Center for Rural Affairs

YOUR RURAL NEWS FOR OVER 40 YEARS | LYONS, NEBRASKA | POPULATION 851 | JULY & AUGUST 2017

ONE DREAM: TO FARM IN AMERICA

BY LIZ DAEHNKE, GUEST WRITER, AND KIRSTIN BAILEY, KIRSTINB@CFRA.ORG

Daily life on a farm outside Lexington, Nebraska, is far from luxurious. However, Vicente Acevedo and Magdalena Barrios wouldn't have it any other way.

"A typical day: I come home from work, prepare dinner, clean the house, and then I go outside to help feed the animals," Magdalena said. "There is never a day off. I would rather be at the farm than go out to a party."

Farming is life for this couple. Both grew up on ranches in rural Mexico — Vicente raising animals and Magdalena helping to cultivate beans and corn.

They immigrated to the United States with a dream: to continue farming.

To accomplish their plans, last year the couple visited their local Farm Service Agency (FSA) office to apply for a loan to purchase land. However, they came up against a language barrier.

FSA Farm Loan Manager Matthew Meyer knew the Center for Rural Affairs helped beginning Latino farmers and encouraged

Vicente Acevedo and Magdalena Barrios welcome Dawson County Natural Resources Conservation Service (NRCS) agents to their farm last fall. NRCS helped them design a rotational grazing system for their small herd of cattle with conservation in mind. From left: Kevin Gill, NRCS; Vicente; Lucia Schulz, Center for Rural Affairs; Magdalena; and Janelle Taubenheim, NRCS. | Photo by Kirstin Bailey

—SEE ONE DREAM ON PAGE 2

THE COST OF DOING AWAY WITH USDA RURAL DEVELOPMENT

BY JORDAN RASMUSSEN, JORDANR@CFRA.ORG

Over the years, U.S. Department of Agriculture Rural Development grants and loans have served as a lifeline for rural communities, providing critical funding for water and wastewater infrastructure, public and community buildings, and essential community service facilities. Yet the president's proposed budget zeros out allocations for Rural Development, leaving small towns with few options and bleak prospects for continued growth.

Without Rural Development's services, many small communities will have to put off infrastructure or facility projects. However, "the cost of doing nothing is as costly as the project itself," said Terry Meier, community development specialist with JEO Consulting

—SEE RURAL DEVELOPMENT ON PAGE 3

INSIDE THIS ISSUE

NOTE FROM THE EDITOR

BY RHEA LANDHOLM, RHEAL@CFRA.ORG

This edition of our newsletter focuses on our value of widespread OWNERSHIP of small businesses, farms, and ranches by the people who work them.

In our executive director's essay, he outlines our agenda to combat capital control by spreading small business ownership in rural communities.

We helped Vincente Acevedo and Magdalena Barrios obtain their land, adding one more family farm back into the rural landscape, and allowing the couple to achieve their ownership dream.

We hear about the solar industry in Iowa, and how one school district uses solar to cut energy costs, taking ownership of their electricity.

Our friends Bill Furlong and Mark Leonard tell us about capping crop insurance subsidies, which would curtail public spending and better support small and mid-size farms.

In a recent report, our staff studied three transmission line projects. Tax revenue from this new infrastructure is money invested in local governments.

Lastly, we hear from a community development specialist on infrastructure projects in small communities. Many water and sewage systems owned by rural towns need repaired or replaced. USDA Rural Development is able to assist these communities, like Oakdale, Nebraska, that have been turned down by fiscal agents or local banks for financing. Rural Development is now on the chopping block, which would cause many rural residents to suffer.

Ownership is just one of the many values that our organization bases our work on. We believe these values reflect the best of rural America.

ONE DREAM, CONTINUED FROM PAGE 1

Vicente and Magdalena to contact us.

Center for Rural Affairs staff Lucia Schulz and Kirstin Bailey were happy to help. They interpreted and assisted with financial statements and business plans.

Vicente and Magdalena were approved for an FSA loan. But assistance didn't stop there. Center staff shared information on other services offered by the U.S. Department of Agriculture.

"Farming is our life," Magdalena said. "If there's production, whether it's livestock or produce, there's progress. We love it."

Their children also enjoy life on the farm and help with daily chores, similar to what Vicente and Magdalena did when they were children — Magdalena on a ranch near Jerez de Garcia Salinas, Zacatecas, Mexico, and Vicente on a ranch near his birthplace of Tepetongo, Zacatecas, Mexico.

Working with animals was Vicente's favorite part of farm life as a child, and remains so to this day.

To start their operation near Lexington, he purchased a few calves.

"We enjoyed bottle feeding them," he said. "Eventually we bought cows and liked it even more."

Working with Lucia and Kirstin and attending beginning farmer classes has set Vincente and Magdalena on a path toward their ultimate goals.

"The Center tuned our desires into reality," Vicente said.

Now, Vicente and Magdalena have plans to start a rotational grazing operation.

"Our future plan is to continue raising animals and continue to work off the farm," Vicente said. "If we don't, we won't be able to expand our farm. We will continue to care for our land, so it can give us good results."

The number of cattle under their care is growing, and they hope to raise even more next year.

"A lot of people are in fear because they don't know or don't believe that they can do it," Vicente said. "Everyone should attend the Center's classes. The Center has opened our eyes. Dreams do come true."

PAPER & E-NEWS

This newsletter is available both electronically and in print. To receive it online, sign up at the Center's website, cfra.org, or email us at info@cfra.org.

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RURAL DEVELOPMENT, CONTINUED FROM PAGE 1

Group.

When necessary projects are left on the drawing board, the quality of life in a small town is impacted along with its economic prospects.

Rural Development's loans, grants, and technical assistance help communities fill resource gaps and address quality of life challenges. Funding opportunities are primarily directed toward towns and villages with fewer than 20,000 residents.

"These programs are used to cost-share improvements so projects are more affordable to residents in rural areas," Meier said. "Smaller communities have fewer people in which to spread the cost of the debt. Without these programs, it would be highly unlikely that rural and lower-income communities could build or modify their community center, develop trails, build parks, make costly infrastructure improvements in their downtown areas, or upgrade their aged municipal water or wastewater system."

Meier recently worked with the village of Oakdale, Nebraska, to leverage USDA Rural Development funding to assist with a water improvement project. The Antelope County village of 322 residents received nearly half of the project cost from USDA. The village developed a new groundwater supply well, replaced water mains, and installed new water meters. With the completion of the upgrade, the community was able to address a significant water loss issue in addition to modernizing the water system. Ultimately, these repairs and upgrades will provide water and cost savings for residents.

The village of Oakdale, Nebraska, recently developed a new groundwater supply well, replaced water mains, and installed new water meters. USDA Rural Development funded nearly half of the project. | Photo by DeManda McGowen

For many communities like Oakdale, a project totaling more than a half million dollars would be out of reach through traditional funding sources.

"USDA Rural Development cannot compete against conventional financing," Meier notes. "In order to apply for USDA assistance, the applicant must have been turned down by their fiscal agent or local bank for conventional financing at a reasonable rate."

This means Rural Development funding is only targeted to communities that most need assistance.

Should the president's budget eliminating Rural Development be passed, communities will have to assume greater debts, and will pass those along to residents. This will place a particularly heavy burden on rural communities with declining populations, lower-income residents, and fixed-income seniors. Property values would decline and infrastructure needs would be unfulfilled.

"Local government leaders will have to make difficult decisions about the priority needs of the community, while remaining fiscally responsible to their constituents," said Meier.

STEPHANIE ENLOE: IT HAS BEEN AN HONOR

BY STEPHANIE ENLOE, STEPHANIEE@CFRA.ORG

During the past two and a half years, I've had the opportunity to work on some fascinating issues — renewable energy, water quality, Farm Bill policy, and climate change. Now, I'm off to graduate school at Cornell University.

I've built relationships with some amazing fellow advocates and rural people. I am consistently in awe of Center supporters' work ethic, compassion, and creativity. I have loved working for an organization that gets to say we work on behalf of your communities.

Thank you to the Center, to our supporters, and to partner advocates around the country for your dedication to making this country a better place. It has been an honor to learn from and work alongside you.

The Center for Rural Affairs teamed up with rural development expert Timothy Collins to write "Generation and delivery: the economic impact of transmission infrastructure in rural counties," exploring transmission-driven economic development. | Photo by Wyatt Fraas

REPORT: THE ECONOMIC IMPACT OF TRANSMISSION INFRASTRUCTURE IN RURAL COUNTIES

BY JOHNATHAN HLADIK, JOHNATHANH@CFRA.ORG

Transmission projects announced during the last 10 years are now beginning to come online. Combined with new wind and solar installments, these projects have become important pieces of the economic puzzle in the rural Midwest and Great Plains. The significance of renewable energy to rural economic development is well understood, however, less is known about the impact of transmission development.

To explore this further, we teamed up with Timothy Collins, former assistant director of the Illinois Institute for Rural Affairs and a longtime rural development expert.

Transmission expansion spurs economic development in three phases. The first is driven by physical construction. The second takes place after the line is energized and placed into service. The third derives from taxes and fees assessed on the project, determined by state statute.

Our report, "Generation and delivery: the economic impact of transmission infrastructure in rural counties," explores the third phase of transmission-driven economic development. We identified three recently constructed projects in Upper Midwest and Great Plains states. We then examined state statutes governing revenue collection and distribution, and implementation at the local level.

Minnesota assesses a property tax on transmission infrastructure. Under state law, counties are technically permitted to increase the local property tax levy by the amount collected. In practice, however, the revenue is used to lower taxes for all property owners in the jurisdiction.

Much of the revenue generated by transmission developers in Wisconsin comes in the form of environmental impact fees. Though viewed negatively by stakeholders, this approach is successful because it offers affected communities an opportunity to determine how the revenue will be used. The resulting mini-grants have lasting impacts.

In Kansas, transmission infrastructure is exempt from property taxes for the first 10 years of operation. Historically, counties and cities in Kansas have been able to take advantage of any additional revenue from new substations. However, the ability to capture that growth was capped in January 2017.

As our examples reflect, there is considerable variation in the flow of revenues from power lines. Each approach reflects the different priorities and fiscal realities of the administering state. In each case, communities affected by transmission development realize significant benefits only when state law allows for most or all of this revenue to be invested locally.

Our analysis shows that when states grant community stakeholders the power to decide how and where new revenue was used, they maximize benefits to affected residents. This decision-making power makes neighbors likely to embrace and encourage future economic development. Conversely, states that provide utility tax incentives to encourage construction miss an ideal opportunity to invest in rural communities.

Local communities are on the front line of any transmission project. Because of this, it is reasonable that any revenue derived be invested back in those communities. We recommend that policymakers ensure local governments can receive the revenue and engage citizen stakeholders in determining how it is used.

BIPARTISAN VIEWS: CROP INSURANCE SUBSIDIES SHOULD BE CAPPED

BY GUEST WRITERS BILL FURLONG AND MARK LEONARD, PRINTED IN THE DES MOINES REGISTER

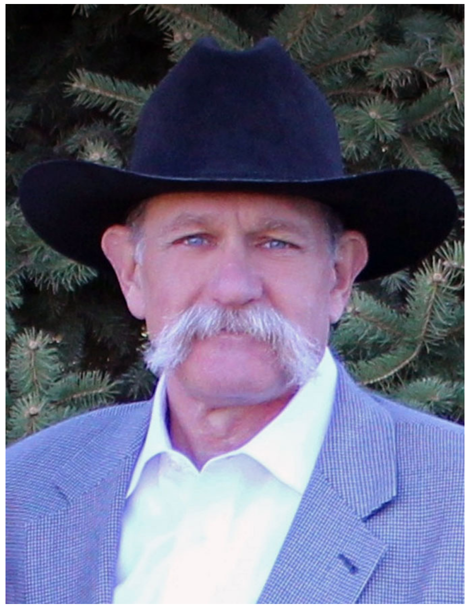
Crop insurance is the current cornerstone of federal support for farms. As farmers and crop insurance customers, we support a strong farm safety net. But we also believe the crop insurance program can be improved.

On average, the federal government currently pays 62 percent of farmers' crop insurance bills, also called premiums. The government pays this support on every acre of insured farmland nationwide, without limit, at a cost of about $21.09 per acre. So, a farmer with 700 acres would benefit from $14,763 in subsidies, while a farmer with 7,000 acres would benefit from $147,630. The greatest benefit of crop insurance subsidies therefore goes to the largest — and sometimes wealthiest — farms.

We take no issue with the desire of farmers and farming operations to grow larger, and we are not calling for a government cap on farm size. But we don't think our government should continue giving greater support to large operations.

When large farms have a competitive advantage, it encourages farm consolidation, which weakens rural communities: schools close, attendance at churches and other places of worship declines, businesses move out, and rural America suffers.

In addition to giving greater support to large farms, the current system of crop insurance subsidies distorts land values. Mike Duffy, professor emeritus of economics at Iowa State University, published a report that shows how current crop insurance programs impact



Mark Leonard is a livestock and grain farmer in Holstein, Iowa. Mark is also the president and owner of AgCom Financial Services. He is an active Republican.

Bill Furlong farms near Iowa City, Iowa, raising corn, soybeans, and hay. He is a proud Democrat.

land costs and have a significant relationship to land prices and cash rental rates. For example, Duffy found that crop insurance subsidies may have increased Iowa land values by up to 10 percent in 2015. With corn prices falling faster than land prices, anything that drives land prices up works against farmers' ability to access land.

Finally, unlimited crop insurance subsidies are an irresponsible use of taxpayer dollars. Large farms should be able to buy crop insurance on every acre, but there should be limits to the amount of their bill that taxpayers are responsible for. Other subsidy programs have a payment limit. Why should crop insurance be different?

We need farmers on the land. We want farmers who suffer a significant loss outside their control to be able to farm the next year.

A federal crop insurance program can and should be there to protect farmers from the myriad risks of farming. While we may have differing views on some issues confronting rural and small town America, upon this issue we agree wholeheartedly.

Public spending on crop insurance should provide a basic level of support to farmers, but it shouldn't disproportionately benefit the largest farms. Instead, we need crop insurance to better support our small and mid-size farms. Crop insurance subsidies should be capped in order to stop government support for farm consolidation and the continued weakening of rural America.

Policy associate Stephanie Enloe (fourth from right) met with Iowa congressmen and solar installers on a recent tour in rural Iowa. About 1 percent of U.S. electricity is provided by solar, while the industry accounts for more than a quarter million jobs. | Photo submitted

FINDING COMMON GROUND ON RURAL SOLAR

BY STEPHANIE ENLOE, STEPHANIEE@CFRA.ORG

As an active and idealistic college student, I traveled to Washington D.C. to participate in a national lobby day for young people who wanted to talk with senators and representatives about supporting renewable energy.

Thinking back, in 2009, we were well into an economic recession and the job market was weak. That time period marked the beginning of a renewable energy revolution, and we did not know how quickly this industry would grow.

But I sensed then, and I now know, that investing in renewable energy can help revive our economy, improve national security, and provide a myriad of environmental and public health benefits.

When it was time for our group of Iowa students to meet with Sen. Grassley, he asked me why Congress should focus on advancing renewable energy rather than creating jobs for the millions of Americans suddenly facing unemployment. I told him the two were not mutually exclusive – investing in clean energy was also an investment in long-term job creation. Sometimes referred to as the father of the U.S. wind industry, Sen. Grassley has passed and defended numerous pieces of legislation demonstrating that he agrees with that mentality.

Fast forward less than a decade, and it is my job to meet with legislators to discuss how we build on the phenomenal success story that is the renewable energy economy. For example, although it only provides about 1 percent of U.S. electricity, the solar industry now accounts for more than a quarter million jobs. With solar costs plummeting, this industry grew 95 percent in 2016 alone.

This spring, I had a chance to meet with Iowa congressmen from both sides of the political aisle to learn first-hand about win-win scenarios resulting from renewable energy investment. We heard from business owners, school officials, and farmers who use solar and energy efficiency to save money.

We also heard from solar installers about jobs they have created across rural Iowa and the indirect economic and community benefits stemming from their work. The WACO school district in Wayland, Iowa, for example, invested in solar collectors to cut energy costs by 90 percent, ensuring their school can continue serving as the heart of this rural community.

Whether you care about the economy and job creation, clean air and water, national security, or energy choice — solar offers a viable solution. At a time when Republicans and Democrats believe we agree on very little, renewable energy — and especially solar energy — offers a refreshing opportunity to discuss where our values overlap.

SUPPORTING RURAL AMERICA AND THE CENTER

BY TYLER VACHA, TYLERV@CFRA.ORG

Wow, this year is flying by! It seems like just yesterday we were celebrating the New Year. Together, in the first half of 2017 we accomplished so much because of generous support from donors like you. Thank you.

Recent exciting developments make it possible for your giving to have an even greater effect. Please consider these options as you think about fall and holiday giving.

Transferring legal ownership of grain or livestock to the Center for Rural Affairs is just one way you can support our work while saving on taxes. | Photo by Wyatt Fraas

Your IRA: Last December, the IRA charitable rollover was made permanent. If you are older than 70½ years old, you can give up to $100,000 directly from your IRA. Funds are transferred tax free, making your impact greater. Additionally, since you never possess those funds, they aren't reported as income to you. This may decrease your taxes on other earnings. Giving directly from your IRA (especially if you have a required minimum distribution) is a great way to increase your impact, reap immediate tax benefits, and fulfill your annual charitable goals.

Appreciated stock: With the stock market at an all-time high, now is a good time to consider gifts of appreciated stock. The Center accepts stock transfers.

Giving stock directly instead of selling to make a contribution can have financial advantages. When you donate appreciated stock, you can take the stock's full market value as a tax deduction and avoid capital gains tax you would owe if the stock was sold.

Grain/livestock/commodities: Transferring legal ownership of grain or livestock to the Center instead of selling them to make a gift provides you with significant tax savings. Example: If you gift 1,000 bushels of corn at a $3 market price, you'd reduce your taxable income by $3,000. Since you never possess those funds, they aren't reported as income to you. This may decrease your taxes on other earnings, and you can still deduct production costs of the bushels donated. To make a gift, you must notify both the Center and your buyer before the goods are sold.

Charitable gift annuities: A charitable gift annuity can provide a guaranteed income stream for you, your spouse, or another individual with immediate charitable tax deductions, tax-free income, and increased annual income. The Center offers charitable gift annuities with a minimum value of $10,000. When an annuity is established, the Center agrees to provide quarterly or annual payments to the beneficiary(s) for life. These payments can start immediately or be deferred to start on a certain date to provide income following life changes, such as retirement or college enrollment.

These giving methods can significantly increase your gift's impact and potentially provide tax benefits. I hope you'll consider them this fall.

We at the Center and everyone else who cares deeply about rural America thank you for your support. We are inspired by your dedication to providing a stronger and brighter future for rural America.

PEOPLE POWERED CAPITAL, CONTINUED FROM PAGE 8

scales of capital.

Across the nation, there is a significant unmet need for alternative financing such as ours. We face a world where traditional financial institutions are failing too many average people. A national network of nonprofit and community-oriented lenders are stepping up to fill the gaps.

Each loan — and each nonprofit lender — may seem small relative to the challenge of capital concentration. But mission-driven and community-oriented control of capital will be a key strategy to help everyday rural people build a future for themselves and their communities in the coming decades.

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Cap crop insurance subsidies
Inside: guests share bipartisan views

FROM THE DESK OF THE EXECUTIVE DIRECTOR

PEOPLE POWERED CAPITAL

BY BRIAN DEPEW, BRIAND@CFRA.ORG

Almost weekly, I read surprising new statistics about capital concentration.

The eight richest people in the world now control as much capital as half of the world's population. The richest 158 families in the United States were the source of more than 50 percent of early cash in the last presidential campaign cycle. The world's largest company is worth half a trillion dollars.

In a world where fewer and fewer individuals control more and more capital, efforts to rebalance the scales of capital become ever more important. At the Center, we attack this problem through public policy and by operating a revolving loan pool to finance small businesses in rural Nebraska.

Through our Rural Enterprise Assistance Project, the Center makes small business loans to rural people who cannot access capital from traditional sources. Our borrowers are folks who often have poor (or simply no) credit history, are start-up businesses without a track record, or lack traditional collateral that a bank will require.

Our small business loan pool has grown to $6 million in outstanding loans. The loan pool is growing rapidly, with $2 million in new loans placed within the last year. Loans range from $1,000 to $150,000. The growth is a reflection of demand from the field.

Borrowers include individuals such as Ana Gonzalez. Ana always dreamed of starting her own business. Her dream became reality when she opened The Enchanted Bakery in Grand Island, Nebraska, last November. Previously, Ana operated a home-based bakery, but with growing demand, she knew she needed a store front.

The Center was able to assist Ana not only with a loan, but also with training and hands-on help to get the business up and running. In the history of our small business lending, we have placed more than 1,300 loans with borrowers like Ana.

Business ownership remains one of the key ways for individuals to build assets over time. Each small business loan we place is an opportunity to rebalance the

—SEE PEOPLE POWERED CAPITAL ON PAGE 7