

Rural Voices

THE MAGAZINE OF THE HOUSING ASSISTANCE COUNCIL

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INITIATIVES in the Mississippi Delta

IN THIS ISSUE

Descriptions of Initiatives in the Delta

Q&A with James C. Kearney, RHS

A Look at the Administration's Housing Budget

AND MORE . . .



Dear Friends,

The Mississippi Delta region has made significant contributions to our nation, yet it remains one of the poorest parts of the country. This issue of *Rural Voices* focuses on the Delta — not so much on its problems, which are well documented, but on what is being done and what can be done to improve its future.

The issue begins with Representative Bennie Thompson urging us to make a national commitment to improving housing and opportunity, not only in the Delta but in all of rural America, and President Bill Clinton promising federal assistance for the Delta. Most of the magazine contains descriptions of initiatives working to improve housing and to enhance community and economic development in the Delta, written by the people who are actually undertaking the efforts described.

The new Administrator of the Rural Housing Service speaks up in this issue of *Rural Voices* as well. In a "Q&A" session, James C. Kearney addresses important topics facing his agency in the year 2000. The Administration's new housing budget for 2001 is mentioned in that interview, and is covered in more detail in our View from Washington department.

As Congress begins its annual appropriations process, the elections approach, and HAC plans a major national conference for December 2000, this promises to be a lively year. We look forward to sharing it with you.

Sincerely,

William Powers, Chair

Charles B. Davis, President

Moises Loza, Executive Director

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HAC Facts

NOTES ABOUT SOME OF THE RECENT ACTIVITIES, LOANS, AND PUBLICATIONS OF THE HOUSING ASSISTANCE COUNCIL

HAC Plans National Rural Housing Conference 2000



HAC has scheduled "Strengthening Our Communities: National Rural Housing Conference 2000" for December 6-9, 2000 at the Hyatt Regency Washington on Capitol Hill in Washington, D.C. Dozens of organizations are expected to join HAC as co-sponsors of the conference, which promises to provide the best available workshops, training, policy roundtables, and networking opportunities for people interested in rural affordable housing. The event will also commemorate HAC's 30th anniversary.

Two awards for outstanding rural housing work will be presented at the conference. A local leader in rural housing development will be honored by the Skip Jason Community Service Award. An individual who has provided outstanding and enduring service with national impact will receive the Clay Cochran Award for Distinguished Service in Housing for the Rural Poor.

Conference registration will begin in fall 2000. Details will be announced to *HAC News* subscribers when available and will be posted at www.ruralhome.org. To receive the free *HAC News* by U.S. Postal Service, contact Luz Rosas, 202-842-8600, luz@ruralhome.org. To receive the *HAC News* by e-mail, write to hacnews@ruralhome.org.

Capacity Building Funds Prove Popular



HAC has received 262 applications requesting a total of more than \$5 million in capacity building funds from a new Rural Capacity Building Initiative (RCBI), administered by HAC and

funded by The Enterprise Foundation and U.S. Department of Housing and Urban Development (HUD). This portion of RCBI makes \$400,000 available, with a maximum grant of \$20,000, for basic operating support and equipment costs. Other parts of the two-year project include grants to 20 organizations for capacity building, grants to 44 nonprofits for technology needs, distribution of 200 copies of a community development library created by Enterprise, conversion of HAC publications to online materials, and links between the two organizations' web sites. HAC expects to announce recipients of the basic operating support grants by the end of April.

21 Colonias Organizations Receive HAC Grants

HAC's Colonias Housing Capacity Fund has announced 21 three-year grants to community-based nonprofit organizations working in colonias along the U.S.-Mexico border. The grants, averaging \$20,000, will be used to purchase equipment, train staff, or pay staff for work directly related to improving housing or infrastructure such as water and sewer. Of the \$420,000 awarded by HAC, \$400,000 was provided by HUD. HAC covered its own administrative costs and added more funding, but still was not able to meet the high demand. Applicants requested a total of over \$1 million.

Rental Housing Issues Detailed in New HAC Report

Rural renters suffer some of the most significant housing problems in the United States, according to HAC's *1999 State of the Nation's Rural Housing* report. High housing costs are the most common problem, while physically inadequate units are a serious issue as well. Copies of *Rural Rental Housing: HAC's 1999 State of the Nation's Rural Housing Report*



are available for \$6, including postage and handling, by sending a check to HAC's national office or calling Luz Rosas at 202-842-8600 to order with a credit card. The report's executive summary is available free at www.ruralhome.org, and the full report is expected to be posted there by the end of March.

HAC Commits More Than \$9.3 Million for New Loans

On February 11, HAC's Loan Committee approved more than \$6.6 million in loans from the Self-Help Homeownership Opportunity Program (SHOP) and more than \$2.8 million in other loan funds. The commitments represent predevelopment funding for production of over 700 new units of self-help housing. Fifty-eight applicants had requested \$10.7 million from SHOP. HAC had only \$6 million available in the current SHOP round, provided by Congress through HUD.

A New COMMITMENT To Rural America

by Rep. Bennie Thompson



Representative Thompson, fourth from right, helps to break ground for a new development in his district.

Rural areas are a crucial part of America's national economy, yet they face entrenched problems that are not being adequately addressed at a national level. People in rural America desperately want to learn, work, and be productive citizens, but from birth to death they face obstacles that limit opportunity and frustrate ambition.

If we are to renew hope in the economic possibilities of places in rural America like the Mississippi Delta, a portion of which I represent in the United States Congress, we must make a national commitment to build and fund public and private partnerships that genuinely address the lack of opportunity for people living in these areas. We must seek to address all of rural America's obstacles to opportunity in a holistic fashion — from crumbling schools to poor health care — so that people can focus on building their futures, not combating their problems.

HOUSING: OBSTACLE TO OPPORTUNITY IN RURAL AMERICA

One of the largest challenges facing rural Americans is the inability to obtain adequate housing. Thousands of people in rural areas wake up every morning in crumbling houses, in over-priced apartments, or simply homeless.

In the Mississippi Delta, for example, almost 30 percent of all households pay nearly one-third of their income for housing expenses, far above the national average. Despite the high costs, the quality varies, with African Americans more likely to have substandard plumbing and kitchens than rural whites or residents of urban areas.

The opportunity for people to succeed in the Delta and rural America begins in their homes. People must wake up in safe, decent homes if they are expected to be productive at work or school. The national effort to help rural America lift itself up must include initiatives to improve housing and make it more affordable.

Home construction, renovation, and rental assistance programs sponsored by federal and state governments can be expanded in order to help break down the obstacles to decent housing. In the Mississippi Delta, numerous nonprofit organizations, churches, and other community organizations are ready to help make these initiatives a success. If an

In the Mississippi Delta, almost 30 percent of all households pay nearly one-third of their income for housing expenses.

increased federal investment in housing for rural residents is combined with more of this type of local involvement, we can revolutionize the quality of life in rural areas.

Perhaps even more important than expanding existing programs, the federal government can encourage the private sector to make more investments in rural housing. Banks and other mortgage institutions stand to make millions in rural America — and help countless rural residents — if they are given adequate financial guarantees from the federal government. President Clinton's "New Markets Initiative," which seeks to strengthen impoverished areas by building public-private partnerships and providing tax incentives, may serve as a good model for this effort.

ENDING RURAL AMERICA'S OBSTACLES TO OPPORTUNITY

The Mississippi Delta and rural America are ready to enter the global marketplace, but their success depends on a renewed national commitment to addressing housing, education, health, and the myriad of other challenges they face. There are millions of people living in rural America — African Americans, Whites, Latinos, Asians, Native Americans and others — who want to make their homes the engine for our nation's progress well into the twenty-first century. I see the hopes and dreams that can make this progress a reality every day in the eyes of the Delta's residents, and I know it can be done if we only break down the obstacles to opportunity that have stood in the way for so long.

Bennie Thompson represents the Second District of Mississippi in the U.S. House of Representatives. Most of his district lies within the Mississippi Delta region. He is a member of the Housing Assistance Council's board of directors.



Excerpts From Remarks by President Clinton

WEST MEMPHIS, ARKANSAS, DECEMBER 10, 1999

I came here today to make another installment on the work we've been doing together for two decades I have a vivid memory of what you have been through and the struggles you had, and the struggles you continue to have. And we're here to try to fulfill our duty, not only to you, but to people like you throughout the country

In February, we will have the longest economic expansion in the history of the country — already the longest peacetime expansion . . . and I'm proud of that. But you couldn't prove it by some places in this country, because there are still people in places that have been totally left out of this remarkable upswing, and that's what we're here to say

We are determined to try to convince everybody in America that places like the Delta are the new markets for the 21st century One way to keep [the strong economy] going is to get money invested and jobs created and consumers created in the places that have been left behind. That's an inflation-free way to continue to grow the economy

First of all, to try to address the unacceptably high rates of poverty that still plague the region, I intend to propose in next year's budget more than \$110 million to create and fund a new Delta Regional Authority, as recommended by Senator Lincoln and Representative Berry.

This will fund their legislation. It will provide funds for economic development and assistance from federal agencies to help improve the quality of life. It already has a number of bipartisan co-sponsors from throughout the Delta, and I want to work with the Congress, and particularly with all the members from this region, to ensure that we get quick enactment of this legislation. This should not be a partisan issue. This is about economics.

Second, we're going to help rural communities again access the myriad of federal programs that already exist. Today I am signing a memorandum directing 14 federal agencies to provide comprehensive technical assistance to

Places like the Delta are the new markets for the 21st century.

the region in a pilot program we're calling the Circuit Rider Project It is almost impossible for a little town to be able to . . . find out what kinds of grants they could be eligible for in every conceivable federal agency, much less how to apply for them and get them. So we want to organize that effort and bring them to you

Third, we're announcing the creation of a \$16 million fund to provide resources to develop and improve rural health infrastructure in the seven counties served by the Arkansas Health Education Center

Fourth, we're announcing an award of \$1.2 million from the Economic Development Administration to the Blytheville-Gosnell Regional Airport Authority to create a 35,000 square foot mail sort facility out of one of the former hangars at Eaker Air Force Base

Finally, we're expanding trade opportunities in the region by opening a Commerce Department rural export office at Mid-South Community College to help East Arkansas businesses take advantages of export opportunities through e-commerce We can sell a lot of the things produced in East Arkansas all over the world if we have the right kind of networks

And one of the things that I am determined to do is to finish the job of getting all of our schools and libraries and hospitals connected to the Internet so that all of our kids will have access to that education information. But we need to make that available for adults, too, in commercial centers so that no part of the country is denied these economic opportunities It is very, very important that we bring the benefits of e-commerce to the poorest parts of America and to teach people how to use it

I want you to tell people that the dignity of the job and of a thriving community has nothing to do with party politics. And every American ought to be entitled to it, and if we can't do it now, we will never get around to it, because we are more prosperous now than we have ever been.





INITIATIVES in the Mississippi Delta

Delta Compact Seeks Collaboration for Change

by Art Campbell

The Mississippi River binds together the land it touches as well as the flat delta terrain stretching out for miles east and west from its path. On this land lie not just rich soil and folklore, but a history of struggle and of only limited success in matters of community and economic development. For decades, poverty, like the Mississippi itself, has kept rolling along. In many Delta counties poverty rates have exceeded 20 percent through the past three decades.

A 1990 congressionally funded commission chaired by then Governor Bill Clinton concluded in a \$3 million study that the Mississippi Delta region had many characteristics of developing countries. The commission's report made 400 recommendations to improve the region. A new report prepared under the auspices of the Department of Transportation, reviewing progress since 1990, concludes that significant gains have been made, but high poverty rates persist in much of the region. (*Editor's note:* That report is described in more detail in the article about the Delta 2000 Initiative in this issue of *Rural Voices*.)

In 1996, the United States Department of Agriculture (USDA) engaged the Housing Assistance Council (HAC) to help it facilitate comprehensive community and economic development of the Delta region through greater collaboration, cooperation, and partnering among existing institutions, organizations, governments, and various outside resource providers such as regional and national foundation. USDA realized that the best efforts of many had not yielded the desired results, that various public and private initiatives were fragmented and did not have a strategic focus, and that in many areas more ground was being lost than gained.

This USDA/HAC-led effort emphasized action and rethinking the ingredients needed to better develop the region. It considered why other efforts had not worked as well as

hoped. The process was designed to be evolutionary in nature. The initiative focused on Arkansas, Mississippi, and Louisiana as a starting point, believing establishment of such an intensive process in seven states all at once was too logistically difficult. The founding vision saw the Compact expanding to all seven states, and participants in the remaining four states have already begun to join the Compact.

During 1996, HAC interviewed a large number of individuals involved in community and economic development about the needs of the region, solutions, gaps in resources and efforts, good projects already underway, and emerging ventures that could use a boost. Those findings formed the basis for a series of roundtable discussions with interested parties. These were low-key events, but did receive some local publicity. Representative Bennie Thompson of Mississippi was active in helping to host these sessions.

Four sessions were held over two years, beginning in Jackson, Miss., in September 1996. Out of these meetings came the idea of a compact among the participants to find and implement economic and community development solutions and strategies in the region. This idea became known as the "Delta Compact."

THE COMPACT'S INTENT

The Compact's premise was that the intertwined and integrated nature of problems and conditions in the Delta required the combined efforts of all who sought the betterment of the region, and that a new architecture was needed to build the region's socioeconomic status. While partners to the Compact are not in complete agreement on the elements of such an architecture, there is wide belief that more attention should be placed on education, leadership and capacity building, and new market development. Also, existing organizations need strengthening and increased access to more diversified financial resources.

The energy to form the Compact came from a realization that no single source can alone supply the resources — intellectual, physical, financial, and human — required for the Delta's revitalization. Sustainable development requires a



THE DELTA COMPACT

Many initiatives are underway to address the region's community and economic development needs. The Delta Compact, described in this article, is an attempt to foster collaboration among the different efforts, not to replace other initiatives. At present, the Compact is directed by a Steering Committee comprised of a wide variety of Delta stakeholders, funded by the U.S. Department of Agriculture, and staffed largely by the Housing Assistance Council.

It has been incorporated as an independent nonprofit organization. It is too early to know whether it will be able to connect the disparate efforts in the region, but its ability to do so will determine its success.

broad range of integrated resources. Production of needed infrastructure requires leadership, which in turn requires people and institutions informed of effective development strategies and resources. These building blocks must be interrelated to be mutually reinforcing. The hope for the Compact is that it will at least bring new strength through synergism arising from collaboration.

After almost two years of meetings and discussions, on August 11, 1998, representatives of 35 organizations and institutions, both public and private, signed a Compact pledging \$40 million in resources and technical assistance to promote community and economic development work in the region. The pledging organizations already had access to these resources and most were focused on some part of the Delta, though some were not. For instance, the Fannie Mae Foundation awarded HAC \$100,000 to undertake a technology project. (*Editor's note:* That project is described in a separate article in this issue of *Rural Voices*) HAC itself pledged to direct \$250,000 of its loan fund to support projects originating in the region, and to cover the administrative costs of the technology project.

Many institutions had, or were contemplating, ongoing programmatic efforts in the Delta. (*Editor's note:* Their work is described in more detail in separate articles in this issue of *Rural Voices*) The Kellogg Foundation was active in the region, focusing on leadership and capacity building, primarily with nonprofit community-based organizations. The Pew Charitable Trust had previously supported the formation of the Foundation for the Mid South, based in Jackson, Miss., and working in Arkansas, Louisiana, and Mississippi. And during summer 1998, Transportation Secretary Rodney Slater launched his Delta 2000 Initiative, designed to take stock of progress made since the 1990 Delta commission study and to promote greater concentration and coordination of federal resources into the region.

Largely missing from the activities then underway were



Photo from Housing Assistance Council files.

significant collaborative initiatives and greater strategic actions to attack entrenched inequities and to exploit the region's historic strengths — its raw labor and its strong agricultural economy. The Compact proposes to sketch a new architecture for the Delta's development drawn from the combined experiences and insights of people and institutions both within and outside the region.

The Compact seeks to:

- determine the basic elements of a sustainable development strategy for the region;
- design ventures to implement these elements through collaborative action by interested institutions;
- identify a pool of resources to underwrite these collaborative and partnership efforts;
- serve as a forum to consider and package support for local initiatives throughout the region, including providing them with technical assistance, oversight and evaluation, and market development assistance;
- encourage sharper targeting of existing resources to areas of greatest need; and
- encourage the design of new technical and financial assistance arrangements better suited to the region's unique needs.



THE DELTA REGION

The Mississippi Delta region stretches from New Orleans northward through Louisiana, Mississippi, Arkansas, Tennessee, southeast Missouri, western Kentucky, and southern Illinois. It includes 219 counties and parishes in seven states. High poverty rates, poor housing conditions, and a lack of economic opportunity have persisted in the Delta for decades. Why is this the case? Rita D. Conley and Jacquelyn W. McCray, in an article published in the fall 1996 issue of *Rural Voices*, explained that the pervasiveness of the region's problems results in part from its geographic and cultural diversity. "Most students of the region," they noted, "relate the vast economic depression to the region's history of economic dependency on agriculture and its related industries, which often produced slower economic growth, if any at all, in comparison to other regions of the nation. The single-structure economy, coupled with the peculiar contributions of a biracial socioeconomic structure, may explain the current plight of the region."

THE ROLE OF RESEARCH

Optimally, the Compact would mobilize the best research underway within the public and private sectors to erect new platforms for rebuilding and expanding the region's economy to benefit more people. Compact organizers have already begun to look at possibilities within USDA. USDA's Agricultural Research Service's annual budget is \$800 million. This agency's research often leads to development of patents and licensing of new products that are agriculturally based. This research and the products it generates can be used to benefit the Delta as well as other areas suffering from persistent poverty.

The region's potential is illustrated by two examples from USDA. First, at an October 1999 meeting the Delta Compact steering committee and Agriculture Research Service staff discussed research already underway that could be commercialized to provide employment opportunities for the Delta. USDA has developed a process to convert chicken feathers into a feather fiber material with potential commercial uses including air filters, oil filters, feminine hygiene products, diapers, insulation materials, sound deadening materials, packaging, and upholstery padding. USDA has patented this process and has licensed the Featherfiber Corporation, which is presently constructing a pilot plant. This process may create a significant number of new jobs while lessening the environmental impacts associated with other disposal methods such as burning the feathers, putting raw feathers into landfill sites, or "hydrolyzing," a controversial approach in which feathers are processed into animal feed.

USDA is also working on methods for large-scale production of beneficial organisms to control weeds and insect pests in order to enhance agricultural production. Preliminary

plans call for building a National Biological Control Laboratory in Stoneville, a few miles south of Greenville, Miss., in the heart of the Delta. Construction is scheduled to start in 2000. Partnerships will be established with private sector persons interested in forming businesses dedicated to developing and applying this new technology.

This kind of market expansion and creation of new markets have greater potential than a strategy that relies on incentives to attract existing industry to a targeted area. Because the Delta lags in many areas attractive to industry, such a strategy has limited viability.

THE COMPACT'S AGENDA AND NEXT STEPS

The Delta Compact — while inspired in part by government during the Clinton Administration — is a concept that transcends political party alignment. It is a product of the deliberations of people from all sectors, not just government. It seeks to articulate an agenda that evokes cooperation to address the challenges confronting the region.

The Compact's central objectives are:

- to blend the strength and efforts of existing institutions;
- to increase and diversify resources (not just bake a bigger economic pie but bake one using different ingredients that focuses on the intangible needs of education, wealth creation, and leadership and capacity development, as well as jobs and physical infrastructure);
- to maximize inter-governmental and inter-institutional collaboration and to minimize competition;
- to capture the interest of the region's youth through projects that depict the inherent values and potential within the region for them; and
- to implement simple projects with early impact in the less



tangible areas of new market development, education, and leadership and capacity development.

The Compact's next phase will begin at the Delta Summit to be held in Clarksdale, Miss. on March 13-14, 2000. The Summit will launch the Delta Compact as a fully activated federation of public and private interests dedicated to producing partnerships, collaborations, and cooperative action to invigorate the Delta's economy, communities, and institutions. Participants will frame a policy and action agenda for the Compact. Members will be sought from all seven Delta states.



Photo from Housing Assistance Council files.

Participants at a Delta Compact meeting consider strategies for regional development and cooperation.

Results of the Summit will be presented at "Delta Vision, Delta Voices: The Mississippi Delta Beyond 2000," a meeting to be hosted in Washington, D.C. on May 10-11, 2000 by the Clinton Administration's Delta 2000 Initiative. (*Editor's note:* This initiative is described in another article in this issue of *Rural Voices*.) That session will be used to shape President Clinton's agenda on emerging markets.

Art Campbell is Deputy Under Secretary for Rural Development at the U.S. Department of Agriculture.

Delta 2000 Initiative Focuses Administration's Activities

by Lee Powell

As the culmination of the Clinton-Gore Administration's activities in the Mississippi Delta region, President Bill Clinton directed Secretary Rodney Slater of the U.S. Department of Transportation (DOT) to lead an initiative supported by virtually all federal agencies aimed at promoting community and economic development in the Delta. This effort is called "The Mississippi Delta 2000 Initiative" and it updates and builds upon the work of the Lower Mississippi Delta Development Commission, created by Congress in 1988 to make recommendations regarding economic needs, problems, and opportunities in the seven-state, 219-county Delta region. Delta 2000 focuses on expanding attention upon and increasing resources for the region's development.

Then-Governor Bill Clinton of Arkansas served as Chair of the Commission, which held an extensive series of hearings in consulting with grassroots organizations and leaders throughout the region. The Commission presented a ten-year economic development plan for the region to President George Bush in 1990. As President, Bill Clinton continued the effort to implement many of the recommendations. The President and Secretary Slater have emphasized that while some limited, gradual progress has been achieved, much more remains to be done if the region is to participate fully and fairly in the country's current unprecedented prosperity.

The President and the Secretary will convene a major conference in Washington in spring 2000 to give Delta grassroots leaders a unique opportunity to meet with the leaders of the federal government — including the President, Vice President, members of the Cabinet, and members of Congress from throughout the region. In his 2000 State of the Union Address, President Clinton singled out the need to devote more attention to the Delta: "I also ask you to make special efforts to address the areas of our nation with the highest rates of poverty — our Native American reservations and the Mississippi Delta. My budget includes [a] \$110 million initiative to promote economic development in the Delta."

This budget figure supplements the extensive federal investments already being made in the region. Along with its effort to expand funding for the region, the Delta 2000 Initiative has focused on summarizing the activities of the Clinton-Gore Administration in the region. In fall 1999, Secretary Slater created a new website devoted entirely to Delta issues (www.dot.gov/delta), and published *Mississippi*



INITIATIVES in the Mississippi Delta

Delta Beyond 2000: Interim Report. The report takes a comprehensive view of economic development and quality-of-life issues in the region. Following are a few examples of activities in the Delta during the 1990s.

TRANSPORTATION

Many of the 1990 Commission's recommendations have been either fulfilled or substantially fulfilled. The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the Transportation Equity Act for the 21st Century of 1998 (TEA-21) dramatically increased Highway Trust Fund investment in highways and transit in the region. Other improvements were made in the region's rail, aviation, and other transportation. The Department of Transportation (DOT) also recognizes that important challenges remain, such as the efforts for Interstate 69 and construction of the Great River Bridge over the Mississippi River in southeast Arkansas and northwest Mississippi.

EMPLOYMENT

From 1993 to 1998, the annual average unemployment for the entire 219-county region declined from 7.5 percent to 5.7 percent. Job growth took place in 184 of the 219 counties during this period. However, the Delta 2000 Initiative also emphasizes that many rural counties have been left out of this job creation. For example, in Arkansas St. Francis County's unemployment fell from 13.4 percent to 9 percent from 1993 to 1998, but the latter figure is still far higher than the national average. Job growth in the rural counties remains a crucial challenge.

NATURAL RESOURCES AND ENVIRONMENT

The Departments of Interior, Agriculture, Defense, and Commerce, and the Environmental Protection Agency pursued a number of policies aimed at preserving natural resources and the environment in the Delta. For example, approximately 300,000 acres of wetlands were protected in the region through a variety of programs, including the Wetlands Reserve Program.

TOURISM

Tourism continues to grow in the region. In 1998, tourism brought almost \$13 billion in revenue to the region. Such activities as the President's designation of the Lower Mississippi River as an American Heritage River in 1998 are designed to preserve the natural splendor of the river for tourism as well as preserving natural resources.

RURAL DEVELOPMENT

USDA's Rural Development invested more than \$3 billion in the region from 1993 to mid-1999 for housing, utilities, water and waste programs, community facilities, and rural small business and cooperatives development. More than 43,000 Delta households were able to buy or improve their homes through assistance from the Rural Housing Service.

HOUSING

The U.S. Department of Housing and Urban Development has engaged in a series of energetic policies for expanding home ownership, fighting housing discrimination, attacking homelessness, and improving opportunities for rental housing. HUD works in partnership with the USDA Rural Housing Service and many important nonprofit organizations, including the Housing Assistance Council and the Mid South Delta Local Initiatives Support Corporation (LISC). Despite evidence of progress in many areas, Delta 2000 recognizes that many Delta residents still lack access to adequate housing.

COMMUNITY REDEVELOPMENT

An important section of the 1990 Report was devoted to community development, and the Empowerment Zone/Enterprise Community (EZ/EC) program became a major Administration innovation in that field. In Round I of the program announced in 1994, approximately one fourth of all the rural EZ/ECs nationwide were located in the Delta. There were also five urban EZ/ECs in the region. In Round II, announced in January 1999, another Empowerment Zone was located in southern Illinois. These communities are located in economically distressed areas. The EZ/EC program is based upon four key principles: sustainable community and economic development, economic opportunity, community-based partnerships, and strategic vision for change. The communities received a limited amount of funding from Health and Human Services block grants, and Empowerment Zone employers gained a number of tax incentives.

A major feature of the program is its success in leveraging federal funds with commitments from state, county, local, private business, and nonprofit foundation awards. For example, the rural communities drew down slightly over \$10 million from their EZ/EC funds, but they leveraged roughly ten times that much, or about \$107.4 million. The Delta 2000 Initiative supports expansion of the program in the



This Arkansas family is proud of their new home.

Photo by Terri Ann Brown, HAC.

Delta. The President proposed new funding for the EZ/EC program in his State of the Union Address.

Following the example of the 1990 Commission, the Delta 2000 Initiative has placed great emphasis upon consulting with grassroots leaders from throughout the region. The initiative received a powerful impetus from an agreement signed at a meeting of local leaders and federal officials — led by Vice President Al Gore,

Secretary Slater, and U.S. Department of Agriculture Secretary Dan Glickman — in New Orleans in April 1998. A number of grassroots organizations, including all the Empowerment Zones and Enterprise Communities in the region, the Lower Mississippi Delta Development Center, the Enterprise Corporation of the Delta, the Foundation for the Mid-South, and others, joined with the federal officials in supporting a “Delta Partnership Agreement” to work cooperatively for sustainable community and economic development in the region.

Secretary Slater followed up the New Orleans conference by organizing a Delta “Memorandum of Understanding” whereby ten federal agencies pledged to work together for the economic revitalization of the Delta. The Memorandum was signed at a meeting of local leaders and federal officials in Memphis during July 1998. Secretary Slater and USDA Under Secretary for Rural Development Jill Long Thompson organized that meeting. In 1999, another ten agencies signed the agreement, so that it now includes virtually all the federal government agencies with any domestic policy responsibilities. During autumn 1999, Secretary Slater held a series of listening sessions with grassroots leaders throughout the region. The President held meetings in Clarksdale, Miss. in

July, 1999; Helena, Ark. in August; and in the fall he visited Hermitage, Earle, and West Memphis, Ark. in the continuing effort to focus attention on issues related to the Delta’s future.

The Delta 2000 Initiative will publish its report focusing on the future of the region at its final conference during the spring in Washington, D.C. The Delta Compact (described in a separate article) was a key partner of Delta 2000 throughout its activities, and the Compact is again working closely with Secretary Slater’s office in planning the Washington conference. Among the key issues to be discussed at the conference are:

- creation of a permanent commission to promote regional planning and economic development;
- expansion of technical assistance to the smallest and poorest communities that currently do not have the personnel and resources to compete with larger and more affluent areas for federal funding. Delta 2000 is in the process of developing a “circuit rider” project for sending federal employees out to spend time with the poorest communities to provide them with this type of technical assistance;
- channeling greater resources into policies that have proven to be sound investments, including many of the policies recommended by “voices from the Delta” that will be published in the Delta 2000 Initiative report.

As President Clinton and Secretary Slater have repeatedly emphasized, the federal government is only one partner in the dynamic coalition needed to move the region forward. Federal, state and local governments, private business, faith-based organizations, and nonprofit foundations must all play key roles. The federal government can provide technical assistance and resources, but ultimately, empowerment and lasting change flow from leadership at the grassroots level. As the President poignantly expressed this thought: “Much more must be done if the Delta region is to become a full partner in America’s future. That will require the federal, state and local governments as well as many private sector groups and the community at large to work together in a spirit of dedication and innovation.”

Lee Powell is editor of Secretary Slater’s forthcoming Mississippi Delta 2000 report entitled *Delta Vision, Delta Voices*.

More than 43,000 Delta households were able to buy or improve their homes through assistance from the Rural Housing Service.



Delta Caucus Brings Local Leaders Together To Request Federal Support

by Kevin Smith

In June 1999 the leadership of the Arkansas Senate and House, the Arkansas Municipal League, the Arkansas Counties Association, and others came together at a press conference in the State Capitol to introduce the Delta Caucus, an alliance of grassroots leadership. They announced plans to petition President Clinton and Congress to pass a "substantive and meaningful" package to help the Lower Mississippi River Valley, also known as the Delta.

In August 1999, the Delta Caucus had a rally and catfish fry on the banks of the Mississippi River in West Memphis, Ark. Over 150 grassroots leaders from all over the region attended the event, and it was heavily covered by state and regional media. At this event, the Caucus unveiled "The Delta Covenant," a petition formally asking Congress for help. After the signing ceremony, county coordinators were appointed and were given copies of these petitions to use for locally staged announcements at the courthouses. Literally thousands of petitions were signed.

In September, at Helena, Ark. leadership of the Delta Council, a related grassroots organization, met privately with and briefed President Clinton, Treasury Secretary Rodney Slater, Senator Blanche Lincoln, Representative Marion Berry and others on the needs of the Delta and our request for a significant package for the President's last budget. Also, the group personally handed the President an enlarged copy of the petition signed by over 200 Delta leaders.

In October 1999, over 150 Delta leaders from every Delta state led the Caucus's "March on Washington." The Caucus marched to the White House, where a private briefing was held by high-ranking White House officials. Later, the group testified before a reinvigorated congressional Delta

Caucus and held a congressional reception sponsored by over 30 local banks and businesses in the Delta. Members of the grassroots group fanned out across Capitol Hill with issue packets and met with congressional representatives and staff regarding the Delta. Finally, a press conference was held on Capitol Hill that was attended by the Delta's congressional delegation and national media.

During this time, the Delta's congressional delegation got into high gear by introducing legislation to create a Delta Regional Authority. In December 1999, President Clinton came home and made an exciting announcement before 1,200 Delta Caucus members that he would endorse this bill and include it and other Delta projects in his last budget. (Excerpts from his speech are included in this issue of *Rural Voices*.) In January 2000, in his State of the Union Address to Congress and on nationwide television, the President mentioned the Delta as a region forgotten by the booming economy and made a case for federal assistance. In February he backed this up by proposing a budget for 2001 that includes \$150 million for the Delta Regional Authority and another \$400 million in funding for infrastructure projects in the Delta.

Today, the Caucus is focusing on establishing bipartisan support for these initiatives by working with the leadership in Mississippi. It is also beginning to focus on drafting legislation for the Delta in the January 2001 session of the Arkansas legislature. Governor Huckabee has appointed Delta Caucus leadership to a task force to develop the legislation, and says he will support it. Specific goals of the Caucus's work range from the Delta Regional Authority and transportation needs to attracting physicians and teachers to the region, expanding the Empowerment Zone tax credit to more Delta counties, and targeting housing funds to the region.

The bottom line, illustrated by the Delta Caucus's work, is if people speak loud enough and work together, they can move mountains.

Kevin Smith is a Democrat representing Stuttgart in the Arkansas State Senate, and is Senate Chairman of the Delta Caucus.

The bottom line . . . is if people speak loud enough
and work together, they can move mountains.



Foundation for the Mid South Provides Funds and Convenes Partnerships

by George Penick

The Foundation for the Mid South is a private, regional philanthropic organization created to improve the quality of life in Arkansas, Louisiana, and Mississippi. The Foundation brings donors, grantees, community leaders, nonprofit partners, businesses, and people from all walks of life together to develop long-term solutions to the poverty and underdevelopment that has hindered social and economic progress in the Lower Mississippi Delta region.

In a nutshell, the Foundation's goal is to help its region's individuals, organizations, and communities increase their capacity for self-reliance, and realize their potential for long-term change. The Foundation seeks solutions that are rooted in the communities it serves and that are embraced and enhanced by those communities as effective ways to make lasting improvements in the lives of citizens. The Foundation accomplishes its work in many ways, by:

- making grants,
- initiating and developing programs,
- convening regional meetings and community gatherings,
- researching and publishing data about the region, brokering and leveraging resources,
- informing the public policy debate, and
- increasing and changing the conversation about philanthropy.

Since its creation in 1990, the Foundation has grown into a "place to come to" for those in the region who are passionate about positive change. Consequently, the Foundation has developed a broad base of partner organizations who share its vision. The Foundation participates with all its partners as both a leader and a learner, contributing its assets and experience to the mutual work of building capacity, and incorporating lessons learned as part of its ongoing vision for the Mid South.

The Foundation's work involves many aspects of commu-

nity and economic development in its three-state region. For example, in 1999, the Foundation invested \$500,000 in the Enterprise Corporation of the Delta — started and spun off by the Foundation — to enable it to expand its lending activity to small- and medium-sized businesses in the Delta.

From 1996 to 1998, the Foundation made a series of grants to a group of central Louisiana communities near Alexandria, to the city of Newton, Ark., and to the communities of Cullen and Springhill, La., all federally designated as "Champion Communities" with promising community development plans. Grassroots leaders, business people, and government officials have used Foundation grant funds to further develop and to implement their plans for rural community development.

The Foundation's African-American Faith-Based Initiative provides grants, technical assistance, strategic planning help, and convenings for churches in the region to help them realize their potential leadership role in community and economic development. National funders have taken a strong interest in this initiative, contributing \$500,000 in support from 1996 through 1998.

The Foundation and the Enterprise Corporation of the Delta convened the Southern Enterprise Communities Forum, a group of five urban and six rural Enterprise Communities and one rural Empowerment Zone that has grown into an independent organization with its own vision, mission, and goals. The Foundation provides continuing administrative and financial support. Topics at forum meetings have included organizing for policy change, infrastructure development, regional economic and workforce development, and the use of citizen learning teams as an evaluation tool.

There are many additional examples, but all focus on a single theme: "We can do better by working together." The Foundation for the Mid South works to bridge the divides created by economics, race, geography, attitude, and culture. Although our theme is simple, our work is complex. We still have a long way to go, but our resolve and the partnerships we are creating grow stronger every day. We can, we have, and we will do better by working together.

George Penick is President of the Foundation for the Mid South.

The Foundation for the Mid South works to bridge the divides created by economics, race, geography, attitude, and culture.



Kellogg Foundation's Mid South Delta Initiative Funds Community Development

by Freddye Webb-Petett

The Mid South Delta Initiative (MSDI) is a strategic partnership between the W.K. Kellogg Foundation and the Delta communities in an area of 55 contiguous counties and parishes in Arkansas, Louisiana, and Mississippi. The Initiative is designed to assist community-initiated economic and leadership development by strengthening the ability of individuals, families, organizations, and policymakers to develop economically healthier communities.

This Initiative is the Foundation's first attempt at geographically based programming. Never before has the W.K. Kellogg Foundation (WKKF) identified a specific region for targeted assistance across several program areas.

The region's history is one of disproportionate economic and social opportunities that favored one racial/economic group over another. This issue, although mainly historical, seems omnipresent in the area even today. Most attempts at social/economic change are viewed suspiciously. These fears are especially evident if the catalyst for change comes from outside the region. The Foundation sought to account for the area's unique sensitivities in several ways.

Recognizing the inherent obstacles to any attempt by outsiders to initiate change in the Delta region, WKKF has been involved in planning and the commencement of the Initiative for more than two years. Beginning with listening teams, the Foundation learned about the aspirations of the community and how to introduce their influence in the area.

Accordingly, Delta residents have been empowered within MSDI's decisionmaking structure via the Delta Initiative Advisory Coalition. Kellogg also recognizes that every effort must be made to identify opportunities that will nourish communications and collaborations that include a representative mix of the diverse Delta community.



Student photographers involved in helping the Kellogg Foundation to put a human face on its work in the Delta rest in front of a mural in the office of the Quitman County, Miss. Development Center. The Foundation has provided planning and project execution grants in Quitman County.

Many academic studies have documented the socioeconomic challenges residents of the Delta have endured and will face in the future. A 1999 Kellogg Foundation poll suggests Delta residents are ready for an economic renewal in the region. Several promising trends have been identified among Delta residents.

There is an identifiable majority of residents within the three-state area who have shared concerns about the future. They share aspirations regarding their futures, the future of the region and, most importantly, their children's future. Key themes such as hope, community, and family all scored well with a large majority of Delta residents. The poll also directed attention to a critical challenge, the belief among far too many young people in the region that they must move elsewhere in order to have a chance of attaining a secure financial future.

Young people are, of course, essential in any effort to strengthen a community's future. Any economic development effort must feature meaningful inclusion of young Delta residents at every level. It is imperative that young people in the region begin to take ownership of their future and the future of their communities. It is also important that young people in the Delta believe they have the skills, leadership capabilities, and imagination to make a positive impact upon

It is imperative that young people in the region begin to take ownership of their future and the future of their communities.



INITIATIVES in the Mississippi Delta



Photo by David Crosby, courtesy of the Kellogg Foundation and Mississippi Cultural Crossroads

Patrons enjoy local cooking in The Dining Room, Marks, Miss.

the future of the region and the world.

The MSDI awards grants in two phases: planning and implementation. If approved, an organization or team receives a grant for project planning. After one year, the team is eligible to submit a proposal outlining its community development program and, if selected, secures additional grant money for execution.

Assessment of progress is based on key concepts and building blocks of economic development. Projects strengthen community capacity to achieve certain economic development objectives, such as:

- stimulating and maintaining microenterprise and small business development,
- sustaining employment,
- improving marketable skill levels,
- increasing and improving markets, and
- accessing and mobilizing resources and assets.

As planned, the MSDI monetary investment by Kellogg will range from \$10 to \$15 million over the next five to eight years. Since 1997, the Foundation has invested approximately \$9 million in the area.

MSDI awarded its first planning grants in 1997 and subsequently permitted subsidies for project execution in late 1998 to Desha County, Ark.; southeast Arkansas; Madison/East Carroll, La.; West Holmes County, Miss.; and Quitman County, Miss.

Last autumn, during the second round of grant awards, ten new Delta communities were selected for planning grants:

Southern University A&M College System Office, Lake Providence, La.; Mid Delta Workforce Alliance, Greenville, Miss.; Arkansas Land and Farm Development Corporation, Forrest City, Ark.; The Ouachita Enterprise Community, Monroe, La.; Foundation for Realizing Opportunities for Growth, Clarksdale, Miss.; Blessed Sacrament Church, Jonesboro, Ark.; Delta Rural Health Network of Mississippi, Belzoni, Miss.; Arkansas Institute for Social Justice, Pine Bluff, Ark.; Hollandale Economic and Community Development Foundation, Hollandale, Miss.; and Delta Community Development Corporation, Inc., Forrest City, Ark.

MSDI's community team objectives are:

- to deepen understanding of the MSDI capacity building issues,
- to provide skills training and access to resources,
- to link people in a "learning community,"
- to strengthen teams' capacity in economic development projects,
- to continue to learn, shape, and apply the MSDI principles and key concepts, and
- to reward people's commitment to community building.

The W.K. Kellogg Foundation was established in 1930 to help people help themselves through the practical application of knowledge and resources to improve their quality of life and that of future generations. Its programming activities center around the common vision of a world in which each person has a sense of worth; accepts responsibility for self, family, community, and societal well being; and has the capacity to be productive and to help create nurturing families, responsive institutions, and healthy communities.

To achieve the greatest impact, the Foundation targets its grants toward specific areas. These include health, food systems and rural development, youth and education, higher education, and philanthropy and volunteerism. When related to these areas, funding is also provided for leadership, information systems/technology, efforts to capitalize diversity, and social and economic community development programming. Grants are concentrated in the United States, Latin America and the Caribbean, and the southern African countries of Botswana, Lesotho, Mozambique, South Africa, Swaziland, and Zimbabwe.

Freddye Webb-Petett is Program Coordinator of the Mid South Delta Initiative, based in Pine Bluff, Ark.



Mid South Delta LISC Helps Local Groups Produce Development Successes

by Glenn Nishimura

The Mississippi Delta, shimmering off there in the marshy heat, is back once more in the public's fleeting consciousness.

Last year, President Clinton was in Clarksdale, Miss. to voice the government's concern that the country's robust economic engine in this remarkable decade had bypassed the Delta, as had every other economic renaissance since the collapse of the cotton economy three-quarters of a century ago. On a subsequent trip to the Arkansas side of the Mississippi River, he dedicated his final months in office to finding solutions to the region's chronic poverty, joblessness, poor schools, dilapidated housing, and environmental problems. (Excerpts from this speech are included in this issue of *Rural Voices*.)

Perhaps some of the political initiatives will produce fresh ideas and programs that will address the region's problems. But there is not one single answer nor does the region need to wait on brave new ideas from Washington, or even from Little Rock, Jackson, or Baton Rouge, for its salvation. In the end, the ideas and initiatives for putting the region back into the mainstream ought to come from the Delta itself and its people, and it will be a surprise to many that they are not absent now.

Lacking miracles or a silver bullet such as a new Appalachia-like economic development program or a Tennessee Valley Authority, we tend to shrug off simple good works or fail to recognize them when they are performed. Yet all over the Delta there are many initiatives undertaken by community development organizations or citizen groups that raise the quality of life and form the foundation for economic development.

For example, this past fall, the Delta Research Education and Development Foundation opened the first of what will be 24 apartments for low-income families in a part of West

Memphis, Ark. that was decimated by a tornado 12 years ago. Capital is meager in the Delta, but the organization was able to put together \$1.8 million in financing: corporate equity from the National Equity Fund, mortgage financing from the Tri-State Bank, and early money and technical support from the Local Initiatives Support Corporation (LISC).

Since its inception in 1995, Mid South Delta LISC has provided training, technical assistance, and financial resources to 50 community development corporations (CDCs), which are neighborhood-based, nonprofit organizations. It has helped them build 952 units of affordable housing and develop more than 28,000 square feet of commercial space. Headquartered in Greenville, Miss. with a satellite office in Forrest City, Ark., Mid South Delta LISC covers a target area that includes 56 counties and parishes in the Delta area of Arkansas, Mississippi, and Louisiana. In towns up and down the Delta, the CDCs with which Mid South Delta LISC works have produced largely unheralded results, including these just in calendar 1999:

- The Lee County CDC dedicated self-help homes it helped 13 families build in and around Marianna, Ark. The group is now working with seven more families.
- Ten units of affordable rental housing in Jonesboro, Ark. and a childcare center in Marked Tree, Ark. were built by the Crowley's Ridge Development Council.
- Southeast Arkansas CDC developed housing that will allow four low-income families to achieve homeownership in Pine Bluff and has identified funding for three more families to build homes in rural Jefferson County.
- Mississippi County Economic Opportunity Agency has completed and opened a Head Start center in Blytheville, Ark. for low-income children.
- The Boys, Girls, Adults CDC, a remarkable group in Marvell, Ark., is running a construction program that couples rehabilitation of existing houses with training young adults in the construction trades. Over 20 years, the organization has developed many programs for youth and families in the town.
- Mississippi Action for Community Education (MACE) completed and opened 40 units of affordable rental

The ideas and initiatives for putting the region back into the mainstream ought to come from the Delta itself and its people.



INITIATIVES in the
Mississippi Delta

housing in Greenville, Miss.

- Delta Housing Development Corporation (DHDC) of Indianola, Miss. helped 62 low-income families to play a part in constructing their own homes. DHDC also built 12 affordable units for rent to low-income residents of Metcalfe, Miss.
- Quitman County Development Organization (QCDO) in Marks, Miss. obtained financing to build 24 units of affordable rental housing in Sledge, the first new construction there since 1985.
- Tallahatchie Housing, Inc. (THI) of Webb, Miss. acquired funding for two 14-unit projects, one in Louise and the other in Tchula.

These and other Delta CDCs are hard at work starting businesses, building child care centers, developing agricultural production and otherwise building options and opportunities in the Delta. These successes are not on the scale of the redevelopments of South Bronx, Chicago, or Kansas City but they follow the same premise, that development is most successful when it relies on local ideas and initiative.

Beyond the individual small towns or neighborhoods, the impact of each, standing alone, is not great. But, given the region's unusual handicaps, they are as significant. The Delta is not bereft of initiative and ideas, but of capital. The capital shortage is made more intractable by the bleak isolation of the rural communities and small towns of the region. Far from the centers of media, commerce and government, their achievements, like their problems, get scant notice except for the cyclical attentions of a president or the media in the state capitals every five or ten years.

This attention is welcome if it produces more ideas or fetches more capital for the Delta, but government and private capital should not override or ignore community organizations that have already shown what can and should be done. The best investment would be dollars, technical assistance, training, and organizational support for these groups that have worked successfully, in virtual obscurity and under oppressive handicaps, to improve opportunities in the region.

Glenn Nishimura is Program Director at Mid South Delta LISC.

Technology Project Begins To Build Delta Communications

by Renee Wilburn

A new regional communications network will link 22 local nonprofit groups in rural Arkansas, Louisiana, and Mississippi to help with their community and economic development efforts. Conceptualized by the Delta Compact (which is described in a separate article in this issue of *Rural Voices*), funded by the Fannie Mae Foundation, and initially administered by the Housing Assistance Council, this technology project may serve as a springboard for broader development as well.

The selected organizations will receive computers, training, technical assistance, and one year of prepaid Internet access. These resources are intended to reduce the groups' geographic isolation by improving their communications, build their technological capacity, develop partnerships among them, and ultimately improve their access to national and regional information and funding. Sophisticated computers should also help them to improve and streamline internal management activities, improve the presentation of their publications and funding proposals, and improve their housing counseling programs through the use of Fannie Mae's counseling software.

The project includes creation of a Delta-focused web site as well. The site will provide a central communications venue and a forum for participants, supplying information about issues and events in the Delta with respect to housing, community development, economic development, and related policies. It will also include links to other on-line resources, "pop-up scrapbooks" in which each participating organization can describe its work, and a listserve enabling participants to share ideas and concerns. In addition, a quarterly newsletter will be e-mailed to participants and posted on the web site.

This technology initiative is only one step among many that will lead the Delta towards long-term sustained development. The Delta Compact hopes to use its collective networks of resources to locate funding to provide improved Internet access, more community technology centers, and additional information technology training. Thus more Delta residents will be better able to gain access to resources the region needs to participate more fully in economic progress.



The Delta's need for this technology assistance arises from its longstanding shortage of financing, infrastructure, and economic diversity. Advancements in agricultural technology over the past 20 years have led to a rise in the numbers of displaced workers in the Delta region. While improvements in farming equipment and the increased use of chemicals have been good for the Delta farming industry, the impact on low-income residents has been devastating. Lacking skills to fit into manufacturing or service industries, an overwhelming number of farm workers have been unable to find employment. At the same time, across America computers and technology are being used to address economic needs. While most of urban America has taken advantage of information technology to post record gains in economic growth, the Delta region, like many other rural areas, still lags far behind.

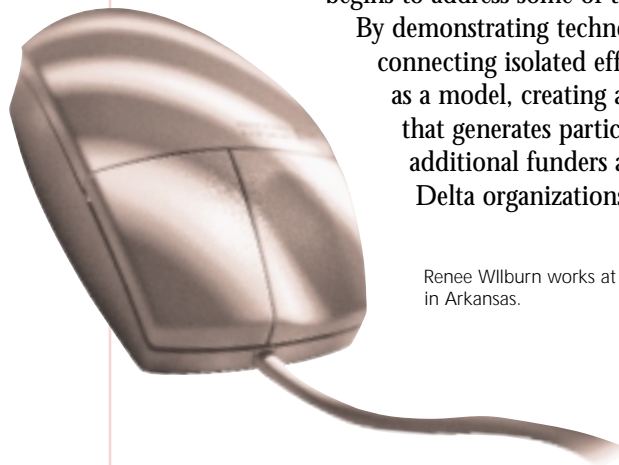
Over the past decade, most Delta communities have suffered from their lack of the economic resources needed to benefit from technological progress. They lack the infrastructure needed for easy access to information technology facilities and the technical skills needed to make good use of technology. Economic development efforts are complicated because the Delta workforce's lack of technological skills and training makes it difficult to attract technology-centered employers.

Improved information technology can bring significant benefits, as some Delta residents have learned. Businesses using computers can improve their operations. Local government agencies, health care providers, and social services agencies can enhance the services they provide. School districts in the Delta have begun to set up computer labs to improve their students' education. Many Delta families are investing in computer systems for their homes, or are finding public access centers in their communities.

Resource limitations still exist, however. In many communities, access to an Internet service provider requires a long distance call. Many users find it hard to locate vendors who can provide proper technical assistance when things go wrong. Few people are capable of training others to use information technology.

The Delta Compact's technology project begins to address some of these limitations.

By demonstrating technology's uses for connecting isolated efforts, it may serve as a model, creating a ripple effect that generates participation by additional funders and additional Delta organizations.



Renee Willburn works at the Lee County CDC in Arkansas.

Over the past decade, most Delta communities have suffered from their lack of the economic resources needed to benefit from technological progress. They lack the infrastructure needed for easy access to information technology facilities and the technical skills needed to make good use of technology.

Q&A



WITH JAMES C. KEARNEY

Jim Kearney became Administrator of the Rural Housing Service in December 1999. He has worked at USDA for more than 30 years and served as Rural Development State Director in North Carolina from 1993 until 1998.

Q What are the most important issues facing RHS in the next year?

A There are several, and these aren't necessarily in priority order. One will be stretching our limited Section 502 direct funding to meet the enormous need. Also, we will be implementing servicing system enhancements for guaranteed rural housing. We need to think about preserving the aging portfolio — over 60 percent of RHS's 18,000 multifamily complexes are more than 15 years old, and it's critical that we maintain them as affordable and quality rental options. We need to strengthen our partnerships with nonprofits, CDCs, and banks and address the credit problems preventing people from accessing our direct 502 and 504 programs because of lack of repayment ability. We want to work with local organizations to try to address this problem up front and partner with other organizations to provide education and counseling on credit issues.

Serving Native Americans and farmworkers is another need. These two groups are the poorest housed people in rural America. The demand for grants and subsidies significantly exceeds what we have available. It is critical to leverage additional resources and try to make our funding as flexible as possible to make partnering easier. We also need to continue to identify any barriers that prevent us from serving these groups. In the case of farmworkers, we need to work to prevent NIMBY reactions. For Native Americans, we need to continue to improve our efforts to lend on trust lands. We will continue to target some of our community facilities funds to tribal areas to help finance health care facilities, tribal colleges, etc. We have had some successes — for example, in the last four years Section 515 has financed more than a dozen new multifamily housing complexes in Indian Country.

Q Are you pleased with the Administration's budget request for FY 2001?

A President Clinton's FY 2001 RHS budget request represents an increase of almost \$800 million over FY 2000, including disaster funding. Increases were requested for the Section 502 direct and guaranteed loan programs, as well as an additional \$75 million for the Community Facilities loan and grant program. Modest funding increases were also requested

for the Rental Assistance program, the Section 504 Home Repair Loan and Grant program, and Farm Labor Housing. We will be very pleased if President Clinton's RHS budget survives the budget process.

Q Over the last few years RHS has shifted its funding emphasis away from direct lending and towards leveraged loans and guaranteed loans. HAC is pleased that a significant portion of Section 502 guaranteed loans are made to families with incomes below 80 percent of median (29 percent in FY 1999), but overall the direct programs serve much lower average incomes than the guaranteed (\$19,369 compared to \$33,285 for Section 502 in FY 1999). Do you expect the trend towards guaranteed loans to continue? Why or why not?

A Both the direct and guaranteed programs bridge critical gaps in rural America. No one can doubt the importance of homeownership in strengthening rural economies. The guaranteed program does enable families — many of whom are just making ends meet — to afford a home without having to wait several years to build up a downpayment. Generally they're serving the same low-income clientele but the guaranteed program is more likely to serve families with both parents working. When they both work they're less likely to qualify for the direct program and yet they can't get conventional credit. It's important that we serve those families. They are deserving of a government guarantee and it's important to keep them in rural America, so that we can continue to retain and attract business opportunities and jobs.

The direct program, of course, is the flagship program of RHS. It's a unique product that has enabled over two million families to own homes. It makes homeownership a reality for people who would have never achieved this dream otherwise. This program does a tremendous job of reaching people whom the private sector does not. A recent survey by USDA's Economic Research Service showed us that 30 percent of our Section 502 direct customers in recent years have been people of color, as compared to 15 percent of all recent low- to moderate-income homeowners. Thirty-two percent are female single parents, as compared to 12 percent overall. Fifteen percent of our households have a member with a disability. So RHS continues to be strongly committed to this program and, of course, we would be happy to see additional funds provided for it.

Q In some areas, Local Rural Development staff seems to be interested in finding creative, flexible ways to use funds for leveraged loans. Is this an agency-wide effort?

A Yes. In fact, we are leveraging a tremendous amount in our programs. In FY 1999, for example, we leveraged our Section 515 funds by 67 percent and our Section 538 funds by 156 percent. In the Section 502 direct loan program overall, we are leveraging our funds by about 10 percent, and under the Rural Home Loan Partnership we leverage our funds by about 30 percent. Leveraging is paying off for us. I plan to work with our staff to get them to understand the benefits of leveraging and to institutionalize that as well. It is an agency-wide effort.

Q How can local rural housing providers help advocate for increasing the federal resources devoted to rural housing?

A It is critical that local providers share information and success stories with their communities to show that good housing and good facilities lead to solid and sustainable communities. We all need to tell our stories and talk about the impact we have made and can continue to make. National Homeownership Week serves as a great opportunity for RHS and our partners to talk about our achievements in providing tens of thousands of homeownership opportunities across rural America each year. It's a good way to sell the program. We've had a number of states this year celebrating the 50th anniversary of the National Housing Act as well.

Q What role can RHS — and more broadly, Rural Development — play in encouraging and fostering sustainable rural community development?

A Our Rural Development State Offices have worked with rural communities and federally recognized tribes in the development of strategic plans. The staffs of Rural Development State Offices have forged solid links with numerous entities at the state and local levels to identify and harmonize the many resources available to rural communities. These include creating affordable housing, modernizing infrastructure, developing business growth potential, and providing employment opportunities, all of which lead to sustainability. Our State Offices encourage rural communities to address their challenges, recognize their uniqueness, and plan for their future.

Princeville, N.C., is an example. Before the flood [resulting from hurricanes in September 1999], one of the things in their plan was how to use their unique status as the oldest African-American town to attract tourism. The State Office and the Rural Development Council, along with a lot of other state and federal agencies, had been involved. In that context, our offices play an important role in fostering sustainable communities.

Of course, housing development provides jobs, it creates taxpayers, and it increases tax bases that help finance schools and other facilities.

Q What can you say about the Rural Community Development Initiative? A NOFA is expected in March. Will there be an emphasis on pass-through funds to local organizations?

A Congress created the RCDI in FY 2000 with an appropriation of \$6 million under the Rural Community Advancement Program. We do plan to issue the NOFA for the RCDI in March [after the *Rural Voices* deadline]. You'll be able to find it in the *Federal Register* and at our RHS web site at www.rurdev.usda.gov/rhs/rcdi/index.htm.

Q USDA has a poor record of finalizing discrimination complaints, yet the agency's civil rights instruction has been under revision for many years and has not been published. What is its status?

A The Department's civil rights regulation is going through the review process and should be completed soon. Once that's done, our Rural Development Office of Civil Rights will be able to revise its own regulation in accordance with the Department's policies. Meanwhile, as we promulgate new regulations now, our civil rights office ensures that the regulations, forms, and any other procedural guidance comply with all civil rights laws.

Q Will you continue your predecessors' use of "stakeholders" groups, comprised of a cross-section of rural housing interests, to debate issues and recommend action or change?

A Absolutely. I'm a firm believer that our customers at all levels should have involvement and input into our program design and our delivery system design. If we want to do it right we need to ask those who will be impacted and those who have to implement things as well.

Q This issue of *Rural Voices* focuses on the Mississippi Delta, and USDA and HAC have been working closely together on the Delta Compact. Responsibility for that initiative is lodged in a different part of USDA. Tell us about RHS's work in the Delta.

A Our Rural Development State Offices in the Delta are extremely active and are partnering with local organizations to help leverage our funds and services. We are unable to set aside funds specifically for the Delta states, but through their partnerships and the staff's hard work, the Delta states have been very successful in using all of their allocated funds. Since 1993, Rural Development has invested a total of \$3.5 billion in the Delta region, and \$2.2 billion of that was for housing.

Q Can't funds be set aside for the Delta?

A Funds can be set aside through the underserved areas program, for colonias, or for EZ/ECs, but those are not specifically the Delta counties. Many of them overlap, but right now we don't have the flexibility to set aside funds specifically for the Delta. Still, whether there's a set-aside or not, the area's needs are being addressed.

Q Would RHS consider implementing relevant recommendations developed so far by Compact participants? These include designation of a single self-help TA provider for the Delta region and creation of a joint application or pre-application process among federal and state agencies, as well as a set-aside of RHS funds for the Delta.

A The members of the Compact have not finalized and formally issued these recommendations. Once they do, we

will consider them very carefully.

Q The Section 515 program serves the lowest income rural residents, but over the last few years it has experienced image problems and significant reductions in funding, from \$576 million in FY 1991 to \$114.3 in FY 2000. What kind of future do you see for Section 515?

A The Section 515 program currently provides over 453,000 families and elderly and disabled individuals in nearly 18,000 complexes with affordable and decent homes. Part of our 515 funding must go to helping maintain that portfolio in good condition and to ensure its affordability wherever possible.

We have made significant improvements in the program to significantly reduce fraud and abuse and, as you may know, we have initiated a joint effort with the Inspector General's office to focus both of our resources on some problem borrowers. We also are initiating an enforcement effort to make sure that our staff are sufficiently trained and have adequate resources to look at complex and multi-state cases. Part of that team will be staff from USDA's Office of General Counsel working with the Department of Justice.

We continue to have limited funding for new construction, a significant portion of which has gone to EZ/ECs, underserved areas, colonias, and tribal areas. After that there's much less available to deal with new construction. The per unit subsidy between Section 515 and rental assistance is quite high and has been difficult to address in this era of reduced budgets. I think the feedback we're getting now is that there's not as much of an image problem with the program as there had been; we've dealt with those things. There is still a lot of work to be done with preservation and so forth.

Q The National Rural Housing Coalition is developing a proposal for a new program to fund rental housing production in rural areas. Do you support the general idea of creating a new program? Do you have any reaction to the specific concept described in NRHC's current draft? Do you have any suggestions as to what a successful proposal should include?

A In principle, we support any effort to provide more rental housing in rural America and we are encouraged to see the strong leveraging required in the proposal. The proposed management of the program is quite different than current Rural Development programs and, at a minimum, would presents some staffing and consistency challenges, particularly if it's allowed to change each year. I would need to study it more before formulating an official position on this specific proposal.

Q Rental housing preservation is an increasingly significant issue. What are your plans for preservation efforts?

A While we have been successful in preserving some RHS-financed properties, we have insufficient funds and rental assistance to preserve a significant portion of our rental housing portfolio. We have had success with third party financing, including tax-exempt bond and commercial financing, for transfers and equity loans to existing borrowers,

and we want to encourage more borrowers and purchasers to look into this option. We are continuing to explore other financing possibilities for rural housing preservation and welcome the input and attention the Housing Assistance Council and others have provided on the issue, or comments that will be provided in the future.

Q RHS is moving towards requiring homeownership counseling for borrowers. How would that requirement be implemented and funded?

A Our goal is to ensure that our housing borrowers are successful homeowners. One way to help them be successful is to educate them on what it means to be a homeowner — how to maintain their homes and how to budget for routine maintenance and emergencies. We would like to require homeownership education for all our borrowers, but at this point, funding the education and providing access for all of our borrowers are two of the biggest challenges. We are looking at a number of approaches to address them. We will keep you informed of our plans.

Q Because the payment assistance calculation for Section 502 direct loans is based on the relationship of household income to county median income, someone living in a county with a low median income may pay a higher interest rate than someone with the same income who lives in a higher median income county, or may qualify for a lower loan amount. Will you include this in your plans for program reform?

A I appreciate your concern with ensuring that payment subsidies are directed to applicants with the greatest need. As you noted, the payment assistance program is partly based upon the relationship of household income to county median income. This was done in part because the county median income, which is established by HUD, reflects the income and housing costs in the area. Therefore, a family with a higher income in relationship to the area in which they live should be able to pay a higher amount towards their housing costs. However, this approach does raise concern in bordering counties where there is a significant difference in the median area income in each county. In these areas, a family may qualify for a different loan amount in each county based upon the relationship of their income to the respective county. The Agency shares these concerns and is planning to further analyze the payment assistance program, and would welcome comments or suggestions.

Q Do you have a position on the use of credit scoring as a way to reduce delinquency?

A We are evaluating whether using credit scores has any applicability in either the direct or guaranteed single-family housing programs. We've had some listening sessions to get input. We will keep you apprised of any new developments.

Q RHS has a strong record of supporting self-help housing, which enables very low-income households to own their homes,

Administration Proposes Strong Housing Budget

by Joe Belden

The Clinton Administration issued its proposed federal budget for fiscal year 2001 on February 7. The proposals for the Department of Agriculture's Rural Housing Service (RHS) and for the Department of Housing and Urban Development (HUD) are very good. In fact they are as good as such budgets have been in some time. RHS does well but not as well as HUD, which seems to have much more clout within the Clinton Administration and with the Office of Management and Budget. Of course it will be up to the Congress to decide whether to go along with these proposals. Last year Congress actually gave RHS more than the Administration asked. One matter does seem clear — all sides agree that the budget caps imposed a few years ago will have to be raised.

USDA PROGRAMS

The Rural Housing Service budget shows increases in most programs. The only negative note is that the Section 515 rental housing production program, drastically cut several years ago, receives only a \$6 million increase, not nearly enough to make up for past losses. Overall the budget seeks an increase in RHS program funds to \$6.14 billion in FY 2001, up from \$5.32 billion in FY 2000.

Especially large increases are proposed in Section 502 direct and guaranteed loans for homeownership and in Section 538 guaranteed loans for rental housing. Section 502 direct would increase by \$139 million. But the agency continues to emphasize guaranteed loans rather than direct loans, which generally serve lower income residents. Section 538 would rise by \$500 million, to \$3.7 billion, and is becoming one of the federal government's largest housing programs. Section 523 technical assistance for self-help, which funds local self-help groups, would get a very substantial boost, from \$28 million to \$40 million. Only a few years ago, this program was lucky to get \$13 million annually.

RHS Section 521 rental assistance would rise by \$40 million. Farm Labor Housing funds from Sections 514 and 516 would be combined into a new \$50 million flexible account so RHS could move funds between the loan and grant programs, with \$5 million dedicated to grants for farmworkers facing natural disasters or economic hardships. RHS's community facilities programs also would get an increase in 2001.

Also very encouraging is that the new Rural Community Development Initiative (RCDI) would be continued for a second year at the same \$6 million funding level. Just created last year, this program has the potential to be very useful for community-based rural nonprofits.

HUD PROGRAMS

The Administration's FY 2001 budget request for HUD programs is one of the best in some time, with almost every account receiving an increase in funding. As in most recent years, the HUD budget is more positive than the funding requests for RHS, although the difference is not as stark as in some other years. The total HUD budget would be \$32.1 billion in 2001, a \$6 billion increase over FY 2000 appropriations. However, as in 2000, \$4.2 billion in housing certificate funds would be delayed until FY 2002.

There are several significant developments for rural housing in the HUD budget. The Office of Rural Housing and Economic Development would continue with a slight increase in funds. The Self-Help Homeownership Opportunity Program (SHOP) would receive less funding than this year, but it was not included at all in last year's HUD budget request. Key items in the 2001 HUD budget proposal include the following:

- an increase of \$119 million in Community Development Block Grant (CDBG) funding, to \$4.9 billion;
- an increase of \$50 million in the HOME program, to \$1.65 billion;
- a substantial increase of \$180 million in homeless assistance programs;
- an increase for the new Office of Rural Housing and Economic Development from \$25 million to \$27 million;
- a total of \$14.1 billion in the housing certificate fund (up \$2.7 billion), with \$4.2 billion as an advance appropriation for FY 2002;
- 120,000 new incremental vouchers, including 32,000 for Welfare-to-Work efforts, 18,000 for homeless persons, 10,000 for housing production, and 60,000 for general use;
- an increase in the Native American housing block grant program from \$620 million to \$650 million;
- public housing increases of \$54 million in operating funds, \$86 million in the capital fund, and \$50 million in HOPE VI revitalization;



- increases of \$69 million and \$9 million respectively in the Section 202 elderly and Section 811 disabled programs;
- an increase of \$6 million in fair housing programs;
- a reduction from \$20 million to \$17.5 million for the SHOP program; and
- a \$28 million increase in the Housing Opportunities for Persons With AIDS program.

Two new CDBG setasides are \$22 million for a Mississippi Delta Initiative and \$20 million for a Community-Interfaith Partnerships Initiative. The Delta funds are part of a larger presidential plan to create a new \$153 million Delta Regional Authority to aid the Lower Mississippi Delta region. This proposal includes \$30 million in new funds, with the balance coming from existing programs at HUD, Transportation, USDA and four other departments. The Interfaith Initiative, operating out of the HUD Center for Community-Interfaith Partnerships, would provide competitive grants to increase the involvement of community- and faith-based groups in HUD programs.

A relatively small but important gain for rural areas is that

the still new Office of Rural Housing and Economic Development seems to have secured a permanent place at HUD. This is a separate request, not a CDBG setaside.

OTHER PROPOSALS

Other items of note in the FY 2001 budget include proposals to increase the Low Income Housing Tax Credit from \$1.25 to \$1.75 per capita over five years, and to fund the Community Development Financial Institutions Fund at \$125 million, up from \$95 million in 2000.

Complete federal budget documents are available at w3.access.gpo.gov/usbudget/index.html. HAC's analysis, *Looking Up: An Analysis of the Administration's Proposed Fiscal Year 2001 Rural Housing Project*, is available for \$4. Send a check to HAC's national office or call Luz Rosas at 202-842-8600 to order with a credit card. It will be posted free at www.ruralhome.org by the end of March.



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The Housing Assistance Council (HAC) is a national nonprofit corporation founded in 1971 and dedicated to increasing the availability of decent housing for low-income people in rural areas.

HAC strives to accomplish its goals through providing loans, technical assistance, training, research and information to local producers of affordable rural housing. HAC maintains a revolving fund providing vital loans at below-market interest rates to rural housing developers. Developers can use these funds for site acquisition, development, rehabilitation or new construction of rural, low- and very low-income housing. HAC has a highly qualified staff of housing specialists who provide valuable technical assistance and training, and research and information associates who provide program and policy analysis and evaluation plus research and information services to public, nonprofit, and private organizations. HAC's subsidiary, Rural Housing Services, Inc. (RHS), syndicates rural housing developed with the Low Income Housing Tax Credit.

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Q&A FROM PAGE 19



and you are known to have an interest in self-help housing. Can we assume this support, including significant funding for the Section 523 technical assistance program, will continue?

A Absolutely. Under the Clinton-Gore Administration, we have seen more than a doubling of the program, from \$13 million to \$28 million.

? Are there other important aspects of RHS's work we haven't addressed?

A We haven't mentioned the flexibility we have in our community facilities program — we can assist in child care, assisted living, homeless shelters, and that kind of thing. Some housing groups are getting into these areas.

? What do you expect will be your greatest challenge as Administrator?

A Two things: matching need and demand with limited resources in our direct lending programs, and addressing the needs of the underserved by doing the "hard-to-do" and going into areas where it has been difficult to make loans and grants. The underserved areas need more staff resources. You've got to find the infrastructure, you need lenders, you need water/sewer, and that is more difficult. And you've got limited resources — there's nothing new, so when you shift into the underserved areas, you have to balance that against the needs remaining in other places.



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