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Federal Reserve Bank of Chicago --

July 20, 1962

For a large portion of families living on small farms, the main prospect for boosting income must come from opportunities provided by off-farm employment. Nonfarm income has been rising as a proportion of total income of farm families. This trend has been given an assist in recent years by a number of exploratory Government programs.

The Rural Development Program was started on a pilot project basis in 1955 with the following objectives:

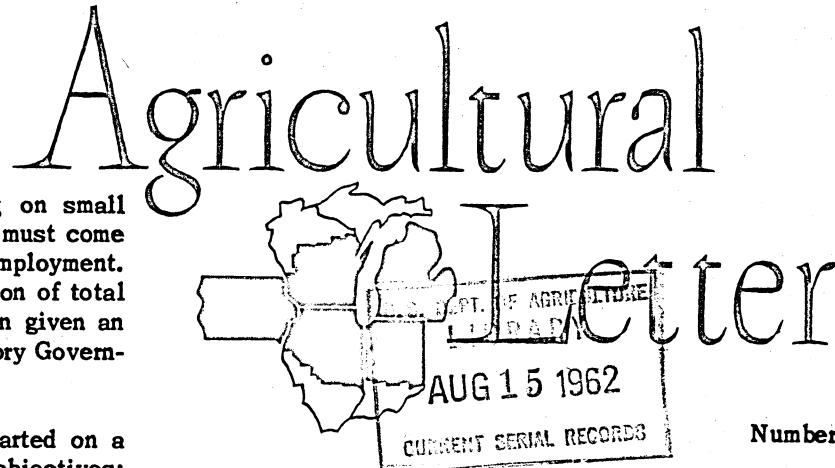
1. Strengthen industry in low-income areas and widen the range of off-farm job opportunities.
2. Help families with the desire and ability to gain information to farm successfully.
3. Provide more job training, education and health services.

No new administrative machinery was developed; instead, the program operated through the existing extension, agricultural stabilization, farm credit and soil conservation agencies of the Department of Agriculture. In addition, cooperation was secured from other Government agencies, e.g., Small Business Administration for commercial and industrial loans, Department of Commerce for technical assistance on area development, Department of Interior for tourist industry development and Departments of Labor and Health, Education and Welfare for vocational training.

At the outset 26 pilot counties (none of them in the Seventh Federal Reserve District) were selected. Later additions were made on a local community initiative. Some 250 counties had set up rural development organizations by 1961 (including two District counties, Dearborn and Ripley in Indiana). Most of District farm counties rank relatively favorably in terms of income and, hence, are not prime candidates for these programs.

The 1963 Federal Budget for the first time includes a specific appropriation, \$100,000, for coordinating the work of the participating agencies.

The Area Redevelopment Act of 1961 (ARA) and the Manpower Training Act of 1962 provide specific funds for economic development. Under the criteria established in the 1961 act, almost all of the rural development counties became eligible for assistance under the new legislation. The Secretary of Agriculture can designate additional rural counties with low incomes and substantial underemployment. Also eligible for aid are urban counties designated by the Secretary of Labor as having persistent and substantial unemployment. Through June 30 of this year, 45 rural District counties with a population of 4,280,000 have been declared eligible (see map on reverse side of this Letter). The rural counties account for 3.5 per cent of the District population and the urban counties 16.5 per cent. Of these, 14 rural and 11 urban counties have received approval of over-all economic development plans and may submit specific projects for fund allocations.



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Assistance may be obtained for the following categories outlined in the acts:

1. Commercial and industrial loans for specific concerns for which a local government or private development agency subscribes at least 10 per cent of the total amount involved. Congress has authorized \$100 million in loans over a three-year period for projects in rural, small labor market and Indian reservation areas. Another \$100 million has been authorized for urban areas.
2. Public facility loans to communities where industrial expansion requires water and sewer facilities, access roads, etc., and grants for these purposes where conditions warrant. Authorizations total \$100 million in loans and \$75 million in grants over three years.
3. Technical assistance grants for research and development planning (e.g., feasibility of tourist facilities and food processing plants). Authorizations total \$18 million.
4. Manpower development training and subsistence allowances are available for unemployed urban and farm workers or persons in farm families with under \$1,200 net family income. (These programs are described in Business Conditions, June 1962.) Authorizations for this program from the ARA are \$14.5 million per year for four years and from the Manpower Training Act, \$100 million in fiscal 1963 and \$165 million with state-matching funds required in 1964 and in 1965.

Allocations of funds for rural areas in the Midwest have included portions of southern Illinois, southern Indiana and northern Michigan—almost all of them in low-income areas outside of the District. Iowa has received a technical assistance grant which the Department of Commerce terms "unique." This is to help the Iowa State Development Commission establish and operate a program to discover, encourage and help market agricultural inventions.

In the nation, 370 rural counties of 571 eligible submitted 158 projects through June 30, 1962. These are estimated to provide direct employment for some 20,000 persons, if approved and put into effect.

Research Department

## *District Counties Qualify for Area Redevelopment Assistance*

