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SYMPOSIUM PROCEEDINGS

1987 Nebraska
Legislative Issues Symposium

Developed by the
Center for Applied Urban Research
College of Public Affairs and Community Service
University of Nebraska at Omaha
for the
Legislative Council, Nebraska Legislature

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The University of Nebraska—An Equal Opportunity/Affirmative Action Educational Institution
During the 1980s state legislatures have been critical in developing and implementing policy changes. With this involvement and responsibility in mind, the Unicameral's Executive Board planned and organized the 1987 Nebraska Legislative Issues Symposium. The symposium was developed to enrich the annual meeting which the Unicameral is required to hold prior to convening the legislative session in January of each year.

Planning began during June 1987, with a short survey of Nebraska senators. Each was asked to rank a set of issues and to identify priority issues not included which might be addressed at the symposium. Ultimately, a program was developed which reflected the interests of legislators in Nebraska.

Because of its work in developing the widely used Nebraska Policy Choices series, the Executive Board and its Legislative Research Division sought the assistance of the University of Nebraska at Omaha's Center for Applied Urban Research in developing the program, briefing reports, and conference logistics. I want to thank the center's director, Dr. Russell L. Smith, and all of CAUR's faculty associates and staff who helped make the symposium a success.

Planning for the 1987 Nebraska Legislative Issues Symposium was also aided by a Program Advisory Group. The persons serving on this group were Alan Booth, University of Nebraska-Lincoln; Robert Eicher, Southeast Community College; Tom Johnston, Nebraska Technical Community College Association; Patrick O'Donnell, Clerk of the Nebraska Legislature; Russell Rasmussen, Wayne State College; Bob Sittig, University of Nebraska-Lincoln; and Lon Weber, Kearney State College.

Dick Hargesheimer and all of the staff of the Legislative Research Division deserve much of the credit for this symposium. Without their hard work in helping develop the program, identifying and arranging for program speakers, and generally coordinating the work for the Unicameral, the symposium would not have taken place.
I also want to acknowledge the Executive Board of the Legislative Council which was instrumental in making the 1987 Nebraska Legislative Issues Symposium possible. They include Senator Richard Peterson, Vice Chair; Senator Dennis Baack; Senator Ernie Chambers; Senator Rex Haberman; Senator Marge Higgins; Senator Wiley Remmers; Senator Loran Schmidt; and Senator Jerome Warner (ex officio).

Finally, the 1987 Nebraska Legislative Issues Symposium was made possible, in part, by contributions to the Center for Applied Urban Research, University of Nebraska at Omaha, from the following organizations:

- Blue Cross-Blue Shield,
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- FirsTier,
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Bernice Labedz
Chair, Executive Board
Legislative Council
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PART I: INTRODUCTION

SYMPOSIUM OVERVIEW

Do we know what promotes quality local education? What resources and information do legislators need to help promote local educational quality?

What should be the state's role in promoting rural community development? Should the state target efforts to assist rural community development? Should the state's efforts to promote rural community development focus on individual rural communities or on area growth centers?

On December 13–15, 1987, the Nebraska Unicameral conducted a symposium for its members to address these and other questions. The 1987 Nebraska Legislative Issues Symposium was a first for Nebraska and was developed by the Legislative Research Division and the University of Nebraska at Omaha's Center for Applied Urban Research under the direction of the Unicameral's Executive Board.

The symposium was designed to provide Nebraska lawmakers with information on current and emerging topics identified by the legislators themselves. It represented an opportunity for Nebraska's legislators to exchange and share information among themselves and with experts from Nebraska and other states.

Dr. Alan Rosenthal opened the symposium Sunday evening with a speech about state legislative reform in the United States. Although he sees a number of positive outcomes of legislative modernization, he also noted several disturbing trends—fewer citizen legislators, increased emphasis on campaigning, and a leadership cadre focusing on re-election of supporters rather than on the common good.

On Monday, the symposium discussions focused on two topics, education and revitalizing rural communities. Separate sequences allowed Nebraska legislators to listen to and to question keynote speakers, legislators, and academic panelists and to participate in small discussion groups.

Keynoting the education sequence was Dr. Michael Kirst. His remarks focused on the lessons we have learned from the education reform movement in the United States. In addition to reviewing significant features of the the reform movement, such as increased academic requirements and renewed emphasis on testing and assessment, Kirst noted some options for improving education in Nebraska.
Among the options he highlighted were developing school site report cards, building local capacity through state support and equalization, emphasizing school-based improvement efforts, encouraging local experimentation, and increasing efforts in the area of early childhood education.

Dr. Frank Newman, president of the Education Commission of the States also addressed education issues during the symposium. Newman’s comments focused on the second wave of education reform and the recent emphasis upon tougher standards and additional measures of excellence. Fundamental to both the nature and success of the second wave of reform are changes in the economy, families, and teaching techniques. Newman argued that states will have to be much more sophisticated in the future as they deal with increasingly complex and sophisticated education issues and needs.

The United States Department of Agriculture’s Kenneth Deavers keynoted the rural community development sequence on Monday. Deavers provided an overview of the major characteristics and problems confronting rural America. He also characterized emerging federal, state, and local roles in rural economic development. In Deaver’s mind, diversity and the nature of local development dictate that communities and their leaders—both public and private—be the critical actors in rural development. State governments, however, must also be active and provide tools, technical and financial assistance, and policy frameworks which distinguish between various areas and their needs.

Rural community development forces and needs were also addressed after dinner on Monday by Bob Bergland. In his remarks, the former U.S. Secretary of Agriculture emphasized the evolution of U.S. agriculture and the impacts of international events upon this sector. Bergland also emphasized the primacy of local initiative, but indicated that rural communities need assistance from a variety of sources in developing capacity and programs to address development needs.

The symposium concluded Tuesday with sessions on the use and misuse of opinion polls, an update of the SRI International assessment of economic competitiveness in Nebraska, the Nebraska Tax Study, and a short business meeting.
I am delighted to be back in Nebraska. I was interviewed before dinner by an Omaha television station, and the young lady asked me, "What kind of advice do you give legislators?" I said, "I don't give them any advice, they wouldn't take it if I did." But, I do have advice for you.

I have been thinking about legislative modernization for about 20 years, since I have been following state legislatures, writing about them, and watching them. My advice is, why don't you get another house? Why don't you become a bicameral legislature like everybody else? There are 99 legislative bodies, why not make it 100. And, if you decide to do that, as I know you will, maybe you can put a recommendation for an increase in your pay into the referendum too.

I am at a disadvantage because I was asked to make my remarks provocative, informative, and entertaining. They will not be provocative, informative, or entertaining, but they will be on the subject. What is the subject? "Beyond Legislative Modernization." What can be beyond legislative modernization and legislative reform? Reform is the end, there is no beyond, at least in this world.

Well, even if there is no beyond, I would like to review what has happened to state legislatures as a consequence of legislative modernization and reform, which, give or take a few years, took place in the 10 to 15 years after the reapportionment revolution of the midsixties.

Reform and Modernization

Reform and modernization are ongoing. I think the real surge occurred from about 1965 through 1975 or 1980. Some of the changes that have occurred in legislatures since then were intended by the reformers. Some, however, were unintended and unanticipated. Many of the consequences are positive, but some are less so.

I have been privileged to participate in the movement to strengthen legislatures throughout the nation. I have been an observer of legislatures and legislators for more years than I care to admit. I have a high regard for the legislative process and those who are part of it. I have a high regard for legislators, for staff, for lobbyists, and other members of the capital community. I think they are an amazingly dedicated lot. But I will be very honest with you, I am concerned about the legislature's current well-being, not every legislature and not...
"Nebraska's unicameral is different in many respects from the legislatures and states that I will be discussing. But, listen to what is happening out there. It could happen here."

everywhere, but in an increasing number of states.

I believe that the legislature as an institution had a resurgence in the 1970s, but is now in a state of decline. Not in Nebraska, I hope. Nebraska's unicameral is different in many respects from the legislatures and states that I will be discussing. But, listen to what is happening out there. It could happen here; you could follow the road that others have followed.

Benefits

First, let me report on the good news, the positive consequences of legislative reform and modernization. As a result of reform, we have fairer representation; the result of the Supreme Court decision, Baker vs. Carr, the first decision of the 1960s.

Changes in Composition.

We've got a different composition of state legislatures today. The most notable change is the increase in the number of women who are legislators, up from about 5 percent in the late 1960s to about 17 percent today. As more women enter legislatures, we have fewer lawyers. Twenty years ago about 30 percent of the legislators were attorneys; now about 16 percent of the legislators are attorneys, and in many states there are very few attorneys. A few wags maintain that this is one of the positive consequences of legislative reform, but that, unfortunately, these attorneys are practicing law now.

We've had a tremendous movement toward single-member districts in states that used to have multi-member districts. In Florida, multi-member districts were eliminated a few years ago. In addition, today's legislators are more concerned about their constituents than their predecessors were. In ten states, they have district offices; in most states they are doing case work, and practically everywhere they are performing significant constituent service. Legislators are very responsive to their constituents. The linkage between legislators and districts is tight. In fact, they are tied most closely to districts as far as representativeness is concerned. Legislative modernization has had an effect.

Increased Capacity. The capacity of legislatures has increased. Modernized facilities, state houses, and annexes (Connecticut's new legislative office building will be opened in a few months), are appearing everywhere. Some of you who visited Hartford for the Assembly on the Legislature meeting a month or so ago saw Connecticut's legislative office building.

Computerization builds information on computers. Legislative journals are produced on computers, and more importantly from the members' point of view, mail can be generated on computers—targeted mail for re-election campaigns.

Overall, there are more staffers, more professional staffers—from the huge staffs
"Regardless of the size of the staffs, I think they are uniformly competent and immensely useful—whether they are serving individual members, committees, parties, leaders, the house, the senate, or both chambers. Staffing, probably more than anything else, has made a difference in the capacity of state legislatures."

in California, New York, and Michigan to the tiny staffs in Wyoming, Vermont, and South Dakota. But, there is an increase in staffing everywhere. Regardless of the size of the staffs, I think they are uniformly competent and immensely useful—whether they are serving individual members, committees, parties, leaders, the house, the senate, or both chambers. Staffing, probably more than anything else, has made a difference in the capacity of state legislatures. With greater capacity and the sense of independence that came with it, legislatures have become more powerful.

Balance of Power. Governors used to dominate; no longer is this the case. In New York, Rockefeller and his predecessors ruled. No longer. The legislature takes on Governor Cuomo, it took on Governor Carey. In Kentucky, Julian Carroll was the last of the dominant governors. John Y. Brown and Martha Lane Collins did not have the power that Carroll had. Wherever you look, governors no longer dominate. The two branches of government are in relative balance.

Yet, governors still have the upper hand, mainly because they are one against many legislators. Governors have certain constitutional powers, but it is a relatively equal struggle. Legislators participate in policymaking; they participate in the budgeting process; and they participate in overseeing administration, which occasionally gets pretty dicey.

Improved Policies and Programs. Another result of legislative modernization is improved products of state government (policies and programs). Legislators duck fewer issues. One reason is because it is impossible to duck issues today; there are too many pressures. The expectations of citizens are greater, the demands are greater, and legislators have to respond.

In addition, crises force legislators to act. If you look at the recession of the early 1980s and legislators biting the bullet and not raising taxes, if you look at the school reform movement since 1984, if you look at environmentalism, or if you look at welfare reform or economic development, you can see that the states are engaged and legislators are playing a significant role. This is the good news.

Disadvantages

The less positive consequences of legislative reform and modernization concern development, changing times, and life. Let me point out that everybody has heard the good news about the increased power and capacity of legislatures. It has been aired throughout the nation, and it has been applauded just about everywhere. But, I don't think you have heard some of the other news yet.

Now, if you were a legislator in California, New York, Michigan, Illinois, Pennsylvania, or even smaller states like New
"I think there ought to be an opportunity, certainly in Nebraska, but even in Wisconsin or New York, for citizens to serve in the legislature."

Jersey or Wisconsin, you would probably be more aware of the issues that I am going to address now.

**Legislative Careers.**
Legislatures are not only becoming professionalized because of professional staff and facilities, but because the job of legislator is becoming a professional career. That is, the political career is becoming a professional career, and this, I think, is having a profound impact around the country. In an increasing number of states, the citizen legislator is a vanishing species, while the careerist is the new and dominant breed.

Frankly, I've got mixed feelings about this pattern. I am not against some careerists, but I would like to see the citizen legislature preserved. I think there ought to be an opportunity, certainly in Nebraska, but even in Wisconsin or New York, for citizens to serve in the legislature. This is no longer the case. Legislative modernization has succeeded in making the legislature an attractive place in which to serve. Facilities, staff, issues, and opportunities abound. And salaries have made it possible for more members to earn a living, supplemented by dabbling at law or consulting or real estate.

In California, Illinois, Pennsylvania, Ohio, and Michigan, legislators' salaries are in the range of $40,000, and they receive unvouched per diem and other kinds of reimbursements. In New York, after the 1988 election a legislator's salary will be $57,500 plus per diem. In Wisconsin, the salary is now $30,000. This constitutes about three-fourths of the total income for the average member of the Wisconsin legislature.

Now, in places where salaries are low, in places where salaries are frozen into the constitution, it is not likely that the citizen legislature will be replaced by the professional legislature quickly. There is little danger, I suspect, of full-time careerists in Nebraska, with your $4,800 salary and no per diem, or in New Hampshire where they get $100 a year.

But, in other states, there is a new breed of legislator—the ambitious younger member, very often from the ranks of politics, who has never had any other career. This person leaves professional or graduate school, perhaps with a law degree or having passed the bar, and goes to work as a legislative aide or in a congressional office and runs for local office and then the legislature. No other career intervenes. These people have the experience of the classroom and that of politics. They want to stay in the legislature. They like it.

**Voluntary Retirement.** I think the most significant indicator today (again, this is not true in Nebraska) is the voluntary retirement of state legislators throughout the country. How many members leave voluntarily and not to run for higher office? Not many anymore.
"In Nebraska, by contrast, people do leave the legislature voluntarily after one or two terms. What you need here is lower voluntary turnover, longer service, and a greater institutional memory. In these respects, Nebraska is different from most other states."

In New Jersey in 1983, there were 120 members of the legislature; 119 were eligible for re-election; one had been convicted of a felony and was not eligible to run. Of the 119 members, 115 ran for re-election. In 1985, with only 80 members of the assembly up for re-election (the senate was not up for re-election), 78 of the 80 members ran. In 1987, 115 of 120 incumbents ran for re-election or higher office.

In Florida, on average, 95 percent of the members run for re-election. In New York, California, and Indiana, 90-95 percent of the members run for re-election.

I spent 6 months living in the Florida legislature. Maybe the Florida legislature is different from any other legislature. I spent most of my time following leaders and watching and listening, and I discovered what legislators like. They like the process. They like the game; it is exciting, it is exhilarating, impossible to leave. They like the power, and I don't think this should be criticized—this power to make policy and help people. Very few members of the legislature will walk away from it.

In Nebraska, by contrast, people do leave the legislature voluntarily after one or two terms. What you need here is lower voluntary turnover, longer service, and a greater institutional memory. In these respects, Nebraska is different from most other states.

Campaigning and Fundraising. Given the career orientation that I am describing in many states and given the increased competition between the political parties for control of state governments, we now have an electoral preoccupation, if not an obsession, that is dominating legislative life. I don't want to belabor this point, but in many states today, the campaign never ends. People are elected, and they immediately start raising funds for their next campaign. There are new technologies available and legislators are taking advantage of them—direct mail, polling, radio, and even television.

Recently, I was visiting Kentucky and I learned that Kentucky's legislators—not only the urban legislators but also the rural legislators—use television. We have the new consultants, the new merchants of votes. All of this costs money, and candidates are willing to pay. They are willing to pay because the money is there, it can be raised.

Money is now being tapped like newly discovered oil fields. I can just reel off what is spent on campaigns...
In an increasing number of legislatures today, the election looms larger and larger, and it intrudes more and more on the legislative process.

around the country. California, of course, leads the way, as it always does. When any pathology is developed, it starts first in California. The last election, a special election for a senate seat in California, cost $3 million. Now that is a large district, it is larger than a congressional district; but that is still a lot of money. On average, a contested senate seat goes for about $500,000 and a safe seat for $250,000.

In New Jersey in 1983, we spent $5.5 million on legislative elections. In 1987, the expenditures were up to $15 million. Even in New Hampshire, New Hampshire mind you, one senate seat went for $100,000 in a recent election. I suppose the costs are going up in Nebraska as well. Although a typical election costs $15,000, I hear that you have your $50,000 or $60,000 elections too.

I ran into a Wisconsin legislator. She was very distraught. Why? She was distraught because she didn’t have an opponent. I thought the dream of every legislator was not to have an opponent. The problem is that without an opponent she was having trouble raising money. If you can’t raise money, you can’t frighten away opponents. What you really want is a weak opponent so that you can raise money and frighten away strong opponents. Nobody wants no opponent; it is better to have a weak opponent today.

If you accept the system, the logic holds. You have to keep raising money because raising money is like milking a cow. If you stop, it dries up. So, candidates today are raising money constantly. If they don’t spend it on a legislative race, they allocate it to their colleagues or they save it until they run for higher office.

Legislatures in states like California, New York, and New Jersey have become electoral machines. The parties and the party leaders are responsible for raising and allocating funds. The partisan staff is responsible for helping members get re-elected. A staffer in one of these states told me that they didn’t do anything on elections, but everything they did was for elections. They work constantly for elections and, obviously, the district offices and the personal staffs promote the re-election prospects of the members.

Incumbents today, not only for the U.S. House of Representatives but for many state legislatures as well, are generally safe. Four of five districts are generally safe for one party or the other. Incumbents make them even safer, given the incumbents’ resources. But incumbents run scared anyway. Lightning can strike, and it sometimes does; so incumbents work hard to make their districts safe.

In an increasing number of legislatures today, the election looms larger and larger, and it intrudes more and more on the legislative
"Nebraska's unicameral is still something of a club, I am informed. After combat, people get back together."

Fragmented Institution. The legislature is normally a fragmented institution. It is more fragmented today than it was before legislative modernization and reform began. This fragmentation is attributable, at least in part, to legislative modernization and reform.

With democratization and reform, resources are being spread relatively equally. Twenty years ago, leaders had most of the resources that were available. Now, resources are dispersed among members. Standing committees have been developed; they are specialized and they have independent power. This is fine, but each committee has its own agenda and that fragments the process.

There are staffs everywhere, staffs serving different masters, competing on their own and sometimes with too much power delegated to them. Certainly this is the case in California; this is also the case in New York.

Today, we have a burgeoning of interest representation; the mobilization of many groups; and the proliferation of lobbyists, pushing different interests and pulling legislators in contrary directions.

Adding to this fragmentation is the parochialism that comes with better representation. Members who are district oriented, are doing casework, providing service, bringing home the bacon, loving up their constituents constantly. In Florida, when I observed the appropriations process, it was not inappropriate to put a turkey in the appropriations bill. It was like a feeding frenzy as members tried to get turkeys into the bill—$50,000, $100,000, $200,000 projects, whatever.

In addition to this fragmentation, I think there is a diminution of community in many places and a weakening of legislative norms. Legislators today are engaged in solitary pursuits instead of collegial pursuits. They work on their tasks, they run, they don't play poker anymore, they don't drink as much, they are not together with their colleagues. They are healthier as a result, but they don't communicate with one another.

The old hotels in many of the capitals have been torn down; the hotel where the Democrats stayed, the hotel where the Republicans stayed, the hotel where the house members stayed, the hotel where the senate members stayed. Now we have members scattered in motels and condominiums. They work constantly; they play less. One's word in the legislature, I have been told in place after place, is no longer what it used to be.

Nebraska's unicameral is still something of a club, I am informed. After combat, people get back together. There are comradely feelings. Important elements of
"There is too much fundraising going on, and leaders are being distracted from legislative tasks as they shake down lobbyists for campaign contributions."

community linger here. I think in too many places community is on the wane. In Illinois, Michigan, and elsewhere things are becoming mean-spirited.

Legislative Leadership

Given both the positive and the less positive consequences of legislative modernization and reform and given the world as it has been changing, leadership is especially called for today—leadership that will put Humpty Dumpty together again.

Legislatures in California, Illinois, Massachusetts, Michigan, New York, and Pennsylvania are leading the way in becoming full-time careerists— politicized and fragmented.

It is getting tougher and tougher to put things together. It is getting tougher and tougher to build consensus on statewide policies and programs. Legislatures are becoming more like Congress. Indeed, the period that we are living through now might be called not the reformation of state legislatures, but the congressionalization of state legislatures. But, still one major difference between state legislatures and Congress is leadership.

In the U.S. Senate and the U.S. House, leadership is exceedingly weak. In state legislatures, leadership is much stronger. Leaders in the states, especially in the houses, have the power to appoint chairs and members of committees.

E lecting Members

Chuck Hardwick, the new speaker in New Jersey, whose Republicans had just taken control of the assembly from the Democrats, was talking at the Woodrow Wilson School at Princeton. He had been asked to discuss the responsibilities of the speakership.

He catalogued all of the responsibilities of the speaker. But the first thing he mentioned was getting your members re-elected and holding the majority. That was not an accident. If he didn’t get his members re-elected in 1987, he wouldn’t have to worry about the other responsibilities of the speakership.

In over half of the states, legislative leaders and legislative parties in the senates and houses are raising monies, allocating monies to members, and challenging their appointees for control. Members expect leaders to do this. But I think it is getting out of hand. There is too much fundraising going on, and leaders are being distracted from legislative tasks as they shake down lobbyists for campaign contributions. But, it is the way to keep their majorities, it is the way to keep their positions, and it is the way to make their members happy.

Serving Members

Now, many leaders are leading by servicing each and every need of their members, giving them what they want, saying yes to members, awarding them positions as committee
"There is another style, and some leaders--the ones that I admire the most--lead by involving members in major decisions on policy and process."

chairs or vice-chairs, and creating committees if they need more committees because they have more returning members.

What they do in New York state is wonderful. In New York state, because of the low salaries (they get $57,500 in 1988, but I think now it is only $45,000), they give people who have leadership rank extra stipends. These stipends range from $6,000 to $30,000, with the top amount going to the speaker, the president pro temp, and the majority leader of the senate. In many states, leaders get additional compensation. In New York, I might mention that of 211 members of the legislature, 195 have leadership positions.

Leaders are also giving members staff, staff that can be used primarily, if not exclusively, in legislative campaigns. They are giving members bills, their pet bills. They are giving them projects in the appropriation bill; they are giving members whatever they desire. Some leaders are giving away the store rather than minding the store, and members are coming to expect more and more of what leaders have to give. The price is going up. These are two styles of legislative leadership.

Involving Members

There is another style, and some leaders--the ones that I admire the most--lead by involving members in major decisions on policy and process. They lead, but they involve members. Robert Garten of Indiana refers to this as "participative management." Whether you do it at a party caucus, by consulting with the delegation, or one-on-one, you seek out the opinions and views of members, and you include them. I think the key to this form of leadership is the leadership team. The leadership team shares responsibility and engages in collegial management.

One of the extraordinary leaders that I observed for awhile was Ben Carden of Maryland, who is now in Congress but was the speaker of the Maryland House of Delegates for 8 years. Ben Carden created a leadership team. He included the majority leader; the minority leader (because they don't have to worry about a difficult minority party in Maryland); and the chairs of six standing committees--12 to 15 people on the key leadership team. A larger group of 25 people, including the vice-chairs of the committees, comprise a slightly larger leadership team. These people really consulted and agreed on various bills, issues, and programs. Now, if each of these 25 members of the leadership team had two friends in the house of delegates, they would have 75 of 141 members' votes. The team concept worked.

I saw the same team operation in Florida where the speaker of the house's leadership was enormously powerful. Nonetheless, there was a team of 15-25 people that got together and decided policy. You saw persuasion, you saw
"The legislative institution and process, I think, are in jeopardy today. The past achievements of representation, better capacity, greater power, and improved products have raised the stakes and heightened people's expectations."

importance of respect, and you saw the value of loyalty. I think leadership is necessary, because leaders have special responsibilities.

**Role of Leaders**

The contemporary legislature especially needs strong leadership. How strong? It depends, of course, on the state and its political culture. But, strong leadership is necessary if the legislature is to be responsible, not only to the district, not only to the group, but to the state as a whole.

Leaders must have broader perspectives and a broader responsibility than individual members. Leaders must build consensus for policies and programs that are needed, and not only for those that are popular. This is becoming increasingly difficult. It will take strength, skill, and guts, and I think guts are never in long supply.

Leaders must also attend to and maintain the legislature itself. The legislature is an institution that affords a process by which conflict is resolved and consensus is built. The legislative institution and process, I think, are in jeopardy today. The past achievements of representation, better capacity, greater power, and improved products have raised the stakes and heightened people's expectations.

The contemporary trends of professionalization of careers, preoccupation with elections, and fragmentation are taking a toll. Everyone is busy running for office or climbing the political ladder. Everyone is busy responding to groups, loving constituents, forging coalitions, enacting bills, and even trying to meet the needs of the people in the state. Neither rank and file nor leadership have much time or energy for institutional matters, for the rules and procedures, or for the organization and performance of staff.

Nobody cares about the public's perception or understanding of the legislature or an institution. These aren't immediate problems; thus, they get shortchanged. But, they are important, and they need attention. The legislative process is suffering from neglect, and the fabric of the legislative institution is wearing thin, not everywhere, but in too many places.

It will take leadership—strong, resourceful, dedicated leadership—to reverse what I fear is a trend. I am afraid that the legislature is in decline, not in Nebraska I trust, but in too many places. And it can also happen here, for decline, like modernization, can be catching.
PART II: EDUCATION REFORM

WHAT HAVE WE LEARNED FROM THE EDUCATION REFORM MOVEMENT?

Let me start off by saying what you all know. In some ways it is obvious that the one thing we know from the research on reform and education within the states is that political culture and traditions are crucial. So, you need to know what everyone else is doing, and will adapt what is appropriate to Nebraska.

Reform and Standards

What we have seen during the past 4 or 5 years, 1983 to 1987, has been largely unprecedented in terms of state education reform. There are the scoreboards at the Education Commission of the States. There are 35–40 states that have raised graduation standards and 35–40 states that have increased teachers’ salaries, standards for entering the profession, and so on.

There has been a widespread movement nationally, and these ideas have just swept across the states. What has been sustaining the education reform movement is the assumed crucial linkage to the economy of education improvement.

In 1983, the Nation at Risk report symbolically kicked off the reform movement with statements like "the United States has gone through unilateral education disarmament." The report painted a picture of a rising tide of mediocrity. The authors looked at a congruence of test scores and said that we weren't doing very well, that the nation was at risk economically because of low education standards. So, the buzz word was excellence, and the key goal was standards, both for teachers and students. Lots of comparisons were made with overseas competitors, and one state legislator told me in a cocktail lounge, "Basically, we just need to make the little buggers work harder." So, we have been trying to make the little buggers work harder at a nationwide pace, and we have seen an outpouring of legislation and standards.

The education reform movement is also tied to the view that human resources will be the key to future economic competition. I remember being on a platform with Governor Perpich of Minnesota when he said, "The iron ore has really declined here, agriculture is not a growth area in Minnesota, nobody comes here for the weather, basically what I have are these people. And, the people are what Minnesota is going to compete with in the future, and the people will be pushed ahead by education."
This has changed in more recent years to the "at-risk student" issue, which is that the economy is slowly tilting up in terms of its job requirements. We are going to have more jobs that require a high school education or more jobs than students with the ability to fill them. So, the actual job requirements are creeping up to the "13th or 14th grade level." When you measure the requirements, particularly those for the bottom half of the job structure, the students have not achieved these levels.

Always there are references to Japan, things like, "Japan has the best bottom half in the world and that is where, in many ways, the competition will be fought out." We are doing adequately at the top, relative to a lot of countries, but it is particularly the bottom half where the United States has problems.

States' Solutions

Well, what has come out of this? First, we have been studying six states at Stanford and Rutgers, and found that the local school boards have gotten this message as well. Standards have been raised in many states, regardless of whether there were detailed state mandates. So, there is an interaction effect between national publicity, with ideas spreading rapidly among states and what has happened at the local district level.

To sum up the past 3 years quickly, we have spent a lot more money on education. Nationally, over the past 3 years, expenditures were up 25 percent after inflation, when you include all of the states. So, you have a significant effort being made by a number of states to increase investments in their education systems. Other states that are not doing this are clearly losing out, at least in the money race.

Second, beginning teachers' salaries have risen dramatically. A typical pattern in an urban state, like California, New York, or Michigan, is to increase beginning salaries; the average was $15,000 3 years ago. It now starts at about $22,000, and this is very typical. Maryland and Virginia are up to $21,000-$22,000 starting salaries. So, we have spent lots of money on teachers' salaries but mostly at the beginning teacher levels.

Third, attempts have been made in some states, and we'll hear more about this from Indiana I am sure, to reduce class sizes, particularly in the early grades. But, the key in some ways has been to "make the little buggers work harder," this has been reflected by many districts.

The districts that were below statewide graduation standards were asked to increase their educational standards. Surprisingly, in most states, this didn't affect many districts, despite all of the newspaper articles about 3 years of English and 4 years of math being required. Many local districts already had these requirements, so the state impact wasn't very great.
"We are doing adequately at the top, relative to a lot of countries, but it is particularly the bottom half where the United States has problems."

Academic Requirements. There has been a big tilting, particularly in the high schools, because this reform focused mostly on high schools. The focus has been on more academic courses. Legislators had this straightforward idea borne out by educational research—kids learn what they spend time studying in school. So, if they study more Spanish, they'll know more Spanish, and if they take less wood shop, they'll know less about vocational education. So, we'll have dramatic increases in most states, including my own for example, in the amount of science being taken.

Science enrollments in high schools in California are up over 30 percent, while other states are reporting 10–20 percent increases. Foreign language enrollments have jumped by 15–20 percent. Advanced placement courses, the college board advanced placement courses, have increased dramatically (by over 50 percent) in many states. The mathematics curriculum is being tilted up in degree of difficulty. Consumer math and remedial math are being cut out; more kids are being put into algebra and chemistry courses. Now, this has led to an increase in centralization of curricula at the state and district level.

If you go back to the concept of the "nation at risk" and the "nation going to hell in a handbasket" and losing out to the Japanese and others, the general view we have is to tighten up the linkages of curricula at the center of the system. This means that the states have to be more precise about what they expect, the universities have to raise their entrance requirements and be more precise about what they expect, and the central offices of school districts with several schools must bring curricula back into the central office. This approach, of course, has some problems, but, on the other hand, centralization has led to some wholesale cuts in courses with low academic standards.

Vocational education is down 20 percent in California and down a lot in every state where I've talked to officials. Vocational education is fading away. It is being pushed out of the curricula because kids don't have enough time. The regional vocational centers are suffering because the kids have so many required academic courses that they can't drive to the regional vocational centers and attend classes when the programs are offered.

So, there is a centralization and an elevation of curricula for higher order thinking skills; critical thinking; problem solving and mathematics; reading that goes beyond snippets, students read the whole book; and expository writing. On the whole, I think this reform has had a big impact on the academic press and academic standards. This has been accompanied by more testing and better data about how students are doing.

Testing and Assessment. Most state legislatures have said the Dow Jones Index is
"It seems you only consolidate when everybody wins, and you have to give up your local school district for something good."

a SAT score, which only measures some college students who go on to college. It is not adequate, and minimum-level skills tests for high school graduation are forcing the curricula down to the lowest common denominator. Nebraska relies too much on SAT scores as an indicator of its education quality.

Many states have implemented a broad-based assessment. They ask: What do kids know about a whole range of subjects? What are they able to do? What can they actually do in social studies, science, low-level basic reading, and math? These tests do not focus on just low-level schools, but measure the number of highly adept writers or chemists.

Consolidation. One area I am sure we will talk about here, and we have some expert witnesses on this panel, are attempts in some states to bring about school district consolidation. It hasn't worked recently anywhere, and I'm going to let Gene Hoffman from Illinois tell you about his scars. Illinois wouldn't even plan it. Arkansas said that unless you offered a number of academic courses, you had to close the schools. The schools haven't offered the courses and have said to the state, okay, close us. South Carolina was told that every high school had to offer an advanced placement course or it would have to close, so each school has offered one and that is it. Vermont didn't even get beyond the discussion stage. So, the movement toward forced consolidation as a way of raising standards generally has been stalled, because it doesn't have a constituency.

Policy Options

Now, let me move to the various strategies, policy instruments, that can be used. There are basically four. Moving now from what has happened to what could happen, with some comments on Nebraska.

First, you can use state mandates. You assume that you have to coerce people into it. This strategy has not been used a great deal here.

Second, you can use inducements. The capacity exists in the local area to do something, and they need state money to mobilize it. Induce them into doing it;
"When you look at the nation, there is not much data about how well schools in Nebraska perform."

they can do it if you give them money.

Third, you can build the capacity of the institutions to improve. Here the view is that the local capacity does not exist, and investment is needed by the state to mobilize the capacity.

Last, you can change the system, basically to a voucher or choice system, or you can consolidate school districts. Here the idea is that the existing institutions cannot produce the desired results, so you have to change the institutional structure rather than try to build up capacity or induce action. So, the four basic state choices are mandates, inducements, capacity building, and system changing.

Strategies for Change

There is another way of looking at this. There is a new categorization or breakdown of strategies used among the states. I'll just mention the five basic strategies.

Intensification is basically what we have done with the reform movement during the past 4 years. We have taken the existing system and we have intensified it. More time, more textbooks, more tests, more teachers, more course requirements, and so forth.

A second strategy is a teacher professionalization strategy. This is one where you say there is something fundamentally wrong with the teaching force; we'll never get good people, even if we pay them more money so we must offer various things as part of the career ladder, such as more staff development and more self-governance by teachers. Give teachers more control and change the model of schooling.

Third is the idea of production incentives. Two basic focuses provide more information locally. If the local citizens know more about how their schools are doing, they will lobby for changes. (We'll come back to this because it seems this is an issue in Nebraska.) The other is that some states actually have paid more money for results at the school level.

Fourth is the client and privatization strategy, such as magnet schools, public school voucher plans, and parent advisory councils.

Fifth, for particularly at-risk students, is the comprehensive student services idea. The schools coordinate health and social services activities, and provide early childhood development.

Options for Nebraska

Let me close with some thoughts on Nebraska, from a national perspective. First, when you look at the nation, there is not much data about how well schools in Nebraska perform. The conference briefing paper describes this Nebraska pupil assessment problem well.

We, of course, in other states have seen the state assessments of what students know. There is not a lot of
"The general view is that you think you are doing well in Nebraska because on some national-average tests you are above the national average. On the other hand, a lot of states would exchange your low minority student population for theirs and think they could do better."

California has a majority of minorities. Over 50 percent of our student population is minorities, and California might do a lot better with the population you have. Are you doing as well as you should be doing, given the background characteristics of the population here in Nebraska, which are basically favorable compared with most other states that I am familiar with.

So, one idea is a local school site performance report card. The state specifies local data to be collected. Many states have a report of annual school performance. Like a company report, it says here is how you are doing school by school. Here is how your school looks on various kinds of teacher backgrounds. How good are your teachers' credentials? What are kids studying in this system compared with the rest of the state? What are your pupil results? This information strategy doesn't take over things at the state level, but it relies on local consumers. The premise is that if local consumers have more data, they will push for improvements in their schools. I noticed how much the airlines had improved on this trip. Maybe all the information in the newspapers is helping United Airlines to get their planes in on time.

Second, I suggest building local capacity through state support. It is my hunch that Nebraska probably will never have a huge state bureaucracy or a big state-centralized education system. The general view is that school boards are in trouble. Some people call them dinosaurs, left over from an agrarian past. This is a statement by the U.S. assistant secretary of education. Others have called school boards the dark islands of school government, because so little is known about them.

My Phi Delta Kappa article lists many things which can be done to increase the preparation of school board members after they are on the board. Things that can help them function as a board, and provide them with better information. We find that school boards evaluate superintendents, but a national study shows that less than 20 percent of the school board members evaluate themselves. Their view is "I get elected, that's good enough."

Increasingly, the view is that is not good enough. Board members need to evaluate how well they are performing as a board. And lastly, the school boards are isolated from general government and have no ability, in most places, to coordinate services for
"Examine programs like school-based school improvement. This allows a state to give grants to schools and to determine what they want to do."

Third, consider school finance equalization. Anybody who comes into the state and sees 25 percent state support (as in Nebraska) thinks there must be enormous inequities based on the property tax, and that's an important agenda.

Fourth, examine programs like school-based school improvement. This allows a state to give grants to schools and to determine what they want to do. These programs require a parent and school staff council, and mostly the parents decide how to spend the money, based on what they think is important. This is a way of energizing local schools without specifying state programs.

Fifth, increase curricular leadership at the state level. There is no specific requirement but leadership. As I go across the country I see that if a school district wants a better science program or a better reading program, it can't figure out exactly how to improve it. School districts need help from the state, such as model curricula or curricular suggestions.

The other states are all tilting their curricula up, and I am sure you are too. They are challenging the student's ability for mathematics. Our kids can solve memory problems, but they can't solve math problems they haven't seen before.

California threw out all of the math textbooks; didn't approve any for the past 2 years until the publishers included more problem-solving. So, state curricular leadership addresses what should be taught and the level of performance for our kids.

Sixth, you could use local experimentation projects to try some things and systematically evaluate them. Not random but systematic innovation, where, perhaps, some districts try teacher career ladders. You could adopt the Arizona system which essentially said, let them figure out how to do it locally as long as it looks and smells like a career ladder for teachers.

And, my last recommendation is to consider early childhood education. A number of states have moved on this. It is expensive to really do it right and that is why more states haven't moved on it. But, the payoffs are increasingly evident. State programs for 3-5 year olds have been more effective than trying to remediate children after they are in the system.
Thank you Mr. Speaker. It is an honor for me to be here. I must say that I have learned a lot. I learned something last night, for example, from Alan (Rosenthal), as he worked hard to put down legislatures in Minnesota and Indiana. That is how shameless pandering to you people here in Nebraska works. I was a little surprised at that. As a consequence, I would like to focus my remarks on the other 49 states, because I do have some criticisms.

This is obviously a very talented state, and I assume that because it is a wonderful state, there may be many contributing factors—among them, a unicameral legislature. Alan also argued that the reform of legislatures is largely over and that we are entering a period of relative instability, at least concerning the function of legislatures.

Education Reform

The opposite is true of education, and this is an interesting fact. We have been through a very intense period of change in education—the most intense period of change in the history of the United States. There have been other periods when we focused on education, but recently we have seen a long and deep-seated kind of reform, and it continues. It is amazing that it continues in a world dominated by the short-term view. This is a world of USA Today, where serious crises get three paragraphs; less serious crises get two.

I was on the "Today Show" a while ago, and when I went into the studio in New York, they said, "This is a very important issue," and I said, "Well, I appreciate that." They said, "No, we are allocating a lot of time to this issue." I said, "No kidding, how much?" They said, "Seven minutes—we don't do this for just anything." I said, "Well, I can understand that. I agree with you. This is no 1 or 2 minute issue. This is a biggy."

We're heading into a second wave of reform now, and the intensity is clear. We just had a major session in Washington that centered around at-risk kids. Brad Butler, the recently retired chairman of the Proctor and Gamble Company, was there to talk about the new Committee for Economic Development report and why we have to renew our emphasis on reform. A whole batch of states are now involved in this new round of reform.

All of the presidential candidates have argued that
"One of the major results of the education reform movement was that the sound and fury about education reform meant that standards throughout the system began to rise."

education has to be at the head of the list. In fact, the Democratic Party has an internal briefing document that says it is absolutely essential for the Democratic Party to capture this issue. The Republicans are determined not to let this happen. In fact, the issue on which the Vice-president chose to separate himself from the President, you remember, was the issue of education.

Why is this thing continuing? I would argue that it is continuing for some powerful reasons, and these reasons are going to make the second wave of reform more complicated than the first. It is important to think about why it is continuing, what the forces are, what the nature of it is, particularly the change in the nature and the role of the legislature in all of this; none of which is simple.

In the first wave of reform, there was considerable uniformity among the states about the issues to be addressed. Professor Kasten summarized this well in her briefing report. In many states, education problems were packaged as one sweeping powerful issue that gripped the states for several years.

Texas is an example. Remember the courage, the absolute raw courage, exhibited when they decided to take on high school football in Texas. It went beyond the normal expectations we have when we talk about commitment. In California, South Carolina, and North Carolina, powerful programs were put together, and they became the issue of the state. In many states, reform was approached on a piece-meal basis.

There has been an enormous amount of reform in Minnesota, but there was no big program put together. Instead, it was a series of steps. New Jersey did put together a big program, and we could find similar examples throughout the country. But, whichever way it was done, graduation standards, curricula, and standards for and testing of teachers were important issues. Essentially, 40 states now test teachers before they are certified. Both the amount of teachers' pay and the form of teachers' pay are a part of the reform.

One of the major results of the education reform movement was that the sound and fury about education reform meant that standards throughout the system began to rise. This occurred not only at the state level, but throughout the system.

For example, the National Assessment for Education Progress reported that over a 5-year period, the amount of homework assigned and done by school children in this country has doubled. Now, that didn't come from any state mandate. No state mandated more homework, although three states actually thought about it. But, because there was more discussion, teachers began assigning more homework, students began getting and doing more homework, and
"We’re now moving away from talking about excellence to talking about tougher standards of excellence."

parents began demanding more homework.

There is great value in simply debating things, because you see the process; that is the American mode. That is how we get things done. In fact, one of the purposes of ECS (The Education Commission of the States) is to be a helpful force in debates by bringing the good practices of one state to another; by helping states avoid poor practices; and by helping states to address issues before they become crises.

We have a terrible American habit, as you well know, of making spike-tight policy. When we have a problem, we ignore it. Suddenly, it becomes a big issue, we make policy at a terrific rate, and then we stop making policy, go on to something else, and forget about it. Of course, it would be much better if we didn’t do this. It is better to begin early discussions, debate the issue, take some parts of them, and stay with it. One of the goals we should have at ECS is to help this process.

The results of reform have been, on the whole, a major improvement in American education. Test scores are up, as you know. They were falling; they are going up now. Homework, as I said, is up. The gap between blacks and whites has narrowed, both in test scores and in attrition rates. The gap between Hispanics and whites has narrowed. In each case, the gap has narrowed by about 20 percent.

None of these are minor achievements. Why not just declare victory and go home? This is not a bad idea when you are ahead in the game, but we are moving in a direction that precludes this. We’re now moving away from talking about excellence to talking about tougher standards of excellence. We are moving beyond the initial measures of excellence, which, in many ways, were much too limited. We’re talking about changing our focus from thinking about access to talking about access. (Access means that kids have a chance to go to school, they actually go to school, and they complete school.) Both of these issues, excellence and access, are going to be very tough. They will demand an entirely different level of sophistication with which we address these issues.

Changes in Education

Primarily, three things are driving reform. First, is a recognition that the way we earn a living in the United States has changed fundamentally. Second, is the recognition that the family has changed fundamentally; and third, is the recognition that the family plays a major role in education. Our attitude is different than it was a few years ago. What we know has changed also, as a result of the first round of the reform movement.

As the information has flowed in from the first round of reform, we’ve come to see that what looked like improvement
"It is nice to think about the fact that this state has only a 14-percent dropout rate, but it doesn't look very good when compared with the 3-4-percent dropout rate in Japan and Korea."

was improvement, but it was improvement from terrible to lousy. Now, we have to ask ourselves some critical questions.

In our earlier small group session, we were talking about this, and someone asked: "How do we deal with that here in Nebraska when our education system is in excellent shape?" It is in good shape; you have a good education system. The answer is that we are no longer asking whether Nebraska can do as well as Iowa or Minnesota, or better than Indiana or Michigan."

Now the question is, can Nebraska do as well as Germany, France, or Korea? Can it do as well as Japan? It is nice to think about the fact that this state has only a 14-percent dropout rate, but it doesn't look very good when compared with the 3-4-percent dropout rate in Japan and Korea. While Nebraska's test scores are better than most states in the country, they are way behind those in other countries. We are in a different world, a much tougher world.

**Dropout Rates**

Let me start with how much we know about how well students are doing. I'll name a few things, only to put you in the mood for recognizing that we have some distance to go.

Currently, in this country, there is some debate about the dropout figures. Some of the literature reports that about 26 percent of students drop out nationally. Others suggest that it is closer to 29 percent; and, if we really get into it, we will find that the rate is higher than that.

There was a big debate about this with some people in New York City who told us that they had a dropout rate of 45 percent. After a long debate and discussion, they were finally forced to admit that it was 55 percent. Well, that is pretty close, close enough for government work. But, the difference is 10 percent of all of the school children in New York City, which is 1 million students or so. This little statistical error accounts for 100,000 more students dropping out each year.

**Test Scores**

Here are some more facts recently presented by the National Assessment for Education Progress.

Remember, this is data about how students have done in recent tests, and we're only testing the survivors. Only 20 percent of the students tested could write an adequate persuasive letter. Less than 5 percent could comprehend a technical manual that they were asked to read. When asked to arrange the following in order: 5/8, 3/10, 3/5, 1/4, 2/3, and 1/2, only 12 percent could do it. That is, approximately one-eighth of the students tested.

Approximately half of those tested did not know that Martin Luther King first became prominent through the Montgomery bus boycott. Another study, in 1985, showed that two-thirds could not place the Civil War in the correct half-century. These were all
"We're changing the basic structure and size of our industry. We're changing the nature of management, leadership, and involvement."

17-year-olds that were tested. One-third did not know that Columbus sailed for the New World before 1750. Incidentally, many of them responded that Columbus discovered Columbus, Ohio—that is wrong. He did not discover Columbus, Ohio. Everybody knows that.

Another thing they got wrong was the location of Toronto. Some responded that Toronto is the capital of Italy. It is not the capital of Italy; that is silly. Three-fourths could not identify Walt Whitman or E. E. Cummings. Half could not identify Winston Churchill or Josef Stalin.

Fifteen industrial nations evaluated students' math and science knowledge, because these are common areas of study among countries. The United States ranked 14th. We were saved by the inclusion of Thailand. We followed Hungary.

Last year, the New York Telephone Company opened applications for 780 entry-level positions with the telephone company. They asked everybody to take a simple writing test. They had 21,000 applicants—only 16 percent of them passed the simple writing test. All of these examples prove that we have a long way to go.

The second point I want to make is that there has been a fundamental change in the way we earn our living. You might ask, has it really changed? After all, this country is moving along in reasonably good shape, and, if it has changed, does it really mean anything significant for education?

Think about the fact that this country, at this moment, is in the middle of a boom. As you know, job growth continues in this country. In 1950, there were 59 million jobs in this country. In 1980, there were 99 million jobs, the biggest growth in jobs in the world, and two and one-half times the rate of job growth in Japan. Between 1980 and 1987, we've gone from 99 million jobs to 115 million jobs.

During this time, Europe has been flat. The big problem in Europe is that they can't create jobs. We've doubled real family income since 1950; we are a prosperous nation. What's wrong with that? Well, a lot of fundamental things are happening.

Changes in the Economy

Things are changing—not just what we're producing, the cost of production, and the value of the dollar—but more fundamental changes. More fundamental than the need to stay at the forefront of technology. We're changing the basic structure and size of our industry. We're changing the nature of management, leadership, and involvement. Let me give you a few examples.

We used to be a country of large companies. That was where all of the employment was in this country. During the last 20 years of this enormous job growth, none of it has come from the large corporations represented in the Fortune 500—none.
"When we sit back and think we've got the biggest automobile companies, the most powerful steel-producing complexes, and a semi-conductor industry that is the envy of the world, that is when we get taken to the cleaners."

All of the growth is coming from small and medium-sized companies. We no longer believe that we can manage in the old Frederick Taylor style, the American way, which is a strong hierarchy with lots of rules and procedures, lots of MBAs writing procedures, and people down the line not knowing very much. We've learned from the Japanese that we have to get everybody involved. So, now we need different kinds of leadership. Above all, we need to change how we think about the process of improvement.

I don't know if you followed the America's Cup, but I was in Australia (just before, and just after) the race. Just before the race, as we were closing the challenge race against New Zealand, the Australians were quite confident. They thought that the Americans were going to get killed. They had defeated us in the Alan Bond race, and they were really quite confident about it. They were very nice to us when we were there because they thought they should be nice to somebody they were about to clobber.

When we returned the Australians had a somewhat different attitude. We had just won the cup and someone said one night at dinner, "Well, of course you Americans had the fastest boat." I said, "Yes, and when did we have the fastest boat." They said, "What do you mean?" I said, "You didn't think we had the fastest boat when we were here in November, you thought you had the fastest boat."

There was a little discussion. Finally someone said, "You are right. The difference was that we thought we had the fastest boat, but Dennis Conner never gave up. He kept changing that boat and changing that boat. He found every little edge he could find, and he changed it. When we raced against you, he had the fastest boat, and you won."

This is really a metaphor for the coming world. When we sit back and think we've got the biggest automobile companies, the most powerful steel-producing complexes, and a semi-conductor industry that is the envy of the world, that is when we get taken to the cleaners.

Obviously, national policies, like tax and trade policies, affect us. If you haven't already, I urge you to read Pete Peterson's two articles that appeared in the October issue of the Atlantic Monthly. If you want to have an unsettled feeling in your stomach, read these articles. He says that the dollar may be down, we may begin to narrow the trade surplus, but we have much to do in policymaking and restructuring how we function and how we think we function. We have to get going; it is a matter of some urgency.

**Technological Advances**

Of course, some of this is a question of technology, we have to stay in the forefront.
"So, I believe that there is no relief in sight. For the rest of our lives, as far as we can see into the future, it is going to be the kind of world where that incessant improvement required of Dennis Conner is going to be required in everything we do."

of technology. This isn’t just a matter for Silicon Valley. One of the things that Americans haven’t come to grips with is that technology does not mean only computers and semiconductor chips, and the rest of us are excused and don’t really have to know math or science.

We think that it is okay to go through school as long as we get a good education. I have a son who proves this. He went to the best university in the country, which we already described earlier today, and managed to graduate without studying any math. He was quite proud of himself, until he got out in the real world and discovered that he needed to know math.

Here is my test case for you. Where are the most robots in the world? What country would you pick? Japan? Everybody says Japan, and that is perfectly understandable. And, the answer everyone gives when asked in what industry are the most robots used, is automobiles. Those are the standard answers and both are wrong. Do you know where most robots are? They are in the United States of America, in the banking industry. You walk up and you put a piece of plastic in the machine, and what does that robot do? It does a job much more complicated than welding together two pieces of metal. We care about how well these pieces of metal are welded together, but we care a damn sight more about whether the right amount of money gets doled out to us at that machine.

We have a home in Rhode Island, as well as in Denver, and when I am in Rhode Island I can go about a mile from my house, put my card in the automatic teller machine, get money from my bank account in Denver, and get my bank balance. Why are American banks essentially the leaders in the world? Because they are more progressive, and they have learned to use technology. Swiss banks have been very slow. Why? Because Swiss bankers know that what is right, true, and just is that you shouldn’t have robots in the bank. It is inappropriate. We had the same attitude about a lot of changes, and we’ve got to change ourselves.

So, I believe that there is no relief in sight. For the rest of our lives, as far as we can see into the future, it is going to be the kind of world where that incessant improvement required of Dennis Conner is going to be required in everything we do. It is not just a matter of catching up and then coasting again for America. We are going to have to do what we did in agriculture, which we did so successfully in areas of the country like this. We learned by constant effort and science—the application of technology, new techniques, and open-mindedness. We learned to farm better than anybody in the world.

When I was at the University of Rhode Island, we did this with the fisheries industry. It is hard to change a Nebraska farmer, I give you that. But, if you think that a Nebraska farmer
"Making it" will require better and different education. It will require technology, of course, which means math and science literacy; but, also, and equally important, it will require creativity.

I won’t be so unkind as to mention that there was an article in the newspaper this morning about the rate of bankruptcy in Nebraska doubling over the past 4 years. I will not mention this because it would be totally inappropriate and discourteous for a visitor to say. At any rate, this is the new world.

We can’t make it in this new world by reducing cost alone. The Koreans pay $2.00 an hour, but more importantly, they have a higher literacy rate, and substantially higher rates of understanding of math and science. "Making it" will require better and different education. It will require technology, of course, which means math and science literacy; but, also, and equally important, it will require creativity.

We’re living at the creative edge. Jim Hunt calls this a leading edge economy. Does our school effort encourage creativity? How about self-confidence? We must change both what we teach and how we teach.

Do you remember that U.S. West recently settled in Colorado? It wasn’t because U.S. West decided that we Coloradoans had a great deal in the way of charm and good looks. That probably contributed, but it certainly wasn’t a major thing. That decision was based on the willingness of people in Colorado to address the issues I just discussed.

**Family Changes**

The second big change involves the nature of society and the nature of the family. This is another place where society has changed and schools haven’t caught up with the change. At the very time that I am suggesting that standards have to go up, children who are going to be harder to educate are entering schools. Why? Because the family is a terribly important part of education and the family has changed fundamentally.

We are going to have to do that everywhere else in our economy. All 49 other states are going to have to be much more determined in addressing their problems.

Do you know what helped us? It was the Russians. We couldn’t get those dam fishermen to pay any attention to new net design, technologies, electronics, or any of that stuff, until the Russians came and began scooping up large amounts of fish. Then, the fishermen began running back and saying, "Where are those new nets? We had better try them."

We can match a New England fisherman in stubbornness and just plain closed-mindedness, you are wrong. We could defeat anybody in a stubbornness contest. We began our fishery. We closed our dairy farm and all those things, and started a fisheries program. It took us 12 years, and now the New England fishing fleet is one of the most prosperous in the world.
"Where are kids being born? They are being born at the hard-to-educate end of the spectrum. Last year, 21.6 percent of all live births in the United States of America were born to unmarried women."

What is the family? We all know the answer. You grew up in one; I grew up in one. What was my family like? My mother was Irish, so we grew up in the traditional Irish fashion. There were three children. My father went to work in the morning, my mother stayed home and ran the house. There was clear division of labor. Anything outside—my father was the boss; anything inside—my mother was the boss. That family now represents 5 percent of American families. That family is gone; it is not the American family anymore. What is the American family?

Earlier today we were talking about the fact that middle-class families are having fewer and fewer children. We were talking about DINKS—dual incomes, no kids. There are now, in the United States of America, more married couples without children than married couples with children. Now that is an enormous change. Where are kids being born? They are being born at the hard-to-educate end of the spectrum. Last year, 21.6 percent of all live births in the United States of America were born to unmarried women. Most of these were unmarried teenagers. I can hear what you are saying. You know that this is going on in Chicago, but this, after all, is Omaha, Nebraska.

We had a session for the National Council of Legislators in Casper, Wyoming. We were talking about these issues and the man chairing the session was a legislator from Casper. He said, "It is very interesting, but it doesn't have much to do with us." I said, "Okay, fine, we'll go on to the next subject."

We had invited all of the principals and superintendents in Wyoming to come and sit in, which they did. During a break, a man introduced himself to me. He said, "I am the principal of a high school here in Casper. This year, because I was concerned about it, I went out and recruited back into the senior class 30 young women who had already had children. There is now a class of 30 of them that I am teaching personally." I said, "Well, why didn't you say anything?" He said, "Well, I didn't think as a principal I was supposed to say anything."

That in itself is interesting. Anyway, I introduced him to the legislator, and he told the story. The legislator's response was interesting. He said, "What? Here, in Casper?"

Well, the answer is, yes, here in Casper, and River City, and every other place. We are a changing society, and we are going to have to deal with that fact. Women are in the work force, and there are many single parents with kids. The point is that today the schools will have to supplement the family and do many of the things that the family used to do. They must help families, not displace them but draw them in.

The rate of poverty is changing too. We have
"This is the first time in this country that we have seen a rising dropout rate. We’ve never had that before in our history, and it means more than just dropping out. It means that we have growing numbers of people who are disconnecting."

rising rates of affluence, but, at the same time, growing numbers of people live in poverty.

Another thing that is affecting us is the large number of minorities in this country, and they are growing most rapidly. Parts of this country, like right here, feel that "this is not particularly our problem." That was true in Rhode Island when I was there.

We had a 3 percent black population and no Hispanics in the 1970 census. Now, secondary migration is occurring throughout the country. We went from zero Hispanic population to 3 percent by the 1980s. A 3 percent change is an enormous change, and, undoubtedly, it will continue to grow.

Changes in Teaching Techniques

Another factor is the growing number of kids who are dropping out of school. This is the first time in this country that we have seen a rising dropout rate. We’ve never had that before in our history, and it means more than just dropping out. It means that we have growing numbers of people who are disconnecting. About half of the kids who drop out come back, and others take a GED or something. But, half of them are in serious trouble in making the difficult transition to being productive adults.

The problem, in short, is that students will have to know more to be able to think better. They will need more than just ordinary literacy skills. They need the ability to think, to connect thoughts. They need self-confidence. In a demanding world, they need to be creative, they need to be willing to participate, not just to be passive followers.

The toughest aspect of this is changing the nature of education. Kids who drop out, for example, don’t drop out because they are dumb. All the evidence shows that when you challenge kids, no matter how much they seem to have limits, they can respond.

Do you remember the Gene Lang case, the guy who offered money to those kids in New York? He said, "If you stay in school, I’ll pay for your college." Sixty-one kids were involved and about 40 are now in college. This is their first year. Now, if those kids were just dumb we could say, well, they are just dumb, we can’t do anything for them. Well, they are not dumb, they are bored. In fact, there is some evidence that the kids who drop out are more intelligent than their classmates.

So, reform is going to require changes in the interiors of the schools, and this will make reform much more sophisticated. It will require changes in how we teach and how we lead schools.

It is not to our credit that we know a great deal more about how children learn, and, yet, we change the schools so little. Schools still look pretty much the
"We have to find ways to get kids and everybody else involved actively in the classroom, in ways that teachers know the kids."

same as they did in 1900. We tend to approach education by tradition, not by what we know works.

How do children learn? Maybe a better question is, what do we know about why children learn?

Children learn first when they are involved, when they are treated as learners, as people. Al Shanker likes to say if children aren't the objects of education, they are the workers in the education system. They are the ones doing the learning. Teaching is not talking. Talking is talking; 90 percent of the time children hear teachers talk to them. In fact, they learn much better when they become actively involved.

Second, they learn when they are interested. I was talking to a researcher, a fascinating woman from the University of Pennsylvania, who spent the last year living in a Harlem high school in New York City. She stayed there all year and studied who dropped out and why. She interviewed all the dropouts and their parents. She concluded that children leave not because they are ignorant, but because they are bored. They feel that whatever the other options are, the other options are more attractive. They say that school is boring, so we have to make schooling more interesting to them.

Finally, children learn most of all when someone cares about them. We hear a lot about this. We have been to about 20 schools that have really turned life around for at-risk kids. Whenever you ask the children why it is they are doing better, they always have the same answer: "This is the first time that anybody cared if I succeed." We must change the nature of schools so they involve people in more compelling ways.

I am always reminded of the story of the 5-year-old boy who goes to school. The first day of school he comes home and his father says, "Well son, how did you like school?" The boy says, "Gee, dad, I'm in the wrong school." His dad says, "In the wrong school? You just started this morning. How could you be in the wrong school?" He says, "Well, dad, I can't write and I can't read and they won't let me speak. I must be in the wrong school."

So, we have to find ways to get kids and everybody else involved actively in the classroom, in ways that teachers know the kids. This means that teachers must feel in power. They must feel that they are in charge of their lives. They must feel that they are able to make changes in the ways the schools function. They must focus on what we have learned already in research about how students learn. There must be new modes of learning. There must be teachers who respect children, care for children, and admire children.

Changes in Educational Administration

A year and a half ago we ran a series around the country where we got governors sitting down directly with
"School leadership has been drifting over the past 20 years toward school management...we have to get leaders who believe in expanding the role of leadership."

Teachers. We called it "Talks with Teachers, Governors, and Legislators." One of the things we learned from this series was that teachers feel very isolated from each other and from the administrators of schools. They feel totally unempowered. They feel they cannot make changes which they think would improve the schools. In fact, no one has ever asked them to make changes. We have to treat teachers quite differently.

How do we lead the schools through these kinds of changes? Here again, we need a fundamental change, not a matter of tinkering, but a fundamental change in how we approach change. School leadership has been drifting over the past 20 years toward school management. That is, the focus is on things that make schools run administratively. Are the buses on time? Is lunch money collected? Is there order in the halls?

As states have pushed through many reforms, bureaucratic demands on principals have increased. In addition, school boards have been increasingly harassed by special interest groups. Because the rate of voting in this country has declined, special interest groups now have much more impact on school board elections. So, there is a tendency to worry a great deal about things like taxes and special interest groups.

This requires us to think about how we can restore educational leadership to the front ranks. First, we have to get leaders who believe in expanding the role of leadership. Historically, we think of the powerful leader as someone who exercises leadership, rather than expands leadership functions to others.

We need principals who are strong enough and confident enough to inspire leadership in teachers. This involves the things that we talked about earlier—getting teachers involved and consulting with them about what should happen in the schools, how we can make them better. In other words, we need leaders who are confident enough that they can walk down the halls and ask teachers what they think. We need to expand leadership. Good organizations have a lot of leadership; poor organizations have very little leadership. There is not a fixed limit.

Second, we need teachers and leaders who will focus on the educational issues. This does not mean that they avoid the question of whether the school buses are on time; management issues must be addressed. It means that these issues must be a means to an end, not the end in themselves.

For awhile, the literature focused on the orderly school. Orderly schools are great as long as order is a means of getting to exciting study. What is much better, is the school that is modestly chaotic, where everybody is deeply involved in the learning process. It would be nice to have order and learning, but the choice ought to be learning first.
"The needs of schools are much more sophisticated than before. The states will have to be more sophisticated. It means that the tools they use will have to be more sophisticated."

Third, we need leaders who insist that children are capable. One thing we discovered in schools around the country, particularly in inner-city areas, is that schools have given up on many of their children. Many schools are pushing them out, not just letting them drop out. If you don’t believe that children can learn, then there is something wrong.

A superintendent told me a story about a Southern church that had this very elaborate concert series. They brought in an organist from New York who had a fancy reputation. They had a pump organ, and they had a guy who would pump the organ. I think they thought it would give marvelous tones to the organ if it were played by this fellow. The organist came out on the stage wearing a white tie and tails, the way great organists do. Then, he turned to the audience with a degree of solemnity and said, "I am going to play an organ concerto by Brahms." He raised his hands and pressed down on the keys and nothing happened. The curtain parted, and behind him a little gray-haired guy wearing a cap leaned out and said, "Let's say we're going to play an organ concerto." I think this has to be our motto in schools.

Options for States

What can the states do? How can the states encourage the poor, and above all, not discourage leaders who actually function this way? A little while ago, we had ten principals who had taken terrible schools and turned them around; that is, the kids showed enormous improvement in learning. Two governors, Bill Clinton in Arkansas and Ed DiPrete of Rhode Island were interviewed. At the end of the discussion, I asked them, "How much help have you had from the school districts and from the states?" They all laughed. They thought that was a funny question. I said, "Well, why is that so funny? They said, "You've got to be kidding. Every time you turn a school around, you really try to take on leadership, so you are taking on the state and the school district." Of course, that led to the question of why, and they told us how often they had to fight. They had to be mavericks, they had to go uphill.

One of them told us how he dealt with a man from the state department of education who kept coming around to talk to the teachers because they were not putting the appropriate amount of time in each block that the state required by law.

I said, "How did you handle that?"

He said, "Well, I kept forcing that man to sit in my office and wait for me before I cleared him to go into school. I kept delaying him and it got harder for him. Finally, in disgust he gave up coming to the school."

I said, "Didn't that make you unpopular with the state department of education?"
"If we insist on the publishing of accurate information about things such as the performance of students and attrition rate costs by school, it is inevitable that people will try to improve, because they are being compared."

He said, "They are out to get me, and sooner or later they will get me. Meanwhile, I've got a bunch of kids who are learning."

This is an egregious example, but the problem has become much more complex. The needs of schools are much more sophisticated than before. The states will have to be more sophisticated. It means that the tools they use will have to be more sophisticated.

Mike (Kirst) said earlier that priesthood never reforms itself. Essentially, every major change in education, whether elementary, secondary, or higher education in the post-war period, has come from outside forces. Primarily, from either state or federal government. This is no different than any other profession.

The state must be a force. The state has to be a force. It is not a question of the state putting up the money. Money is important; but money, at this point, isn’t the issue. If the state doesn’t want to add bureaucracy or interfere, particularly here, where there is a strong tradition of local control, you don’t want a mandate because a mandate means more bureaucracy. So, what do you do?

I suggest the following tools. First, you can demand information. If we insist on the publishing of accurate information about things such as the performance of students and attrition rate costs by school, it is inevitable that people will try to improve, because they are being compared. We, in this country, live with a growing attrition rate, and we didn’t even know it was happening until the numbers were published.

We are very critical of a high school for having a 29-percent attrition rate. In college, in this country, the attrition rate is slightly over 50 percent. What do we say about that? We say that students had a wonderful opportunity, and they blew it. Well, that is true, but not enough. We can do better. So, publishing information helps.

Second, we can use incentives to improve, and often, they can be very small. Phil (Warner) told us about the mini-grants they use in Indiana. These are only $1,000 grants. They wanted to give out 30 of these, and they got 200 proposals. The beauty of this is that the minute you get schools competing for a $1,000 grant, you get them arguing amongst themselves about how to improve the system.

Small amounts of money empower the changemakers in ways that you couldn’t otherwise. The money says this is legitimate, it is okay for us to try to bring improvement, because there is no money at the other end of the rainbow. In the American system, anything that brings money is acceptable.

Incidentally, you can use negative incentives too.
"Also, we have to learn how to get the school boards back in the game. In the first round of reform, states took over for the school boards. Now we have to get school boards back..."

Colorado, for example, wants all of its colleges and universities to move toward assessment. The state said we should not tell you how to assess the quality of your programs and how much students are learning. Each institution should devise its own plan and get it approved by the coordinating council for higher education.

First, they talked to the presidents of the institutions, and they didn’t get any action. So, they talked about it again. Finally, they passed a bill saying that by 1989 all colleges and universities will have an assessment process approved by the coordinating council and in place, or they will lose 2 percent of their budgets. This is called a hint in Colorado.

Incidentally, I think there is a great deal of value in a good threat. That is why we used to have the finest telephone company in the world. The government said, "If you people at AT&T don’t behave, we will break up the company."

AT&T said, "Oh, no. Forget what we said about charging for information. It will still be free."

Then we broke up the company, and telephone service has been going downhill ever since. I believe in the threat process.

The state can also improve things by setting the agenda. If the state says quality is important and the governor says it is important, you in the legislature will keep asking questions at hearings. "What are we doing about the quality?" Quality is then on the agenda.

Competition is a force. A number of states have been experimenting with modified, or controlled, competition. For example, in New York City, which has horrendous school problems, there is a subdistrict in which parents can send their children to any middle school. There are about 20 middle schools in that district, and parents can send their children to any one of them (creating competition for students).

Will the pressure of declining enrollments help schools that are lousy to improve? The answer so far seems to be yes. Minnesota, as you know, has a program where 11th and 12th graders can go to a college or a state university instead of staying in high school to take courses. They can do both simultaneously. The money goes with the student.

As it turns out, it isn’t all of the bright kids in high school who are leaving and going to college. Those kids are very happy in high school, mostly because they are student leaders and everything else. It turns out to be the kids who are bored and unhappy who are going to college. Now, high schools are beginning to offer more attractive courses because they see that they are losing students. They have lost about 6 percent so far, and they want to gain them back. So,
"The danger in a lot of mandating is that the state ends up pushing the academy into being so worried about mandating that it becomes overly defensive."

competition can be important.

Also, we have to learn how to get the school boards back in the game. In the first round of reform, states took over for the school boards. Now we have to get school boards back, and this is going to be tough, because of the special interest problem and because, in this state, there is such a heavy reliance on property tax. The school board’s time is absorbed in the debate over taxation.

There is a danger that ought to be mentioned. In the first round of reform, we spent a lot of time mandating. The danger in a lot of mandating is that the state ends up pushing the academy into being so worried about mandating that it becomes overly defensive. It sees the state as an intrusive force, and it becomes more and more defensive, and education is defensive enough.

To close, I would argue the world has become a tougher place. No one sees any evidence, and I certainly don’t, after a long look at it, that the world is going to get easier now that we have been through a period of intense international competition. It is getting tougher and tougher.

If we want to remain the world’s leader, we are going to have to make ourselves tougher and more effective. That means that standards must be higher. As standards go up, we know that kids are becoming harder to educate. We have to make these kids meet the standards, even though the standards are moving upward. This means we have to draw in parents and make them part of the movement. Every bit of evidence shows that when parents are drawn in, even a single teenage mother, it helps enormously.

We have to treat kids as individuals. We have to engage their minds in active practices, rather than ask them to sit and listen and be filled up with knowledge. This is going to require teachers who feel empowered and self-confident. This is going to require principals who know how to empower teachers and how to engage kids. This is going to require school boards that understand these things, that want to play a leadership role, and that want to move the schools ahead in more sophisticated ways.

Well, can we do all this, or is this just a pie in the sky? My own sense is that we can, and it comes from a fundamental belief in something. I think this country has a marvelous track record of doing even the most difficult task.

I had the opportunity about a year ago to go to a big conference on the quality of education in Japan. They invited me and another man to go over and talk with them. You know the Japanese are very polite. They never say anything directly that doesn’t seem polite. At any rate, they don’t say anything directly, so they would say, "You Americans are so
"If we want to remain the world's leader, we are going to have to make ourselves tougher and more effective. That means that standards must be higher."

courageous." I would say, "Courageous?" They would say, "Yes. You believe that you can educate everyone. We all know that you can't do that, but you persist in trying. That's very courageous."

What the Japanese meant was, we have all these people who can't possibly be educated, and, yet, we knock ourselves out trying to do it. It is hurting our overall education efforts—we ought to concentrate on the people who can be educated.

When you think about it, you realize there is something to this. We do believe. Once we get challenged like that; once we get off the couch in front of the television set and work ourselves up a little bit, we can do it. Because if there's one thing we are good at, it is problemsolving when we get moved. My answer is, I think it is going to be very tough, but, yes, I believe we can do it.
Program evaluation is a complex process. There are four major myths surrounding school evaluation.

**Evaluation Should Involve Laypersons**

The first myth is that evaluation should be done only by experts. True, experts are needed for technical assistance to decide how the information should be collected. But, the actual judgments about what the goals and outcome should be and what schools should look like should come from students, parents, and taxpayers, as well as the experts.

**Evaluation Should Avoid Values**

The second myth is that program evaluation should be scientific and objective and should not involve values. But, the very word evaluation implies that you are making judgments. Therefore, you cannot eliminate value judgments from evaluation.

**Evaluation Should Focus on more than Outcomes**

The third myth is that programs should be judged solely on the basis of student outcomes. Outcomes are important, but it is just as important to look at how students got where they are and what happened in the classroom and school.

**Evaluation and Achievement Tests**

The fourth myth is that you should make judgments about programs based on scores on achievement tests. Whether the tests are assessing skills, such as critical thinking and problem solving, should be considered. What information are programs reinforcing? Are students able to take this learning and transfer it to real life situations? Will test scores give us an indication of all this?

We need to make some other important judgments along the way. What subjects should be emphasized? There are only so many hours in the day. What student characteristics do we want to cultivate? What do we want students to be like in addition to what we want them to know. For example, should we teach them to be independent and creative? How do we allocate our resources, time, and money? Test scores and standardized achievement tests are not the sole answer. There are several sides to the issue and the answer is a question of balance.
There is a strong correlation between parental involvement and interest and a child’s learning and development. The idea that learning is comprehensive is an important aspect of the Minnesota education program. An essential element is that the parents and family must recognize their responsibility in the early childhood education process. The learning process must begin before the child enters a formal learning program. Smaller group learning which focuses on the child moving through a learning process from a very young age should be used more.

**Maximize Resource Utilization**

The second point is the need to maximize current facilities and faculty. Educational facilities must be better used and not left idle for parts of the year. Professional teachers should not be required to supplement their incomes. This reduces the expected level of performance by those paying the salaries and by the teachers. The present system is not considered cost-effective, and is not as productive as it could be. To compete in an international economy, improvements must be made.

**Foster Regional Approaches**

The formation of area-wide education districts is a way to be more effective with existing resources. This type of district is formed by keeping the elected school district representatives and having them serve with members of other school districts to address common problems. This approach may be seen as a grass roots solution which will evolve into a better, more cost-effective system of quality education.
ATTITUDES TOWARD SCHOOL FINANCE IN NEBRASKA

Katherine Kasten, Associate Professor, College of Education, University of Nebraska at Omaha

I want to share the findings of a recent statewide telephone survey on school finance. Respondents covered 547 households from 79 counties in Nebraska. The highlights are as follows:

- Sixty-nine percent rated the quality of Nebraska schools A or B. (This may be compared with a Gallup nationwide poll which had a 43% rating.)

- Sixty-three percent of the respondents believe that quality of schools is a factor in a business decision to locate in a community.

- When respondents were asked if they had an objection to any one tax being used to finance schools only 24% said yes. (That's 99 out of 547 people.) The tax mentioned most frequently was the property tax.

- When asked if they would support a tax shift from local taxes to state sales and income taxes to finance public schools, 57% said yes. (Homeowners showed the greatest support.)

- Sixty-six percent said they would support an increase in sales and income taxes to support schools if these increases in taxes were tied to an increase in school performance. (This support was greater in the five metropolitan counties and in the younger age groups.)

- Seventy-three percent said they supported required property tax payments to support education through grade 12. (Those with advanced college degrees showed greater support at 95%.)

- Respondents overwhelmingly said no to the concept of school consolidation. Only 22% of those surveyed believed that the quality of education would increase if there were a minimum of 750 students in those districts which offered elementary and secondary education or if there were a county-wide school district.

- Thirty-three percent supported deconesing the number of school districts.

Based upon the survey, it appears that Nebraska may be in a position to change the way it finances its public education system before a crisis of confidence erupts in our schools and public demands force a change in the system. At the same time, we may be reluctant to change without pressure to change.
SCHOOL REFORM IN INDIANA

Representative Philip T. Warner, Chair, Indiana House Education Committee

In Indiana we have the A+ Plan. This program was assembled by the governor's office and the Indiana Department of Education. Let me outline elements of our policy.

The first and perhaps the most difficult task was to add 5 days to the school year, for a total of 180 days. This increase in the school year calendar was also used to increase teachers' salaries.

Testing in Indiana

The testing part of the A+ plan requires that students in grades 1, 2, 3, 6, 8, 9, and 11 must pass a test similar to a California Achievement Test (with minor adjustments for Indiana students) or go to a remedial course during the summer. If the test is not passed after two attempts then the student is retained in the same grade for another year. This type of testing helps to determine school accreditation rates. In Indiana, reports show that people are willing to pay for better schools, but they also desire more accountability when providing more money.

Performance-based School Awards

Indiana now has performance-based awards for schools. These awards do not force competition between schools but rather within schools. The school is compared with itself for the previous year. Monetary awards are available for schools that are doing better jobs. The only limitations are that the money may not be used for teachers salaries or bonuses and it may not be used for athletic programs. It may be used for anything else.

Other Innovations

The Prime Time Program is an attempt to get all students off to a good start, and is geared for kindergarten through the third grade. A class ratio of 18 students to 1 teacher is required.

Indiana has provided money to establish school corporations which try to increase the level of involvement in schools. One outcome of this program was the development of a conference for at-risk students. The purpose of the conference was to determine what it would take to motivate these students.

Teachers' internships are also a part of the reform package. They are designed to provide beginning teachers with greater support when they are starting their careers and to decrease the turnover rate in this field. A quality teacher or career development program for teachers was developed too.
EDUCATIONAL REFORM IN MISSOURI

Representative Annette Morgan, Chair, Missouri House Education Committee

The Missouri Education Reform Act was put together by a consensus of the educational community and by anyone else willing to work on it, which included a joint house-senate education committee.

Evaluating the Reform Effort

The educational reform process has been underway in Missouri for the past 3 years. The process was started at the state level and moved down to the individual schools. Inducements and capacity building were used to get schools involved. Local control was respected and local creativity was encouraged. Schools were given monetary rewards beyond their regular level of funding for implementing activities identified in the Educational Reform Bill.

Legislative Involvement

The legislative committee continues to be heavily involved in the implementation process and monitors the act in many ways. Members serve on the State Department Committee; they hold periodic hearings around the state; they review reports; they serve as trouble shooters and are available for information exchanges; and they keep abreast of research concerning educational reform.

Ingredients of Reform in Missouri

An evaluation system is an important aspect of the process. Three tiers of evaluation are needed—the legislature, the state department of education, and experts from outside the state. The money needed to perform the evaluation should be put into the initial budget. This was not done in Missouri, and, after 3 years, the evaluation system is being designed.

Educational reform is very individualistic in every state. You must consider available resources and determine what needs to be done based on circumstances in your state.
Educational reform in Illinois is multi-faceted.

**Emphasis on Accountability**

A primary emphasis of educational reform in Illinois is holding educators accountable. A reporting system known as the School District Report Card was initiated to provide information about what was happening building by building within a school district. Superintendents were able to determine what was happening and why and to identify and speak with the appropriate people, such as parents and students. The report cards are not used to compare schools within a district but to identify problems within a school.

**Consolidation Needs Attention in Reform Movements**

School consolidation has long been debated in Illinois. The state has small rural school districts that do not want to consolidate. I believe that high schools should be located only where there are hospitals. If an area is large enough to support a hospital, it should be able to support a high school as well. There should also be enough students to allow the school to provide a broad-based curriculum. However, the main concern should be to do whatever is in the best interest of the students and future generations. Focusing on that will provide the correct answers.

Nebraska has a great opportunity to show leadership in the area of school consolidation because of its unique legislative structure.
DISCUSSION GROUP SUMMARIES

Group A

Question: "Do we know what promotes quality local education?"

- How to increase the pool of voters with a commitment to public education? This needs to take into account changing demographics.
- Clarity is needed on the role of the state department of education.
- The best way to allocate resources should address not only the how and where but also who determines such decisions.
- How to remove the consideration of issues concerning the quality of education beyond the discussion of funding?

Group B

Question: "What resources and information do legislators need to promote local educational quality?"

- The state makes action; how does it know what occurs from its action?
- Who makes educational policy, the legislature or the department of education? What role do each play in policy development?
- Gathering of needed information presents a problem because of different school districts, different types of schools, and the politics involved.

Group C

Question: "What financial programs have been most effective in promoting local educational equality?"

- State versus local effort; what kind of incentives, if any, should be provided, especially by the state for certain programs?
- Outcome measures; what do we want to teach? How is this measured?
- Opportunities for education in rural areas and, specifically, how to cost-effectively finance improved educational opportunities in areas where there is an assumption that populations will continue to decrease.
- Encourage cooperation among school districts (this involves school accreditation standards and financial issues).
- How to deal with problems associated with pockets of institutionalized illiteracy in our population?
This morning I would like to provide a national setting within which you get a chance to think about the problems of rural areas in Nebraska and the region. I do this because I think the national setting is important.

At the same time, I would like to start with a quotation from Allister Cooke's book, America. I took it off the bookshelf recently and started reading it. He talks about having driven across this country eight or nine times since the late 1930s or early 1940s, and he says "What I learned from this memorable experience was that in a continent of 48 state governments, a half-dozen radically different climates, a score of separate economies, and a goulash of ethnic ingredients, nothing that you say about the whole country is going to be true about every individual or place." What you are going to recognize is the uniqueness of some of the problems in Nebraska that differentiate it from some of the national things that I am going to discuss. Yet, I think the national setting is important because it provides constraints within which you, as Nebraska legislators, operate.

I would like to cover three points this morning. I would like to talk briefly about both the economic diversity of rural America and about the regional concentration of economic specialization. I'm going to focus on the performance of the rural economy since 1979, particularly in three sectors that are critical to providing employment and income to rural citizens, that is, farming, mining and energy, and manufacturing. And, finally, I want to talk about four directions for rural policy, for it seems to me the research that we're doing in the Economic Research Service is very important.

Economic Specialization

What you find when you look at the kinds of activities that people in rural America are engaged in, is that three economic sectors provide most of the employment and income for our rural citizens. I am going to talk about these three sectors and show you the nature of the economic specialization that occurs regionally.

First, are the counties in which rural people are dependent on farming as their major source of income. What you find is no surprise to you, obviously, because many of the communities in rural Nebraska are principally dependent on farming.
"The 700 rural counties that depend on manufacturing have about 40 percent of the rural population. So, it is not possible to reach most rural citizens with traditional commodity agricultural programs in this country, particularly outside of this region."

Therefore, the problems in the farm sector in this decade have been very serious, and have posed major challenges for rural communities in this state. The farming-dependent counties are heavily concentrated in the Great Plains, with smaller concentrations elsewhere. Often this comes as a tremendous shock to people in the Department of Agriculture who are not aware of how concentrated agricultural production and dependency are in the United States.

Second, are the mining-dependent counties. There are only about 200 mining-dependent counties, compared with about 700 agriculturally dependent counties, but there are important regional concentrations. These include, obviously, Appalachia, many areas along the Gulf Coast of Texas, and areas in Oklahoma. They have been impacted by the major break in oil and energy prices that occurred in 1982 and 1983. Again, many problems exist in rural communities that depend on mining and energy.

Third, are the manufacturing-dependent counties. Rural manufacturing dependency is heavily concentrated east of the Mississippi River and principally in the South, although there is a concentration of rural counties in the old Industrial Belt of the Northeast and a somewhat smaller concentration in the upper Northwest. One of the important things to remember when you are thinking about rural policy is that there are as many rural counties (about 700) that depend on manufacturing as there are that depend on agriculture.

The agricultural counties are more sparsely populated than the manufacturing counties. The 700 rural counties that depend on agriculture have only about 10 percent of the rural population. The 700 rural counties that depend on manufacturing have about 40 percent of the rural population. So, it is not possible to reach most rural citizens with traditional commodity agricultural programs in this country, particularly outside of this region.

Another kind of dependency is important to understand because it developed in rural areas from the 1960s to the 1980s. It is a dependency on the net immigration of older people. There are 500 retirement destination counties. These are the only rural areas which, as a set, have shown population growth in the 1980s. They were the most rapidly growing in the 1970s, and they are the only set of rural counties that continue to grow. You don’t see many recreation-retirement counties in the Great Plains. This is, I think, a serious challenge given the extent to which this kind of economic base is both stable and increasingly important in a society that has an aging population.
"Since about 1981, unemployment rates in nonmetropolitan America have been above those in metropolitan areas. This is only the second time that this has happened. It is the first time that it has continued throughout an expansionary phase in the business cycle."

Economic Performance

Given this explanation of the economic geography of rural areas, what is the situation in terms of economic performance in rural areas so far in this decade? I am going to make all of the comparisons in terms of 1979, because 1979 was the peak of the last economic expansion in the U.S. economy. While we have not reached a peak in our current expansion, measuring peak to where we are now is better than any other type of logical measurement.

Rural Employment

I would like to touch on three points. First, rural employment growth since 1979 has been very slow. Four percent overall between 1979 and 1986 for non-metropolitan areas versus 13 percent for metropolitan areas. This is a turnaround from the kinds of growth patterns in employment that we saw in the previous decade. It is really quite dramatic.

The slow employment growth has been concentrated in three kinds of rural counties. Farming counties, as a whole, essentially have been stagnant; that is, there has been no employment growth at all in the farming-dependent counties during this decade. There has been an employment decline of almost 10 percent in the mining and energy counties, and, in the manufacturing counties, there has been very slow growth. In fact, only the service component of the economic base in the manufacturing counties has shown any employment growth.

Employment stagnation or employment decline has been widespread throughout the Great Plains, throughout the manufacturing areas of the South, and in the mining areas of the Rockies and Appalachia. As I indicated, the primary areas to see fairly rapid growth in employment are those where there has been continued growth in population—the recreation-retirement counties.

Rural Unemployment

As a result of stagnant employment growth, there are also very high unemployment rates in rural America. Since about 1981, unemployment rates in nonmetropolitan America have been above those in metropolitan areas. This is only the second time that this has happened. It is the first time that it has continued throughout an expansionary phase in the business cycle.

In 1986, the average annual unemployment rate in nonmetropolitan areas was over 9 percent, almost three percentage points above the metropolitan rate. As of 1986, we had over 1,000 rural counties that had unemployment rates over 9 percent.

As we look at the unemployment data an interesting statistical phenomenon appears. For example, one could ask why aren't there any high-unemployment counties in the Great Plains, given the stagnation of employment
"The formulas that drive many programs that are based on high unemployment rates are an ineffective way of getting at some of the key issues and getting "fair shares" for places that are dependent on farming."

growth in the Great Plains, and given the problems that you know have existed in the principal sector on which the Great Plains depends? The answer is that farmers may be going bust, but farmers aren't unemployed the way we count unemployment.

The formulas that drive many programs that are based on high unemployment rates are an ineffective way of getting at some of the key issues and getting "fair shares" for places that are dependent on farming. Therefore, people who end up in a serious financial situation in farming don't contribute to the statistics that drive the formulas for these programs. I think one of the serious problems in targeting federal funds is that unemployment rates are used almost uniformly in the formulas that target funds, and they clearly disadvantage many areas in the Great Plains.

**Migration Patterns**

It should not be surprising that with the stagnation in three employment sectors, and with the high unemployment rates of the kind I have discussed, that we have seen a resumption of substantial outmigration from rural to urban areas. This is a major turnaround from what we saw in the 1970s.

Traditionally, we've had substantial net outmigration and population loss from counties in the Great Plains; throughout the South, in the so called Black Belt area of the South; and throughout Appalachia. We're seeing more population loss in this decade in some areas in Texas, New England, and particularly Pennsylvania and New York than you would have seen earlier. We now have about 1,100 counties that are losing population, compared with about 450 in the previous decade. In fact, if I were to divide this decade into two time periods, you would see that the population loss problems get worse the further we go into this decade.

People want to think that the population loss problems started with the recession of the early 1980s and that they are getting better. This is not true. If you divide the decade into 1980-83 and 1983-86, only about 700-800 counties lost population between 1980 and 1983. In the 1983-86 period, almost 1,300 rural counties lost population. So, the further we get into the recovery the further we get into the structural adjustment problems that are going on in farming, mining and energy, and manufacturing.

**Policy Options**

The employment shortfall in rural areas is becoming more serious, and more rural areas are being affected by population loss more rapidly. So, what does all this mean about the future of rural policy?

I'd like to make four points that come out of our research. Given the diversity of rural conditions and interest, it seems to me that much of the responsibility...
"The federal government has a responsibility to ensure that adequate levels of investment are made in rural human resources, both in education and training."

For devising programs, that is, figuring out what to do about the problems that vary among communities and states, is going to fall to state government. Obviously, this is something that you are going to confront. The implementation of specific programs, that is, what do you do in particular communities that makes a difference, is going to depend on the leadership of these local communities.

**Federal Responsibility**

There are, in my judgment, some important things that the federal government should be doing. The federal role includes at least three things. First, the federal government should provide a macroeconomic environment which is conducive to economic growth. There is nothing the states can do individually or collectively to overcome inadequate macroeconomic policy and inadequate rates of national employment growth.

It is true that the current expansion is one of the longest the United States has had in a recovery period. It is also one of the most anemic. We are experiencing much slower rates of growth of employment than we have seen during typical expansions. The macroeconomic conditions are not conducive to an easy solution for the kinds of economic adjustment problems that we are seeing in rural areas.

Second, one of the responsibilities of the federal government is to try to facilitate multi-state and multi-community approaches to solving real problems. I'll come back to this issue in a minute.

Finally, the federal government has a responsibility to ensure that adequate levels of investment are made in rural human resources, both in education and training. The federal government also has a comparative advantage in providing information and conducting analyses of broad national and rural economic changes that provide the context for policy.

**State and Local Responsibilities**

Eventually, rural communities and rural residents will shoulder the major responsibility for identifying specific strategies to achieve local economic development and for mobilizing the full range of resources, both public and private, to deal with structural change. I think we need to be honest and recognize that local efforts will not ensure the growth of every rural community. Collectively, they will fall short of generating enough rural jobs for all rural residents. This is not new, it happened in the 1950s, it happened in the 1960s, and, in a smaller set of areas, it happened in the 1970s. We need to be realistic about our expectations. Still, there are new opportunities. It is clear that new business start-ups (not branch plants) show considerable potential to
"I think we need to be honest and recognize that local efforts will not ensure the growth of every rural community. Collectively, they will fall short of generating enough rural jobs for all rural residents."

improve the performance of the rural economy.

One of the major differences in this decade between urban areas and rural areas is rate of new enterprise formation. If you look, for example, at the kinds of industries that are providing employment growth, most employment growth in metropolitan areas has been provided by firms that have 20 or fewer employees. But, we are not seeing new enterprise start-ups in rural areas at rates as high as in urban areas.

One of the key public policy issues, obviously, is facilitating rural enterprise creation. I do not believe that there aren't good opportunities in rural areas. I think that we aren't capitalizing and capturing them. We are not capturing them for a number of reasons. One reason is that venture capital is often hard to obtain in small rural communities. So, I think that there is a public policy role in facilitating the provision of financing for new rural enterprises.

It is also true that you not only have to have start-ups of small businesses, but you must have successes of small businesses. Small businesses have higher failure rates than other businesses. So, the availability of services to local entrepreneurs, that is, management, accounting, and marketing, will increase the success rates for small businesses.

Territorial Policies

The kinds of economic adjustments that are causing stress in rural areas present a real dilemma for territorially targeted policies. It is clear that promoting growth where people live in occupations and industries in which they work is the most attractive option. It is least disruptive to the community and to the family. But, current adjustments in farming, mining and energy, and manufacturing appear to result from serious competitive disadvantages.

Rural policies that provide public subsidies for development in some places are likely to trap resources in inefficient locations. The state economy, the regional economy, and the national economy are better served by policies that facilitate a smooth movement of capital and labor from weaker to stronger industries and from less competitive to more competitive locations. Still I'm realistic enough to understand the political salience of territorial policies. They are likely to play an important part in anything that the federal government does, or for that matter, anything that state governments do.

What is likely to increase the success of policies that promote territorial objectives? There are two things. If territorial policies focus on ways to integrate rural people and places into the national and international economy, they are more likely to be successful.

An obvious target for public infrastructure investment is rural communications and
"An obvious target for public infrastructure investment is rural communications and telecommunications."

telecommunications. Rural territorial policies could encourage a wider community view of what can be done, that is, several rural communities thinking of themselves as neighborhoods in a dispersed urban system. This is something that we haven't been able to do, but it is something that is particularly attractive and substantially increases the range of opportunities.

Finally, one of the major arguments for federal policy has been the existence of externalities, a mismatch between who benefits and who pays for certain types of activities. It is clear in terms of rural policy that the strongest case for the existence of externalities can be made for education and training.

Many rural communities are undergoing the kinds of structural stress that have been shown, but they will be unable to capture the benefits of higher spending on approved basic education or training because people will leave the community to find better job opportunities. Many states will face similar types of problems. Federal programs that provide a significant part of the funding to improve human capital endowment of rural youth and rural workers are the only ways to overcome chronic underinvestment in our rural human resources.
About 2 months ago, Rex Carpenter called me and asked me a direct question. He said, "Do you believe in free speech?" I was taken aback, but said, "Yes I do, as a matter of fact."

He said, "Well, I've got one for you."

We talked about the program out here, and he invited me to come, or encouraged me to come, on behalf of the leaders of this important conference. I am here because, among other things, we in the Rural Electric Program are deeply involved and vitally interested in the entire question of development. We want to cooperate and work with public agencies—state, federal, and local—in dealing with this very complicated but important business of trying to figure out how to best assist the economies of our communities.

### Historical Background

As near as we can determine, development in the modern sense of the word probably first started in the Euphrates River Valley in what is now Iran, about 15,000 years ago. It was in that region, at that time, that agriculture started to evolve into what is today a modern industry. It was 15,000 years ago in that great valley that people discovered how to tend the cattle and plant seeds, to harvest and gather. For 15,000 years we have seen agriculture change; the world has changed with it. It has gotten much smaller, and as communications speed up, the world gets increasingly smaller.

I grew up on a farm up on the Canadian border, just downwind from North Dakota in the 1930s. I was a child of the Depression. Mother and Dad had 240 acres of land and 13 separate subsistence enterprises on that farm—a few pigs, a few chickens, a few turkeys, a few horses, a few cows—a little bit of everything, but not much of anything.

Folks were fiercely proud and independent and didn't depend on anybody outside their own home and God Almighty. They never dreamed that the day would come when we would depend on an unstable place like the Middle East for something as important as oil. They never imagined the day would come when we would depend on the leaders of the Soviet Union to come to our economic rescue. But indeed, we have seen agriculture evolve from a subsistence enterprise in my lifetime into what is now clearly a major industry.

There were 8 million farms when I grew up in the
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1930s, and each one was like every other one, a local subsistence enterprise— independent in the classic sense of the word. They literally didn't borrow much money; didn't invest some, didn't need to.

Following World War II, we saw the beginning of the end of that method of agricultural production in the United States with the advent of hybrid seeds and fertilizers. The Rural Electric Program brought irrigation, machinery was produced, and this technology was transferred to the farms and ranches of the United States very efficiently through the state universities' agriculture extension programs.

From 1940 to 1970, 30 short years, we saw the largest migration of mankind ever to occur in the history of our species, and this took place in the United States. Twenty million people left farms and ranches during this brief period and went mostly to the cities. They left the farming business.

Twenty million people pulled out because of the modernization of America's agriculture.

When I was a kid, one of my jobs was to clean the barn by hand. I hated it with a passion. Well, now we have a robot called a barn cleaner. Electric power is available, and modern technology has been developed and applied on America's farms. We depend very heavily on credit and energy, and we depend very little on human energies. We have evolved from a subsistence enterprise into a very sophisticated industry.

World Economy

I was a member of the U.S. Congress in 1972, and I was on the Small Business and Science Committees. The Organization of Petroleum Exporting Countries (OPEC) was just getting formed. Our Science and Technology Committee was holding a hearing on the development of this very strange political phenomenon in the Middle East. There were sounds coming out of this group, very ominous sounds, because the United States was importing most of the energy it consumed.

The tendency had been to take the oil supply and price for granted. Oil was $1.90 a barrel in 1972, which was not long ago. We were told by experts from universities, federal agencies, and private enterprises not to worry about these people in OPEC, that they were largely a political organization with some religious overtones, that they would never have any economic clout. The constant law of comparative advantage, taught in all the fine universities, would limit the power of these OPEC leaders to do anything in a real way to restrict the supply of oil or to affect its price.

Within a year, OPEC had imposed an embargo on the sale of oil to the United States for political reasons. Gasoline lines started showing up in this country and there was near panic.
"In July 1972, the Soviet Union could see that the world’s grain supplies were drying up and that the United States owned and controlled the world’s grain reserves. The Soviet Union, in its own clever way, maneuvered, engineered, and bought the world’s grain reserve from the United States for $1.50 a bushel."

For the first time in history, the consumers of the United States found they couldn’t buy something on which they had come to depend; and, of course, prices started climbing. Oil went from $2 a barrel to $9 in the last months of the Ford Administration. The inflation that it triggered created all kinds of uncertainty and doubt that contributed substantially to the defeat of President Ford.

Jimmy Carter came in and OPEC rolled on merrily; oil prices went to $16, to $20, to $40 a barrel. Raging inflation, 20–percent interest rates, and unbelievable agony swept the country. Jimmy Carter was defeated because of the inflation rates that were, in most instances, fed by oil costs and controlled by foreigners.

In 1973, the world had two very bad grain crops, back-to-back. Anything that could go wrong, did. Corn leaf blight swept the Corn Belt; there was drought in the West, drought in Australia, drought and hot winds in the Soviet Union. All of the major grain growing regions of the world, in that one year, had some sort of a natural disaster. The year after wasn’t much better.

In July 1972, the Soviet Union could see that the world’s grain supplies were drying up and that the United States owned and controlled the world’s grain reserves. The Soviet Union, in its own clever way, maneuvered, engineered, and bought the world’s grain reserve from the United States for $1.50 a bushel.

I was a wheat grower and thought that we had scored a major coup because we had sold our surpluses to the Soviet Union. Within a year, prices doubled; within 3 years prices tripled. The Soviets controlled the politics of wheat because they owned it, and we sold it to them cheap. Prices started climbing, and importing countries, poor ones, like Mexico, Indonesia, Brazil, Nigeria, and Egypt were forced to deal with the Soviets, or not at all, because the Russians controlled the reserves. We sold it to them.

There was great turmoil growing out of that period. Land prices tripled in 10 years. Grain prices doubled in 18 months. There was a euphoric feeling in Nebraska, Kansas, and Minnesota, the grain states of the United States—a belief that somehow we had cured this farm problem, that everything was just terrific.

Banks recommended that people borrow money. People borrowed tons of money and paid a big price for land, because the theory was that the land prices were going to continue to climb—you could pay anything and land inflation would cover it.

Well, in December 1979, the Soviet Union invaded Afghanistan. In the summer of that year, the Ayatollah Khomeini took over the government of Iran. We were seeing the consequences
of the administration of a president called Idi Amin in an African state. The leader of Libya, Colonel Qadhafi, and his agents were on the rampage. These countries were all markets for U.S. grain, and the president had to think very carefully, very seriously about U.S. political and economic interests. When President Idi Amin was on a rampage killing his native citizens, the question was: Should the United States supply that administration? The answer was, no.

When the revolution came in Iran, Americans were taken hostage. If President Carter had not stopped the shipment of $600 million worth of U.S. grain to Iran, there would have been riots in the American streets. If we continued to provide them with grain at the time the hostages were in captivity, the American public would have revolted politically. The same could be said of the invasion of Afghanistan.

President Carter had three choices. One was do nothing, tell the Russians that we didn’t care. The second choice was to send in the Marines, and the third choice was to impose economic sanctions. Every choice the president had was a loser.

The point is that the world is no longer within our capacity to control. President Reagan has imposed embargoes on Libya, Nicaragua, and other places in the world for security reasons. We don’t particularly like it, those of us who are involved in agriculture, but the reality is that this is a political world that is beyond the direct control of the United States. Unfortunately, our trade policies get tangled up in this awful web.

Today, the OPEC people still control the supply and price of oil fairly well, and they have managed to keep oil prices fairly steady, at just under $20 a barrel, because they know that just under $20 a barrel will pinch off all new oil and gas explorations, which is exactly what happens.

The oil and gas exploration business in the United States is dead, at least temporarily. Investment in oil field production in Colorado has ended. The coal-gas development in the Dakotas has come to a stop. The managers of the world’s oil economy understand very well that if oil prices go above $20, Americans will invest in this new production. They are going to keep it just below that level in order to reduce our capacity to negotiate, and, as a consequence, our own energy production is down. Our dependence on oil from the Middle East is up, and our trade deficits worsen.

Agricultural Surplus

Agriculture is the same story. When grain prices took such a big jump in the early 1970s, major countries with huge populations of poor people found that the Russians could buy the reserves because they had the gold to do it, but they couldn’t themselves. These countries have since developed agricultural policies that say, as a matter
"The United States finds itself with an enormous capacity but no place to move the grain."

of public policy, that they shall produce as much grain as they can within their resources. We've seen money invested in irrigation and fertilizer plants, and technologies developed at their universities and institutions of higher learning. These are transferred to farms and, as a result, grain yields have increased all over the world. India has doubled its yield in 10 years. In country after country, huge populations with great needs have spent monies that they otherwise might use for other factors to improve their agricultural production. Even Mexico has stepped up its production of grain.

As a result of the boost in production in these countries, the United States finds itself with an enormous capacity but no place to move the grain. The administration's answer to this has been to institute a very low loan price policy on exported commodities, believing that if prices are held low enough long enough, some day the Mexicans will stop growing their own and will buy from the United States. What happens there gets tangled up in Mexican security policy.

A few years ago I worked for an outfit in Kansas City, Farmland Industries. We were invited to go to Saudi Arabia to grow wheat. They would guarantee $1,000 a ton, that is $20 a bushel, if we would come there and set up this farming scheme. We said thank you very much, but we're not in that business.

I was curious; what was this all about, because we could airmail Nebraska wheat to them for $300 a ton and pay the freight. They said it had nothing to do with economic advantage, it had to do with security. It was a dangerous region of the world, and supply lines were always in jeopardy. Shipping grain was a very high-risk enterprise, and they didn't want to take a chance. They were going to grow their own, no matter what it cost.

In Japan, it's the same. The Japanese government's policy is to protect as much of its own agricultural base as it can, almost without regard to economic principle, so they protect the rice industry. They pay very high prices for rice. We've talked to the Japanese authorities, and they say, of course we pay high prices for rice, because we intend to keep a rice economy. This island country has been blockaded twice in 50 years, and they are not going to take a chance on dismantling their rice economy just because they can buy it cheaper. As long as they can afford to grow their own, they will.

Agricultural policy in the United States gets tangled up in worldwide politics. I believe that we can't naively withdraw the government's role and interest in agricultural matters, because if the American government, with its diplomatic powers, withdraws from the scene, we'll get skinned alive by the Russians and by everybody else and be treated as a world grain...
"We have an underemployment rate in rural places of over 30 percent. More than 30 percent of the rural population works at a part-time job. It is not counted as unemployed in the standard definition, but is living in poverty."

colony. So, clearly, the question is: What can we do about this? We are in an international economy and can't completely control our own destiny.

Population Decline in Rural Areas

In the Rural Electric Program covering the 22 states from Texas to the Canadian border and from Iowa to the Rocky Mountains, we are in the third year of substantial declines of population, electric power sales, and retail markets. It is going down, down, down, with no end in sight.

The loss of population in the Plains states is attributed, in some measure, to the energy economy where oil, gas, and coal are important and to the mining economy. But, the copper regions and iron mining in Minnesota are gone and the uranium in the West is gone, as well.

Grain prices and production affect the grain economy, and the consequences of poor grain prices have taken a major toll. I have been in Iowa and know what has happened to the large industrial giants of a country that provides this great land with farm equipment. They are laid off, and these people move out. So, we are seeing the migration from rural places picking up about at the same pace as during the 1940s and 1950s, except there aren't nearly as many people around to feed that migration.

We in the Rural Electric Program are taking a very long, hard, critical look at this migration phenomenon. We are looking at the reasons for the lack of economic development in some areas. The tough question is: Is there anything we can do about it? We in the electric business can't do very much about the price of oil, maybe we can do nothing. It is awfully hard for senators in Nebraska to do much about the price of wheat, because it is affected by so many forces that are international in scope. We understand that it is beyond the capacity of the state to control macroeconomic planning and policy execution. Some people believe that maybe it is beyond the capacity of the United States to deal effectively with some of these issues, but that is another argument.

Underemployment in Rural Areas

We're looking very carefully at the phenomenon of jobs. The unemployment rate in rural America is about 8 percent, and, therefore, not much different from cities. Our study shows that we have an underemployment rate in rural places of over 30 percent. More than 30 percent of the rural population works at a part-time job. It is not counted as unemployed in the standard definition, but is living in poverty. These people have part-time jobs. Typically, the husband loses a job and the wife goes to work cleaning rooms at the local motel at minimum wage. Well, they are staying alive, barely, living on poverty income. As long as
If the local community’s political and business leadership doesn’t want the community to develop, there won’t be any development.

the job lasts, they are going to stay in that rural place.

We sampled these people a few years ago with a Rural Electric Program survey to find out if they were in a rural place by choice or because they were imprisoned. They said it was by choice. As long as the job lasts, they intend to stay there.

We did a demographic study on agriculture and found that there are about 2.2 million farms in the country. Thirty-five thousand of these are making lots of money. Last year, they had a net income of $0.5 million each. So, there are a few farms making a lot of money. At the other end of the spectrum are more than 1 million farmers who lose money on the farm but have a job in town that provides the family with a $20,000 annual income. They live very well.

But, there are about three-quarters of a million farms in between. They don’t have the deep pockets of the big farms. They don’t have the independence of the small ones, and therein lies the endangered species. They are mainly young people. They need outside incomes to support the kids while they are growing up, and they can’t do it because the jobs aren’t there. In many instances, jobs just aren’t available, so they are pressed by debt service. The combination of these two things squeezes them from rural places, much against their wishes.

Rural Economic Development

We are working with the U.S. Department of Agriculture and others to determine what we can do to revive these rural economies or to create more jobs in rural places. We are not talking about going back to some sort of leaf-raking operation, we’ve been through all that. We’re talking about real jobs that pay real money and provide a real chance to survive in a tough competitive world. We’ve found some things that I believe are conclusive.

First, all development is local. We have been through the whole bit and have concluded that if the local community’s political and business leadership doesn’t want the community to develop, there won’t be any development. It starts there. We’re convinced that it must be a combination of public and private enterprise. We hold the Rural Electric Program up as a model. It started in 1937, 50 years ago. It started because the investor-owned power companies at that time were unable to provide electric power to rural residents. They could not put their stockholders’ equity at such a risk; the risk was too great.

There was a federal program called the REA, and George Norris was one of the great leaders of this movement. The genius of this program was that it was supported federally with engineering standards and support from the outside and with credits that were unavailable in the competitive marketplace. This tied it together with local public utility
When we study failure rates in rural businesses, we find, in most cases, that businesses fail because of some lack of business principle.

...districts, or in most cases, cooperatives. Combining local control with outside technical support overcame the national problem of bringing electricity to 7 million farmers and ranchers who lived by candlelight. Everybody knew that as long as they lived without electric lights they would always be poverty stricken. They understood that.

So, the Rural Electric Program has been a success, and we are now looking at ways in which we can copy that model. We’re looking at the good sense of changing the federal law, and someday I think that will happen. If we put the primary emphasis where it belongs, on the local community, we harness both the public and private enterprise. You have to, because we believe that any kind of successful effort has to include the local banks, business leaders, and educators who provide the work force. It has to include local political leadership. County government is going to grab the zoning permits.

Mayors and city council members are going to be involved in all kinds of public spending choices. Legislators are going to be responsible for developing the necessary state programs, but it starts locally.

We have taken part in studies in three states that have been extraordinarily successful in developing state programs. The states we picked were Massachusetts, Michigan, and Pennsylvania. There is a detailed report by one of our associates that explains what the legislatures did in these three states. This report points out matters in which the state governments took an active, visible, and positive role, and were not passive. It is not a laid-back, do-it-yourself thing. The state legislatures clearly and explicitly directed the states to undertake certain things that involved credits, education, and marketing.

Michigan, for example, has organized something very interesting that we believe has some great possibilities—the Industrial Extension Service. It was patterned after the old Agricultural Extension Service, which was responsible for transferring the technology developed at the University of Nebraska and other agricultural colleges and bringing this knowledge to the countryside. It has been an enormously successful public enterprise.

The Michigan experiment is based on the belief that there is a wealth of knowledge among the various schools at the University of Michigan—the schools of business, engineering, finance, and marketing. All kinds of skills are available at the university, but somehow they don’t seem to get beyond the campus borders.

When we study failure rates in rural businesses, we find, in most cases, that businesses fail because of some lack of business principle. In many cases, it is because they don’t have proper accounting, or they haven’t done a very good job of marketing. Most of
"The problem is, Nebraska is a long way from major markets. Nebraska is at the end of the railroad line for the East, West, and Gulf Coasts."

us are good at building things. We know how to make something run or grow, but when it comes to marketing an energy or an effort, we sometimes fail.

So, Michigan is experimenting with this Industrial Extension Service concept. I think it has tremendous possibilities, because it can bring to the rural entrepreneur skills that are available at the university, but somehow never get to the rural communities to help small rural businesses with their problems. We think that the program must start. There has to be a state role in this matter, and the states I've mentioned include education in their programs.

Overseas Competition

As we look at the total role of the American economy in this competitive world, we know that jobs have been lost. Thousands and thousands of industrial jobs have been lost to low wage-based countries like Mexico, China, and Taiwan. We don't propose to bring these jobs back. We don't believe that we really can compete effectively with countries that have a wage base and a standard of living that is a fraction of ours. This is not realistic. Realistically, we are not going to get jobs back here if the host country is paying its workers $1 a day. We are looking at another cut of the market.

West Germany has the highest industrial wage base in the world. West Germany has a very profitable textile industry, and makes it work. Japan now has a higher wage base than the United States. Japan imports coal and iron ore and has one of the world's most profitable steel industries. Why? The answer is technology.

These countries have built modern, computerized robotic industries where workers are well paid but have to be well trained. They have developed quality products that sell in the world market, and are priced competitively, particularly, quality competitive. They have reputations for being the best in the world. Whether they deserve it is arguable. But, their reputations are that if you buy a Japanese automobile, you are going to get the world's best car; or if you buy a car from Germany, it is going to be the world's best car. We don't enjoy that reputation in the United States, so we're looking for ways to create industries that can be competitive. This does not include beating the Mexicans with their $3 a day wage rate, because we do not want institutional poverty in the United States. We need to find ways to export this product, because, in most cases, it will be exported from Nebraska.

Options for Nebraska

Anything you do in Nebraska will be exported from the state. The only things that will be consumed here will be your service bases. The service economy is usually local, but if you get into any kind of value-added
"The truth is that most of the jobs that are coming are in very small organizations. Interestingly, employees of such organizations prefer to live in rural places, if certain amenities are available."

enterprise, obviously, you start with your resources.

Your major resource here, in addition to your people, is your water. You have tremendous water reserves. You have tremendous reserves of high-quality fertile soil. These are powerful assets for the state. The problem is, Nebraska is a long way from major markets. Nebraska is at the end of the railroad line for the East, West, and Gulf Coasts. So, in farming, should you buy retail, sell wholesale, and pay the freight both ways? Again, Nebraska is at the end of the railroad line. But, it also puts you near the source of raw material.

The question is: What can you do to add value to this product that you are shipping from the state, whether you are shipping it to Georgia or Tokyo? It is a commodity exported from Nebraska, so we are looking for ways that we can be helpful in developing value-added agricultural enterprises, that is, industries that clearly employ people. There is a demand for it; there is a need for it. It is a matter of organizing it.

Studies show that almost 90 percent of all new jobs in rural or city places occur in establishments that employ fewer than 15 people. Almost all of the growth is in small businesses. We tend to wait for General Motors to land a Saturn plant. We tend to wait for some large industry to come here and save us. The truth is that most of the jobs that are coming are in very small organizations. Interestingly, employees of such organizations prefer to live in rural places, if certain amenities are available. They want to be close to a university, and they want to be near sources of instant communication. They have to be able to use the instant telecommunication systems and similar resources that are now available throughout the United States.

So, we need to do some real hard stock taking—at the federal, state, and local levels. I think the federal government has to change its ways. The old remedies don’t work. The old established agricultural policies in this modern world are out-of-date. A totally new approach has to be taken in developing a new system to deal with America’s agricultural surplus-capacity problems. We have 400 million acres of the world’s best land, but 200 million acres have surplused our requirements and are sold overseas, creating enormous problems. The demand overseas is driven by factors over which we have no control, and it is only partially related to price.

States have to be much more aggressive in dealing with their resources, because states uniquely control the educational systems, and that’s proper. Education is vital to a modern industrial society, because we need well-trained workers for these places. The jobs we are talking about will require workers who can read instruction books and who are equipped to deal with complex computer issues.
"The most important part of this effort is to interest private leaders in spending their time and some of their resources in developing the basic questions which will drive development activities."

That doesn’t mean everybody will work in this field, but these things are going to drive the economy of the 21st Century. Clearly, managers are going to come from this field, and we need to have federal, state, and local governments involved.

The most important part of this effort is to interest private leaders in spending their time and some of their resources in developing the basic questions which will drive development activities. As a rule, business leaders don’t like to get into this. The local chamber of commerce will participate once in awhile, but this usually is the beginning and end of its efforts in developing matters. This is not enough.

It is going to take a sustained effort, requiring local leaders to stay with the effort through thick and thin and to work with professionals to help deal with development issues, that, in every case, will generate local resources. Taking honest stock of the community is difficult: What is our big plus? What is our downside? How can we deal with our problems?

I am here to pledge to you everything that we in the Rural Electric Cooperative Program can do. Rex Carpenter is one of the leaders in this program nationally, and we are in this thing together. It is not a political thing. This is a matter of trying to find the best combination of intelligent capacity—whether it is public or private—and to put it together to deal with what is clearly a national problem.

It isn’t just Nebraska that is hurting. It is Iowa and 22 other states that are continuing to show losses in their populations and incomes. Agriculture is slightly more stable than the energy industry, but not a lot. The world’s grain crops are mostly rain-fed, and weather patterns run in 22-year cycles; but, they can’t predict that with any certainty. The only thing we are sure of is that good times won’t last; good crops won’t last.

Nebraska with its water and its irrigated agricultural base has an enormous resource advantage over places that don’t have them. Agriculture’s fortunes, to some extent, are tied to weather conditions that we can’t control and can’t predict very well. Some of these things can be managed, so we work hard at discovering the truth, looking at our advantages, and figuring out how to build on them and how to cope with our disadvantages. I am confident this country will be a better place because of us.

I commend you in the Nebraska Legislature for taking time to come to this place for 2 days and to listen to experts carrying on about numbers and the importance of development. You’ve got a very important responsibility in this matter. If there is anything that we in the Rural Electric Program can do to help you by acquainting the public with
the dimensions of this problem, or if we can do anything to energize local community leaders, we want to try. We donate these services to a common cause because we have everything to gain and everything to lose if efforts aren’t made.
Rural development is a long-term, incremental, and systematic process. Developing policy begins with recognizing that rural communities are very different. The development of systems to integrate services and to continue service delivery in rural communities is critical also. Many communities can no longer afford services, and policymakers must develop new systems to meet their needs. If they don't, out-migration problems will continue.

Many alternatives are available for developing and establishing policies and programs for rural states. A "menu of opportunities or programs" can be plugged in and used as gap financing to help rural communities and rural entrepreneurs. Targeted small businesses and self-employment loan programs are examples. In Iowa, lottery money provides $10 million for a community economic betterment program.

Targeting Based on Local Capacity

Formal policymakers need to discuss resource allocation and capacity building in communities, because they are important components in rural development policy. I believe strongly that a process should be developed to allow or require states to make decisions for communities to reach certain benchmarks before they can access particular programs. Some communities don't want to be anymore than they are.

Rural Development Policy Must Be Comprehensive

What is rural development policy? Well, it is not just economic development or just getting in a business. It is a comprehensive approach, critical to the survivability of a community. It can be broken down into three areas. The first is transitional services. These are services that must be maintained to keep things going. They might include rural transportation systems, mental health services, and job training. The second area is new infrastructures. They are systems needed to maintain the quality of life and to attract new people. They include research and educational systems and technologies. The last area is job creation, which is critical to all of us.

The real work is going to have to come from policymakers, because the federal government is not going to set rural policy. It will continue to shape rural policies by tinkering with agricultural policy, but you have got to do the work yourselves.
Three major eras of social and economic change have dominated U.S. rural communities. The first was the Community Control Era (1900) when peoples' lives were controlled by their communities and all their needs were met there.

The second era was the Mass Society Era (1950) when corporations took over and successful people were those who made it through the hierarchy to the top, and mass production turned out the same products for everyone.

Currently, we are moving into the Information Era (2000) which means we are substituting information for labor, energy, and natural resources. It is a time of computerized plants and custom-made products.

Rural Community Impacts of the Information Age

The following are implications for job creation in the information age:

- Jobs will be in services, not in natural resources or manufacturing.
- Growth will occur in newer, smaller organizations.
- Mass production, including agriculture, is not equipped to compete.
- Many rural areas lack quality local information infrastructures.
- Whether people choose to live in rural communities.
- Peoples’ entrepreneurial and technical skills.
- Adequate information infra-structure.
- Are businesses willing to adapt to computer technologies? Are communication technologies reaching rural areas?
- Business turnover.

Importance of Rural Information Infrastructure

It is important that a rural information infrastructure exist to allow rural communities to be part of the Information Era. It is also important to develop human capacity to use information technologies. This includes acquiring technical skills and the willingness of rural residents to adopt such technologies.
In the minds of many, the farm crisis and the rural crisis are one in the same. For too long, people pretended that by fixing agriculture they could fix small communities. Although the two are dependent and interrelated, they are very different issues that require very different policies.

The leading issue of this conference is what should the state's role be in promoting rural community development? I don't think that we have addressed the topic. The group I worked with seemed to question whether the state should have a role in rural community development. I think the state must play a role, and the role must be determined before the game begins.

Overcoming Federally Imposed Boundaries

The federal government sometimes hurts small communities instead of helping them. For example, it defines a small community as one with a population of less than 50,000. Rural states know that most of their communities are well under 50,000 residents. Many are under 5,000 in population. State legislators must differentiate between large and small communities and consider these differences in the legislative process if they are to help smaller communities.

The federal government also enacts legislation which often mandates that states do certain things. For example, my home state, Kansas, enacted "right to know" (about hazardous wastes) legislation in response to federal pressure. You know what we did, don't you? We passed a bill putting the burden on local areas.

Legislators Must Develop a Road Map

Nebraska is at the beginning in state policy development. Legislators must become united as a group, decide the issues, and develop the policies. The question is how are you going to structure rural economic development policy so that it is unique and right for the state of Nebraska?
The agricultural depression of the 1980s has created a new generation of what we might call the new rural poor. In Nebraska alone, farm incomes are less than half of what they were 10 years ago. During the 1970s, farm incomes totaled about $1.9 billion. In the 1980s, they averaged only about $900 million.

When incomes decline, the value of assets also decline. Farmland values dropped by $154 billion in the United States between 1982 and 1985. With this amount of money one could purchase all of the farmland in Illinois, Wisconsin, Minnesota, North Dakota, South Dakota, Iowa, and Nebraska.

Helping Places vs. Helping People

The new rural poor create a particular challenge for legislators who are thinking about developing policies for rural communities. Policies can deal with the problem of "place" or the problem of "people." The choice isn't clear. But, the goal is to prevent the institutionalization of poverty in formerly prosperous rural areas.

Ken Deavers' point on economic efficiency leads one to encourage migration. But, the social and out-of-pocket costs associated with migration may be greater than the efficiency gains.

Cost must be considered in developing policy and may occur at both the place people are migrating from and at their destination. Migration alone will not take care of the problem. The quality of life must be maintained for those who prefer to remain in rural communities for economic reasons.

Still Time to Act

The cost of solving the problem may not be as great as anticipated. Many of the new rural poor have decided to live in rural areas. It is not as expensive to keep people in place as it is to lure new people to rural communities. Secondly, it takes time for institutional poverty to occur. And, while we have had 5-7 years of terrible times in rural communities, this structure has not occurred yet.

The farm block is not a major power in setting national policy. Therefore, the action must come from state legislators in Nebraska and from other upper Midwestern states.
RURAL DEVELOPMENT IN NORTH CAROLINA

Beverly Cigler, Professor, North Carolina State University

North Carolina started a major economic transformation in the 1970s and is undergoing three transitions at once. It is moving from labor intensive to capital intensive, from manufacturing to service and trade jobs, and from small family tobacco farms to large farms. The turmoil in agriculture coupled with the decline of traditional industry has created a depressed rural economy.

Reports by public interest groups, such as The Southern Growth Policies Board and The Commission on the Future of the South, indicate that the rural-urban gap is widening and that rural areas are very depressed. The reports also suggest that the old policies are no longer effective and that government has to play a different role than it has played in the past. Thus, North Carolina has started several rural economic development programs.

Lessons from North Carolina

Several lessons experienced by North Carolina may be useful to Nebraska:

• Develop good data, and build on it.
• Determine your strengths; find your niche and build on it.
• Network with other organizations that work with rural economic development.
• Develop linkages with university institutes and programs that are already in place at the local level, such as agricultural extension.
• Explore and use public-private partnerships.
• Develop demonstration and pilot projects to test innovative ideas.
• Identify a policy entrepreneur to drive economic development policy (in Nebraska the legislature may set the agenda).

• Strive for continuity in programs.
• Beware of single-shot approaches or policies.
• Develop thorough public relations to keep both urban and rural areas informed.
• Base your policies on good objective data. If necessary, make linkages to universities to ensure adequate data collection.
• Build incentives and targeting mechanisms into current economic development grant programs in rural areas. If necessary, rewrite formulas to benefit lower income areas.
• Promote local initiative by assisting communities in assessing their strengths and weaknesses.
RURAL DEVELOPMENT IN MINNESOTA

Jerry Schoenfeld, Director, Minnesota Rural Development Board

As I look at the map Mr. Deavers presented I see we have the same types of problems in Minnesota as the general rural areas of the country. In fact, my state is almost a microcosm because we have mining and agriculture dependent areas. Minnesota's metropolitan areas are located in the western and southern parts of the state where two of the four million state residents live.

The Greater Minnesota Corporation

We are trying to deal with this "regional specialization" and have developed an entity called the Greater Minnesota Corporation (GMC), a public corporation with an 11-member board of directors. Its main purpose is to develop an applied research capacity within the state.

According to the legislation, the GMC can establish up to four regional research institutes. The first one mandated was an Agricultural Product Utilization Research Institute. Smaller companies (20 to 50 workers) in rural areas can go to GMC with their ideas for new products, new markets, and new technologies. GMC, through its research capacity and the use of the higher education system, can help develop the applied research that can move these ideas to marketable stages.

Rural Development Board

I'm executive director of a rural development board (RDB). The RDB consists of members of many state agencies and public members who are basically the players within economic development in the state. Board members include the president of the University of Minnesota and the chancellors of the state university and the community college systems. So we are recognizing the need for linkages between the educational system and the state agencies in promoting economic development, jobs, training, and relocation programs in rural areas.

Small Business Development Thrust

Our overall approach is to promote long-term stability in our rural communities. Basically, RDB has a coordinating function whereby we try to develop the ideas and the solutions to rural Minnesota's problems. The major charge of the Rural Development Board over the next 18 months is to develop a rural investment guide that will identify the guidelines by which we will develop policies to strengthen the rural parts of the state.

The Rural Development Board received a $6 million appropriation for a "challenge grant program." The RDB placed $1 million in each region of the state for small business revolving loan funds, which must be matched by private funds from the regions. The thrust of the economic development program in our state is to work with the small companies and to make them into large companies.
DISCUSSION GROUP SUMMARIES

Group A

Question: "Should the state's efforts to promote rural community development focus on individual rural communities or on area growth centers? How are programs to help rural communities best structured?"

Issues which surfaced in the discussions of the two group sessions were as follows:

• Not all communities will grow.

• Communities must want to help themselves. The state can only develop the tools and programs and make them available to communities.

• The state should enhance transportation infrastructures because they are vital to moving goods, services, and people.

• The state should enhance communication infrastructure because it is a way of making rural communities eligible for new economic activities.

• States should help communities to build local capacity and expertise so they can help themselves.

• The state should develop a network (information-referral structure) to link organizations involved in rural development activities.

• Local initiative should determine state assistance.

Group B

Question: "Should the state target efforts to assist rural community development?"

The focus was on the role and workings of "place" oriented assistance and the development of local marketing programs. The groups stressed there are no easy answers but "new" solutions must be found.

Issues that surfaced in the two group sessions included:

• There is a need for regional cooperation and regional identification of "hub" communities which support a network of smaller communities.

• Rural banks are currently refusing to loan money to agricultural businesses.

• The Rural Community Reinvestment Act was discussed in relation to an interstate banking bill as a means of keeping or putting money into small towns.

• Rural development programs have a stake in the future and must be accountable.

• Technical assistance programs to small communities should be strong, responsive, and enduring to get the job done.

• Rural development activities should be coordinated statewide so programs can be provided on a cost-effective basis and so communities
know where to go for assistance.

- Benchmark criteria should be established whereby communities must demonstrate a willingness to help themselves in order to be targeted for assistance under a rural development program.

Group C

Question: "Should the state of Nebraska have a specific policy to promote economic development in rural communities?"

The following issues surfaced in the morning group. There was consensus that something should be done but not on what or how it should be done.

- Encourage and promote regional cooperation.
- Encourage industries to add value to their agricultural products.
- Continue to fund demonstration grants that promote economic development activities.
- Regulate economic development activities so as to encourage growth in rural communities.
- Fund economic development activities that target rural communities.
- Identify a single agency to coordinate and encourage cooperation of all state agencies involved in the rural economic development process.
- A lack of capital in rural America inhibits job creation.
- Disagreement exists as to whether Initiative 300 is a barrier to economic development.

The afternoon group took a different approach. Their concerns included the following:

- Will management level people want to live in rural communities?
- Will young people be able to find jobs and to stay in rural communities?
- Can communities be encouraged to perform a self-assessment before they try to promote themselves?
- Should the development of health care facilities and nursing homes be encouraged so older citizens can stay in rural communities?
- Should rural communities be marketed to older urban citizens as a place to live and improve their quality of life?
- Could an information network be identified so that small communities know where to go for economic development assistance?
DO WE KNOW WHAT PROMOTES QUALITY LOCAL EDUCATION?

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We often know when we are in the presence of true quality—whether a person, a piece of music, a football team, or a school—but the attributes of quality are not easy to describe, and the whole is always more than the sum of the parts. Although people may generally agree on some of the attributes of quality in something as complex as local schools and school districts, quality is ultimately judged by individual interests and needs.

Nebraska has many high-quality schools and school districts. One of the reasons is that they have not had to deal with the overwhelming problems of social and cultural diversity, economic scarcity, and political divisiveness that have confronted other states. But, regardless of these advantages, the accomplishments of Nebraska's schools have been impressive. For example:

• Graduates have ranked well in national comparisons;
• The graduation rate is high, and our student/teacher ratio is low;
• Schools have supplied well-educated, reliable workers for the state and the region; and
• Although Nebraska's teachers have been paid poorly, compared with teachers in other states and with other professionals,

education and the system for delivering it have been valued highly and given high priority, particularly at the local level.

Values and Priorities

In the mid-1980s, the values and priorities of previous eras are changing because of the following:

• Depopulation, particularly in rural areas;
• An aging population;
• A decline in the proportion of households with school-aged children;
• Changing family structures;
• An increased number of children living in poverty; and
• A state economy that lags others in generating employment.

As society changes, peoples' needs for services change, and their spending priorities change. State general aid to education in Nebraska has been reduced at a time when the pattern nationally has been to increase state support because of its links to economic growth and well-being. Local taxpayers are being asked to assume a greater share of the cost of schooling at a time when fewer of them are involved directly with the public schools. At the
same time, there is an increased sense that educational systems, including elementary and secondary schools, will be critical to the ability of states and localities to garner their share of the jobs generated by an information-based economy. A changing economy will require many changes, particularly in the area of providing students with problem-solving skills.

**ADVOCATES MUST BE AWARE OF THESE SHIFTS:** As support for the public schools is threatened, it is imperative that Nebraskans consider what can be done to promote quality local education. The states that have done the most to reform education in the 1980s have tended to be those that had the most to do to upgrade the quality of schools. What can we learn from their experiences so that we may act before Nebraska, too, is faced with low-quality schools and intractable educational problems? Can we use what we know to maintain and enhance the quality of one of our most important resources, our system of strong and effective local schools?

**Factors Promoting Quality Education**

Nine factors that promote quality local education are described. None is sufficient in itself, and none is a guarantee of quality. Some can be used to diminish quality as well as to support it. All are difficult to attain and sustain. Quality has always been reserved for those who are willing to make special efforts.

**STATE INITIATIVE FOR CHANGE:** We know that initiative for change at the state level can promote quality local education.

*What indicates pressure for change?*

- Statewide task forces and commissions established to consider educational issues;
- New legislation passed;
- State requirements for teacher and administrator certification established or intensified; and
- State requirements regarding curriculum, graduation, and student assessment are established or intensified.

*What's happening in the states?*

- Over 300 state commissions on education were formed in the early 1980s;
- The California Assessment Program (CAP) tests students at grades 3, 6, 8, 10, and 12;
- Since 1980, 45 states and the District of Columbia have altered their requirements for earning a standard high school diploma;
- Testing of practicing teachers was implemented in Texas at an estimated cost of over $30 million; and
- Six states have made computer literacy a requirement for graduation.

**SUPPORT FROM ADVOCATES:** We know that support from advocates at the state and local levels can promote quality local education.

*What indicates support from advocates?*

- Public addresses by the governor focusing on educational issues;
- Strong advocates of education serving on legislative education and appropriation committees;
- Attention given to education in the news media;
- State superintendent of schools identifies themes and issues;
- Business leaders pay attention to education issues; and
- Local programs have local advocates.

*What's happening in the states?*

- Governors in Arkansas, Colorado, New Jersey, and Tennessee, among others, gained national reputations for concern with education;
- In New Mexico, in 1987, the governor and the state board of education submitted a joint public school budget recommendation;
- Six North Carolina businesses designed and financed a study of conditions in the state's public schools; and
- In Texas, businessman H. Ross Perot headed Governor Mark White's special committee on school reform.

**SUPPORT FROM STATE DEPARTMENTS:** We know that support from the state department of education promotes quality local education.

*What indicates state department support?*

- Collegial relations between the state department of education and local schools;
- Resources, such as technical services, data collection, and program expertise, available from the state department; and
- Advocates for program improvement in the state department.

*What's happening in the states?*

- In Maryland, the state's school chief, David Hornbeck, led efforts to help
districts improve achievement;
• Don Roberts, chief state school officer in Arkansas, initiated the Program for Effective Teaching (PET); and
• Only a few states, including South Carolina and Tennessee, have earmarked significant money for analysis of the impact of reform.

BALANCE BETWEEN STATE AND LOCAL CONTROL: We know that respect for the balance between state and local control of schools promotes quality local education.

What indicates balance of control?
• Fit between state programs and local needs,
• Improvement plans developed at the local district and local school levels and approved at the state level,
• Compliance balanced with assistance,
• Consultative relationships between state and local policy groups, and
• State efforts targeted at developing local expertise.

What's happening in the states?
• School improvement projects were mandated in Colorado and Pennsylvania, among other states;
• Incentives for schools to participate in improvement programs were provided in Ohio and Connecticut;
• Maryland’s School Improvement Through Instructional Process (SITIP) program is voluntary and based on matching grants;
• Discretionary money was provided to schools in California and Massachusetts, among other states;
• The state may intervene in academically bankrupt school districts in seven states;
• Virtually none of the reform reports of the 1980s discussed the role of local school boards in promoting quality education; and
• State-mandated school district reorganization has been difficult in South Dakota and Illinois.

STABILITY IN STAFFING: We know that stability of teacher and administrator staffing at the local level promotes quality local education.

What indicates stability?
• Low turnover in faculty and administration,
• Good labor relations, and
• Minimal threats of cutbacks in programs or reductions in staff.

What's happening in the states?
• Nationally, 41 states have career ladders or other kinds of teacher incentive programs;
• Iowa raised minimum teachers’ salaries to $18,000 beginning in fall 1987; and
• New York City developed the Mathematics and Science Relicensing Program to retrain teachers in the system to teach in shortage areas.

ADEQUATE RESOURCES: We know that adequate resources are necessary to promote quality local education.

What indicates adequate resources?
• Financial support for program improvement,
• Support for staff development and materials,
• Acceptable local per pupil expenditures,
• Safe and appropriate facilities, and
• Class sizes and adult-to-pupil ratios within tolerable ranges.

What's happening in the states?
• Nationally, state funding for education rose from 37 percent to nearly 50 percent between 1970 and 1980;
• The average pupil to teacher ratio in 1986 was 17.9, down from 18.9 in 1982;
• Average expenditures per pupil in 1986 were $3,449, up from $2,726 in 1982;
• A one-cent sales tax enacted in South Carolina provided $213 million to fund the Education Improvement Act of 1984; and
• A blue-ribbon panel in Michigan and the governor’s commission on local property tax relief in Wisconsin both called for shifts from local property tax to state sources to support schools.

BELIEF THAT ALL STUDENTS CAN LEARN: We know that the belief that all students can learn promotes quality local education.

What indicates this belief?
• Choice and opportunity provided to all students in all school districts in the state;
• The state mission and school district and school goals include a clear commitment to the education of all children; and
State policymakers, school district board members, administrators, and teachers question the effects of proposed reforms on all children.

What's happening in the states?
- Twelve states have minimum competency testing for grade level promotion, and 24 states have minimum competency testing for graduation;
- The Condition of Children Project in California will compare California children to children in other states and nations on equity criteria, trends, values, and attitudes;
- The North Carolina School of Science and Mathematics, a residential school for academically talented 11th and 12th graders, opened in Durham in 1980; and
- Under the Colorado Voucher Program for Dropouts, students who have not succeeded in their public high school may attend school in another district.

QUALITY PROGRAMS: We know that the use of high-quality programs for the improvement of education improves local educational quality.

What indicates quality programs?
- Programs are perceived as legitimate by constituent groups,
- Programs are theory-based and research-driven, and
- Programs have been validated in classrooms.

What's happening in the states?
- Maryland's SITIP program offers a choice of four research-based instructional models;
- The PET program in Arkansas is based on Madeline Hunter's clinical teaching and Benjamin Bloom's concept of mastery learning; and
- Several major cities, including Chicago, Milwaukee, New York, Minneapolis, San Diego, St. Louis, and Washington, DC, established school improvement programs based on effective schools research.

PARENT AND COMMUNITY INVOLVEMENT: We know that the involvement of parents and community members in schools can promote quality local education.

What indicates involvement?
- Parents are interested in their children's schooling,
- Parents and community members are well-informed about local schools,
- Parents and community members are involved in making school policy,
- Schools are open to community and parent volunteers, and
- School board positions are sought actively and filled responsibly.

What's happening in the states?
- The California School Improvement Program requires partnership councils composed of equal numbers of community members and staff within each school;
- Currently, 60,000 business-sponsored projects are underway in American schools;
- COMPACT in Boston and Partnership in New York City provide business support for urban schools;
- Minnesota and Colorado are among the 15 states that have taken formal action to increase the range from which families may select schools; and
- Education reform in Minnesota was shaped in part by a statewide "Dialogue on Education" in 1984, whereby 291 town meetings were arranged by local school districts with support from the State Department of Education.

This Briefing Report was developed by the Center for Applied Urban Research, University of Nebraska at Omaha for the Legislative Council Executive Board, to provide background information for the 1987 Nebraska Legislative Issues Symposium. The Briefing Report is intended to provide an overview, pose important questions, and identify alternative policies and strategies for a specific issue. The views and opinions expressed are those of the individual authors and do not necessarily represent those of the University of Nebraska at Omaha.
INFORMATION NEEDED TO PROMOTE EDUCATIONAL QUALITY

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Overview

If Nebraska policymakers assume that an excellent public education system is a strong contributor to economic development, they must also assume that change in the state's educational system cannot be left to chance. In other words, the state must exercise its authority to formulate policy for local school districts.

In order to know whether action taken at the state level influences what happens in the classroom and, thus, produces improved educational outcomes, state policymakers need information (figure 1).

Information Requirements for State Policymakers

For state policymakers to gain knowledge about school classrooms and about educational outcomes the following questions need to be considered:

- Who gathers the information?
- What gets gathered?
- How is it gathered?
- To whom is it given?

Figure 1
Who

For information about education in Nebraska to be useful to policymakers, it must be perceived as unbiased.

What

For information to be useful to policymakers, it must shed some light on the impact of state policy on children in school classrooms and on the educational outputs that follow children out of the classroom.

How

For information to be useful to policymakers, it must be gathered systematically, and in the same way year after year.

Whom

For information to be useful, it must be made available to a diverse audience, including state policymakers, school officials, and parents.

The Information Problem

Nebraska policymakers have not required the collection of information about local school conditions and school outcomes. Thus, it is difficult to know what impact state actions have in local schools. For example, Nebraska's educational reform legislation, LB 994, changed high school graduation requirements. How have students altered their course enrollments as a result of this legislation? Data on course enrollments exist for each school year, but it is difficult to capture change over time. In order to assess the impact of state policy, information must be collected at the school level.

Policymakers do not have ready access to longitudinal educational trends that are taking place in Nebraska. Again, much data exists, however, it is difficult to aggregate this information in a form that is useful to policymakers. The data are difficult to aggregate because local schools are not uniform in the way they report data, because data formatting makes asking "what if" questions difficult, because the Management Information Services is not staffed sufficiently to provide special programming, and because state policymakers have not agreed on the type of information that would be useful to them annually.

Information Needs

State policymakers need objective, systematic, and usable information about the following aspects of Nebraska's public schools:

- Enrollment and student characteristics,
- Fiscal resources,
- Human resources,
- Organization and control,
- Curriculum and special programs,
- Student performance, and
- Preparation programs.

Nebraska policymakers also need information about the public school systems in other states and throughout the nation. Comparison data are a useful mechanism for measuring the economic advantages of one state against another. Nebraska policymakers operate at a disadvantage if they do not know how Nebraska compares with other states. For example, table 1 illustrates a case where Nebraska compares favorably. It should be recognized, however, that inter- and intrastate comparisons are crude guidelines and indicators; no two states necessarily compare the same data within their respective boundaries.

Table 1
High School Graduates as a Percentage of 17 Year Olds, California, Nebraska, and United States, 1976-84

<table>
<thead>
<tr>
<th>Year</th>
<th>California</th>
<th>Nebraska</th>
<th>Nation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>67</td>
<td>86</td>
<td>74</td>
</tr>
<tr>
<td>1983</td>
<td>68</td>
<td>87</td>
<td>74</td>
</tr>
<tr>
<td>1982</td>
<td>64</td>
<td>85</td>
<td>73</td>
</tr>
<tr>
<td>1981</td>
<td>64</td>
<td>77</td>
<td>73</td>
</tr>
<tr>
<td>1980</td>
<td>62</td>
<td>76</td>
<td>72</td>
</tr>
<tr>
<td>1979</td>
<td>64</td>
<td>76</td>
<td>71</td>
</tr>
<tr>
<td>1978</td>
<td>65</td>
<td>74</td>
<td>72</td>
</tr>
<tr>
<td>1977</td>
<td>68</td>
<td>75</td>
<td>73</td>
</tr>
<tr>
<td>1976</td>
<td>70</td>
<td>73</td>
<td>74</td>
</tr>
</tbody>
</table>

1 Nebraska's population of 17 year olds was estimated using live birth statistics.

What Is Gathered and What Is Not Gathered

State level data about the public school system are gathered by many agencies. Table 2 provides an abbreviated list of the information available and needed.

<table>
<thead>
<tr>
<th>What is collected?</th>
<th>What is needed?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enrollment and student characteristics:</strong></td>
<td></td>
</tr>
<tr>
<td>Enrollment by grade and age</td>
<td>Family characteristics</td>
</tr>
<tr>
<td>Number of students by age</td>
<td>Economic characteristics</td>
</tr>
<tr>
<td>Private school enrollment</td>
<td>Work patterns of students</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>Substance abuse</td>
</tr>
<tr>
<td>Special education</td>
<td></td>
</tr>
<tr>
<td>Vocational education</td>
<td></td>
</tr>
<tr>
<td><strong>Fiscal resources:</strong></td>
<td></td>
</tr>
<tr>
<td>Expenditures by district</td>
<td>School comparisons</td>
</tr>
<tr>
<td>Expenditures by student</td>
<td>Condition of buildings</td>
</tr>
<tr>
<td>Revenues by source</td>
<td>Distribution of resources</td>
</tr>
<tr>
<td>Valuation by district</td>
<td>District comparisons</td>
</tr>
<tr>
<td>Valuation by pupil</td>
<td>Cost of education comparisons</td>
</tr>
<tr>
<td><strong>Human resources:</strong></td>
<td></td>
</tr>
<tr>
<td>Class assignments</td>
<td>Age characteristics</td>
</tr>
<tr>
<td>Teacher pupil ratio</td>
<td>Statewide salary analyses</td>
</tr>
<tr>
<td>Teacher qualifications</td>
<td>Teacher supply and demand</td>
</tr>
<tr>
<td>Average annual salary</td>
<td>Patterns in credentialing</td>
</tr>
<tr>
<td></td>
<td>Performance on tests</td>
</tr>
<tr>
<td><strong>Organization and control:</strong></td>
<td></td>
</tr>
<tr>
<td>District characteristics</td>
<td>School board characteristics</td>
</tr>
<tr>
<td>School class</td>
<td>Private school enrollments</td>
</tr>
<tr>
<td></td>
<td>Impact of court decisions</td>
</tr>
<tr>
<td><strong>Student performance:</strong></td>
<td></td>
</tr>
<tr>
<td>Graduation rates</td>
<td>SAT/ACT test scores</td>
</tr>
<tr>
<td>Promotion rates</td>
<td>Standardized tests</td>
</tr>
<tr>
<td></td>
<td>College attendance</td>
</tr>
<tr>
<td></td>
<td>Dropout rates</td>
</tr>
</tbody>
</table>
This *Briefing Report* was developed by the Center for Applied Urban Research, University of Nebraska at Omaha for the Legislative Council Executive Board, to provide background information for the 1987 Nebraska Legislative Issues Symposium. The *Briefing Report* is intended to provide an overview, pose important questions, and identify alternative policies and strategies for a specific issue. The views and opinions expressed are those of the individual authors and do not necessarily represent those of the University of Nebraska at Omaha.
PUBLIC SCHOOL FINANCE IN NEBRASKA AND SELECTED STATES

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Summary information about levels of state support, selected features of distribution plans, and the number of local education agencies in Nebraska and five adjacent states are shown in table 1. The share of state and local government funding for public schools in Nebraska, Iowa, Kansas, Missouri, Colorado, and South Dakota during 1986–87 is provided in figure 1. The information indicates the following:

• State support for schools in Nebraska is low compared with other states in the region. South Dakota compares well with Nebraska in this category. The national average is about 50 percent; all of the states in the region are below the national average.

• State support programs are complex and represent unique adjustments to basic theoretical programs.
  - All programs require a local property tax levy against the state's share.
  - Nebraska provides the smallest proportion for equalization of any of the listed states.
  - Nebraska's school boards have the greatest fiscal independence within the region—no state budget control; no votes on local general fund levies, except in Class I units; and no levy limits.
  - Colorado provides a bonus for small attendance centers.

• Two of the states include income as a measure of local wealth and a third permits local approval of a limited income tax for program enrichment.

• The number of school districts in Nebraska far exceeds that of neighboring states.

![Figure 1](image-url)
As shown in table 1, the level of local support for public schools is high in Nebraska compared with adjacent states; local support is also high relative to all states in the United States, with Nebraska ranking 49th in state support. Moreover, local support for public schools has increased recently and state support has decreased (table 2).

- Local district taxes have increased as a source of revenue, while state aid has decreased.
- The decrease in state support means that sales and income taxes provide less support to schools, and property taxes provide more support.

Table 1
Selected States' Programs for Funding Elementary and Secondary Education

<table>
<thead>
<tr>
<th>State</th>
<th>Wealth measures for equalization aid</th>
<th>Local Education Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska</td>
<td>Real property @ 100% assessment except for special classification for agricultural/horticultural lands.</td>
<td>891*</td>
</tr>
<tr>
<td>Colorado</td>
<td>Real property with limitations on increases tied to a base year (currently 1985).</td>
<td>176</td>
</tr>
<tr>
<td>Kansas</td>
<td>District measures of wealth are tangible property and taxable income.</td>
<td>304</td>
</tr>
<tr>
<td>Iowa</td>
<td>Real property assessed value.</td>
<td>436</td>
</tr>
<tr>
<td>Missouri</td>
<td>1. Property: residential @ 19% of market; agricultural @ 12% of soil use value; commercial @ 32%; personal @ 33.3% 2. Adjusted gross income.</td>
<td>546</td>
</tr>
</tbody>
</table>

*Updated November 1987.
Source: Unpublished state summaries.
Table 2
Sources of Revenue for Nebraska School Districts' General Funds, 1982-86

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Local district taxes</td>
<td>53.68</td>
<td>54.89</td>
<td>55.22</td>
<td>58.41</td>
</tr>
<tr>
<td>All local sources</td>
<td>57.96</td>
<td>59.22</td>
<td>59.70</td>
<td>62.41</td>
</tr>
<tr>
<td>All county sources</td>
<td>4.31</td>
<td>4.05</td>
<td>4.26</td>
<td>4.24</td>
</tr>
<tr>
<td>State (formula)</td>
<td>18.02</td>
<td>17.01</td>
<td>15.53</td>
<td>14.38</td>
</tr>
<tr>
<td>Special education</td>
<td>5.36</td>
<td>5.48</td>
<td>5.55</td>
<td>5.78</td>
</tr>
<tr>
<td>All state sources</td>
<td>30.06</td>
<td>28.75</td>
<td>26.72</td>
<td>25.82</td>
</tr>
<tr>
<td>Federal aid</td>
<td>5.86</td>
<td>6.04</td>
<td>6.35</td>
<td>5.93</td>
</tr>
<tr>
<td>Nonrevenue sources</td>
<td>1.81</td>
<td>1.94</td>
<td>2.97</td>
<td>1.60</td>
</tr>
</tbody>
</table>


- Because property taxes account for most local school revenues (93.6 percent in 1985-86), Nebraska's schools are more dependent on local property taxes than school districts in most other states.

- Pupil to teacher ratios appear to relate to salaries—higher ratios match higher salaries.

- Nebraska's total tax effort is modest, both nationally (rank 41) and regionally (rank 4 of 6).

- The lack of balance in the tax system in Nebraska is exceeded only by South Dakota. South Dakota has a rank spread of 32 between that for tax per $1,000 of personal income and that for property tax. Nebraska's spread was 28 in the same categories, while the other states showed much smaller differences.

Table 3 provides information about funding elementary and secondary education. The following highlights summarize the data.

- Among the six states shown, Nebraska is fourth in expenditure per pupil, fifth in average salary for teachers, and third in per capita personal income.
### Table 3
Selected Data Concerning Financing of Public Schools, Selected Years

<table>
<thead>
<tr>
<th>Item</th>
<th>Nebraska</th>
<th>Iowa</th>
<th>Kansas</th>
<th>Missouri</th>
<th>Colorado</th>
<th>South Dakota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure per pupil (1986–87)</td>
<td>$3,437</td>
<td>$3,740</td>
<td>$4,137</td>
<td>$3,345</td>
<td>$4,129</td>
<td>$3,190</td>
</tr>
<tr>
<td>Pupil/teacher ratios</td>
<td>15.0</td>
<td>15.3</td>
<td>15.4</td>
<td>16.5</td>
<td>18.4</td>
<td>14.9</td>
</tr>
<tr>
<td>Average salaries for teachers (1986–87)</td>
<td>$22,063</td>
<td>$22,603</td>
<td>$23,550</td>
<td>$23,468</td>
<td>$27,388</td>
<td>$18,781</td>
</tr>
<tr>
<td>Per capita personal income (1985)</td>
<td>$13,281</td>
<td>$12,594</td>
<td>$13,775</td>
<td>$13,244</td>
<td>$14,812</td>
<td>$11,161</td>
</tr>
<tr>
<td>State-local tax per $1,000 personal income (1984–85)</td>
<td>$100.67</td>
<td>$108.49</td>
<td>$102.91</td>
<td>$90.14</td>
<td>$106.35</td>
<td>$94.49</td>
</tr>
<tr>
<td>Property tax per $1,000 personal income (1984–85)</td>
<td>$43.55</td>
<td>$42.41</td>
<td>$37.99</td>
<td>$19.73</td>
<td>$36.51</td>
<td>$41.24</td>
</tr>
</tbody>
</table>

Source: 1"Education Vital Signs 1987/88," The American School Board Journal, October 1987. (Ranks were calculated.)

1 Figure 1 was taken from "Education Vital Signs 1987/88," The American School Board Journal, October, 1987.
RECENT TRENDS IN RURAL COMMUNITY DEVELOPMENT POLICY

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Introduction

Perspectives toward rural community development policy have been undergoing significant change during the 1980s.

• In a nutshell, there appears to be increased recognition that rural areas and communities need development policies and efforts that are different from traditional urban-oriented and macro (or general) community development policies.

• This shift in policy perspective is largely a function of the turnaround in growth which occurred in rural areas during the 1980s and the continuation of the trend of decline in population, employment, income, and well-being from previous decades.

During the 1980s, declines in industries commonly found in rural areas (for example, agriculture, forestry, mining, energy, and manufacturing) occurred simultaneously. These trends resulted in population declines in rural (or nonmetropolitan) areas, similar to the widespread population decline characteristic of these areas in the 1950s and 1960s.

• In 1985-86, nonmetro areas lost 632,000 persons to metro areas through out-migration.

• This is a marked turnaround from the 1970s, when rural areas posted an annual net migration gain of over 350,000 persons.

Shifting Federal Role in Rural Community Development

Traditionally, the federal government has pursued a variety of development strategies designed to assist rural areas and their communities. Currently, federal rural policies fall into one of the following broad categories:

• Macro policy—regulates the economy at a general level through interest rates, for example. Overall, rural employment is thought to be somewhat more sensitive to changes in macro policies than is urban employment. It is often argued that macro policies promoting rapid rates of real economic growth will best promote a sound rural economy or, at a minimum, best reduce economic stresses in rural areas.

• Sectoral policy—focuses on enhancing the performance of specific industries, whether it be arresting decline or promoting growth. Currently, considerable division exists over whether efforts to assist agriculture and natural resources industries would become primarily protectionist and, thus, retard adaptation and change in rural economies, or
whether such policies would restore U.S. economic competitiveness.

- Territorial policy—reduces differentials in levels of activity among geographic areas. Public infrastructure has been emphasized in the past, yet, the current rural stress is probably not a function of a lack of comparative advantage (which could be aided by improvements in infrastructure).

- Human resource policy—provides training and preparation to people to enter the labor force, equips individuals for occupational changes, and enhances the re-employment of displaced workers. Current perspectives emphasize this as a viable federal policy because opportunities for rural individuals are enhanced, regardless of ultimate location of residence.

While it is likely that the federal government will continue to be active in supporting rural policy initiatives, resources will probably be focused on the following more limited set of concerns:

- Establishing macro policies which enhance new growth nationally (regardless of location) and which facilitate adaptation to changing technologies and marketplace conditions;

- Developing human resources; and

- Facilitating state and multi-state approaches to meeting rural needs through research and capacity building.

Despite these general policy tendencies at the federal level, discussion will continue about the rate at which structural changes affecting rural areas should proceed and about the role of federal policy in easing the adjustment process for both individuals and communities in rural America. At the same time, there is increasing consensus that the needs of rural areas and communities are diverse. For example, some rural counties are specialized in agriculture (29%), some in manufacturing (29%), and others in mining, energy, or government. Because these industries are concentrated regionally, targeted state-specific strategies are thought to be more appropriate than a uniform national rural development approach.

**State Rural Community Development Policy Choices**

States deciding that a separate set of policies and strategies should be developed to meet the needs of rural areas and communities face a number of policy choices. Among the major questions are the following:

- Should rural development policy focus on people or places?

- Should policies focus on the places most in need or on the places with the greatest chance of success (for example, growth centers)?

- Should state rural development efforts emphasize equity or economic efficiency values?

**People or Places?** Advocates of people strategies argue that the needs of rural people can best be met when location factors are isolated from strategies; in other words, place is secondary. Furthermore, they usually argue that solutions focusing on people rather than places are usually cheaper. For example, the cost of keeping a small town alive or creating new opportunities in the town may be many times the cost of relocating individuals. Individual assistance programs, whether they be income maintenance or basic education programs to help the rural poor, need not be much different from programs for the urban poor.

Advocates of place strategies, on the other hand, argue that people should be able to stay where they currently live; thus, efforts to meet human needs must focus on rural communities. Place-oriented advocates also argue that it is more efficient to use existing infrastructure investments in small towns than to relocate people.

**Individual Distressed Places or Growth Centers?** This question highlights the complexities of rural development choices. Advocates of assisting the most distressed rural places think that intervention is justified because of the severity of need. Because rural development programs are based typically on economic disadvantage, it only makes sense to target assistance to the places most in need, although fewer people may benefit and results will be harder to achieve.

Growth center proponents assert that it is very difficult to turn around communities that are in decline. In fact, they argue, why try to fight economic change which often leads to rural community decline? It is far better to focus resources on those places in each state or substate region that have been growing during difficult economic times and to help them continue to prosper. Such a strategy can mean
helping the most people for a given amount of money. Furthermore, residents of surrounding rural areas and communities can commute or relocate to the growth center for work and, thus, stay within the state or region.

Equity or Efficiency? Advocates of efficiency approaches to rural development argue that market failures result in underperformance of rural economies. This underperformance may be the result of factors such as a lack of information, immobility, monopolies, and allowing firms to pass on externalities and, thus, avoid the full cost of doing business. Correcting these types of market imperfections will improve rural conditions and overall national wealth, it is argued. At the same time, substantial allocations of resources to rural areas and communities will not be needed.

Equity arguments center on the value assumption that the maldistribution of incomes and jobs, for example, between rural and urban areas, is unacceptable. Raising the incomes of rural residents, preserving small towns, and maintaining the small family farm are important if that is what rural residents want.

State Programmatic Responses

Most states with rural area and community development initiatives pursue several of these policy strategies simultaneously. For example, a number of states have programs to retrain and assist displaced farm operators (helping individuals), programs to identify new export markets for agricultural products (trying to overcome inefficiencies in the market), and programs to enhance the management capacity, community services, and facilities of distressed small towns (helping distressed places).

Table 1 lists selected state rural programs. A series of reports on state assistance to distressed communities completed by the U.S. Advisory Commission on Intergovernmental Relations during the late 1970s and early 1980s

| Table 1
| Selected State Rural Community Development Actions |
|-------------------|--------------------------------------------------|
| **Regulatory Policies:** |
| • Revising state laws to increase loans to residents of depressed areas |
| • Deregulating communication industry |
| • Revising state laws to allow nontraditional approaches to community water systems |
| **Program Coordination and Monitoring:** |
| • Requiring consideration of state program impacts on rural areas |
| • Facilitating linkages and creation of networks among rural development service providers |
| **Fiscal Assistance:** |
| • Reassignment of local government services and responsibilities to state government |
| • Increased flexibility in local revenue raising |
| **Tax Incentives and Policies:** |
| • Tax exemptions for businesses and individuals expanding or locating businesses in rural areas |
| • Tax credits for job creation and economic activities |
| **Local Government and Community Development:** |
| • Local housing rehabilitation revolving loan fund |
| • Local government reorganization |
| • Leadership training and development |
| • Technical assistance information and analysis to support local government |
| • Certified cities and community improvement programs for development readiness |
| **Economic Development:** |
| • Customized job training for new/existing businesses |
| • Small business and entrepreneurial development |
| • Community and regional marketing assistance |
| • Loans for new and expanding rural businesses |
| • Agribusiness development |
| • Research and Development Authority (new product development) |
indicates that states are most likely to emphasize economic development and fiscal assistance programs because they can accommodate multiple policy strategies. During the past several years, it appears that states are both broadening their rural community development efforts and adopting steps that target areas by (to some degree) need or location. Table 2 lists some state rural development initiatives enacted in 1987.

Table 2
Selected State Rural Development Initiatives Enacted in 1987

Georgia:
* Mandated Department of Community Affairs to develop statewide strategic rural economic development plan in conjunction with local planning and development organizations, the university system, and other agencies in local government units. Plan would identify:
  - Target industries,
  - Venture capital sources, and
  - Needed state financial assistance.
* Provides funding for projects in areas where per capita income level is below 70 percent of U.S. average or 35 percent or more above the state unemployment level.

Minnesota:
* Created a Rural Development Board with broad mission and authority. The following are some of the boards' duties and activities:
  - Developing and funding a rural housing rehabilitation revolving loan fund for low-income persons,
  - Coordinating and reviewing state program rural impacts,
  - Developing a state rural investment guide,
  - Providing loans for targeted new and expanding businesses in rural areas,
  - Developing an agricultural utilization research institute, and
  - Increasing state share of local waste water treatment construction costs from 30 to 50 percent (sometimes 80 percent) for cities with populations of less than 25,000.

Montana:
* Created an Agricultural Development Council:
  - To fund and develop agricultural business incubators in cities with a population of less than 15,000 and geographically spread across the state, and
  - To identify new markets for the state's agricultural products.

New York:
* Created an Office of Rural Affairs with director appointed by governor and confirmed by senate. The new office will:
  - Serve as a clearinghouse and point of coordination on rural issues, programs, services, and research needs.
* Funded and established a rural public transportation assistance program to assure personal mobility.
* Created a rural roads classification task force to look at classification of low-volume rural roads, design standards, and other issues.
* Financed innovative rural health care delivery projects in rural areas.

Pennsylvania:
* Enacted the Rural Economic Development Program Act:
  - To promote hardwood lumber industry through research on by-product utilization and handling, new business start-up, and marketing plans (for areas with highest unemployment); and
  - To enhance rural educational development through instructional programs, student development, and rural leadership training.
* Enacted the Rural Pennsylvania Revitalization Act:
  - To establish a Center for Rural Pennsylvania to undertake cooperative research through state colleges and universities,
  - To develop a Center for Continuing Education and Adult Literacy, and
  - To fund continuing education of health science practitioners in the rural western part of the state.


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The most conspicuous aspect of rural areas for policymaking is their economic disadvantage relative to urban areas. The following are some features of rural America.

**Economic Base**

- Rural areas generally have more specialized economies than urban areas; for example, 29 percent are classified as farming-dependent (20 percent or more of total labor and proprietor income drawn from farming) and 28 percent are manufacturing-dependent (30 percent or more of total labor and proprietor income drawn from manufacturing).

- Resource-based industries (including agriculture) and manufacturing with routine operations employ about one-third of the work force in rural counties but less than 10 percent of the work force in metropolitan areas.

- Most service industries are not oriented to nonmetro areas where service employment growth failed to keep pace with national rates of growth from 1969 to 1984. Rural service industries typically are linked to the traditional economic base of rural areas and their local consumers.
Labor Force

- Consistently, nonmetro unemployment has been higher than that for metro areas—8.4 percent vs. 6.9 percent in 1985, for example. In 1986, more than 1,000 of 2,400 nonmetro counties had unemployment rates of 9 percent or higher.

- Measured unemployment in agriculture-dependent counties is generally lower than unemployment nationally, but this is not a good measure of labor market stress for such areas. Nonmetro workers are more likely than metro workers to be employed in part-time jobs, although they prefer full-time work, and are about twice as likely to be discouraged workers and to have dropped out of the labor force.

- Rural areas specialize in production-related industries while urban areas specialize in service industries. Service industries have the highest proportion of management and technical jobs (30.9 percent), while natural resource industries have a much lower level (11.5 percent) and tend to be dominated by lower wage and blue-collar occupations.

- Rural education levels are increasing, but urban levels are increasing at a faster rate. The growing disparity is fueled partly by outmigration of college-educated persons from rural labor markets.

- Nonmetro areas have a smaller proportion of the baby boomers—persons aged 25–34—who will be working well into the next century. In nonmetro areas, baby boomers only narrowly outnumber retirement-aged people (19.8 percent vs. 17.6 percent, respectively), while in metro areas the proportions are 22.3 percent and 14.2 percent, respectively.

Income

- Rural areas contain a disproportionate share of poor people. In 1985, the poverty rate was 18.3 percent for nonmetro residents and 12.7 percent for metro residents; poverty rates for metro residents have fallen during the 1980s, but have held steady for most rural areas.

- Rural poverty families are almost twice as likely as urban poverty families to have a householder working full-time (23.3 percent and 12.9 percent, respectively).
• The average per capita income of rural areas in 1984 was slightly less than 80 percent of urban areas; this represents a decline from the highpoint of the late 1970s.

• Nonmetro counties received only 77.6 percent of the per capita federal expenditures captured by metro counties in 1985.

Community Services and Well-Being

• Because of the high proportion of the population which is elderly and living in poverty, rural areas have higher mortality rates, more restricted-activity days, and lower self-reported health status than urban areas.

• Nonmetro areas have only one-fourth of the nation's population but two-thirds of all local governments. As a result, rural local governments serve very small populations, have scant resources, few full-time personnel (40 percent of rural local governments in the North Central States have no employees), and more limited expertise and information for decisionmaking.

• Rural areas generally trail urban areas in providing basic services and conditions associated with a better quality of life (what some would consider to be minimal for well-being), for example, treated water supplies, medical resources, safe bridges and highways, and paved streets.

• A higher proportion of rural than urban local governments suffer fiscal stress because of declining populations and resource bases. This fiscal stress may result in infrastructure disinvestment at a time when rural infrastructure is at a crucial maintenance phase.

Table 1
Selected Characteristics of the Poor by Metro and Nonmetro Residence

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in poverty</td>
<td>14.0</td>
<td>18.3</td>
<td>9.7</td>
<td>13.8</td>
</tr>
<tr>
<td>Poor:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No workers</td>
<td>32.1</td>
<td>31.8</td>
<td>42.4</td>
<td>46.1</td>
</tr>
<tr>
<td>Two or more workers</td>
<td>26.1</td>
<td>28.9</td>
<td>15.7</td>
<td>15.4</td>
</tr>
<tr>
<td>Householders working full time</td>
<td>22.2</td>
<td>23.3</td>
<td>15.5</td>
<td>12.9</td>
</tr>
</tbody>
</table>


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<table>
<thead>
<tr>
<th>Item</th>
<th>State Total</th>
<th>Metro</th>
<th>Nonmetro</th>
<th>Nonmetro Urban</th>
<th>Nonmetro Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>1,569,825</td>
<td>692,510</td>
<td>877,315</td>
<td>353,709</td>
<td>523,606</td>
</tr>
<tr>
<td>1986</td>
<td>1,598,000</td>
<td>749,700</td>
<td>848,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage change:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980-86</td>
<td>1.8</td>
<td>5.9</td>
<td>-1.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970-80</td>
<td>5.7</td>
<td>9.2</td>
<td>3.3</td>
<td>9.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>1960-70</td>
<td>5.2</td>
<td>17.0</td>
<td>-2.3</td>
<td>14.0</td>
<td>-10.2</td>
</tr>
<tr>
<td>1950-60</td>
<td>6.5</td>
<td>27.0</td>
<td>-3.3</td>
<td>13.9</td>
<td>-9.9</td>
</tr>
<tr>
<td>Age:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent under 5 years</td>
<td>7.8</td>
<td>7.8</td>
<td>7.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent 5 to 17 years</td>
<td>20.7</td>
<td>20.9</td>
<td>20.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent under 18 years</td>
<td>28.5</td>
<td>28.7</td>
<td>28.3</td>
<td>26.7</td>
<td>29.5</td>
</tr>
<tr>
<td>Percent 18 to 64 years</td>
<td>58.4</td>
<td>61.8</td>
<td>55.7</td>
<td>57.2</td>
<td>54.7</td>
</tr>
<tr>
<td>Percent 65 years and older</td>
<td>13.1</td>
<td>9.5</td>
<td>16.0</td>
<td>16.1</td>
<td>15.9</td>
</tr>
<tr>
<td>Median</td>
<td>29.7</td>
<td>27.8</td>
<td>31.7</td>
<td>30.6</td>
<td>32.5</td>
</tr>
<tr>
<td>Percent of population born in Nebraska</td>
<td>71.6</td>
<td>62.4</td>
<td>78.7</td>
<td>73.7</td>
<td>82.0</td>
</tr>
<tr>
<td>Education of persons 25 years and older:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Percent high school graduates</td>
<td>73.4</td>
<td>78.9</td>
<td>69.4</td>
<td>71.2</td>
<td>68.2</td>
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<tr>
<td>Percent completed 4 or more years of college</td>
<td>15.5</td>
<td>21.1</td>
<td>11.4</td>
<td>13.9</td>
<td>9.7</td>
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<tr>
<td>Employment of persons 16 years and older:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonworkers per 100 workers employed</td>
<td>107</td>
<td>95</td>
<td>118</td>
<td>105</td>
<td>128</td>
</tr>
<tr>
<td>Percent employed year-round, full-time--</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>66.0</td>
<td>63.3</td>
<td>68.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>38.8</td>
<td>41.8</td>
<td>35.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupation of employed persons:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managerial and professional</td>
<td>21.2</td>
<td>25.7</td>
<td>17.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other white collar</td>
<td>41.3</td>
<td>47.6</td>
<td>36.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farming, forestry, and fishing</td>
<td>10.3</td>
<td>1.5</td>
<td>17.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue collar</td>
<td>27.2</td>
<td>25.1</td>
<td>28.8</td>
<td></td>
<td></td>
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<tr>
<td>Per capita income, 1979 as a percent of state</td>
<td>100.0</td>
<td>110.0</td>
<td>92.1</td>
<td>100.5</td>
<td>86.4</td>
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<tr>
<td>Type of income (percent of households, 1979):</td>
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<td></td>
<td></td>
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<tr>
<td>Wages, salaries, or self-employment</td>
<td>84.3</td>
<td>86.0</td>
<td>82.9</td>
<td></td>
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<tr>
<td>Interest, dividend, or net rental</td>
<td>44.4</td>
<td>47.2</td>
<td>42.2</td>
<td></td>
<td></td>
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<tr>
<td>Social security</td>
<td>27.1</td>
<td>21.8</td>
<td>31.2</td>
<td></td>
<td></td>
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<tr>
<td>Income below poverty, 1979:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of individuals</td>
<td>10.7</td>
<td>8.9</td>
<td>12.2</td>
<td>8.4</td>
<td>14.6</td>
</tr>
<tr>
<td>Percent of families</td>
<td>8.0</td>
<td>6.3</td>
<td>9.3</td>
<td>5.3</td>
<td>11.9</td>
</tr>
<tr>
<td>Housing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent built 1970 to March 1980</td>
<td>23.8</td>
<td>27.6</td>
<td>21.0</td>
<td>22.5</td>
<td>19.9</td>
</tr>
<tr>
<td>Percent built 1939 or earlier</td>
<td>38.9</td>
<td>25.3</td>
<td>49.0</td>
<td>36.9</td>
<td>57.4</td>
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<tr>
<td>Nebraska Department of Labor unemployment rates:</td>
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<td></td>
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</tr>
<tr>
<td>1986</td>
<td>5.0</td>
<td>4.5</td>
<td>5.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>5.5</td>
<td>5.0</td>
<td>5.9</td>
<td></td>
<td></td>
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<tr>
<td>1984</td>
<td>4.4</td>
<td>4.1</td>
<td>4.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>5.7</td>
<td>5.6</td>
<td>5.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>6.1</td>
<td>6.4</td>
<td>5.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>4.1</td>
<td>4.4</td>
<td>3.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>4.1</td>
<td>4.3</td>
<td>3.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Decades of outmigration of young adults have altered age distributions in rural areas, reflecting a higher portion of older residents. The median ages in 1980 were 27.8 in metro areas, 31.7 in nonmetro areas, and 32.5 in nonmetro rural areas. In many rural communities, the median age topped 40, and in several instances it topped 50.

Rural Nebraskans are more likely to have been born in the state. In 1980, 82.0 percent of nonmetro rural residents were native Nebraskans, compared with 62.4 percent of metro residents and 78.7 percent of all nonmetro residents.

The housing stock in rural Nebraska is aging. One-fourth of metro housing was built prior to 1940, but nearly half of the nonmetro housing and over half of the nonmetro rural housing was built before 1940.

As a result of decades of outmigration of young adults and a higher proportion of older residents, several nonmetro counties are experiencing natural declines in population, that is, more deaths than births each year.

Economic Base

Similar to the United States, Nebraska’s rural areas generally have less diversified economies than urban areas, but Nebraska’s rural areas are much more farming-dependent than rural areas throughout the country. Farming-dependent counties (20 percent or more of total labor and proprietors’ income drawn from farming) total 83 percent of the state’s nonmetro counties, while manufacturing-dependent counties (30 percent or more of total labor and proprietors’ income drawn from manufacturing) amount to less than 6 percent.

Jobs in nonmetro areas are relatively less concentrated in managerial, professional, and other white-collar occupations. A little more than half of the nonmetro workers, compared with three-fourths of the metro workers, fall into this category.

Labor Force

Since 1983, nonmetro unemployment has been higher than metro unemployment. In 1986, the respective unemployment rates were 5.4 percent and 4.5 percent. Prior to 1983, nonmetro unemployment was lower than metro unemployment.
• Rural areas have more nonworkers than workers. In metro areas, the ratio of nonworkers to workers was 95, compared with a ratio of 118 in nonmetro areas and 128 in nonmetro rural areas.

• Education levels are lower in rural areas, with a wide gap in college graduates. In 1980, 21.1 percent of the metro residents 25 years and older were college graduates, while the rate was 11.4 percent in nonmetro areas and 9.7 percent in nonmetro rural areas.

Income

• Per capita incomes in nonmetro areas were 84 percent of metro areas in 1979, but incomes in the nonmetro rural areas fell below 80 percent of metro per capita incomes.

• Nonmetro areas are relatively more dependent on incomes from transfer payments, such as social security, and less dependent on income from current working activities.

• Rural residents are more likely to have incomes below the poverty level. In 1979, the comparable poverty rates were 8.9 percent in metro areas, 12.2 percent in nonmetro areas, and 14.6 percent in nonmetro rural areas.

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STATE TARGETING OF RURAL COMMUNITY DEVELOPMENT ASSISTANCE

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(402) 554-2625

Introduction

State government actions have considerable impact on rural community development. These may be indirect or unfocused and include the following range of activities:

- Location of state facilities;
- Structure of shared or earmarked revenues (for example, gas tax, cigarette tax, school funding); and
- Mandated costs.

Many other activities of states may focus on community development, but they lack an overall policy direction and resources are allocated along narrow lines (for example, energy grants and loans and sewer and water grants and loans) or with little thought about their cumulative impact on community development along with other resources. The lack of a clear, targeted strategy for rural development often leads to the allocation of state resources on the following bases:

- First come, first serve, or
- The squeaky wheel.

Such policies tend to be reactive and often fail to place the state in a position to achieve its goals and objectives while improving rural community development.

Targeting Approaches

Should a state decide to target assistance to rural and small community economic development, such efforts could be categorized in one or more of the following ways:

- Need
  - Fiscal
    Tax base is insufficient to support adequate level of services or activities
    Example: School aid formulas
  - Physical
    Lack of capacity to pay for items of physical infrastructure necessary to sustain community development
    Example: Sewage treatment facilities
  - Economic
    Assistance to rural communities to aid low- and moderate-income individuals within their borders
    Example: Community Development Block Grant funds
- Geographic location
  - Allocate dollars so that every geographic area within the state, and each community within the state, receives some resources
  - Allocate resources to growth centers
    Example: State funding of regional planning commissions/councils of government

- Impact
  - Allocate resources based on where it will have the greatest impact, for example:
    Specific individuals
    Specific groups of individuals
    Specific businesses or industries
    Specific areas within a community
    Examples: Community Development Block Grant, Research and Development Authority

- Capacity or readiness
  - Allocate resources to communities that demonstrate the greatest ability to utilize the resources effectively

- Particular activities
  - Allocate resources based on specific projects or activities that should be undertaken

Table 1 presents information on selected states' use of targeting criteria.

### Allocation Criteria

Resources can be allocated based on any combination of these categories. Varying criteria or indicators are used depending upon the category itself. The following are the most common:

- Need
  - Income (median and per capita)
  - Minority population size and location
  - Tax base
  - Tax effort
  - Population size
  - Unemployment levels
  - Rate of growth over time
  - Housing (age and condition)
  - Condition and availability of services or facilities

- Geographic location
  - County
  - City, town, or village
  - Regional district boundaries:
    Community action agencies
    Natural resource districts
    Council of government districts
    Regional planning districts
    Economic development districts
  - Congressional districts
  - School districts

- Impact
  - Jobs to be created
  - Value to be added to local economy

### Table 1
Selected States' Use of Targeting Criteria

<table>
<thead>
<tr>
<th>State</th>
<th>Need</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal</td>
</tr>
<tr>
<td>Maine</td>
<td>x</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>x</td>
</tr>
<tr>
<td>Mississippi</td>
<td>x</td>
</tr>
<tr>
<td>Missouri</td>
<td>x</td>
</tr>
<tr>
<td>Nebraska</td>
<td>x</td>
</tr>
<tr>
<td>Texas</td>
<td>x</td>
</tr>
<tr>
<td>California</td>
<td>x</td>
</tr>
</tbody>
</table>

1 Growth centers.

- Individuals to be served
- Area to be covered or assisted
- Other resources to be added or stimulated as the result of the added resources
- Longevity of results

• Capacity or readiness
  - Fiscal condition
  - Physical condition
  - Staffing (number and expertise)
  - Commitment or motivation
  - Leadership (existing or potential)
  - Past performance

• Particular activities
  - Community development
    Streets
    Sewer
    Water
    Public facilities
    Public services
    Organizational infrastructure
  - Economic development
    Retention of business
    Expansion of business
    Creation of business

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FOCUSBING ON READINESS AND CAPACITY IN TARGETING STATE ASSISTANCE TO RURAL COMMUNITIES

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University of Nebraska at Omaha
Omaha, NE 68182
(402) 554-2625

One approach to developing a targeted rural development program could combine a number of elements to achieve a building block program to assist Nebraska's communities. Such an approach makes the following assumptions:

- Different kinds of assistance are needed for communities at different stages of development,
- Assistance cannot be useful until there is a clear understanding of the needs and capabilities of the community, and
- Providing assistance to communities that are not ready to use it is mostly unproductive.

If these assumptions are correct, the state could develop an assistance program that includes the following.

Assessment

A process could be developed to assess communities' basic needs and capabilities. This could include a self-assessment by both public and private experts. The assessment process would determine specific needs and capabilities. Assistance could then be directed as appropriate; for example, figure 1 shows that three levels of need and three levels of capacity can be combined to provide a rich view of community readiness.

<table>
<thead>
<tr>
<th>Leadership capacity and motivation</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community need</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Leadership capacity and motivation are extremely difficult to measure, but would include factors such as previous participation in community and economic development projects, organizational capacities in both the public and private sectors, and willingness to commit local resources to development efforts.

Needs can be identified in many ways (see Briefing Report 7). Among the most important might be tax base, per capita income,
unemployment, change in employment and personal income, and condition of physical infrastructure. Need can also be identified by specific developmental concerns. For example, some communities must often build basic public facilities and services before they can expect to be successful in economic development, while others have strong facility bases but lack basic economic development capabilities.

Many communities would be low in leadership capacity and high in particular needs. Some communities would fit in the mid-level, some with strong leadership but moderate needs, others with low or high need levels but moderate leadership. Communities may also have low need levels in some areas and high need levels in other areas. Finally, some communities will have low need levels but some limitations in leadership capacity that should be addressed.

**Tiered Assistance**

Based upon the assessment process itself, a program of targeted or focused development assistance could be created to match needs, capacities, and capability levels. Assistance might come in any of the following forms:

- Assistance to build readiness and leadership within the community,
- Assistance to improve local facilities and services, and
- Assistance to improve the economic activity within the community.

One, two, or all three types of assistance might be applied to specific communities. Many communities may need help with readiness and leadership development. This may be most acute where need is greatest, such as in Nebraska’s smallest rural communities (those with less than 500 residents), where population decline presents enormous quality of life challenges, and in the states’ medium-sized communities where maintaining market position will require leadership and a sound base of facilities and resources in the face of changing economic and population circumstances.

Communities with weak or nonexistent local facilities and services must improve these conditions before more sophisticated economic development assistance is likely to be successful. However, communities with substantial leadership capacity and low community development needs are possibly in the best position to receive assistance to improve economic activity.

**Assistance Vehicles**

- Documentation—includes items such as videotapes; software; and written, audio, and visual assistance products that show local residents how to meet existing needs and improve capacity.
- Training—can be provided directly to communities and can include readiness and leadership training and more substantive training about improving community and economic development conditions.
- Direct Assistance—involves working directly with communities to improve their conditions, and could involve a variety of assistance and capacity building activities. Such assistance could be provided by the state, regional agencies, university personnel, private consultants, and other peer community personnel.

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1 For more information on this concept in Nebraska, see David F. Paulsen and Burton J. Reed, "Nebraska’s Small Towns and Their Capacity for Economic Development," and David R. DiMartino, "Nebraska Settlements: Status, Trends, and Policy Choices."

**Briefing Report**

This *Briefing Report* was developed by the Center for Applied Urban Research, University of Nebraska at Omaha for the Legislative Council Executive Board, to provide background information for the 1987 Nebraska Legislative Issues Symposium. The *Briefing Report* is intended to provide an overview, pose important questions, and identify alternative policies and strategies for a specific issue. The views and opinions expressed are those of the individual authors and do not necessarily represent those of the University of Nebraska at Omaha.
One basic choice which often is addressed in fashioning a rural community development strategy is whether to focus resources on communities that are most distressed or to focus resources on growth centers to enhance their performance. Advocates of assisting the most distressed rural places feel that intervention is justified by the severity of need. Because the case for rural development programs is based typically on economic disadvantage, this perspective argues that it only makes sense to target assistance to the communities and areas most in need, although fewer people may benefit and, generally, results will be harder to achieve.

Growth center proponents, on the other hand, assert that it is very difficult to turn around communities that are in decline. In fact, they argue, why try to fight economic change which can lead to rural community decline? It is far better, in the context of assisting places (where most job creation takes place) to focus resources on the places in each state or substate region that have been growing or have the best prospects to grow. Such a strategy, according to growth center proponents, can mean helping the most people for a given dollar expenditure.

What is a Growth Center Strategy?

A growth center can be defined as a community (or complex of communities) that is large enough to provide (or is likely to provide) a range of employment, trade, social, cultural, and service functions for itself and its associated rural areas. A growth center typically leads the surrounding area in performance on factors such as population, income, and employment growth; the concept can be broadened, however, to encompass places that have the potential to become centers, given the right type of support.

Several types of growth centers can be delineated:

- Metropolitan centers—Metropolitan areas (metropolitan statistical areas, for example) providing specialized services and employment opportunities extending well beyond the boundaries of the district in which they are located.

- Regional centers—Communities providing a comprehensive range of services and employment opportunities extending well beyond their area. Investments made in this type of center are "region-serving," and can benefit a large proportion of the state's population. Many communities in Nebraska...
with populations of 10,000–49,999 might fit this category, for example.

• Primary centers—Communities where a major portion of the present or future employment base of an area is likely to be located. Resources focused on these centers will enhance their competitive advantages for continued or additional economic development. Nebraska places with populations ranging from 5,000 to 10,000 might fit into this category.

• Secondary centers—Communities which provide limited, basic goods and services to the surrounding rural area and may serve as residential communities for individuals who work elsewhere. Secondary centers would probably range from 2,500–4,999 in population size, but could contain as few as 1,000 residents, depending on the characteristics of the region.

State Growth Center Efforts

The federal government, through the Economic Development Administration, and the Appalachian Regional Commission have utilized growth center approaches in some of their programs. Most of the U.S. experience with growth center concepts lies at the state level, however.

• Alabama has, for many years, pursued a strategy emphasizing the development of small- to medium-sized growth centers which can support the lesser developed areas of the state. One of the primary vehicles for this has been the Prepared Cities Program which has the goal of helping communities become development ready, and which is available only to smaller communities which serve as growth centers in rural portions of the state.

• Tennessee has also emphasized the development of small- to medium-sized growth centers in the allocation of its community development programs.

• Many western states had implicit growth center strategies for community development during the 1970s by emphasizing development in urban areas to preserve environmental quality. This practice has changed somewhat during the 1980s with the decline in agriculture, timber, mining, and energy.

• North Carolina has pursued a growth center strategy more systematically than other states. In response to several years of statewide planning and the completion of two reports (North Carolina Tomorrow and A Balanced Growth Policy for North Carolina), the state developed a policy to establish and strengthen growth centers within existing clusters of communities and to focus public resources on only those growth centers capable of supporting additional development.

A regional balance ratio constructed with several factors, including the percentage of jobs available in a given region relative to the percentage of the state’s labor force residing in that region, was developed to guide state-local economic assistance. Related programs, such as the small cities Community Development Block Grant program, were coordinated with the policy by awarding 100 points out of a total 1,000 for state policy consistency. During the first year of the program (1980), 181 of 484 cities were designated as growth centers.

Growth Center Policy Choices

During the past few years, several states have considered growth center strategies as part of a statewide or rural economic development effort. A development plan for Iowa, for example, proposed that a growth center approach be used to put economic development efforts where they would have the greatest likelihood of paying off. Thus, regional groupings of counties, based upon transportation networks, commuting distance to major centers within a region, and evaluations of existing infrastructure, were proposed.

Consideration of state growth center strategies typically gets bogged down because the approach is viewed as a zero-sum game, where some communities will be designated as winners and some as losers. There is no doubt that this can happen. However, growth center policies can be developed as a win-win proposition (North Carolina is one example).

Growth center policies that would most likely be perceived as a win-win proposition would probably contain the following qualities:

• Growth center designation which is flexible enough to fit a range of community performance levels (growing and declining places), sizes, and changes in regional conditions;
• Sensitivity to rural and sparsely settled areas with few small towns and fewer large communities;

• Allocation formula that distributes resources to regions and then to growth centers within regions;

• State policies supportive of, and tied to, the growth center strategy;

• Varying types of assistance for different types or sizes of growth centers; and

• State programs to encourage regional cooperation between growth centers and very small communities to ensure that smaller communities participate in regional growth.

Once a state has decided to consider using a growth center approach, a number of additional questions must be addressed, including:

• Should the focus be on growth centers or on growth areas (a center and surrounding area)?

• What types of indicators will be used to guide the designation of growth centers, and do different criteria yield different designations.

• What specific types of state resources and policies should be tied to the growth center strategy?

• What types of state resources and policies should be developed and offered to address the needs of communities that do not meet the growth center criteria?

• Should the growth center strategy be the only approach or should it be but one portion of a larger policy toward rural economic development?

An Illustration of a Growth Center Designation for Nebraska

As indicated earlier, many criteria can be used to identify growth centers. Figure 1
indicates Nebraska's nonmetropolitan communities by size and population growth pattern. A complex of communities can be illustrated by drawing a 25-mile radius around regional, primary, and secondary centers (to use the definitions provided earlier). Also displayed in figure 1 are the locations of all nonmetropolitan communities with a population of 1,000-2,499. Some of these communities, particularly those outside the 25-mile radius, could be considered for growth center designation.

As can be seen, all regional centers have consistent growth records from 1950 to 1980 and generally follow the Platte Valley. Eleven primary centers have consistent growth records; three primary centers either declined or grew inconsistently during this time. Figure 1 also indicates that there are 14 secondary centers with consistent growth records, and 4 that either grew inconsistently or declined from 1950 to 1980.

The 25-mile radius drawn around each of the three types of centers is arbitrary, but might be seen as identifying a fairly short commuting time between communities and centers of varying sizes. As can be seen, most of the rural communities with populations of 1,000-2,499 are contained within the 25-mile radius. Communities outside these areas might be likely candidates for growth center designation.

This Briefing Report was developed by the Center for Applied Urban Research, University of Nebraska at Omaha for the Legislative Council Executive Board, to provide background information for the 1987 Nebraska Legislative Issues Symposium. The Briefing Report is intended to provide an overview, pose important questions, and identify alternative policies and strategies for a specific issue. The views and opinions expressed are those of the individual authors and do not necessarily represent those of the University of Nebraska at Omaha.
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