



Northeastern Regional Association of State Agricultural Experiment Station Directors
An Equal Opportunity/Affirmative Action Association

The Hatch Act

The Hatch Act of 1887 authorized the use of federal grant funds for direct payment to each state to establish an agricultural experiment station in connection with the land grant college established under the provisions of the Morrill Act of July 2, 1862. In addition, the Hatch Act while specifying how the allocations are to be made is specific in its reference to the requirement for state matching funds, and the ability to withhold Hatch appropriation should the state choose not to participate in the match.

With regard to the intent of Congress, the Hatch Act, as amended, states that it is *the intent of Congress to assure agriculture a position in research equal to that of industry, which will aid in maintaining an equitable balance between agriculture and other segments of the economy. It shall be the object and duty of the State agricultural experiment stations through expenditure of the appropriations, hereafter authorized to conduct original and other research, investigations, and experiments bearing directly on and contributing to the establishment and maintenance of a permanent and effective agricultural industry in the United States, including research basic to the problems of agriculture in its broadest aspects, and such investigations that focus on the development and improvement of rural life and consumer welfare.*

As outlined in the **Science Roadmap**, the state agricultural experiment stations have focused on meeting seven 21st Century challenges that mirror the CSREES strategic goals, e.g., adding value to future harvests, remaining competitive in a global economy, modifying agricultural practices to reflect a changing climate, stewardship of our environment and natural resources, keeping our agricultural enterprises profitable, making families and communities stronger, and improving foods and food processing for better health and safety.

In evaluating federal formula funds over the period 1980 – 2000 it has been well-documented that the decline has exceeded 2.1% compounded annually over this period, while other federal funds for the same period, including cooperative agreements have increased from 11.4 to 16.2%. Over this same period NRI competitive grants have increased significantly, however research has demonstrated that there is greater productivity achieved from federal formula funds than competitive grant funding in impacting a state's agricultural productivity, one of the founding tenets of the Hatch Act. It is clear that federal formula funds may be diverted from important local research problems to subsidize federal grant proposal writing, and this comes with a high opportunity or transactional cost, namely the loss of forgone research discoveries.

It is clear that the Hatch appropriation coupled with state matching funds have played a significant role in improving the Nation's health and nutrition by providing nutritious and safe foods, creating a cleaner environment, building stronger communities, improving the efficiency of food and fiber production, and combating bioterrorism.

For the past 30 years it has been well-documented that Hatch funding of public agricultural research has benefited society with an annual rate of return of approximately 50%, as compare to the S & P 500's average rate of return of 8.5%, while government bonds have experienced a growth rate of just 3% above the inflation rate. What other programs funded by the federal system in partnership with the state's have had better

documented rates of return on investment, and at the same time addressed the nations food, nutrition, health, environmental and natural resources issues to a positive trade balance and create viable rural communities?

It is the federal formula funds in combination with the state matching appropriations that have allowed state agricultural research directors to be flexible in meeting local and regional needs that have proven to be the real *Formula for Success*. Now is not the time to change a successful model, rather the approach should to build on this success, not diminish it!

Without the continuation of federal formula funds, we can expect to see,

- A decline in efforts to achieve more efficient bio-processing technologies,
- Declining farm productivity and profitability,
- Greater reliance on fossil and petroleum based fuels as research into agriculturally derived bio-based products diminishes,
- Reduced emphasis on environmental management technologies,
- Farmers can expect to find greater risk and uncertainty in the marketplace, and
- Farm profitability can be expected to decline, and the impacts will be evident in rural communities,
- An inability to meet the dramatic manpower needs so vividly elaborated in the *Science Roadmap*, putting American agriculture at significant risk in world markets.

Prepared by T. A. Fretz, February 2, 2005.