow and often cannot download the information. The ease of finding information on Federal web pages is also confusing and not intuitive to users. As one participant in the job forum said, “Generally, there is poor dissemination of federal program information, which is made worse by a lack of broadband access.”

- **Increase turnaround time for applications.**

It is difficult for economic development entities budget if it takes more than 6 months to find out if they were selected for funding.

Forum participants who had previously utilized various USDA programs had the following specific recommendations to improve existing processes and regulations:

- California is a diverse state with a wide array of various geographic, cultural and financial complexities -- each area is unique. Federal regulations often do not provide enough flexibility for the State Leadership of USDA’s agencies to implement programs in a manner that considers the diversity and specific needs of California’s rural communities. The amount of grant funds awarded for the different programs depends on antiquated scoring systems. The State Directors for USDA’s field-based agencies should all have more flexibility in program guidance and regulations to address California’s unique issues.
- The federal regulations to help farmers and small businesses access grants are time-consuming. Hiring a grant writer is one option, but expensive. The regulations need to be straight forward, then we could write the proposal ourselves and access the funds without spending money that we do not have for grant writers.

- The 2000 Census for the State of California identified over 500 eligible rural areas for multi-family housing projects throughout the state. Rural Development uses an outdated process for its Designated Place List which results in fewer eligible places and a high concentration of multifamily projects in a few geographic locations. USDA should utilize a definition of “rural” that would allow for all eligible locations to be considered in the construction of rural rental multi-family housing projects. This would better serve low-income residents and reduce travel miles for many families.
- It is expensive to build multi-family housing in California, a project consisting of 60 units typically can cost up to \$13 million to build. Rural Development has a \$1 million limitation which creates a huge gap; the limitation should be removed entirely or significantly increased to reflect today’s financial realities.
- We are fortunate to obtain grant funds under the Housing Preservation Program but the reports that must be submitted are not user friendly and cannot be filled out online. This includes the “Quarterly and Final Performance Report”.
- Rural Development programs are excellent; however each program has many certifications including debarment, drug-free, 2- EEO, Credit elsewhere, and these examples are for just one grant program. There should be a single certification page which is easily understood and ensures we are in compliance with the requirements.
- The Multi-Family Housing Program Notice of Funding Availability (NOFA) is a difficult process and needs to be simplified. A universal application, similar to the State of California, (see hyperlink) would reduce burdensome paperwork and serve multiple NOFA’s. http://www.hcd.ca.gov/fa/mhp/19-Aug-08_NOFA.html, then click on the Excel universal application.
- The Housing Preservation Grant (HPG) Program has helped many very low and low-income homeowners improve their living conditions; however there isn’t enough grant funds to meet the demand for this program. The Rural Development State Director has the flexibility to use up to 25% of the initial grant fund allocation from the Sec. 504 Rural Housing Grant Program to supplement the HPG under certain circumstances, which is approved at the National Office level. However, any remaining unused grant funds from the Rural Housing Grant Program are returned to the general pooling and used in other states when they need to remain in California and supplement the HPG program.
- It has always been a pleasure working with the Community Facilities staff in California, however recently a new requirement slowed down the processing time which then affects price. We decided to add our architectural and engineering services into a single contract. We addressed the issues in RD AN No.4410 and obtained approval from the California Rural Development Architect and Engineer, however we still had to wait for USDA attorneys and National Office concurrence, which was redundant. This needs to be eliminated.
- In the 2009 Notice of Solicitation of Applications (NOSA) for the Value-Added Producers Grant Program (VAPG) there was a change in the application requirements which can not be realistically achieved. In many cases Agriculture

Cooperatives members are farmers who have formed partnerships and corporations for tax purposes and family estate planning. The Cooperative will have a list of their members and percentage of ownership, but that is as far as it goes. Now the VAPG requires that the Cooperative list individuals of the partnerships or corporations. This information is usually of public record, but for a Cooperative to document this type of information is a large burden and an expense that the Cooperative cannot afford, which effectively excludes them from consideration under this grant.

FEDERALLY RECOGNIZED TRIBES: Behind Alaska's numbers, California has highest number of federally recognized tribes in the contiguous United States and almost a quarter of the Nation's federally recognized tribes. The unique history of land alienation of California Tribes means that California's tribes are the most land poor with many Reservations and/or Rancheria's having less than 100 acres of land in trust. Many federal programs and jurisdictional issues favor tribes with large land bases held in trust. However, a lack of land base does not necessarily equate to a lack of need. It is felt that there is a need to re-examine federal programs, and particularly rural economic development programs within USDA, within the context of California tribes.

In addition, tribes in counties with more than 80 percent of available lands in public ownership highlighted that tribes often have better access to programs on and access to, federal land than county governments. However, without sufficient education, rural communities were unable to significantly leverage these opportunities through collaborative partnerships with tribes.

Over all, without this contextual analysis and collaborative partnerships with local government, it is difficult for the majority of California tribes to leverage USDA opportunities to create and retain jobs. Tribal governments that participated in the forums recommended:

- **Convene a working group of California tribes and key Rural Development staff to evaluate a strategy for improved Rural Development / Tribal Collaboration.**
- **Ensure that application criteria are flexible and do not place barriers to tribes trying to access USDA programs.**
- **Convene a working group of USDA / Department of Interior staff and Tribes to discuss and develop more streamlined interactions between the various programs within both Departments.**
- **Recognize that job creation can only occur when other key metrics – poverty, education, health - in a community are improved and shift a portion of the focus towards activities that address root problems.**
- **In conjunction with the Department of the Interior, convene local learning forums for counties and tribes to convene and learn about each other's unique funding streams and opportunities.**

6) Provide More Technical Assistance to Local Communities

Non profit organizations and statewide organizations that provide this type of support have had major cuts in funding from State and local budgets. Rural Development programs that provide financial support for technical assistance are Rural Business Enterprise Grants (RBEs) and Rural Business Opportunity Grants (RBOGs). These have very limited funding. In most years, California only receives about \$800,000 in state allocation for RBEs.

Institutions that already exist to provide technical assistance and planning are Community Colleges, Small Business Development Centers, local government economic development agencies, Economic Development Centers, University of California Cooperative Extension, RC&Ds, and non-profit organizations that operate locally such as JEDI or statewide such as CALED. The need is greater than the resources. Job forum participants voiced a need for assistance in grant writing and community planning.

- **Set up Rural Resource Centers to increase outreach and minimize travel distances in rural areas.**

There is a need for local *coordinators for technical assistance/grant writing*. Having a service center for just Federal programs does not go far enough in providing all the resources for rural communities. On line services such as Rural Assistance Center could be replicated as a live center with real people that could assist in finding the right program to assist the needs on a particular community.

- **Improve coordination among economic development partners.**

Determine if there is a duplication of services and if so set up MOUs and/or Cooperative Agreements to share resources and maximize resources and outreach.

- **Create a new statewide position: “Project Czar”.**

Have one person act as intake for project ideas and then that person would determine which funding source is appropriate and how to coordinate multiple funding sources. This would mean an applicant would not have to talk to multiple people to determine where the project fits. This Czar could review Federal, State, Private and Local funding options.

- **Have one day workshops on economic and/or community development quarterly in all counties and, if needed, in multiple locations in some counties.**

These workshops could be held physically in one location and then broadcast to partners via distance learning centers. Use live video conferencing or net meetings.

- **Support local and regional efforts to map and analyze data on local resources.**

Sacramento Area Council of Governments (SACOG) worked with its 28 local governments to coordinate a regional land use strategy that will result in a smaller growth footprint through 2050 (details on next page). The benefits to farmers and

Rural-Urban Connections Strategy

Sacramento Area Council of Governments • www.sacog.org/RUCS



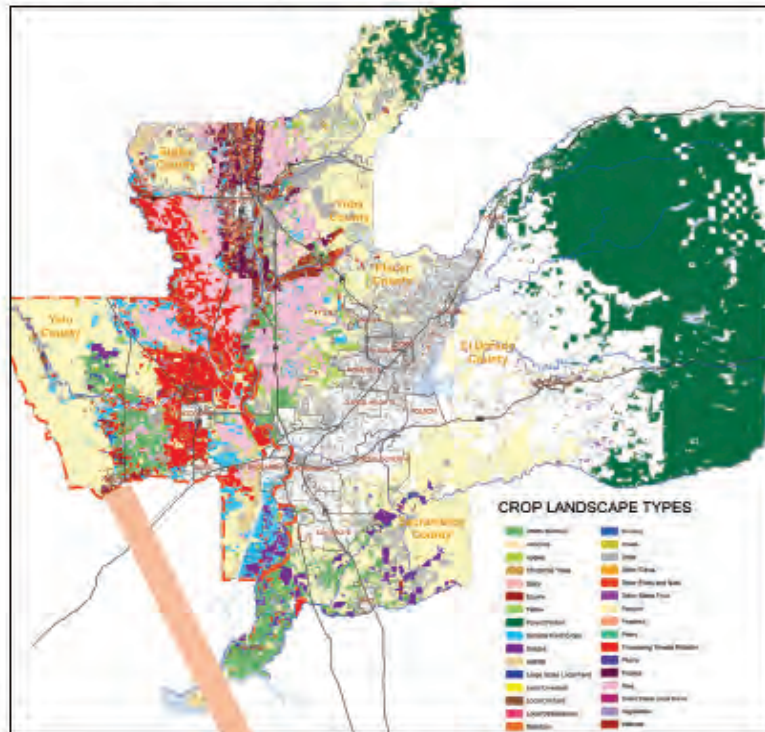
Community leaders often lack good information to make regional decisions that affect agriculture. While there are dozens of general plan designations for urban uses, rice fields, peach orchards, diversified farms, and other types of ag businesses are all labeled "agriculture". This simplified view makes it hard for policy makers and economic development agencies to help new growers, processors or distributors. The Rural-Urban Connections Strategy is building unprecedented data and tools to help stakeholders in the six-county Sacramento region enhance their understanding of agriculture and improve its viability.

This analysis capacity will help decision makers craft better policies and plans, help agricultural businesses make operational decisions, and help the public understand the importance of protecting agricultural land and supporting growers in the region.

SACOG is using crop maps, production data and GIS to put related data together in a set of cutting-edge, yet practical, tools. Crop data were collected at the field level across more than 3.2 million acres of farmland. Production input and cost, yield, price, and environmental service information was then assigned to each crop type. These data were then uploaded into land use modeling software, I-PLACE³S, which can analyze both rural and urban changes simultaneously and in real-time. SACOG is running scenarios to test how changing crop patterns, market conditions and policy and business decisions may affect the viability of agriculture. This type of information has broad uses for local officials, business owners, and producers. The methodology and tools developed by SACOG are transferable and scalable, so any local, regional, state or federal organization could use them for their efforts.

SACOG Crop Map

Types and location of regional crops



Yolo County Crop Analysis

VIEW AGRICULTURE STATISTICS											
CURRENT YEAR	PREVIOUS YEAR	CHANGE	PERCENT	PERCENT	PERCENT	PERCENT	PERCENT	PERCENT	PERCENT	PERCENT	PERCENT
00 ALL CROPS	88,374	89,383	1%	\$95,116,300	\$91,293,181	\$1,662,839	2%	73,070	73,070	0%	18,998
01 ALMONDS	11,842	20,071,900	169%	\$1,264,316	\$1,114,653	\$1,149,663	10%	24,578	158	158	53
02 APPLES	201	2,083	1031%	\$4,302,888	\$4,111,608	\$95,280	2%	894	480	0	0
03 BARS	884	22,261	2518%	\$1,012,767	\$780,968	\$235,719	30%	2,236	23	23	213
04 CORN	8,858	59,326	670%	\$8,813,832	\$7,816,708	\$1,000,668	13%	20,028	852	852	1,888
05 GRAPES	14,837	84,285	568%	\$52,048,417	\$64,418,107	\$10,771,712	17%	10,028	545	545	2,485
07 HAZELNUT	1,720	0	0%	\$0	\$0	\$0	0%	0	0	0	0
08 CUCUMERS	1,128	4,028	357%	\$3,072,801	\$2,885,209	\$117,572	4%	2,221	19	19	3
09 OTHER CROPS	731	73,289	10039%	\$708,800	\$845,074	\$136,274	19%	320	17	17	87
10 OTHER FRUITS & VEGET	816	1,095,224	133%	\$2,258,874	\$1,825,088	\$433,786	24%	2,434	27	27	87
12 PEACHES	28,007	28,307	1%	\$1,304,826	\$1,033,208	\$271,618	26%	0	0	0	0
13 PEANUTS	71	1,285	1810%	\$58,704	\$10,368	\$48,336	47%	380	48	48	45
14 PINEAPPLE	386	7,115	1843%	\$5,068,327	\$1,893,702	\$3,174,625	166%	866	64	64	19
15 PINEAPPLE	1,822	9,681	531%	\$1,248,176	\$1,048,007	\$200,169	19%	8,851	682	682	255
16 PTO MATS	28,952	1,400,481	4836%	\$82,827,817	\$94,284,764	\$11,456,947	14%	181,394	2181	2181	5,734
17 RICE	28,872	3,076,842	10656%	\$52,048,886	\$46,004,078	\$6,044,808	13%	12,252	822	822	5,186
18 SWEET CORN	12,287	359,335	2925%	\$4,348,258	\$3,833,584	\$514,674	13%	0	0	0	0
19 SWEET CORN	14,874	10,281,020	692%	\$3,141,828	\$8,820,021	\$5,678,193	18%	31,774	125	125	8
21 VEGETABLES	5,871	0	0%	\$0	\$0	\$0	0%	0	0	0	0
22 WHEAT	12,480	25,784,345	2065%	\$41,827,280	\$75,571,227	\$33,743,947	81%	44,028	1,048	1,048	1,240
TOTAL	88,374	89,383	1%	\$95,116,300	\$91,293,181	\$1,662,839	2%	73,070	73,070	0%	18,998

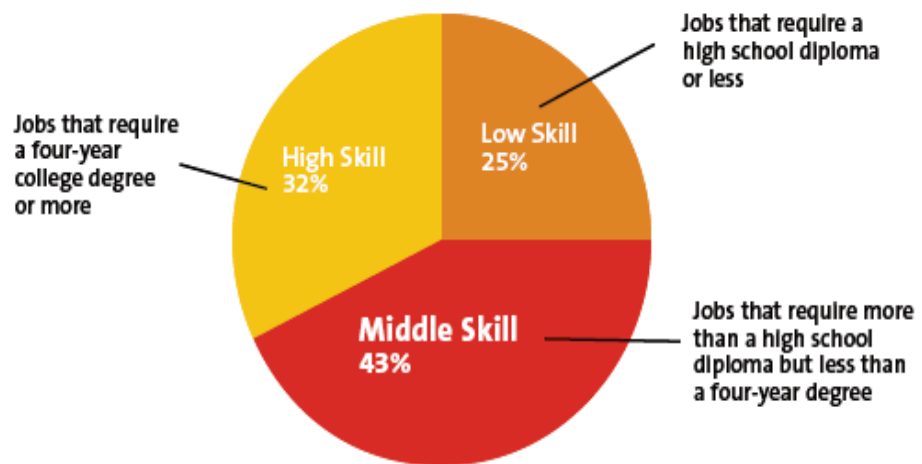
ranchers range from less pressure on rural roads to protecting natural resources by accommodating the same amount of forecasted growth to 2050 on 230,000 fewer acres of land. Most of this land is in some type of agricultural production and also provides environmental services including flood protection and habitat for a number of species.

At the same time, higher density, mixed use development emphasized in the Blueprint creates community spaces that are more favorable to outlets for locally grown food, such as farmers' markets, farm stands, and CSA box distribution. The Blueprint's smart growth principles and the growing interest in local agriculture are beginning to merge as seen in one recent development project where not only are building densities higher, but local scale agriculture is integrated throughout the site as an element of the project. Other regions have expressed interest in designing similar projects.

7) Assist and Enhance Traditional Job Training Institutions

Workforce development and training is an over-riding issue and asset for California statewide - particularly in our most rural areas. Our rural areas lack a trained and ready workforce. More attention and monies need to be invested and targeted to the needs of existing business owners and training or re-training our transitioning rural workers. Investing in the asset that will create that future – our people – will accomplish more economic impact and deliver benefits to all.

California's Total Job Openings by Skill Level, 2006-2016



Source: Calculated by TWA from California Employment Development Department data.

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³² California's Forgotten Middle-Skill Jobs: Meeting the Demands of a 21st-Century Economy, written for the Skills2Compete-California campaign by The Workforce Alliance (TWA), Washington, D.C., October 2009

Thirty Middle-Skill Jobs California Can't Live Without

TABLE 3. Projected California Demand for 30 Middle-Skill Occupations, 2006-2016

	Employment		Net Change		Job Openings	Median Earnings 2008
	2006	2016	Number	%		
Computers						
Support Specialists	61,100	71,600	10,500	17.2%	29,400	\$48,160
Specialists, Other	32,600	39,400	6,800	20.9%	15,400	\$77,360
Construction						
Carpenters	210,000	235,700	25,700	12.2%	54,100	\$51,230
Electricians	68,300	75,300	7,000	10.2%	24,600	\$52,690
Painters	73,700	83,900	10,200	13.8%	23,300	\$39,020
Operating Engineers	34,400	39,800	5,400	15.7%	12,100	\$63,010
Plumbers	56,000	62,900	6,900	12.3%	18,500	\$50,050
Healthcare						
Dental Hygienists	22,400	30,400	8,000	35.7%	12,300	\$87,460
Diagnostic Medical Sonographers	3,300	3,900	600	18.2%	1,100	\$72,690
Licensed Vocational Nurses	57,700	67,800	10,100	17.5%	25,800	\$47,470
Medical Lab Technicians	10,500	12,300	1,800	17.1%	3,400	\$38,280
Radiology Technicians	15,200	17,700	2,500	16.4%	4,600	\$61,340
Respiratory Therapists	10,800	13,400	2,600	24.1%	4,200	\$64,110
Surgical Technologists	8,200	10,400	2,200	26.8%	4,700	\$46,170
Installation, Maintenance, and Repair						
Aircraft Mechanics	11,700	13,200	1,500	12.8%	2,700	\$57,580
Auto Mechanics	79,000	90,200	11,200	14.2%	27,000	\$39,190
Bus/Truck Mechanics	28,500	32,200	3,700	13.0%	9,900	\$45,290
Heating and AC Installers	19,700	22,200	2,500	12.7%	6,000	\$45,730
Industrial Machinery Mechanics	14,200	17,200	3,000	21.1%	5,400	\$51,180
Mobile Heavy Equipment Mechanics	13,100	15,500	2,400	18.3%	5,000	\$53,520
Transportation						
Air Traffic Controllers	2,400	2,800	400	16.7%	1,100	\$122,800
Heavy Truck Drivers	147,300	168,900	21,600	14.7%	47,700	\$40,310
Public Safety						
Emergency Medical Technicians	12,100	14,800	2,700	22.3%	4,100	\$27,090
Fire Fighters	26,700	31,600	4,900	18.4%	14,600	\$61,880
Police Officers	61,300	72,200	10,900	17.8%	27,300	\$75,310
Other						
Civil Engineering Technicians	8,400	9,200	800	9.5%	2,400	\$59,370
Claims Adjusters	31,200	35,000	3,800	12.2%	11,800	\$60,030
Legal Secretaries	24,700	31,200	6,500	26.3%	9,700	\$48,640
Machinists	32,500	36,000	3,500	10.8%	8,500	\$36,030
Paralegals	35,900	41,000	5,100	14.2%	10,800	\$54,800

* 2008 median annual earnings for all occupations in California = \$36,440

Source: Projections data tabulated using California Employment Development Department data. Median Earnings data from the Bureau of Labor Statistics.

Community colleges have been hit with major budget cuts at the same time student fees are increasing. One forum participant stated that “Financial stresses are huge on Community Colleges, which want to integrate job training in the curriculum but can’t hire the staff to implement.” Community colleges play a vital role in training middle-skill jobs such as medical assistants, firefighters, law enforcement officers and Emergency Medical Technicians. Middle-skill jobs are those that require more than a high school diploma but less than a bachelor’s degree. Almost half of all jobs are middle-skill jobs and represent the largest share of job openings as seen in the table on the next page. Job training must focus on occupations in current and future demand.

In general, California needs more resources for institutions that provide the training, and to keeping job training affordable for students in rural areas. Other recommendations are:

- **Increase on-the-job training programs.**

On-the-Job Training (OJT) is a method of training new employees at work site using other skilled employees as instructors. This type of training is a win/win situation for employer and future employee. The employer trainer provides the training for free, the trainer has access to education that reflects real world experiences and the organization that supports this type of program saves money by not having to build classrooms, hire teachers, supplies, etc.

- **Increase job training programs that include mentoring programs and expanding opportunities for apprenticeships/internships.**

An example in agriculture job training would be the National Center for Appropriate Technology (NCAT) Sustainable Farming Internships and Apprenticeships program. Since 1989 this program has matched farms with those seek training opportunities on US farms.

- **Increase the use of Individual Training Accounts (as defined by the Department of Labor).**

This would increase the likelihood that a person will be able to stay in school because they know that money is coming in while they are in school. This would be an incentive to stay in school.

- **Provide training for beginning farmers so more people who want to start small farms can participate in the local foods movement.**

There is a need for vocational agricultural training and for basic skills training such as alternate cropping systems, welding, mechanical repairs, keeping books, marketing, financial planning, taxes, etc.

- **Create regional training centers that use distance learning centers to reduce costs and reach more students.**

For example, California Distance Learning Health Network brings educational opportunities to healthcare workers around the state, country, and world. It began in 1995 as collaboration between four schools.

Sonoma County Innovation Council—www.innovationcouncil.org

The Sonoma County Innovation Council, in partnership with Moody's Economy.com, published a ten year Strategic Economic Plan for Sonoma County in January 2009. Economists from Moody's created various models to predict employment and gross county product (GCP) for Sonoma County based on multiple factors. The information below outlines some of the scenarios that the Innovation Council studied, and the quantifiable impact of making these changes.

The model projects that long-term growth, as measured by employment, will occur fastest in the Creative Professional Services cluster. Health and Wellness, Tourism and Wealth Management also will grow faster than average over the next ten years.

Other industries that have provided so much support for the economy in past years, such as Agriculture, Food and Wine as well as Tech-Producing Industries, will grow more through productivity gains and expansion into new or niche markets. Thus, their contribution to job growth may be small, yet they will still be critical industries that generate income and wealth and also support other clusters in the economy.

Sonoma County's Innovation Future				
Changes by 2020				
	Change	Jobs	Output (GCP)	Public Revenues
Hispanic Education Attainment (mid-level scenario)	<i>Narrow Gap</i> (58% to 29% with less than high school)			
	↑ 10% share with some college	+ 5,100	+ \$700 million	+ \$41.9 million
Hispanic Education Attainment (best case scenario)	↑ 10% share with college degree			
	<i>Close Gap</i> (58% to 4% with less than high school)	+ 6,500	+ \$800 million	+ \$53.8 million
Energy Costs	↓ 10%	+ 2,900	+ \$274 million	+ \$16.1 million
Waste Management/ Emissions Costs	↓ 10%	+ 1,500	+ \$108 million	+ \$6.3 million
Water Costs	↓ 10%	+ 3,800	+ \$327 million	+ \$19.3 million
Regulatory Efficiency	↓ 100 hours	+ 600	+ \$28 million	+ \$2 million
Total Innovation Dividend	With mid-level Hispanic education attainment scenario	+ 13,900	+ \$1,437 billion + \$2,613 per resident	+ \$85.6 million
	With best-case Hispanic education scenario	+ 15,300	+ \$1,537 billion + \$2,713 per resident	+ \$97.6 million

By the end of the forecast horizon, the Construction & Green, Health & Wellness, Retail, and Tourism industries will be roughly the same size, employing between 22,000 and 24,000 workers each. The Wholesale, Tech-Producing and Wealth Management industries will remain small but will all see positive employment growth throughout the ten-year forecast.

- **All agencies should focus attention and resources on at-risk youth.**

At-risk youth face steep obstacles, particularly those involved in gangs, who because of their appearance, tattoos, behavior, and history create an environment of fear in the low income rural communities. Many job seekers have visible tattoos, and employers typically do not want to hire such applicants.

- **Create a sense of opportunity for young people in rural areas.**

Rural areas, particularly Central Valley counties, suffer from brain drain, as young people move to the big cities for opportunities not available here. This problem has a direct impact on community colleges, small businesses and industry.

- **Vocational training beginning at the high school level is important for an adequate work-force, yet it appears lacking in school districts.**

Vocational training is of vital importance to supply our workforce with many of the skilled trades that do not require a college degree. However, budget cuts often cause these programs to be among the first to be eliminated.

- **Allow people to maintain some level of unemployment benefits while pursuing education/training opportunities.**

Presently many unemployed job seekers are having a difficult time finding employment in the same capacity as they held before becoming unemployed. Often the jobs offered are at a lower level of pay or at a lower job level. Regulations need to be adjusted to allow for job seekers to go back to school or to take a lesser pay job and still receive some level of unemployment benefits.

GREEN JOBS TRAINING: Green jobs are also seen as important part of the recovery and will replace traditional jobs in some areas. For example, as traditional logging jobs end there is an increasing need for job training in vegetation management techniques that will minimize fire risk, such as hazardous fuels removal and chipping. Green jobs are defined in Wikipedia as “jobs that help to protect ecosystems and biodiversity; reduce energy, materials, and water consumption through high efficiency strategies; de-carbonize the economy; and minimize or altogether avoid generation of all forms of waste and pollution.”

- **Focus on green jobs training but monitor the growth of green industry so people are not trained for jobs that are not available.**

Chico-based Northern Rural Training and Employment Consortium (NoRTEC) received a \$4 million grant for job training through ARRA funds. The local Pathways Out of Poverty grants are part of \$150 million awarded throughout the nation through the Department of Labor. Stewart Knox, NoRTEC assistant director, said “The jobs will be for anything and everything from solar installers to electricians, to building green, to solar hot water heater installers.” The program will be working closely with employer groups to determine how much demand there is for certain types of jobs, to better funnel job-seekers into training,” Knox explained.³³

³³ “Grant will pay for 'green job' training”, Oroville Mercury Register Friday, January 29, 2010

- **Provide job training for people displaced from other industries.**

Local/regional “retraining” programs should be widely available and easy to use. Chico's One-Stop Center, also known as the Butte Community Employment Center is a good model.

- **Emphasize green education in high school, community college & universities.**

Community colleges now offer training in a range of green collar jobs, such as green building design, solar panel installation, and sustainable landscape, among other professions thanks to the Clean Energy Workforce Training Program paid for in part by ARRA funds.

- **Support full funding of the Green Jobs Act.**

Some forum participants urged support for this program authorized in the 2007 Energy Independence and Security Act of 2007 (EISA) at \$125 million per year. It would provide the job training and workforce investment needed to build a skilled workforce to undertake energy efficiency upgrades and renewable energy installations. The program would provide jobs in the construction of green infrastructure, the installation of energy efficient technologies, and the development of a renewable energy industry.

8) Encourage Development of Regional Food Systems

California is one of the most productive agricultural regions in the world. The state produces approximately 400 different agricultural commodities, supplying about half of the fresh fruits, vegetables, and nuts consumed by Americans. California also provides food for the international market, accounting for 15% of the nation’s total agricultural export. In total, California’s agricultural sector produces \$35 billion in goods and services each year.³⁴

Despite this agricultural productivity, a large percentage of food actually consumed by Californians can often travel hundreds, even thousands of miles, before reaching a dinner plate. Concern over this situation has caused groups and local government to look at alternatives. Based on the findings of a 2008 San Francisco foodshed assessment, in June 2009, the Mayor of San Francisco issued an Executive Directive establishing a Food Policy Council, charging it with monitoring and advancing 16 key action steps grounded in environmental, nutritional and economic health.³⁵ The key actions include: mapping the city land available for food production; maximizing food stamp enrollment; increasing funding for school nutrition; providing economic support for local food production by implementing a local food procurement policy which would give preference to locally and sustainably produced food in city food purchases as well as in agreements with its lessees.³⁶

³⁴ 2007 Census of Agriculture, California State and County Data, Report AC-07-A-5, December 2009, http://www.agcensus.usda.gov/Publications/2007/Full_Report/Volume_1,_Chapter_1_State_Level/California/cav1.pdf

³⁵ Healthy & Sustainable Food San Francisco, Executive Directive 09-03, Mayor Gavin Newsom, July 2009 http://sfgov.org/site/uploadedfiles/sffood/policy_reports/MayorNewsomExecutiveDirectiveonHealthySustainableFood.pdf

³⁶ The Final Recommendations of the San Francisco Urban-Rural Roundtable, , May 26, 2009

Following that action, and as part of its celebration of 30 years for the city's first Farmers Market, the City of Los Angeles created a Food Policy Task Force consisting of food system and agriculture experts, to inform a report recommending actionable ways in which the City should engage in food issues, with a goal in mind of supporting the local regional food economy and access to good food in low income communities. The task force is supported by the Mayor and is a partnership of the City of Los Angeles, the Urban and Environmental Policy Institute (UEPI) at Occidental College, and the Los Angeles Conservation Corps (LACC). The task force will offer recommendations for a future Food Policy Council that could add value to ongoing efforts for the advancement of a coordinated food policy agenda, to be adopted by the City and County of Los Angeles.

These two examples highlight the growing interest in regional food systems. Virtually every forum raised this issue and offered a wide variety of issues that need to be dealt with as well as recommendations for various entities to pursue; among those were:

EXPLORE WAYS TO PROCESS AND DELIVER LOCALLY GROWN FOOD TO A VARIETY OF VENUES: Utilize community kitchens to produce value-added locally grown products. Enable local producers to market to residents through portable farmers market and membership coops. (Seasonally available products provided in weekly allotments through an annual membership.) Local and regional marketing must be facilitated through broadband access. Production and marketing could include specialty items, art, and small manufactured items. Many rural residents must now leave their community and even county to access produce and other commodities.

- **Provide technical assistance, grants and loans for capital investments to build distribution, storage and processing facilities.**
- **Facilitate growth of local and regional food networks in California.**

The purpose of local and regional food networks is to bypass traditional food distributions systems and to create a direct linkage between the consumer and the farmer. The benefits of such systems are food is eaten locally therefore it is healthier and fresher, local growers receive a higher price for products as the middlemen are eliminated or reduced in their role, consumers are educated on where their food comes from and support their local agriculture, and fresh foods are available where they might not have been such as schools and other institutions.

One of the forms of local marketing that is struggling in development is the local food cooperative or collaborative approach. There are currently many separate groups trying to create organizations that will support local farmers in providing food directly to consumers or schools, or other institutions. The ability for them to be economically viable without grants or non profit support is yet to be proven. This seems to be an area that is fuzzy legally and economically. Rather than having each group reinvent the wheel it would be helpful if they could define their needs, the areas that are not working and the areas that are working. Rural Development could facilitate research and help find solutions for setting up an organizational structure that accomplishes the goals of local and regional food distribution systems.

- **Provide technical support and grant funding for capital investments needed to build new Farmers Markets sites and for the marketing of and managing a farmers market.**

Farmers markets have the involvement of numerous community organizations, businesses, and individuals and can serve as a center of local community life and culture. Farmers markets serve as a community gathering place, tourist destination, and source for a wide range of direct-marketed fresh vegetables, fruits, flowers, prepared foods and crafts. Farmers markets foster the development of many small businesses and organizations. Value is created by bringing nutritious food to a community that is fresher than is otherwise available. Value is captured by allowing farmers to sell directly to consumers in their community, thereby eliminating processing and transportation costs. USDA assistance for initial capital to get started for organizing, managing, promotion and insurance would greatly increase the success of local farmers markets.

- **Provide funding to facilitate the use of Electronic Benefit Card at Farmers Markets to improve nutrition for low income Californians.**
- **Funding opportunities to create Community Supported Agriculture (CSA) businesses and to make small farms successful are needed for producers who desire to participate in the “grow and eat locally” movement.**
- **Expand proven state program as the model for a national initiative.**

Several groups attending different forums urged support for the National Fresh Food Financing Initiative as a viable and economically sustainable solution to the problem of limited access to healthy foods. This initiative is designed to achieve multiple goals: reducing health disparities and improving the health of families and children; creating jobs; and stimulating local economic development in low-income communities.

Like the Pennsylvania effort, a National Fresh Food Financing Initiative would attract investment in underserved communities by providing one time grant and loan financing. These one time resources will help fresh food retailers overcome the higher initial barriers to entry into underserved, low-income urban, suburban, and rural communities, and would also support renovation and expansion of existing store, including pre-development costs, energy efficiency upgrades, worker training, and land acquisition and construction.

A National Fresh Food Financing Initiative:

An Innovative Approach to Improve Health and Spark Economic Development

The Problem

30.5%	Children ages 10-17 who are overweight or obese ¹
23.6 million	Americans have diabetes ²
4 to 1	Ratio of fast food/ convenience stores to grocery stores/ produce markets ³
24%	Higher risk of diabetes if you live in an unhealthy food environment ⁴
3.3 million	Jobs lost since October 2008 ⁵

Pennsylvania Success Story⁶

68	New or improved grocery stores in underserved communities
400,000	Residents with increased access to healthy food
3,700	Jobs created or retained
\$540,000	Increase in local tax revenue from a single store in Philadelphia
\$165 million	Private investment leveraged from \$30 million in state seed money

Millions of Americans in low-income communities and communities of color walk out their front doors and see nothing but fast food and convenience stores selling high-fat, high-sugar processed foods. Residents of rural areas face a different but related challenge—a complete lack of any nearby food options at all. Americans in too many urban and rural communities must travel long distances just to access the fresh food they need to live healthy lives.

The results of this lack of healthy food options are grim—these communities have significantly higher rates of obesity, diabetes, and other related health issues. Childhood obesity is a major crisis in many of these communities. The problem goes beyond health: low-income communities are cut off from all the economic development benefits that accompany a local grocery store: the creation of steady jobs at decent wages and sparking of complementary retail stores and services nearby.

The Pennsylvania Fresh Food Financing Initiative — a public-private partnership created in 2004— provides a model solution. In four years, it helped develop 68 supermarkets and fresh food outlets in underserved rural and urban areas throughout the state, **creating or retaining 3,700 jobs in those communities.**

Making this happen, required just \$30 million in state seed money—funds made possible through the leadership of State Rep. Dwight Evans. The state funds have leveraged an additional \$165 million in private investment. The program continues to dramatically improve access to healthy food statewide, while also driving meaningful, long-term economic development. Through the identification of economic development resources, active public/private partnerships, rigorous research and policy advocacy, The Food Trust has successfully addressed the lack of supermarket access in , and . At present, we are also laying the groundwork for similar initiatives in and . With a grant from the Robert Wood Johnson Foundation, this campaign will expand into 8 more states across the country over the next several years.

For More Information: <http://www.thefoodtrust.org/php/programs/super.market.campaign.php>



- **Help school districts and other large public entities find ways to incorporate fresh and local food into their menus.**

San Francisco Unified School District (SFUSD) no longer has the infrastructure or ability to efficiently prepare food for school meals locally. The district currently purchases pre-made frozen food from a national vendor prepared using labor across the United States and food from diverse national and international sources. In spite of the challenges, in 2007-2008, with the financial support from the Mayor's Office and the Department of Children, Youth and their Families, SFUSD has added salad bars to all middle and high schools and some elementary schools. The salad bars feature fresh produce, much of which is procured from California. This partnership between SFUSD and the Mayor's Office has had a tremendous positive impact on the school meals program, and on the health of SFUSD students.

- **Expand regulations to allow more on-farm sales of agricultural products.**

California passed AB 2168 in 2008 which establishes a new category for farm stands that are allowed to sell processed agricultural products, such as jams, preserves, pickles, juices, cured olives and other "value-added" products made with ingredients produced on or near the farm, in addition to fresh produce and eggs produced on the farm. One advantage of selling value-added products is growers can create jams or juices from produce that might not otherwise be sold because of cosmetic blemishes, seasonal market saturation, or overproduction. Converting excess fruits or vegetables into a product that can be sold in the off-season is one more chance for income. Having products to sell year-round can also mean more regular customers. Although this is a great first step, many questions remain as to definition of product and enforcement. These should be clarified and made as uncomplicated as possible for small on-farm sales.

- **Support the next generation of farmers.**

Establish a public/private partnership to encourage and assist new farmers in getting started. The state's contribution could be in streamlining and offering the technical assistance necessary to meet the various licensing and permitting requirements.

EXPAND OPPORTUNITIES FOR SMALL-SCALE MEAT AND POULTRY HARVESTING, PROCESSING AND COLD STORAGE:

Livestock producers in California typically sell live animals through livestock auctions and brokers and receive low prices that put ranches at severe financial risk and erode the sustainability of family ranches. Some ranchers are trying to diversify their markets and increase their income by selling meat products to local and niche markets, but most of these ranchers have a common experience of multiple barriers that limit or prevent their access to such markets.

These ranchers often describe situations of high demand for their meat products, but very little to no capacity to have their livestock harvested and processed at USDA-inspected facilities. Of the few small USDA-inspected facilities that are currently used by some ranchers in California, most are operating at capacity or are on the verge of closing. If any one of these few facilities closes, it will leave a very large region of California without any

services. The fragility of the current processing infrastructure leaves ranchers and their markets extremely vulnerable to plant closings.

Ranchers and consumers are not the only beneficiaries from local systems of meat production, processing and consumption. Rural communities would realize economic benefits through increased spending by successful ranchers, job creation in local businesses that add value to the meat products, and the compounding business activity that would result from all the captured income that is typically realized outside of California.³⁷

- **More cooperation is needed in establishing new facilities.**

Providing outreach material and workshops that describe procedures and requirements and how to efficiently navigate USDA material will improve the success of small operations.

Consider an exemption, similar to that provided for poultry processing, for low numbers of livestock meat products destined to local markets. Encourage and assist educational institutions in providing vocational training for aspiring butchers and USDA inspectors.

- **Funding to create generic Hazard Analysis and Critical Control Point (HACCP) plans for small-scale and mobile facilities that can be used as templates and modified for individual facilities as necessary.**

One of the more difficult processes for small producers is to produce a viable HACCP plan. HACCP is a management system in which food safety is addressed through the

According to a Paso Robles rancher marketing locally raised grass-fed beef, each steer that is marketed locally as meat cuts results in \$2,130 more in gross earnings. Using value-added multipliers³⁸, the additional returns of \$2,130 to the rancher for each steer will result in an additional \$11,550 of value-added in other local industries and the regional economy. **One small-scale processing facility with an annual capacity of 2,000 steer carcasses employing 15 people could potentially create 29 additional jobs and \$23.1 million for a regional economy as a result of increased ranching and processing returns.**

Ranchers from 35 Northern California counties have indicated that they could market approximately 14,850 animals annually if slaughter/processing facilities were available. **This could add \$171.5 million and 327 jobs to the State's economy annually, while also offering more people the opportunity to consume locally raised meat products!**

³⁷ Opportunities, Barriers and Strategies to Increasing Local Meat Processing in California, by: Morgan Doran, Roger Ingram, Debra Garrison, Coco Collelmo and Elizabeth Poett, January 2010

³⁸ Hardesty, S., J.M. Harper, Y. Kusunose, M.P. Doran, S. Larson, T. Becchetti, R. Ingram, L. Gwin and E. Wright. 2009. Meat industry capacity and feasibility study of the North Coast Region of California.

analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

Many small producers complain that it is designed to deal with the very large processors and creates excessive burdens on small operators. Some sort of generic plan or template for small producers to use as a model that can then be customized for each operation would be of great value.

- **Provide grants for capital investments needed to build new facilities and cost-share funds for ranchers to install infrastructure necessary for Mobile Harvest Units (MHU).**

- **Explore opportunities to utilize existing facilities.**

Meat harvesting facilities reportedly exist at the federal prison in Lompoc, University of California at Davis, Swingle Meat Company in Jackson, Cal Poly San Luis Obispo, and other locations that are not currently in full use. There is great interest in pursuing agreements to utilize these facilities for local harvest to the degree possible.

- **The USDA and state institutions should encourage and assist educational institutions in providing vocational training for aspiring butchers and USDA inspectors.**

- **California state agencies should seek methods and regulations that would allow for offal to be composted.**

Recent research has shown that composting, when properly done, completely eliminates harmful micro-organisms, protects water quality and produces a very rich source of soil amendment.³⁸

- **The State and Federal inspection agencies should establish a common set of regulations for facilities processing under both inspection services.**

- **Counties should adopt one set of common regulations for all counties, perhaps with state-wide standards set by USDA-NRCS and reviewed by the State Water Resources Control Board.**

- **Approach county planning to review agriculture elements in their general plans to allow for appropriate areas for small scale animal processing.**

³⁸ "Where's the Local Beef? Rebuilding Small-Scale Meat Processing Infrastructure", Food & Water Watch, June 2009, <http://www.foodandwaterwatch.org/food/pubs/reports/wheres-the-local-beef>

9) Support Value-Added Business Growth

One of the most compelling changes facing rural communities is the shift away from a mono-economy dominated by agriculture. Increased productivity has led to a reduction in farm employment, and rural communities across the nation now depend on a wide range of economic engines for growth. Each of these engines requires new and/or updated skill sets, alternative financing options, and other community development elements to make them sustainable. Industries in rural communities need more easily accessible resources to help their business grow i.e. wineries having a bottling plant, dairies having methane digesters and ranchers having access to harvest facilities as well as cold storage. The “buy local” movement will help reduce unemployment as it brings good paying; highly skilled jobs into the local community and will create community pride as every aspect of the end product was created in the same town. Communities need to grow, manufacture and sell products in their local area. Local products are being shipped all over the world for processing when all the work can be done in the local community. Facilities and equipment are large investments for entrepreneurs and with the help of grants or cost share programs small operations can be successful.

Businesses need to develop and expand relationships with other businesses to create a partnership or co-operative. California's dominance in many economic areas is based, in part, on the significant role small businesses play in the state's \$1.8 trillion economy. Businesses with less than 100 employees comprise more than 98.3% of all businesses, and are responsible for employing more than 57.9% of all workers in the state.³⁹

Value-added businesses can encompass many products and processes. Much of the previous section related to value-added opportunities related to food; however, other opportunities include forest products, tourism and small scale manufacturing. A few of the issues raised by forum participants included:

EXPLORE BETTER UTILIZATION OF FOREST RESOURCES: In order to restore the health of forestlands, especially the federally owned and managed forests that dominate much of our forested landscape and to foster economic renewal in rural, forest-dependent communities, the issue of utilization must be addressed. Technologies in processing everything from saw logs to small-diameter material, biomass and forest specialty products now can meet standards for high quality and efficient production. Viable business opportunities must be encouraged through USDA assistance for each stage of the forest health treatments that are identified in community wildfire protection plans mandated by the Healthy Forest Restoration Act to lessen the threat of catastrophic fire. The model of rural forest-dependent communities simply being a source of raw materials does not lead to sustainable natural resource-based local economies, nor is it consistent with the need to reduce the carbon footprint of the producer-to-consumer conduit.

³⁹ "Economic Opportunities in California's Rural Communities: Defining the New Rural Economic Strategy", Report Prepared for the Assembly Committee on Jobs, Economic Development, and the Economy, October 2008

- **USDA programs must be designed to facilitate the development and retention of business and job opportunities that support local processing of forest materials using local labor forces.**

Only in this way will the rural communities benefit in the long run from the federal government's investment in those communities. Over half of forest landowners in California own less than 10 acres, with a trend toward increasing fractionation of large forest parcels. USDA should expand efforts to provide assistance to small forest landowners, including the potential use of cooperatives in marketing and managing forest products.

Relevant programs, such as the Northwest Cooperative Development Center's Small Forest Landowner Workshops, and training provided to the Oregon Woodland Co-op would be of great benefit, if made available to California forest landowners. Adding value to small diameter, biomass and forest specialty products will help to restore the health of forestlands and foster economic renewal in rural, forest-dependent communities.

- **Work with the U.S. Forest Service (USFS), Bureau of Land Management (BLM) and other government agencies to ensure access to public lands for appropriate usage.**

Access to public lands is critical to the development and production of viable and sustainable bio-fuel / alternative energy projects. All counties with a significant amount of land in National Forest encouraged USDA to seek better collaboration between NFS and BLM and local communities to seek public-private partnerships to better leverage this.

- **Provide support for the federal contracting process to make it easier for the small local operators to compete and win contracts.**

The process is onerous for small operations however with the help of support staff, operators will be able to successfully bid on local contracts. Provide grants for capital investment needed to purchase equipment and manufacturing facilities.

- **Support advanced conversion of biomass to liquid (bio oil), char (charcoal) and/or gas (synthesis gas) through new technologies such as a mobile pyrolysis machine.**

Regional efforts are being formed to pursue use of biomass to produce alternative energy. Advantages of such initiatives include the potential to reduce fire risk, improve water development and enhance overall ecosystem health. While several initiatives are currently under development, one project was highlighted at several forums and involves a wide range of interest groups and USDA partners. The information they shared included:

What is this worth?

County	Total Forest, Orchard, Field Biomass Resources	Dynamotive Plants	Jobs	Annual Product Value Millions	Market Value of Products Sold Millions
	(20% of Technical Resource)	200 BDT/Day	(27 per plant)	\$20 million/plant*	(2007 ag census)
		26.0	703	\$521	
Humboldt	281,286	4.3	115	\$85	\$149
Mendocino	279,017	4.2	114	\$85	\$122
Siskiyou	231,455	3.5	95	\$70	\$136
Trinity	183,555	2.8	75	\$56	\$3
Shasta	153,831	2.3	63	\$47	\$44
Plumas	96,743	1.5	40	\$29	\$7
Lassen	83,437	1.3	34	\$25	\$55
Butte	82,314	1.2	34	\$25	\$343
Sonoma	75,096	1.1	31	\$23	\$647
El Dorado	73,904	1.1	30	\$22	\$20
Tehama	60,864	0.9	25	\$18	\$143
Colusa	58,850	0.9	24	\$18	\$386
Glenn	57,529	0.9	24	\$17	\$405

*\$20 million per plant

11.2 million gal oil @ \$1.40 = \$15.7 million

14,000 tons charcoal @ \$300/Ton = \$4.2 million

*2002 data

Partners in this Project include:

- Resource Conservation and Development Councils: Central Sac Valley, Central Coast, Northwest CA, North Cal-Neva and Ore-Cal
- Resource Conservation Districts: Butte and Tehama Counties
- Forest Service: Mendocino and Plumas NFs, and Regional Office
- BioChar, Inc
- Regional Air Quality Boards
- EnerGeon, Inc/ U.C.Santa Cruz
- California State University, Humboldt
- Rocky Mountain Research Station
- Center for Forestry, U.C. Berkeley
- Ag Services of Northern CA
- Mukang Labs, Washington State
- Sunflower CRMP
- Highway 70 Industrial Park
- Quincy Library Group



RECREATION AND TOURISM ARE VITAL TO MOST RURAL COMMUNITIES: This is true for virtually all rural communities but especially important to counties with high percentages of public land. Actions by public agencies to reduce or limit access to recreation on public lands have a direct impact on the local economy. Limiting access by closing roads, campgrounds, RV parking, and trails impact the surrounding communities. Visitors to public lands utilize nearby communities for food, lodging and support facilities. Interests include hiking, photography, horseback riding, biking, climbing, backpacking, birding, hunting, sport fishing, and many more. Public land agencies' communication with community businesses is essential to job creation and stable rural communities.

As one attendee in Inyo County noted, "Tourism is our bread and butter." Many of Inyo County's existing small businesses serve visitors directly, and everyone relies on tourism generated revenues indirectly. Recent research by Dean Runyan Associates indicates that direct travel spending in Inyo County is approximately \$190 Million annually; this correlates to \$47 Million dollars in earnings and 2,500 jobs *directly* related to tourism.⁴⁰ TOT (hotel bed tax) generates about \$3.7 Million annually in Inyo County; about half within the city limits of Bishop and half in the unincorporated areas of the county. Many rural counties have similar circumstances and needs:

- **Provide technical assistance and funding to market county tourism.**

The major obstacle in the way of increasing tourism revenues is the lack of funding for adequate promotion of regional tourism.

- **Provide federal grant programs to help with enhancement of fisheries for sport fishing.**

Each year fewer fish are stocked in public waters. A happy fisherman will return year after year, but those that keep getting "skunked" will find other places to go.

- **Provide technical and financial support for small business entrepreneurs.**

Many vacant commercial properties exist within retail districts in rural towns that could be filled with small businesses that would provide jobs and increase sales tax revenues.

- **Provide technical and financial assistance of infrastructure improvements.**

Economic stimulus focused on tourism and marketing will allow communities to build agriculture, nature, and historic based tourism and support job growth and economic stability.

- **Improve access to public lands for recreation purposes.**

Recreation and tourism economies are the mainstay for rural counties with high percentages of public land. Actions by public agencies to reduce or limit access to for recreation have a direct impact on local pocket books. Limiting access by closing roads, campgrounds, RV parking, and trails for all or one special interests group will

⁴⁰ "Rural Tourism Strategic Plan", California Travel and Tourism Commission, Dean Runyan Associates, 2007, http://www.visitcalifornia.com/media/uploads/files/00698CTTCRuralStrategicPlan_3.pdf

impact surrounding communities. Visitors to public lands utilize nearby communities for food, lodging and support facilities. Interests include hiking, photography, horseback riding, biking, climbing, backpacking, birding, hunting, fishing, and many more. Public land communication with community business is essential to job creation and stable rural communities. This communication in the past has not existed for all rural communities.

- **Ensure Title III programs adequately fund local infrastructure.**

Counties with high percentages of public land are not receiving public agency support for basic county infrastructure. Public land ownership precludes assessment of county taxes and limits tax revenues. Property tax revenues support basic community infrastructure needs of transportation, power, water, communication, and waste facilities. Existing Title III programs are not functioning with inadequate and narrow funding and unscheduled delays in program implementation.

- **Streamlining permits for local special events and recreational use will increase local economies and jobs (emphasize historic attractions).**

- **Provide technical assistance and grant funding for the development of agri-tourism.**

Small diversified farms are ideally suited to agri-tourism. Liability issues for farms that host the public are generally the biggest hurdle to success. Capital needs will vary by operation but continue to hamper agri-tourism enterprises. Information on land management rather than just farming practices is needed and is vital to the success of the operation.

Agri-tourism can include farm stands or shops, U-pick, farm stays, tours, on-farm classes, fairs, festivals, pumpkin patches, Christmas tree farms, winery weddings, orchard dinners, youth camps, barn dances, hunting or fishing, guest ranches, and more. Rural tourism must include small businesses, agricultural events, and regional promotion. Federal, state, and corporate grants fund many projects that could provide advertising and promotion of the agri-tourism enterprises within the project boundaries.

PAY MORE ATTENTION TO SMALL BUSINESS AND MICROENTERPRISE: Given small businesses' important role in the California economy, it is unfortunate that their needs are often overlooked when developing statewide policies and programs. This has most recently been a challenge during the state policy debates on health care, tax policy, and workforce development.

Despite this, small businesses function as economic engines, especially in challenging economic times. During the nation's economic downturn from 1999 to 2003, microenterprises (businesses with less than five employees) created 318,183 new jobs or 77% of all employment growth, while larger businesses with more than 50 employees lost

over 444,000 jobs.⁴¹ From 2000 to 2001, microenterprises created 62,731 jobs in the state, accounting for nearly 64% of all new employment growth. Common types of microenterprises include engineering, computer system design, housekeeping, construction, landscaping, and personnel services.

- **Conduct a retail feasibility analysis for potential small business development.**

Another immediate way that our local economy could be improved would be to fill the many vacant commercial properties that exist within our towns. The Main Street retail districts of many small rural communities are suffering vacancies that should be filled with businesses. Many communities suffer from significant “leakage” of sales when locals leave the area to shop and when potential visitors fail to stop in our towns because so many of the shops are boarded up. A detailed retail analysis study is needed to determine what types of businesses should be recruited to fill the empty spaces. However, it is difficult to find funding for such a project.

GIVE CONSIDERATION TO COOPERATIVES AS A WAY TO PROVIDE VITAL SUPPORT SERVICES TO BUSINESS AND COMMUNITY NEEDS:

USDA has extensive resource material online to assist in the organization of cooperatives. However, it is often difficult for small agricultural enterprises to digest and utilize this resource material. Continue efforts to expand and provide in-person cooperative development support, such as grant funding to Economic Development Councils, RC&Ds and Microenterprise programs familiar with local needs.

- **Provide grant funding for technical assistance, outreach and development of cooperatives.**

For many groups, the cooperative business model is intimidating, unnecessary or administrative overload. Increased information and outreach on less complicated methods of business aggregation, such as Mutual Benefit Nonprofits (501)(c)(5) should be provided. This structure could benefit small landowners and provide a stepping stone to forming a cooperative.

- **Fund expanded programs at the California Center for Cooperative Development, particularly those that target geographic and/or sector specific needs.**

10) Enhance Ability to Produce and Utilize Alternative Energy Sources

Enhancing innovation opportunities within rural communities can be a very powerful, competitive advantage to these historically lower-income economies. One excellent opportunity for rural innovation lies in the area of renewable energy because, for the most part, large-scale renewable energy production must occur in California's rural communities.

⁴¹ "Economic Opportunities in California's Rural Communities: Defining the New Rural Economic Strategy", Report Prepared for the Assembly Committee on Jobs, Economic Development, and the Economy, October 2008

While the scale of this economic opportunity for rural communities is enormous, there are challenges.

California with its abundant natural resources has had a long history of support for renewable energy. In 2007, 11.8 percent of all electricity came from renewable resources such as wind, solar, geothermal, biomass and small hydroelectric facilities. Large hydro plants generated another 11.7 percent of our electricity.⁴² In 2002, California established its Renewable Portfolio Standard Program, with the goal of increasing the percentage of renewable energy in the state's electricity mix to 20% by 2017. In 2006 under Senate Bill 107, California's Renewables Portfolio Standard (RPS) was created and codified a 20 percent goal. It is one of the most ambitious renewable energy standards in the country. The RPS program requires electric utilities and providers to increase procurement from eligible renewable energy resources by at least 1% of their retail sales annually. On November 17, 2008, Governor Arnold Schwarzenegger signed Executive Order S-14-08 requiring that California utilities reach the 33% renewables goal by 2020.

California is the single largest state in term of agricultural production, natural resources and diversity of microclimates, leading to an enormous potential for the production and utilization of Alternative Energy Sources. However, a lack of research, technical support, business infrastructure, and capital restricts effective development of this potential. Environmental requirements and local planning restrictions make it difficult to increase alternative energy sources. Among these potential energy sources are advanced bio-fuels, methane digesters, bio-mass conversion, solar (large farms as well as Individual panels), wind, and smaller hydropower projects. Each of these has its own set of specific issues that must be addressed to ensure successful development of these technologies. The job forum discussions recognize these barriers to development of alternative energy sources and facilities:

- Difficulty connecting to the grid
 - Need streamlined permitting, regulations
 - Technical and grant writing support needed – in a non-technical way
 - Need to modify/simplify regulations
 - Too many environmental issues in California
 - Lack of access to funding from private and government sources
- **Create collaborative technical assistance networks throughout rural California whose main focus is on alternative energy.**

Members of the networks would provide technical and grant writing support to local communities and businesses to allow them to develop business plans, prepare loan applications, and to prepare grant applications. This would assist in local business and economic development. Identify a leader among the local, state and federal agencies, economic development individuals and private partners who have

⁴² "Economic Opportunities in California's Rural Communities: Defining the New Rural Economic Strategy", Report Prepared for the Assembly Committee on Jobs, Economic Development, and the Economy, October 2008

a vested interest in development of Alternative Energy Sources and create an advisory team which will assist in setting up pilots. Utilize local Economic Development Corporations, packagers, Smart Resource Centers and grant writers to collaborate on technical assistance outreach for the area's business owners and entrepreneurs. Use email, web conferences and other technical networking sources as an effective means in communicating among the group.

- **A “one stop” website with a list of partners willing to finance alternative energy projects should be developed.**

To compile this list, contacts will be made with local community banks, larger banks, city and county economic development groups, private investment groups, and others that are interested in providing funding. IRP's clients, revolving loan fund providers, grant and incentive links such as from Federal, State or energy providers, and vendor resources should also be identified and included on the website. Identify sources of monies to assist with the funding of alternative energy projects should be compiled for inclusion. This website would be shared with the advisory team mentioned above.

- **Identify businesses with expertise to complete feasibility studies that help fledgling companies identify and solve problems creating alternative energy technologies as well as financial feasibilities.**

Identify specific technical feasibility characteristics, requirements and cost comparisons (traditional vs. alternative) for each diverse type of energy. Research and compile a list of qualified and vested consultants who have the experience and competence to compile technical and financial feasibility studies related to each type of energy source. Typically energy consultants are engineering firms and accountants, or both. This list of partners would be identified, compiled, and made available to the Banks, EDC's, SBDC's, etc. so they can provide a full array of services to businesses seeking packaging assistance for alternative energy funding.

- **Fully fund the Energy Efficiency and Conservation Block Grant Program.**

These block grants authorize \$2 billion annually over five years to fund energy audits and other energy efficiency improvements, and will drive resources directly to states, cities, and counties to do the work of home energy audits and weatherization. This block grant program has been authorized, but is awaiting the allocation of funds.

- **Strongly encourage utilities to fully participate in programs that reimburse consumer producers of alternative energy.**

During this year utilities are required to set rates to reimburse customers who qualify for buybacks. Once the rate is set, residents can start earning redeemable credits for excess electricity they produce. There is strong desire in many sectors to encourage people to invest as much as they can in rooftop solar, but current programs have placed many stipulations on how homeowners may participate in such programs. Environmentalists worry that such obstacles will result in more

large-scale solar and wind energy development on previously undisturbed public land, as well as more power lines crossing public and private land to carry that energy to cities far away. They prefer technology that is already available and a strong push for extensive rooftop solar implementation to avoid development in wild lands.

11) Expand Programs to Stimulate Green Jobs and Projects

Forum attendees placed a high emphasis on Green jobs and the opportunities available to take full advantage of this emerging industry. Renewable energy sources are only one part of the equation. Indeed, improving energy efficiency represents the most immediate and often the most cost-effective way to reduce oil dependence, improve energy security, and reduce the health and environmental impact of the energy system. By reducing the total energy requirements of the economy, improved energy efficiency could make increased reliance on renewable energy sources more practical and affordable. To achieve these improvements in energy efficiency will create a great many new jobs in research, procurement, installation, and construction. Step one in creating Green jobs is the creation of Green projects to support them. California has taken great strides forward, but more emphasis at the local level will increase individual impact and jobs. Federal government involvement is crucial in formulating an immediate and long range green economy base.

- **Encourage and Expand Existing State Green Programs:**

California is at the forefront of the Green industry. It is important to understand different regional opportunities and challenges and to foster programs to fit the local environment. Recognition (through additional funding) for innovative and successful existing programs is essential. There are several worthwhile programs currently creating and sustaining jobs that deserve additional and ongoing funding, for example the CaliforniaFIRST program and the “Go Solar California” Campaign which builds on ten years of State solar rebates, tax credits and incentives offered to customers in California’s investor-owned utility territories for solar energy systems in both residential and non-residential projects.

CaliforniaFIRST

The CaliforniaFIRST Program enables property owners to finance the installation of solar, energy efficiency and water efficiency improvements to residential, commercial, industrial, agricultural, or other real property and repay the bond financed loans via their property taxes over a 10-20 year period of time using competitive interest rates offered by the public bond markets. If the property owner sells the property, the obligation remains with the property and payments would become the responsibility of the next property owner.

Fourteen counties and their cities, are participating in a pilot program to encourage installation of these green improvements. Administering this program is California Communities, a joint powers authority sponsored by the California State Association of Counties and the League of California Cities.

California Communities intends to extend CaliforniaFIRST to include all interested counties and cities following a successful pilot. The steps for the next round of counties and cities are estimated to begin in the late spring or early summer of 2010.

- **Help communities build for the future.**

In 2006-2007, the California Regional Blueprint Planning Program created regional plans for sustainable growth through Metropolitan Planning Organizations (MPOs) throughout the state. Funneling funding to the local level is crucial to assist with implementation of these existing plans and to develop other programs at the regional level.

- **Promote sustainable communities.**

With the high-speed rail station funding recently appropriated through ARRA comes an opportunity to enhance and expand communities along the route in a sustainable way, promoting city-centered growth. Incentivize communities to act as pilots or catalysts to incorporate and test innovative strategies.

- **Make “Green” a requirement at all new construction.**

California recently adopted the first-in-the-nation mandatory Green Buildings Standards Codes, laying the foundation for the move to greener buildings constructed with environmentally advanced building practices that decrease waste, reduce energy use and conserve resources. Although not mandatory until January 2011, this requirement will spur long-range research and development into new systems and materials with new service and manufacturing jobs to follow – a new green workforce. Expanding this requirement nationally, either through a rating system such as LEED or a prescriptive set of standards as adopted in California would open a wide arena of job opportunities.

- **Encourage small green industries and entrepreneurs.**

Alternative energy, particularly solar and wind, is a good fit for rural areas. Many agricultural facilities have ample available open space, both on existing roof structures and alongside fields that is available for the harvesting of renewable energy. Some recommendations to expand the use of renewable energy include:

- Provide front-end grants for renewable energy soft costs including integrated design, engineering and permits.
- Expand feed-in tariffs for the purchase of renewable energy generated.
- Provide stimulus for banks to provide funding for renewable energy and weatherization programs.
- Encourage 3rd party providers and Power Purchase Agreement arrangements.
- Provide grant funding for research and development to companies coming up with innovative ways to create alternative energy and reduce/re-use/recycle.
- Streamline regulatory compliance, permitting and administration!

- **Promote greening of affordable housing.**

“Every dollar of Capital Fund expenditures produces \$2.12 in economic return. In fiscal year 2009, HUD received applications totaling \$3.7 billion for Capital Fund

projects, but was only able to fund \$1 billion in awards. This funding will spur construction quickly, as HUD has ready-to-go applications for projects on hand.”⁴³ While not specific to HUD financed projects, preservation, energy audits and weatherization and the introduction of energy generation into the existing affordable housing stock will create jobs while reducing reliance on fossil fuels.

- **Develop carbon offset programs at the local level.**

While the Carbon Offset concept may be controversial, creating local programs can keep the benefits within the community, encouraging involvement and creating jobs. Since current weatherization programs require a substantial individual investment, one approach may be to create a fund that subsidizes building weatherization at the local level. Local residents, businesses and organizations could donate directly or offset their own energy use by supporting local energy efficiency and renewable energy projects.

- **Create low or no interest loans to homeowners for weatherization.**

Current weatherization assistance programs funded through ARRA are targeted to low income families. Federal tax credits available to homeowners for energy efficiency provide a limited incentive (30% tax credit up to a maximum of \$1,500). In the current economy it is difficult for most families, even those not classified as low income, to find funds for home weatherization. Increasing the efficiency of old homes reduces fossil-fuel consumption and creates jobs. Providing low interest loans and/or a less-limited tax credit would stimulate this sector.

- **Create regional green resource centers.**

Create education centers with Green consultants to foster the green industry at the local level. Encourage collaboration between agencies and local entities to define and implement inter-agency opportunities and funding sources. Expand the Federal Regional Partners’ Sustainable Communities Initiative to include more entities and to work at the local level. This includes additional support for efforts such as the San Joaquin Valley Clean Energy Organization (SJVCEO) which now serves as a facilitator of a variety of clean energy activities in San Joaquin Valley.

12. Stabilize and Expand the Supply of Affordable Housing

Many of California’s rural housing markets are in very serious trouble. Existing homes and lots are sitting vacant; approved subdivisions that could provide housing are undeveloped due to the appraised values associated with land at the present time. At the same time there is a demand for housing. But conventional credit markets are unwilling to invest in any rural real estate and construction continues to be at a virtual standstill. In addition, the uncertainty in the housing market is having a very adverse impact on the rural economy. As long as people are uncertain about the value of their home or their ability to stay in that

⁴³ “Executive Summary: Jobs for Main Street Act of 2010”, Committee On Appropriations, David R. Obrey, Chairman

home, they will be very conservative in their spending habits on other goods and services. Thus the housing instability is a drag on overall rural economic activity and job growth.

The construction of a new dwelling creates a tremendous number of jobs. Construction labor is the greatest expense in the construction of a dwelling. Every dollar in construction wages generates an additional \$1.43 in wages for workers in other sectors of the local economy. Studies by the Sacramento Regional Research Institute show that new home construction creates a multiplier effect of approximately 2.58 to 1.⁴⁴ A National Association of Home Builders study showed that for every 100 houses built, there are 165 construction jobs and 311 total jobs created, many of which are permanent jobs.

In 2009 California Rural Development staff produced over 3,300 loans totaling \$500 million of guaranteed funds of which 85% were financing of existing units and 15% were new construction. In the direct program, over 500 loans were made totaling \$80 million in funding consisting of 90% of new construction and 10% of existing dwellings. Therefore, the over one half billion dollars of loans in California provides an untold number of jobs to realtors, real estate brokers, mortgage brokers, loans originators, loans underwriters, appraisers and inspectors. The sale of dwellings provide jobs to termite inspectors, contactors, consultants, and repair/replacement products such as but not limited to roofing, heating and air conditioning units, appliances, hot water heaters, carpet, insulated windows, insulation, mold and lead base paint abatement, electrical, plumbing, etc.

Affordable single-family home projects of ten to 100 homes are being financed and packaged through the financial resources of Rural Development's Mutual Self Help Program. California is fortunate to have 12 hard-working, non-profit affordable housing developers in California who use these resources to work with clients to qualify and train them to build their own homes with some professional back-up. These groups are dedicated to putting low and very low income families into their own homes through teamwork, perseverance and sweat equity.

Sadly, these builders are not finding the cost factors getting any easier to put these packages together. As noted earlier, land costs, insurance, building material and labor costs, taxes, fees, permits and local environmental and mitigation contingencies all add to the developers' costs. What started out as targeted for affordability may now be just beyond reach given the limiting program eligibility factors. Several recommendations were offered at various forums:

- **Quickly move financing for projects currently “shovel-ready”.** Estimates of jobs from some of the state's self-help housing projects are shown on the next page. Self-help advocates estimate that when other such projects and the indirect multiplier effects are factored in, this could action could create as many as 10,000 jobs immediately.

⁴⁴ http://www.contracostacouncil.com/upload/studydocs/STUDYDOCUMENT_33.pdf

Project	Development Cost	Current Appraised Value	Total Shortfall	Projected Shortfall Per Home	Homes	Direct Jobs Created
South County Housing						
Harvest Park	19,029,388	15,640,000	3,389,388	73,682	46	
Madrone	26,800,000	23,598,000	3,202,000	58,218	55	
Cannery	10,965,000	9,600,000	1,365,000	42,656	32	
Alexander	8,500,000	6,720,000	1,780,000	74,167	24	
Hillview	7,200,000	5,750,000	1,450,000	58,000	25	
Total	72,494,388	61,308,000	11,186,388		182	517
Coachella Valley Housing						
Huerta de Mecca II	628,000	440,000	188,000	47,000	4	
Valencia, Mecca	1,256,000	880,000	376,000	47,000	8	
North Shore	2,354,500	1,530,000	824,500	48,500	17	
Los Jardines, Coachella	30,852,500	26,650,000	4,202,500	20,500	205	
Sunset Springs, DHS	5,011,200	3,712,000	1,299,200	40,600	32	
Salton Sea	4,587,000	2,475,000	2,112,000	64,000	33	
Total	44,689,200	35,687,000	9,002,200		299	849
Community Housing Improvement Program						
North Biggs Estates(USDA)	13,720,000	10,640,000	3,080,000	55,000	56	
Palm Crest-Thermalito(USDA)	6,235,000	5,510,000	725,000	25,000	29	
Villa La Michel-Orland (USDA)	10,000,000	9,250,000	750,000	25,000	30	
Canal View (non-USDA)	7,200,000	5,700,000	1,500,000	50,000	30	
Total	37,155,000	31,100,000	6,055,000		145	412
Self-Help Enterprises						
Dos Palos (USDA)	6,765,000	5,125,000	1,640,000	40,000	41	
Gustine (USDA)	4,851,000	4,191,000	660,000	20,000	33	
Bakersfield (non-USDA)	6,560,000	5,535,000	1,025,000	25,000	41	
Turlock (non-USDA)	3,806,000	2,970,000	836,000	38,000	22	
Lamont (USDA)	2,920,000	2,520,000	400,000	20,000	20	
Tulare (non-USDA)	3,014,000	2,838,000	176,000	8,000	22	
Parksdale (USDA)	6,174,000	5,684,000	490,000	10,000	49	
Total	34,090,000	28,863,000	5,227,000		228	648
Mercy Housing						
Linda	13,280,400	8,370,000	4,910,400	79200	62	
Acacia Meadows	4,426,400	3,036,000	1,390,400	63200	22	
Total	17,706,800	11,406,000	6,300,800		84	239
Burbank Housing						
Manzanita	9,200,000	8,448,000	752,000	34182	22	
Catalina	21,270,000	16,500,000	4,770,000	79500	60	
Total	30,470,000	24,948,000	5,522,000		82	233
TOTAL	236,605,388	193,312,000	43,293,388		1,020	2,897

- **Maintain a strong supply of § 502 Guaranteed Loan authority to continue helping to stabilize the rural housing markets.**

Rural Development has been able to originate over \$600 million in § 502 Guaranteed Loan authority during the past two fiscal years. This level of effort is beginning to have a stabilizing effect in the market place, but the demand is growing. Without a supplemental appropriation we will have less than ½ of these funds next year. The financing of these loans creates jobs in the real estate market, at financial institutions and title companies. Most importantly stabilizing the real estate market will help to stabilize the retail and service sectors and allow them to rehire employees that have been let go in the downturn.

- **Use the § 502 Guaranteed Loan program as a vehicle for helping existing lenders modify their mortgages.**

HUD and the other officials overseeing the Making Home Affordable Program should look at ways that they could extend § 502 Guaranteed Loan authority to existing mortgages and newly modified mortgages as a way of reducing interest rates and risk in the new mortgages.

- **Maintain a supply of § 502 Direct Lending to enhance the affordability of existing and new housing.**

The direct program provides loans to low and very-low income households. It plays a very important role in affordable housing production in California. Given the shortage of investment available for rental housing in rural areas, affordable homeownership is the best housing opportunity for low income families, which given the hard economic times in rural California, is a growing demand.

- **Ensure that some portion of Neighborhood Stabilization Program (NSP) funding is targeted to hard hit rural communities.**

The State of California received an allocation of NSP1 funding, but they told the 28 most rural counties in the state that they weren't even eligible to apply. In addition, no rural areas received funding under NSP2. There is a huge foreclosure problem in many rural areas, especially suburban and commuter areas of rural California—which is a huge segment of the state.

The need for NSP type subsidies to help stabilize these real estate markets may not be large in comparison to major metropolitan areas, but it is devastating in the local markets none the less.

- **Expand subsidies and financing for subdivision acquisition and development.**

There are some great deals in land available on the market. There are numerous examples all across the state where developers are selling finished vacant lots for ten cents on the dollar of their value at the peak of the market. If there was financing to acquire this land, the homes that could be built would be competitive in the market place, and they would help to stabilize the values of the already existing homes in the developments. But there is no lending available.

- **Assist self-help housing groups move projects into production quickly.**

California's Self-Help Housing groups are meeting with state officials to pursue solutions to low appraisals that have brought production of this vitally needed housing stock to a virtual standstill.

CalHome Proposal

In order to jumpstart housing construction, facilitate job creation, and increase housing opportunities for working families, we are proposing to make \$20 million of the current \$150 million of remaining CalHome funds available for the development of affordable self-help housing in communities where land values have declined significantly.

In the decade prior to the recession – a period of high appreciation -- Self-Help builders and other non-profits acquired land in order to provide future opportunity for low and very low income self-help families. This effort was intended to keep land costs down, a key factor in providing affordable housing. This investment went well beyond any guaranteed grant, loan, or program funds, and reflects a deep commitment to the future of mutual self-help housing.

Now due to the recession, in many communities in many states, land values are falling. Land that was acquired at market value 24 months ago is now appraised for far less. This decline has sharply reduced home construction and denied families access to affordable housing. Many of self help housing organizations are now producing at less than 50 % of capacity.

While for-profit builders have received assistance through the tax code that allows write-offs of losses such as those caused by the declining value of land, self help housing organizations do not have access to such assistance. As non-profit, tax exempt corporations, self help housing organizations do not have at their disposal the remedies available to for-profit builders and must either absorb losses caused by the impact of the recession on land values or hold on to lots until higher values return.

For this reason, we are requesting that \$20 million in CalHome Proposition 1C funds be made available as grants to write down the cost of lots for self-help builders. Grants are the cornerstone of many of HCD's most successful programs, and the majority of Proposition 1C money represented by the TOD and IIG programs followed this exact grant model. Such grants will allow us to get more homes into production immediately and create jobs for our state.

- ✓ Over 1,000 new homes for first-time homebuyers near jobs
- ✓ More than 2,900 jobs on site and off site
- ✓ Stabilization of distressed neighborhoods and communities
- ✓ New property taxes for cash-strapped cities and counties

- **Develop a guaranteed loan product for subdivision development and acquisition.**

Given that you cannot even borrow money to develop land in rural California, there is an obvious need for a guaranteed loan product similar to the Community Facilities Guaranteed Loan that would help to mitigate the risk for conventional lenders. Originators of Community Facilities Guaranteed Loans could agree to make the full loan to borrowers, and then sell the guaranteed portion to the conventional market. The demand for such a product would be in the 1,000's of lots across the state, and would result in similar numbers of construction jobs.

- **Provide Self-Help Homeownership Opportunity Program (SHOP) funding to rural self-help groups so that they can continue to develop new affordable housing.**

A number of nonprofit corporations in California are sitting on developed lots that they cannot afford to sell, because the debt on the property exceeds the value of the lots. A subsidy of less than \$40 million would free up over 1,000 lots for house construction, creating over 2,000 construction jobs in the rural economy. A supplemental appropriation of SHOP funds to HUD is being promoted by these nonprofits, and would correct the problem.

- **Work with local government to expedite the approval process for existing tentative and preliminary maps to enhance the certainty of development.**

Many subdivisions received preliminary approvals during the boom years. Many of those approvals are about to expire, and in a number of cases the conditions that would be placed on the developments if they proceeded could change. Rural Development should work with the legislature to provide an emergency extension of the time for zoning approvals that would allow these developments to proceed with existing conditions in the next five years.

13) Improve Access and Quality of Health Care in Rural Communities

Access to quality health care services in rural areas of California continues to be a challenge; particularly as the state experiences high levels of unemployment and individuals/families lose health care coverage supplied by an employer. And largely as a result of higher rates of self-employment and small business employment, rural Americans have lower rates of employer-provided benefits and are more likely to be underinsured or uninsured for longer periods of time. Research from the Center for Rural Affairs shows that by 2019, approximately one in four rural Americans will be uninsured and, in communities with fewer than 2,500 residents, nearly 1 in 3 will go without any health coverage. The annual cost of health care for the average rural household will rise from \$2,785 today to nearly \$4,700.⁴⁵

⁴⁵ Center for Rural Affairs, "The Significance of Health Care Policy to Rural America", <http://www.cfra.org/files/Health-Care-in-Rural-America.pdf>

This issue of access is not solely defined by loss of coverage, but also by a statewide provider shortage, a need for increased investment in health care infrastructure, workforce development specific to the health care sector, and a need for increased partnership and synergy of health care providers to work together to meet the unique geographic challenges of rural California. Additionally, the lack of access to quality health care has a direct impact on the economy as poor health outcomes can attribute to frequent absences from work and school, lower work productivity, and an increase in avoidable emergency room visits and costly acute care.

California suffers from a dramatic provider shortage, and the Central Valley has even a larger deficit of doctors than the rest of the state (31% larger deficit of primary care physicians and 51% larger deficit of specialist than the rest of the state). In addition, to a lack of physicians there simply are not enough nurses and allied health workers in rural areas of California. This issue is compounded for safety net providers (community health centers and emergency rooms) because as more and more people are being laid off from work, they lose their insurance coverage and depend on the safety net for their health care needs (i.e. some health centers have seen up to a 50% patient increase in 2009 as a result of a downturn economy).

- **Increase investment in the National Health ServiceCorp (much like the language in the House and Senate bills of health care reform) with a focus placed on based on geographic need. National Health ServiceCorp is already designed to place physicians in medically underserved areas.**

Central Valley Health Network has received numbers that illustrate that up to 50% of National Health ServiceCorp physicians stayed at their health center placement after their time requirement was up.

- Increase the number of NHSC participants.
 - Increase the number of slots given to California with a focus on rural areas.
 - Increase amount of funding provided to NHSC participants as an incentive to draw more providers to participate in NHSC.
 - Provide the option of additional funding to providers already participating in NHSC if they chose to extend their years of service.
- **Ensure equitable reimbursements for rural health providers.**

Rural areas generally receive a lower reimbursement rate for nursing homes and other long-term health care facilities. This is justified by claims that urban costs are higher, but in fact that often is not true. Rates should be set based upon actual costs rather than outdated formulas.
 - **Fund provision of more rural urgent care centers.**

Currently, emergency rooms often serve many situations that could be adequately served by a rural urgent care center at 10-20% of the cost. However, there is little or

no public funding available for this service. Even minimal investment on such centers would save millions over costs of unnecessary emergency room visits.

- **Support for community colleges and vocational skills.**

Many registered nurse and allied health workers come out of the community college system and vocational skills. Student loan forgiveness programs for those who chose to work in medically underserved areas could provide an incentive for health care professionals to work in areas with the greatest needs.

- **Support infrastructure (broadband, etc.) and workforce development for the implementation of Health Information Technology (HIT).**

Target grant funding or low interest loan programs to federally qualified health centers and or safety-net providers to plan, purchase, and implement HIT systems.

- **Increase funding for qualified projects under the Federal Facility Improvement Program (HRSA grant funding) to provide the resources to build the additional needed health care facilities throughout the country creating jobs in both construction and health care sector.**

Currently there are more than 500 Facility Improvement Program grant applications that have not been funded.

- **Explore opportunities for synergy between USDA and the “Building Healthy Communities” initiative guided by the California Endowment.**

Del Norte County was one of several counties that identified health care as the fastest growing industry cluster in the community. The community is currently part of the “Building Healthy Communities” initiative that seeks to improve health related outcomes in the community.

The Endowment has also awarded the Central Valley Health Network a grant to promote and help enroll individuals into public benefit programs, as a means to help address the economic crisis. They also awarded the United Farm Workers Foundation a similar grant to do outreach for food stamps.

- **Support funding for medical schools located in rural areas (i.e. University of California, Merced) help address the provider shortage in rural areas (i.e. similar to language in the House version of health care reform).**

A high percentage of medical school graduates stay in the region where they study medicine or do their residency. Additionally, medical schools in rural regions will draw more physicians to medically underserved areas.

- **Support and encourage better communication between health care providers.**

The California Rural Health Policy Council is one example of a group whose voice became greater by having a single internal and external place to raise issues and share ideas.

- **Some form of tort reform must be pursued.**

Liability insurance has increased dramatically in recent years. Even small health care facilities often pay over a million dollars a year for insurance. Providers have long complained that much of this is driven by both frivolous lawsuits and unnecessary medical tests that are often ordered to minimize exposure to such liabilities. Some facilities simply shift this cost to the Medicare and Medicaid cost reports and eventually get reimbursed (sometimes 2 years after the fact), in essence shifting the costs to the taxpayers.

Most frivolous cases don't even go to court, despite a defendant being completely innocent, as insurance companies find it cheaper to pay the settlement than taking chances with the courts. Tort reform would lower the cost of care, lower the cost to taxpayers and allow physicians to do their job without the constant fear of lawsuits. Such reform should be accomplished without removing access to the courts for legitimate cases of malpractice.

The Central Valley Health Network as well as the California Primary Care Association, and other regional health center consortia support efforts to maintain and enhance California's Medical Injury Compensation Reform Act (MICRA). This Act was enacted in 1975 in response to skyrocketing judgments, drastic increases in malpractice insurance premiums, and diminishing access to health care. That year, two malpractice insurance companies made major announcements: one notified 2,000 Southern California physicians that their insurance would not be renewed, and the other notified 4,000 Northern California physicians that their premiums would increase by 380 percent. These companies had determined that the California medical malpractice insurance market had become too risky and unstable for financially sound underwriting. The number of claims had increased by 200 percent in a 10-year period, and the dollar amounts awarded in judgments or settlements had increased 1,000 percent in 10 years.

Enactment of MICRA has resulted in earlier and more equitable settlements—fewer malpractice cases go to trial now than in the era before MICRA. MICRA's provisions promote earlier and more equitable settlements. Fewer frivolous lawsuits now go to trial (although many meritless actions are still filed). MICRA is the model for reforms enacted in Colorado, Florida, Indiana, Montana, Texas, and Virginia, and for legislation proposed before many other state legislatures. It is also recognized as a model for federal reforms and in legislation put before Congress.

CONCLUSION

Significant institutional changes are affecting rural areas. Decentralization of some state planning activities and an increased use of regional and local planning have resulted in the involvement of a much wider array of actors in rural development. These include not only national, regional, and local governments, but more recently other stakeholders as well, including businesses, environmentalists, housing advocates, health care executives, investors, and workers. New approaches are emerging in rural areas seeking to address these changes and cope with the specific needs of and opportunities for rural communities.

While agriculture is no longer among the top three industry sectors in California, it is still a significant component of the state's economy and the second largest industry in the San Joaquin Valley. California produces over 400 commodities, employing 370,000 people, and accounting for almost \$35 billion dollars in direct sales.⁴⁶ California agriculture faces many challenges including: the aging farmer, rancher, and fisherman; pest infestations; global competition; incompatible adjacent land uses; increasingly complex environmental regulations; and reduced access to skilled workers at peak seasons. Agricultural production is also highly vulnerable to natural resource inputs, for example: access to water.

At the same time, consumers in the nation's leading food-producing state are not eating enough healthy food. Many cannot afford it or find it in neighborhoods lacking full service grocery stores. Others are unaware of or simply ignore dietary guidelines such as USDA's healthy food pyramid. The results are food insecurity for the one out of six Californians who live in poverty, an increase in chronic health problems associated with obesity and malnutrition, and lost market opportunities for California growers of fruits, vegetables and other healthy food products.⁴⁷

In the past, economic development strategies focused on programs that impacted the traditional factors of production: land, labor and capital markets. With high unemployment and job turnover in many low-income urban and rural communities, states and localities are seeking to expand community revitalization efforts that include job creation and workforce development with standard economic development strategies to recruit new businesses, help existing businesses expand, and leverage funds for large-scale projects. Several federal programs also encourage developers and businesses involved in economic development to emphasize job creation and stabilization in distressed communities.

A new and more modern rural development policy must also address rural-urban links which can result in greater opportunities for both rural and urban residents. Strategies and investments for rural and urban areas should be interlinked, particularly when looking at major infrastructure and global trade opportunities.⁴⁸ Examples include: decisions on new

⁴⁶ "Economic Opportunities in California's Rural Communities: Defining the New Rural Economic Strategy", Prepared for the Assembly Committee on Jobs, Economic Development, and the Economy, October 2008

⁴⁷ Household Food Security in the United States, USDA Economic Research Service, November 2009, <http://www.ers.usda.gov/features/householdfoodsecurity/>

⁴⁸ "California Trade Prospectus: Finding Our Way Within a Global Economy", Report Prepared for the Assembly Committee on Jobs, Economic Development, and the Economy and Senate Committee on Business, Professions and Economic Development, 2006

investments; modifications to existing systems; and the operation of existing facilities, particularly with respect to water allocations, transportation infrastructure and energy transmission. Understanding these linkages can open new investment opportunities in all regions. The public sector has a critical role in economic development because it can use public resources to reduce risks and costs that could prohibit private sector investment and job creation.

As local and state leaders pursue an economic development program it is important to recognize that different interests and goals must be accommodated. For example: business leaders are concerned with improving the business climate and economic competitiveness of the region while labor leaders prefer a strategy that leads to more jobs, higher wages and more worker training. Social justice organizations think economic development should alleviate poverty and reduce inequality while local elected officials generally want overall economic growth in their communities that can be easily recognized by the public. Trade-offs between the different goals is inevitable and devising a comprehensive strategy that incorporates the different goals and accommodates trade-offs is challenging. There is no “one size fits all” approach, and states must develop a strategy to meet their particular strategic goals and economic needs.

In addition to the many specific recommendations offered by forum participants, there was also a strong desire by most to have some sort of ongoing opportunity to discuss these issues and seek collaboration at the local and regional level. Along those lines, it has been suggested that there is need for some form of a Rural Development Council that would ensure that the broad range of rural stakeholders has an opportunity to become engaged in designing and implementing their own future.

The staff and leadership of USDA’s Rural Development programs in California look forward to exploring these ideas further and pursuing every opportunity to advance the well-being of our rural communities.



Appendix A: Locations of County Forums and Local Leaders

COUNTY	LOCAL LEADER	HOST ORGANIZATION
Alpine	Dick McCleery	Central Sierra RC&D
Butte	Don Kryszakowski	California State University, Chico Center for Economic Development
Calaveras	Jeannie Hayward	The Resource Connection
Colusa	Larry Akin	Central Sacramento Valley RC&D
Del Norte	Chris Howard	Elk Valley Rancheria
El Dorado	Dale Pierce	El Dorado Resource Conservation District
Fresno	Mike Dozier	California State University, Fresno
Glenn	Dave Ferrier	Community Housing Improvement Program
Humboldt	Kathy Moxon	Humboldt Area Foundation
Imperial	Tim Kelley	Imperial Economic Development Corp.
Inyo	Doug Thompson	Mojave Desert Mountain RC&D and Lone Pine Economic Development Corp.
Kern	Jason Vega	Central Valley Health Network
Kern	Lydia Rogers	Career Services Center
Kings	Paul Saldana	Tulare County Economic Development Corp.
Lake	Phil Giles	North Coast RC&D
Lassen	Linda Hansen	Sierra Nevada Conservancy
Madera	Darren Schmall	The Pizza Farm
Mariposa	Robyn Smith	Yosemite-Sequoia RC&D
Mendocino	Carre Brown	Mendocino County Supervisor
Merced	Diedre Kelsey	Merced County Supervisor
Modoc	Mark Steffek	North Cal-Neva RC&D
Mono	Vickie Taton	Sierra Business Council and Cerro Coso Community College
Monterey	Mary Ann Leffel	Monterey County Business Council
Nevada	Jeff Pylman	County Agricultural Commissioner
Placer	Roger Ingram	University of California Cooperative Extension
Plumas	Dan Brandes	Plumas District Hospital
Riverside - East	Jeffrey Hayes	Desert Alliance for Community Empowerment

Riverside - East	Quenton Hanson	Palo Verde College Small Business Economic Development Center
Riverside - West	Holly Shiralipour	South Coast RC&D and Western Riverside Agriculture Coalition
Sacramento	Stan Keisling	Rural Community Assistance Corporation
San Benito	Nancy Martin	Economic Development Corp. of San Benito
San Bernardino	Jimmy Collazo	San Bernardino Economic Development Corp.
San Diego	Christina Arzate	CA Indian Manpower Consortium, Inc.
San Diego	Ilima Hawkins	Southern Low Desert RC&D Coordinator
San Joaquin	Bruce Blodgett	San Joaquin County Farm Bureau
San Luis Obispo	Sheryl Flores	Peoples' Self-Help Housing
San Mateo	John Muller	Half Moon Bay City Council
Santa Barbara	Sheryl Flores	Peoples' Self-Help Housing
Shasta	Greg O'Sullivan	Shasta County Economic Development Corp.
Sierra	Lori Rice	Plumas-Sierra Rural Electric Cooperative
Siskiyou	Gene Kelley	Ore-Cal RC&D
Siskiyou	Nancy Swift	Jefferson Economic Development Institute
Solano	Morgan Doran	University of California Cooperative Extension and California Western SARE
Sonoma	Ben Stone	Sonoma County Economic Development Corp.
Stanislaus	Michele Laverty	National Agricultural Science Center
Sutter	Brynda Stranix	Yuba-Sutter Economic Development Corp.
Tehama	Stewart Knox	Tehama Economic Development Corp. and the Job Training Center
Trinity	Bryon Hadwick	Northwest California RC&D
Tulare	Paul Saldana	Tulare County Economic Development Corp.
Tuolumne	Larry Cope	Tuolumne Economic Development Corp.
Ventura	Sheryl Flores	Peoples' Self-Help Housing
Yolo	Wes Ervin	Yolo County Economic Development Corp.
Yuba	Kay Joy Barge	High Sierra RC&D
Yuba	Nancyjo Riekse	Placer County Agricultural Marketing Program

Appendix B: California State Leader's Listening Forum

2:00 – 4:30pm, Thursday, January 28, 2010

Dr. Glenda Humiston, State Director, USDA Rural Development

Val Dolcini, State Director, USDA Farm Service Agency

Ed Burton, State Conservationist, USDA Natural Resources Conservation Service

Wayne Schell, President, CA Assoc. for Local Economic Development

Dr. David Campbell, Director, California Communities Program, University of California Cooperative Extension

Assemblyman Manuel Perez, Chair, California Assembly Committee on Jobs, Economic Development and the Economy

Assemblywoman Mariko Yamada, Agriculture Committee and Select Committee on Regional Approaches to Addressing the State's Water Crisis

Toni E. Symonds, Chief Consultant, California State Assembly Committee on Jobs, Economic Development, and the Economy

Sarah Mason, Staff Consultant, California Senate Committee on Business, Professions and Economic Development

Robert Tse, Deputy Secretary, California Department of Food and Agriculture

Eloisa Klementich, Assistant Deputy Secretary for Economic Development, California Business, Transportation and Housing Agency

Stan Keasling, CEO/President, Rural Community Assistance Corporation

Wes Ervin, Yolo County Economic Development Manager

Tim Raney, Executive Director, Workforce and Economic Development Program, California Labor Federation

State Leaders were presented an initial summary report from the county meetings. Local forums' representatives connected via video-conference from all Rural Development field offices. The group engaged in general discussion on the findings, potential follow-up within California and offered input on items to be highlighted in the final report to USDA.

