

Recent Rural and Agricultural Policy Initiatives in Illinois

A Working Paper of the Rural Development Opportunities Group

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INTRODUCTION:

The purpose of this paper is to review recently passed Illinois laws in the following subject areas: environmental protection, family farm preservation, rural finance, rural economic development, rural education and agricultural research, rural health, and rural services. We discuss past and future trends in state level agricultural and rural policy formation, enactment, and implementation.

Agricultural policy in Illinois is shaped at the federal, state and local levels. In this paper the emphasis is on state level policy formation. Now, in its 91st session, the Illinois General Assembly, composed of a 59-member Senate and a 118-member house of Representatives, is responsible for enacting, amending, or repealing laws, passing resolutions, adopting appropriation bills and conducting inquiries on proposed legislation. A listing of existing laws as well as the status of proposed legislation is available on the Internet at www.legis.state.il.us.

The Illinois State Senators are selected from Senate districts, which are divided into three groups. One of two of these groups is elected every two years for either a two or four-year term. The Illinois State Representatives serve two-year terms and are elected every two years.

ENVIRONMENTAL PROTECTION POLICY:

Especially since the 1960s, Americans have been concerned with pollution of air, water and land resources. As point source pollution became less important, the major sources of non-point pollution come under increased scrutiny. Several initiatives affecting rural Illinois natural resources are aimed at food production and farming enterprises.

Responding to these major concerns of producers, consumers, and the general public,

legislative authorities in Illinois passed several laws and regulations to ensure that the Illinois population will be provided with adequate and reasonably priced quantities of food while assuring satisfactory environmental quality resulting from agricultural production activities.

Illinois Environmental Protection Agency (IEPA):

The Illinois General Assembly became the first state legislature in the nation to adopt a comprehensive Environmental Protection Act. It was signed into law by Governor Richard Ogilvie and became effective July 1, 1970¹. Regulations were to be determined by the Illinois Pollution Control Board, research would be handled by the Institute for Environmental Quality, and the Illinois Environment Protection Agency would function as the enforcement arm (IEPA, Springfield).

In this section, we give a brief presentation of Illinois Environmental Protection Agency (IEPA), then discuss how agricultural production is affected by environmental laws and regulations administered by the IEPA. The IEPA regulates the activities of a variety of industries, including farming, to protect the environment. Livestock confinement operations, pesticide use, commercial fertilizer application, and soil erosion in agricultural production areas are targeted environmental topics. With the creation of the IEPA new regulations were created and existing laws were strengthened (IEPA, Springfield). The IEPA employs about 1200 persons, working primarily in the Springfield headquarters and in nine field offices and three laboratories throughout the state (IEPA, Springfield).

The 1970 law also defined the mission statement and the strategic management directions of IEPA. The mission of IEPA is to safeguard environmental quality, consistent with the social and

¹The Environmental Protection Act can be found in Chapter 415 of the Illinois Compiled Statutes, Section 5.

economic needs of the state, by protecting health, welfare, property and quality of life. In support of this mission statement, the following program goals were developed (IEPA, Springfield):

Provide leadership to chart a new course for clean air which is responsive to relevant needs in Illinois and complies with priority aspects of the Clean Air Act Amendments.

Address outstanding solid and hazardous waste management concerns and participate, as appropriate, in the national deliberations on reauthorization of the hazardous waste program.

Utilize creative means to address the priority needs for clean and safe water in Illinois and participate, as appropriate, in the national deliberations on reauthorization of the water programs.

Enhance capability to fund environmental cleanup, when necessary, and to provide better service for private party actions.

Promote pollution prevention and market-based approaches for continued environmental progress.

Develop an environmental planning capability which emphasizes risk-based analysis, good science and sound data, and open communication and informed participation.

As far as the strategic management directions, the IEPA seeks to (IEPA, Springfield):

Pursue the State's environmental interests in concert with applicable national environmental programs.

Produce sound environmental decisions that are conducive to environmental progress.

Strengthen the government framework for environmental protection in Illinois.

Foster innovation, systems improvement and human resource development.

Stress responsiveness to relevant publics.

Water Pollution:

The Clean Water Act (CWA) is potentially the most important piece of federal legislation to have impact on agricultural and livestock producers. The CWA divides water pollution into the categories of point sources and nonpoint sources (Copeland and Hipp). Municipal treatment plants and industrial discharges are mainly the components of point sources whereas wastes from agriculture and livestock production are a significant component of agricultural nonpoint sources of water pollution (Myers). The water pollution control regulations establish quality standards to protect Illinois lakes, rivers and streams (IEPA, Springfield).

A bill passed by the 91st General Assembly creates the Illinois-River-Friendly Farmer Program Act². It directs the Illinois Department of Agriculture to establish a program to recognize farmers helping to clean up the State's rivers. Farmers who satisfy all of the following criteria applicable to their operations may be designated River-friendly farmers (Section 15):

All cropland has 30% surface residue coverage after planting, as a rotation average.

Soil loss on highly erodible land is at or below the tolerable soil loss level.

Fertilizer application rates are based on soil testing, manure testing , realistic yield goals;

Statewide and applicable regional best management practices for nitrogen as recommended by

²The Illinois-River-Friendly Farmer Program is established in Public Act 91-0570.

the Department are observed;

Liquid manure is injected, or incorporated within 48 hours of surface application;

Pesticides are used together with cultural pest-control practices, at not higher than labeled rates.

Agricultural and Livestock waste regulations:

Modern agricultural and livestock operations are increasingly being scrutinized by government agencies, scientific researchers, and consumer groups as a source of water pollution, air pollution and the cause of human disease vectors (Copeland and Hipp). Concerns about the impact of agricultural and livestock production systems on the environment have resulted in a complex system of federal, state and local control on agricultural and livestock operations, exposing livestock and agricultural producers to federal and state environmental regulations (Copeland and Hipp).

Most applicable livestock waste regulations are found in the Livestock Management Facilities Act³ passed in 1996. This act requires livestock producers to modify their livestock operations to correct or prevent pollution problems. For instance, livestock waste that could be spread or incorporated in pastures or cropland must be controlled to prevent pollution from surface water runoff.

The regulations also require discharge permits for certain large confinement operations (over 1000 animal units) and other facilities which have a discharge. This permit is called the National Pollutant Discharge Elimination System (NPDES) permit. NPDES permits are issued by IEPA.

³The Livestock Management Facilities Act was passed by the 89th General Assembly and is found in Chapter 510 of the Illinois Compiled Statutes, Act 77. The law became effective on May 21, 1996.

Also included in the livestock waste regulations is a provision requiring manure to be contained and stored in the following: settling basin, holding pond, pit or other suitable leak-proof container. Lagoons, tanks and holding ponds must be constructed so that substantial leaks cannot occur, polluting surface water or ground water. Section 560 of the livestock waste regulations contain guidelines for the proper rate of waste disposal and for applying manure as fertilizer on crops.

The effects of livestock wastes on small Illinois streams in lower Kaskaskia river basin and upper little Wabash river basin have been assessed in a study by Hite and Dale. They found that runoff from livestock operations displayed higher biochemical oxygen demand, total suspended solids, and total ammonia concentrations than raw wastewater typically received by municipal wastewater treatment facilities. Total phosphorus was highly elevated in livestock effluent and coliform bacteria counts in 100-ml samples ranged from 400,000 to 53,000,000 (Hite and Dale). This research suggests that efforts by IEPA are important in reducing non-point source pollution from agricultural enterprises.

Pesticides:

Farms dominate the landscape of Illinois. In fact, over 80% of the 35.7 million acres of Illinois land are currently in farms. According to the Illinois Department of Energy and Natural Resources (IDENR), most of the farmland in Illinois is planted in row crops. Since in Illinois, agriculture is characterized by chemical-and-mechanical-intensive technologies, the use of nitrogen fertilizer and other fertilizer compounds is a cause of contamination of water supplies (IDENR). Likewise, extensive pesticide use (mainly herbicides and insecticides) may contaminate water supplies with residues, which in turn can have an effect on human health and wildlife (IDENR).

The Illinois Pesticide Act⁴ requires the Illinois Department of Agriculture to register pesticides, certify and license applicators, and regulate pesticide use within the state.

Air Pollution:

Regulations require a permit for grain handling facilities, including grain dryers beyond a specified size. This permit is not required unless farmers dry more than 300,000 bushels of grain per year or 750 bushels per hour.

Under the current air pollution regulations, a farmer can open burn agricultural wastes, such as bags, cartons, dry bedding, building materials, crop residues and landscape wastes. Garbage and dead animals cannot be open burned. The following conditions must be met if a farmer wants to open burn:

- burn the waste on the site where it was generated;
- open burn when the atmospheric conditions can dissipate or scatter any contaminants;
- the burning cannot create a visibility hazard on roadway, railroad tracks or air fields, and
- burning must be done more than 1,000 feet from residential or other populated areas.

The air pollution control regulations were adopted with certain standards for air quality and emissions (fumes and particles released in the air). New regulations allow for nitrogen emissions trading⁵.

Odor Control Regulations:

Complaints of odor come mostly from neighbors living in close proximity to large feedlots or

⁴The Illinois Pesticide Act can be found in Chapter 415 of the Illinois Compiled Statutes, Act 60.

⁵See 91_SB1088

swine confinement. Byproducts of anaerobic digestion waste are the cause of a number of odorous gases (Meisinger). Odors from outside lots and lagoons can be a problem with neighbors unless good management is practiced and the site is selected with consideration (Meisinger).

The Livestock Management Facilities Act⁶ (LMFA), in the section regarding odor control, stipulates that operators of livestock waste handling facilities must practice odor control methods during the course of manure removal and field application. The livestock operators must maintain lagoons at not less than the minimum design volume, not more than the designed maximum volume, and must have a storage capacity greater than 270 days. Failing to comply with the above guidelines, the livestock operator can be fined up to \$1000.

Attempts to establish an odor control cost share program administered by the Department of Agriculture have failed⁷. Proposed legislation would have charged the Department of Agriculture with designing a program to assist approved owners or operators of livestock management facilities or livestock waste handling facilities with the cost of odor control methods during the course of manual removal and field application. The cost share program was to implement the odor control methods developed by the Illinois Council on Food and Agricultural Research (C-FAR). The Department, subject to appropriation, would have made cost share payments from the odor control program fund, a special fund created in the state treasury to assist livestock producers to comply with odor control regulations.

⁶510 ILCS 77

⁷91_HB0512 was vetoed November 18, 1999.

Noise Pollution:

The amount of noise one neighbor (or facility) can emit over his property line to the residence of his nearest neighbor is limited. Agricultural machinery used in field operations during daytime hours is exempt from noise limits. Grain dryers and aeration fans also are exempt from noise limits as long as they are operated on a farm during daytime hours, defined from 7 a.m. to 10 p.m. From 10 p.m. until 7 a.m. farm operations are subject to a specific noise emission limit.

Unless a neighbor complains about noise, the IEPA does not look for noise violations. If a complaint reaches IEPA, IEPA will offer suggestions to assist the farmer causing the noise violation. Farmers and neighbors who have been disturbed by noise are encouraged to work out the problem between themselves. When the problem is not worked out, it is usually handled as a nuisance violation with the complainant filing a formal complaint with the Illinois Pollution Control Board.

According to IEPA, only a small number of complaints have been directed at farmers over the past years. The most common sources of noise complaints are aeration fans, grain dryers and water pumps operated at night. These complaints were almost all directed to IEPA by neighbors whose sleep had been interrupted. Overall however, farms are one of the most compliant businesses regarding noise pollution.

Soil Conservation:

Even before the establishment of the national “Soil Bank” program in 1954 the Illinois General Assembly passed the Soil Conservation Domestic Allotment Act⁸. This law has required the

⁸The Soil Conservation Domestic Allotment Act is in Chapter 505 of the Illinois Compiled Statutes, Act 125.

Department of Agriculture to develop a state conservation plan each year since 1953. At that time soil erosion was the main conservation concern and the act provided funds to encourage practices that diminished “unscientific use of natural soil resources.” This was followed in 1954 by the federal Watershed Protection and Flood Prevention Act. The Illinois General Assembly passed a law, the Watershed Improvement Act⁹, to allow the state to form agreements with local conservation districts, drainage districts, and other groups to make watershed improvements on lands approved under the federal law.

The Illinois Conservation Enhancement Act¹⁰ explicitly states that it, “...is State policy to encourage the retirement of marginal, highly erodible agricultural land...” A second goal of the act was to encourage a perennial vegetative cover on these lands. The act created the Save Illinois Topsoil Program and the Illinois Natural Resource Enhancement Program to accomplish these goals. The 86th General Assembly established the Sustainable Agriculture Act¹¹ to encourage and fund a research program with the twin goals of improving farm production methods and preserving the environment, especially Illinois farmland. The program is administered by the Illinois Department of Agriculture and is overseen by a seven-member committee. Conservation tillage, runoff and sediment, and demonstration projects are specifically encouraged by the legislation. The Illinois River Watershed

⁹The Watershed Improvement Act is found in Chapter 505 of the Illinois Compiled Statutes, Act 140.

¹⁰The Illinois Conservation Enhancement Act is found in Chapter 505 of the Illinois Compiled Statutes, Act 35.

¹¹The Sustainable Agriculture Act is found in Chapter 505 of the Illinois Compiled Statutes, Act 135.

Restoration Act¹² was passed for the purpose of restoring the watershed of the Illinois River. It relies on local groups and individuals to accomplish its goals, that were originally set forth in 1997 (Office of the Lieutenant Governor).

Farmland Preservation:

Conservation efforts have more recently been directed at preserving farmland from urban encroachment. The Agricultural Areas Conservation and Protection Act¹³ was designed to shield farmland from urban encroachment and protect natural spaces for environmental and aesthetic purposes.

Wildlife:

Legislation designed with wildlife in mind include the Wildlife Habitat Management Areas Act¹⁴ and the Wildlife Restoration Cooperation Act¹⁵. The former allows the state to cooperate in wildlife restoration efforts on tracts of 600 or more contiguous acres of farmland or woods, and the second sets up such programs as may be necessary to receive federal aid available to states with restoration programs. Both programs are under the authority of the Illinois Department of Natural Resources.

¹²The Illinois River Watershed Restoration Act is found in Chapter 20 of the Illinois Compiled Statutes, Act 3967.

¹³The Agricultural Areas Conservation and Protection Act is found in Chapter 505 of the Illinois Compiled Statutes, Act 5.

¹⁴The Wildlife Habitat Management Areas Act is found in Chapter 520 of the Illinois Compiled Statutes, Act 20.

¹⁵The Wildlife Restoration Cooperation Act is found in Chapter 520 of the Illinois Compiled Statutes, Act 15.

FAMILY FARM PRESERVATION POLICY:

USDA defines small farms as having less than \$250,000 gross receipts annually and on which the farm family owns or leases the productive assets, and provides day-to-day labor and management (USDA/ERS). This description of small farms includes approximately 94 percent of all U.S. farms. These farms own 75 percent of the total productive assets in agriculture, mostly land, and receive 41 percent of all agricultural receipts. Most of the farm units are referred to as “family farms” (USDA/ERS).

In the last two decades, with the emergence of new agricultural technologies, there has been a trend towards fewer and larger farms. Consider some trends that have taken place either because of or in spite of federal agricultural policies:

In 1978, there were 2.3 million farms in the U.S. Today, there are less than 2 million farms in the U.S. (USDA).

In 1980, four firms controlled 36 percent of the beef slaughter. Today four firms control 80 percent of the beef slaughter (USDA).

In 1980, the farmer received 37 cents on every consumer dollar spent on food. Today, the farmer receives 23 cents of every consumer dollar spent on food (USDA).

The dominant belief in agriculture is that large farms are more efficient than small farms. However, Peterson found that factors other than size influence the unit costs in agriculture. Peterson asserts that “small family and part-time are at least as efficient as large commercial operations. In fact, there is evidence of diseconomies of scale as farm size increases.”

It is in part because of the economic vulnerability of small farms that the local, state and federal

authorities have decided to take steps towards preserving family farms.

Illinois Smart Growth Task Force (House Joint resolution):

In a joint resolution the 91st General Assembly¹⁶ created the Illinois Smart Growth Task Force¹⁷. The Illinois Smart Growth Task Force is created to hold hearings regarding the causes and consequences of urban sprawl into prime Illinois farm land. It is to consider housing policy, transportation priorities, and the preservation of open space, natural areas, and farmland. The task force consists of at least 12 and not more than 22 members. The task force has the following objectives:

Conduct a series of public hearings throughout the state to discuss visions and plans for Illinois

21st century concerning farmland preservation, land use, and transportation needs for different state regions;

Identify tools and incentives to preserve and maintain land for agricultural production and open space;

Make recommendations and propose enabling legislation to retain land in agricultural uses;

Strengthen laws that encourage farmland preservation;

Review the State budget, revenues, and tax expenditures to see how fiscal policy affects land use and farmland preservation in Illinois;

¹⁶91_HJ0010

¹⁷The Illinois Smart Growth Task Force was created by a joint resolution of the 91st Illinois General Assembly, HJR_0010.

- Review State high-priority projects to determine their impact on farmland preservation;
- Propose funding amounts and identify revenue sources to implement farmland preservation;
- Propose formation of a permanent group or commission to implement farmland preservation.

The resolution states that preserving Illinois' prime land and protecting it against conversion to non-farm uses have become state priorities. The reasons include the importance of agriculture in the state.

Illinois was ranked third among the states in the value of its agricultural exports. Agriculture generates tens of billions of dollars in economic activity through agricultural production, input supply, processing and marketing. The resolution recognizes that government policies can affect the pressure on Illinois agricultural land and its 76,000 farmers from suburbanization.

The Farmland Preservation Act¹⁸ was created to address the issue of farmland conversion.

The act creates an inter-agency committee on farmland preservation. The agencies included are the Capital Development Board, the Department of Natural Resources, the Department of Commerce and Community Affairs, the Environmental Protection Agency, The Department of Transportation, the Bureau of the Budget, the Illinois Commerce Commission, and the Department of Agriculture. The Director (or representative of the Director) of the Department of Agriculture chairs the committee. It provides that no agency may commit state funds for land acquisition or construction unless a study of the agricultural impacts has been completed by the Department of Agriculture of the agricultural impacts or unless it has received an exception provided in the agency's working agreement.

Vision for Small Farms in the 21st Century:

¹⁸Chapter 505 of the Illinois Compiled Statutes, Chapter 75 establishes the Farmland Preservation Act.

At the federal level, authorities have been also concerned about preserving family farms. In this regard, Secretary of Agriculture Glickman appointed in July of 1997, a 30-member National Commission on Small Farms to examine the status of small farms in the United States and to determine a course of action for USDA to recognize, respect, and respond to their needs (USDA). The commission began its work in Memphis, Tennessee, on July 28, 1997. Subsequent public hearings and meetings were held throughout the country.

In a vision for small farms in the 21st century, the National Commission produced a final report that outlined eight policy goals for a national strategy for small farms (USDA):

Policy goal 1: recognize the importance and cultivate the strengths for small farms;

Policy goal 2: create a framework of support and responsibility for small farms;

Policy goal 3: promote, develop, and enforce fair, competitive, and open markets for small farms;

Policy goal 4: conduct appropriate outreach through partnerships to serve small farm and ranch operators;

Policy goal 5: establish future generations of farmers;

Policy goal 6: emphasize sustainable agriculture as a profitable ecological, and socially sound strategy for small farms;

Policy goal 7: dedicate budget resources to strengthen the competitive position of small farms in Agriculture, and

Policy goal 8: provide just and humane working conditions for all people engaged in production agriculture.

Illinois Family Farmer Support Act:

The Illinois Family Farmer Support Act¹⁹ mandates that the Cooperative Extensive Service of the College of Agriculture of the University of Illinois create a Cooperative Development Board. Subject to appropriation, the Board will establish, assist, and enhance the development of local and regional agricultural cooperatives to provide support to Illinois family farmers. “Family farmer” is defined as an individual who is a resident of Illinois and owns or leases land in Illinois that is used as a farm.

RURAL PUBLIC FINANCE POLICY:

Federal, State and local authorities have passed several resolutions and bills to provide for low-interest guaranteed loans to help small farmers to acquire business loans. Some of the more recent efforts include a resolution to encourage the U.S. Congress to assist agricultural product promotion²⁰. Since Illinois is the one of the leading producers of agricultural products and is a major exporter the resolution encourages the United States Congress to pass a supplemental appropriation of \$500 million of guaranteed low-interest loans and additional financial assistance for farm families. This support is designed to allow farmers and agricultural producers to stay ahead in their specialties by having access through fair trade to global markets. Finally, the resolution asks the Federal government to increase their agricultural purchases from Illinois suppliers when providing future foreign aid.

¹⁹Senate Bill 91_SB0072 has become law. It is found in Chapter 505 of the Illinois Compiled Statutes Act 57.

²⁰House Resolution 91_HR0087 has been referred to the Rules Committee.

Illinois Farm Development Act²¹ (IFDA):

The Illinois Farm Development Act establishes the Illinois Farm Development Authority to make loans for acquiring or improving agricultural facilities or for soil and water conservation projects.

The IFDA was recently amended to provide an interest-buy-back program to subsidize interest costs on certain loans to Illinois farms²². To be eligible, an applicant must:

Be a resident of Illinois;

Be a principal operator;

Derive at least 50% of annual gross income from farming;

Have a net worth of at least \$10,000.

Illinois Agricultural Loan Guarantee Fund and Illinois Farm Emergency Fund:

Public Act 91-0386 amends the Illinois Farm Development Act. This act provides that the Illinois Farm Development Authority may transfer to the Illinois Agricultural Loan Guarantee Fund such amounts as are necessary to satisfy claims up to a maximum limit of state debt exposure. The Bill also provides that the Authority may transfer from available appropriation and the Farm Emergency Fund such amounts as are necessary to satisfy claims. Fifteen million dollars are now available. Most of these funds come from bonds issued by the Authority. Any state guarantee loan provided under this section:

Will not exceed \$500,000 per farmer;

²¹The Illinois Farm Development Act is found in Chapter 20 of the Illinois Compiled Statutes, Act 3605.

²²Public Act 91-0281 which originated in the Senate (91_SB1189) amends the Illinois Farm Development Act.

Will be set up on a payment schedule not to exceed 30 years;

Will be subject to an annual review and renewal by the lender and the Authority.

Also under this Section, the Authority will provide or renew a State guarantee to a lender if:

A fee on the loan is paid to the Authority on an annual basis by the lender;

The application provides collateral acceptable to the Authority on an annual basis by the lender;

The lender assumes all responsibility and cost for pursuing legal action on collecting any loan
that is delinquent or in default;

The lender is responsible for the first 15% of the outstanding principal of the note for which the
guarantee has been applied.

The Emergency Farm Credit Allocation Act²³ provides for loans under certain criteria.

State Guarantees for Loans to Farmers and Agribusinesses:

This program can be found in Section 12.2 of the Illinois Farm Development Act²⁴. Under this section, the Authority is authorized to issue State guarantees to lenders for loans to eligible farmers and agribusinesses. To be eligible, a farmer must meet the following requirements:

Must be a resident of Illinois;

Must be the principal operator of a farm or land and at least 50% of his annual gross income
must be derived from farming;

²³The Emergency Farm Credit Allocation Act is found in Chapter 20 of the Illinois Compiled Statutes, Act 3610.

²⁴The Illinois Farm Development Act is found in Chapter 20 Act 3605 of the Illinois Compiled Statutes.

Must have total annual sales of agricultural products, commodities, or livestock exceeding \$20,000, and

Must have a net worth not exceeding \$500,000.

The State guarantees will not exceed a term of 15 years. This program is designed mainly to promote diversification of the farm economy of Illinois through the growth and development of new crops or livestock customarily grown or produced in Illinois or that emphasize a vertical integration of grain or livestock produced or raised in the State into a finished agricultural product for consumption or use. New crops will not include corn, soybeans, wheat, swine, beef or dairy cattle. Vertical integration will include any new or existing grain or livestock grown or produced in Illinois.

Young Farmer Loan Guarantee Program:

This program can be found in Section 12.4 of the Illinois Farm Development Act. Under this Section, the Authority is authorized to issue State guarantees to lenders to finance or refinance debts of young farmers. To be eligible, a young farmer must meet the following requirements:

Must be a resident of Illinois;

Be at least 18 years of age;

Be principal operator of a farm or land who derives at least 50% of annual gross income from farming;

Have a net worth is not less than \$10,000, and

Have a debt to asset ratio not less than 40%.

Debt to asset ratio is defined to mean current outstanding liabilities, including any debt to be financed or refinanced, divided by current outstanding assets. State guarantees provided under this Section:

Will not exceed \$500,000 per young farmer;

Will be set up on a payment schedule not exceed 30 years, and

Will be subject to an annual review and renewal by the lender and the Authority.

A young farmer may use this program more than once provided the aggregate principal amount of State guarantees under this Section to that young farmer does not exceed \$500,000.

Specialized Livestock Guarantee Program:

This program can be found in Section 12.5 of the Illinois Farm Development Act. Under this Section, the Authority is authorized to issue State guarantees to lenders for loans to finance or refinance debts for specialized livestock operations that are or will be located in Illinois. A specialized livestock operation includes, but is not limited to, dairy, beef, and swine enterprises.

The State guarantees provided under this Section:

Will not exceed \$1 million per applicant;

Will be no longer than 15 years in duration, and

Will be subject to an annual review and renewal by the lender and the Authority.

An applicant may use this program more than once, provided that the aggregate principal amount of State guarantees under this Section to that applicant does not exceed \$1million.

A bill, now in the Senate, would amend the Illinois Farm Development Act and create the

Enhanced Value-Added Agriculture Production Guarantee Program. It would provide for State guarantees for loans to finance or refinance debts for specialized agribusinesses that engage in the process of adding value to agricultural products. To be eligible, the agribusiness must be located in Illinois.

Analysis of Bank Performance:

The performance of agricultural banks has not been always successful in the last two decades. Two papers have investigated in depth the performance of agricultural banks. Belongia and Alton investigate the financial condition of agricultural banks that failed and survived during the 1980s. The authors analyzed a sample of 515 banks, 102 of which had failed between 1984-86. They found that prior to the farm sector downturn, both the failed and surviving banks were similarly capitalized and profitable in 1981. Belongia and Alton concluded that the failed banks had riskier portfolios than the surviving banks. The failed banks held a larger proportion of their assets in loans, particularly farm loans, and a smaller proportion in U.S. government securities than did the surviving banks. Of the 413 solvent banks in the study, the authors found that 70 percent were in sound financial condition in 1986.

Melichar discusses the problems facing agricultural banks in the mid-1980s. Agricultural banks, characterized as banks with a ratio of farm loans to total loans above the simple average of such ratios at all banks (about 16 percent at the end of 1985), prospered during the 1970s but became stressed in the 1980s.

Illinois farmers have numerous opportunities to get State guarantees in seeking loans from

agricultural banks. Problems at the agricultural banks resulted mainly from adverse loan experience. Melichar finds that rising delinquency rates on loans of farm banks were the leading indicators of vulnerability and failure. Most of the banks that failed could earlier have been found among those banks that reported relatively large numbers of delinquent loans. The study shows that agricultural banks that failed were typically small banks, and that their failure tended to affect only the immediate community. Since agricultural banks account for only a small share of total banking resources, the author does not believe that their problems pose a significant threat to the banking system.

RURAL ECONOMIC DEVELOPMENT POLICY:

According to Warren economic development requires expertise from, although not limited to, the disciplines of economics, sociology, geography, public administration, transportation, and political science.

Both academics and development specialists acknowledge that development does not come from the top down but from the bottom up (Lloyd and Wilkinson). The initiative must be from the community with support from the higher levels of government (Dewitt). The importance of community activeness and solidarity is repeatedly mentioned to be of importance in successful economic development.

Effectiveness of economic development in terms of raising the communities' welfare is usually discussed in terms of attracting firms, which increase employment and income (Drazen and Eckstein).

Illinois has a long history of involvement in economic development designed to help depressed

areas. A review of some of the recent laws follows.

A new program called Empowerment Zone Status is aimed at some of the most depressed areas in Illinois. The Southernmost Illinois Delta Empowerment Zone referred to, as SIDEZ is a new program created by President Clinton through the USDA rural development effort (Binder). The empowerment zones program is intended to equip certain impoverished areas with the tools necessary to rebuild their communities into stable economies (Binder). The southernmost part of Illinois, including part of Alexander, Johnson, and Pulasky counties, is one of five rural zones selected nationwide. Within this area, are some of Southern Illinois' poorest communities. Unemployment in the area is 11 percent, and 31 percent of its residents live at or below poverty level (Binder). The zone's first year's plans deal with such things as tourism development, economic development, community pride, infrastructure, health care, education and housing.

Illinois Economic Development Board Act:

The Illinois Economic Development Board Act²⁵ establishes a Board charged with the responsibility of assisting the Department with creating a long-term economic development strategy for the State, designed to spur economic growth, enhance opportunities for core Illinois industries, and to encourage new job creation and investment that is consistent with the preservation of the State's quality of life and environment.

²⁵The Illinois Economic Development Board Act is found in Chapter 20 of the Illinois Compiled Statutes, Act 3965.

Illinois Economic Development Area Tax Increment Allocation Act:

The Illinois Economic Development Area Tax Increment Allocation Act²⁶ allows municipalities to undertake economic development programs for economic development project areas. Each economic development plan must include the following:

Estimated economic development project cost;

The sources of funds to pay such cost;

The nature and terms of any obligations to be issued by the municipality to pay such costs;

The most recent valuation of the economic development project area;

An estimate of the valuation of the economic development project area after completion of any economic development project;

The estimated date of completion of any economic development project proposal to be undertaken;

A general description of any proposed developer of any property to be located or improved within the economic development project area;

A description of the type, structure and general character of the facilities to be developed or improved in the economic development project area;

A description of the general land uses to apply in the economic development project area;

A description of the type, class and number of employees to be employed in the economic development project area, and

²⁶The Illinois Economic Development Area Tax Increment Allocation Act is found in Chapter 20 of the Illinois Compiled Statutes, Act 620.

A commitment by the municipality to fair employment practices and an affirmative action plan with respect to any economic development program to be undertaken by the municipality.

Illinois Farm Economic Development and Renewable Fuel:

Chapter 415 of the Illinois Compiled Statutes, Act 120 is the Alternate Fuels Act. The purpose of this Act is to improve the environment, create jobs and rural economic growth, and encourage energy self-reliance through the establishment of community-sized grain processing centers, which produce ethyl alcohol, and other grain products.

A bill originating in the Illinois (91_HB0029), now in committee, would create the Rural Manufacturing Incentives Program. This program would provide that an eligible company may apply for incentives, including tax credits as part of an economic development project in a county in Illinois. The county must have an average unemployment rate higher than the State's unemployment rate for the past five consecutive years as calculated by the Department of Commerce and Community Affairs.

Approved companies would get tax credits equal to 100% of the debt service of the company plus any assessment fees. The credits would have been available for the period of the financing agreement, but in no case for more than 15 years.

Knaap and Alison assess the impact of economic development programs in rural Illinois communities. Six communities were chosen throughout the State. The authors found that economic development programs were set in motion by falling property values, declining retail sales, and deteriorating tax revenues, not by rural poverty, unemployment, or falling wages. All six communities

relied on external sources to finance their economic development programs. In most cases the State of Illinois provided grants and loans, in others the State offered tax concessions or contributions to tax-increment finance districts and enterprise zones. The authors found that the economic development programs in each of the six communities produced notable results, often creating jobs and economic growth. However, the results by community were mixed: growth required sacrifice that is unevenly spread.

Alternative Enterprises:

The potential of alternative agricultural and rural enterprises has also captured the attention of Illinois lawmakers. The Rural Diversification Act²⁷ is designed to promote entrepreneurship and self-employed businesses and industry in rural areas. It provides a means to finance processing and value-added facilities. The Aquaculture Development Act²⁸ is designed to create a program to improve aquaculture and related industries in the state. The Illinois Grape and Wine Resources Council²⁹ was also recently created by amending the Liquor Control Act of 1934. It establishes a 17 member council with an annual budget of \$500,000 to promote the growing viticulture and enology industries in the state.

²⁷The Rural Diversification Act is created by Public Act 85-180 and 86-1475.

²⁸Public Act 85-856.

²⁹Establishment of the Grape and Wine Resources Council is found in Chapter 235 of the Illinois Compiled Statutes, Act 5, Article XII.

RURAL EDUCATION AND AGRICULTURAL RESEARCH POLICY:

Rural Education:

Banovetz and Drew find that the agricultural education program in Illinois has suffered declining enrollments and decreasing demand for those educated under the current system. Further, they point out the incompatibility of current programs with the “back to basics” programs being demanded in many areas.

A plan was developed by the Illinois Leadership Council for Agriculture Education (ILCAE) in an attempt to stem the tide of problems that has been building in agricultural education. The ILCAE see the threat to vocational agriculture education coming from five areas:

The economic crisis in agriculture which is discouraging young people from seeking a career in agriculture;

Reduced funding for agriculture programs;

Educational reform legislation promoting a back to basics movement;

Increased high school graduation and college entrance requirements;

Public misconception about the current downturn in the agriculture economy;

To strengthen agriculture education, ILCAE has offered a seven-point plan designed to provide education in agriculture from kindergarten through adult education. The seven segments of the plan are:

Agriculture basics in education;

K-8 exploration of agricultural careers;

Secondary vocational agriculture programs;

Post secondary vocational agriculture;

Agriculture teacher education;

Adult education in agriculture;

State leadership for agriculture education;

A resolution adopted by both houses of the Illinois Congress³⁰ recognizes agricultural education, particularly the “Teachers On An Agriscience Bus” program. The recognition program emphasizes the importance of agricultural industry in Illinois and the need for agriculture in the educational process of the State’s youth. The “Teachers On An Agriscience Bus” program was created in 1991, with the total sponsorship provided by the Illinois Pork Producers Association. The program was expanded through 1999, during which time it reached an estimated 35,000 elementary through high school students. Additional co-sponsorship is currently being provided by agriculture education advocates, including the American Dairy Association of Illinois, the Dupage county Fair Association, the Dupage county Farm Bureau, the Dupage Regional Office of education, the Illinois Beef Association, the Illinois Landscape contractors Association, and others.

Food and Agriculture Research Act:

C-FAR, the Council on Food and Agricultural Research, began as a response of agricultural leaders to two perceived needs in Illinois. The Council wanted the state’s public universities to focus on more applied and practical, as opposed to strictly academic, research and, because Illinois ranked

³⁰91_HR0069

low among the states in agricultural research spending, the second was to increase the overall level of funding. The group seeks continuing citizen involvement in the state's food and agricultural research funding decisions.

On July 1, 1995 the Food and Agriculture Research Act³¹ became law in Illinois. The act put the Illinois Department of Agriculture in charge of allocating funds, as specified, to universities within the state, and made the Director of Agriculture responsible for reporting on the success of the particular allocation at three-year intervals. Under the act the universities are to work with C-FAR in establishing a broad program of food, agricultural, and environmental research. C-FAR has requested \$18 million in funding for FY-2000. The major research thrusts of C-FAR as established in its strategic research initiatives are a) food safety, b) information systems and technology, c) rural community development, d) swine odor and waste management, and d) water quality.

RURAL HEALTH POLICY:

Rural health has been a timely and critical concern. Bikash and Sliepcevich report that many in Congress and many local communities believe that rural America has been ignored. In recent times, rural health and human service issues have reappeared on the political scene and have been debated for legislative considerations.

Special Committee on the Access and Availability of Emergency Medical Services in Rural Illinois:

³¹The Food and Agriculture Research Act is found in Chapter 505 of the Illinois Compiled Statutes, Section 105.

A resolution adopted by the Illinois Congress creates the Special Committee on the Access and Availability of Emergency Medical Services in Rural Illinois³². Its purpose is to identify all ambulance providers located in rural areas by their service regions, to review and analyze the impact of funding, training, regulations, and licensing on the access and availability of emergency medical services in rural areas, to present a report to the General Assembly and the Governor by March 1, 2000.

The resolution recognizes that 84 of 102 counties in Illinois have been determined to be “rural” by the Department of Public Health’s Center for Rural Health. A survey conducted in 1995 by the Illinois Rural Health Association and the Center for Rural Health found that citizens of rural counties had the distinction of leading the State in several mortality statistics, including heart attacks and motor vehicle accidents. The lack of adequate emergency medical services in rural areas has been identified as a problem in rural areas that contributes to the higher mortality rates. The access and availability of emergency medical services in rural areas are critical concerns and ambulance providers are a vital link in the emergency medical services.

Bikash and Sliepcevich report the following problems related to rural health have been diagnosed.

Rural hospital closure: the most critical problem the rural communities are now facing is the closure of local hospitals. Most of these hospitals located in the rural areas have been facing survival problems both professionally and financially since the early 1980s. For example, 160 rural hospitals closed from 1980 through 1987.

³²91_SR0146

Rural physician shortage: another major concern of the rural health care delivery system is the shortage of physicians. Researchers found that between 1975 and 1985, the number of physicians per 100,000 residents grew about three times faster in the urban United States than in rural areas.

Rural prenatal care: among other things, limited prenatal care in the rural communities has been a failure of the rural health care system.

Rural adolescent health: adolescents living in rural areas are no different than other adolescents in their addictive habits of cigarette smoking, alcohol use and drug abuse.

Rural elderly: since one of every four elders live in rural areas, the rural health care system has to be modified to deal with this situation;

Rural uninsured poor;

Nursing shortage: an acute shortage of trained nurses has disrupted the rural health care systems;

Migrant health: migrant and seasonal farm workers make up significant portion of American labor force. Their contribution to the American agricultural economy is also quite significant. Most of these workers are below poverty level;

Rural homeless: there is a rising number of younger homeless people in rural areas;

Other problems: there are various other problems which rural communities encounter on a regular or occasional basis such as infant mortality, health of rural women, and a lack of home health care facilities.

In response the Senate resolved that the Department of Public Health establish a special committee on the access and availability of emergency medical services in rural Illinois. The committee is to identify all ambulance providers, including public, private, and volunteer organizations located in rural areas by their service regions and review and analyze the impact of funding, training, regulations, and licensing on the access and availability of emergency medical services in rural areas.

Illinois Rural/Downstate Health Act:

The Illinois Rural/Downstate Health Act³³ provides that the center for Rural Health may create health care networks that include members that provide public health, comprehensive primary care, emergency medical care, and acute patient care. It defines “health care networks” as a nonprofit entity, consisting of health care providers and others, that is organized to plan and deliver health care services in areas where there is a shortage of health care providers.

The General Assembly finds that citizens in the rural, downstate and designated shortage areas of this State are increasingly faced with problems in accessing necessary health care. The closure of small rural hospitals, the inability of these areas to attract new physicians, the elimination of existing services because of increasing costs, including the cost of providing medical care contribute to the access problems experienced by these residents. While Illinois is not unique in experiencing these problems, the need to maintain or enhance the economies of these areas of the State requires that new and innovative strategies be identified and implemented to respond to the health care needs of residents

³³The Illinois Rural/Downstate Health Act is found in Chapter 410 of the Illinois Compiled Statutes, Act 65.

of these areas.

A bill originating in the Illinois House³⁴ (now in the Senate) would create the Comprehensive Primary Medical Care Program (CPMCP). It is a grant program under which the Department of Human Services would fund the establishment and maintenance of medical practices to serve medically underserved populations. The grant funds may be used to:

- Acquire sites,
- Expand an existing practice,
- Purchase equipment,
- Hire and train staff, and
- Develop practice networks.

Alternative Health Care Delivery Act (AHCDA):

The Alternative Health Care Delivery Act³⁵ was established because the General Assembly finds that many consumers have limited access to needed health care or that they have limited health care choices. The bill states: “Consumers of health care also experience high out-of-pocket costs for health care, and the State as a whole experiences high aggregate health care costs. The General Assembly also finds that the provision of high quality services, regardless of setting, for care is of overriding importance. Currently, there is insufficient data and information on the efficacy of alternative

³⁴91_HB1544

³⁵The Alternative Health Care Delivery Act is found in Chapter 210 of the Illinois Compiled Statutes, Act 3.

models of health care delivery. New and innovative solutions must be found to correct these problems. This Act is intended to foster those innovations through the development of demonstration projects to license and study alternative health care delivery systems. Furthermore, these demonstration projects shall be developed in an orderly manner and regulated by the Department of Public Health.” A bill originating in the Illinois House³⁶, now in committee, would amend the AHCDA, by limiting to 10 the number of birth center alternative health care models in the demonstration program authorized under the Act. The centers would be located as follows:

Four in the area comprising Cook, Dupage, Kane, Lake, McHenry, and Will counties, one of which will be owned by a hospital or operated by a federally qualified health center;

Three municipalities with a population of 50,000 or more not located in the area described above;

Three in rural areas, one of which will be owned by a hospital, and one which will be owned or operated by a federally qualified health center.

The Illinois Department of Public Health has prepared reports concerning rural health to assist the Senate and the House in making decisions. A report on rural health clinic certification has been prepared in response to Senate Joint Resolution Forty, pursuant to the Rural Health Clinic Services Act of 1977. The Act focused on the lack of physicians in rural areas throughout the nation. Its purpose was to increase the availability of health care providers in underserved rural areas by allowing reimbursement of services provided by nurse practitioners and physicians assistants.

³⁶91-HB1737

Another report prepared by the Illinois Hospital association concludes that the major reasons for hospital closures of the 80s are under-funded Illinois Medicaid, inadequate Medicare reimbursements to hospitals, and 1.5 million uninsured in the population.

Cornell pointed out that the issue of rural hospital closures has attracted the attention of the public as well as the State policy makers since 1983. Of the total of 63 hospitals in Illinois, six of them have closed since then.

Factors contributing to the closings include the absence of sophisticated technologies in rural hospitals, physicians trained in urban settings accustomed to using these technologies, changes and erosion of Medicare and Medicaid and failure to deal with indigent care.

RURAL SERVICES POLICY:

Along with social programs, a large segment of the population has always been in need of social service (Bikash and Sliepcevich). The need for social services also exists in the rural communities. Traditionally, this need has been met by an informal helping network of relatives, friends, and neighbors and often has remained hidden and unrecognized. The recent farm financial crisis has put a strain on this informal system (Bikash and Sliepcevich). The rural communities themselves are under financial pressure and are in need of organized social service support for their survival and well being (Bikash and Sliepcevich). Social service delivery in rural communities reflects a renewed interest in the people and the communities by addressing questions and devising methods for studying various issues and concerns (Bikash and Sliepcevich). Bikash and Sliepcevich find that rural communities face numerous

problems including the following.

Rural poverty: communities in farm-dependent counties have been affected adversely by the farm financial crisis of the 1980s. Rural farm poor do not qualify for welfare programs. They are not eligible for much assistance from commodity price supports and other programs.

Rural aging population: the State of Illinois has approximately a population of 1.9 million citizens 60 years or older. There is need for various services to assist those who live longer and therefore face problems of health, income security, housing and loneliness that they cannot cope with alone.

Rural youth problems: alcohol use and drug abuse of adolescents have burdened the social service system for some time in the rural areas as have teenage pregnancy and parenthood problems;

Rural children: children of disadvantaged rural families are the most likely to suffer prenatal problems;

Developmental disabilities: currently, persons with all types of developmental disabilities are underserved in Illinois. This group deserves a variety of social services;

To address these different issues in rural areas, House Bill 91_HB1023 amends the Department of Human Service Act. It directs the Secretary of Human Services to establish within the Department of Human Services a rural human services networking program for the purpose of assisting human service providers in rural areas. Also, to develop pilot projects to address social problems through the

creation of contracts or joint or cooperative agreements between those providers. With regard to the Rural Human Services Networking Program, the General Assembly has allocated funds to address the following problems (Article 15):

In rural areas, there is necessity to promote different approaches to human services delivery if programs are to properly address diverse community and individual needs and such unique rural conditions as low population density, a large proportion of elderly persons, the absence of economies of scale, geographic isolation, inadequate transportation, fluctuating service demands, and general lack of suitable alternatives for service delivery;

The human service delivery system in rural areas is often fragmented, consisting of isolated providers with limited financial resources and limited information-sharing networks.

Many such providers are currently providing identical or similar services to the same clientele in the same area, often without being aware of possible duplication of effort;

A full range of coordinated and integrated human services is vital to the health and well being of residents of rural areas of the State who are or may in the future be confronted with such intense social problems. Such problems as domestic violence, teenage pregnancy, migrant health problems, nutritional deficiencies, suicide, hunger, unemployment, lack of suitable shelter, crime, drug and alcohol abuse, and poverty.

A proper response to intense social problems in some rural areas would be to encourage greater sharing of information and resources among human service providers in those

rural areas, thereby enhancing the cost-effectiveness and delivery of services required to address those social problems;

Under section 15.30 entitled “pilot project grants”, the General Assembly provides funds in order to implement the rural human service networking program. The Secretary has authority to provide grants to eligible human services provider applicants. The grants are to be awarded on a competitive basis and subject to amounts appropriated for that purpose. To be eligible for a grant under this Section, an application must be submitted to the Secretary on behalf of two or more local or regional human service providers who intend to implement a pilot project in a rural area. Details about how the application should be written and information that it should contain are also available under Section 15-35 entitled “Matters to be considered in awarding grants.” Under Section 15-55, technical assistance to implement project can be provided upon request of an applicant of a grant.

Bikash and Sliepcevich recommend that in order to deal with the variety of social service issues and needs, rural communities need a team of trained social service providers, and that these teams must be organized.

CONCLUSION:

Even though a number of programs have been implemented at the federal, state, and local levels designed to boost economic growth and alleviate poverty in rural Illinois, many depressed areas still exist. Unemployment has risen in those rural areas and a high proportion of the population lives below the poverty level.

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