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## A Historical Study of the Rural Electrification Administration and the Development of the Navarro County Electric Co-Op

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A HISTORICAL STUDY OF THE RURAL ELECTRIFICATION  
ADMINISTRATION AND THE DEVELOPMENT OF THE  
NAVARRO COUNTY ELECTRIC CO-OP

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HALLMAN

1950

A HISTORICAL STUDY OF THE RURAL  
ELECTRIFICATION ADMINISTRATION  
AND  
THE DEVELOPMENT OF THE NAVARRO COUNTY ELECTRIC CO-OP

BY

GRANT TERRELL HALLMAN

A THESIS SUBMITTED IN PARTIAL FULFILLMENT  
OF THE  
REQUIREMENTS FOR THE DEGREE  
OF

MASTER OF SCIENCE

IN THE

GRADUATE DIVISION  
OF

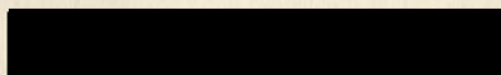
PRAIRIE VIEW A & M COLLEGE  
PRAIRIE VIEW, TEXAS

MAY

1950

Approved by:

Major Professor



\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date May 25, 1957

DEDICATION

To my mother, Mrs. Malinda Hallmon, and to  
Miss Ruby C. King, my prospective wife

## AUTOBIOGRAPHY

The writer, Grant Terrell Hallmon, was born February 12, 1926 in Kerens (Navarro County) Texas to the parentage of Mr. and Mrs. G. H. Hallmon.

His elementary and high school training was received in the public schools of Navarro County. He was graduated from high school in May, 1942 and entered Prairie View College in September, 1942, as a student in the Division of Agriculture. After spending approximately two years at Prairie View, the writer was called into the Armed Service where he served 28 months and 16 days in the United States Marine Corp, 22 months of this time was spent in the South Pacific.

The writer returned to Prairie View in 1947. In May, 1949, he received the Bachelor of Science Degree in Agriculture. He entered the Graduate Division in June, 1949, and is now striving to complete the requirements for a master of science degree.

## ACKNOWLEDGEMENT

It is within this section called the "acknowledgement" that the people interested in the writer know his personal feeling toward them. I wish to pay to my advisor, Dr. J. M. Coruthers, an expression of gratitude and loyalty for his most effective suggestions and comments which have been of great calue in the composition of this thesis. Grateful acknowledgement is paid to Mr. S. W. Davis, of the department of education, Mr. O. J. Baker and his staff of Librarians, also to Mr. Osie Cauble, manager of the Navarro County Electric Co-op, and Mr. A. A. Walters, head of the press and radio service section, information services division, Rural Electrification Administration, United States Department of Agriculture.

It is believed that in order for man to find tranquility, and be able to cope with his society and obtain complete acquiescence, education is solely responsible. It is by inspiration which great men work. Perhaps this will not touch the writer because of his insignificance, but great or small, it is by inspiration and encouragement that this organism of human nature moved dilligently and pleasantly towards the task set before him.

\_\_\_\_ Grant T. Hallmon

A HISTORICAL STUDY OF THE RURAL ELECTRIFICATION  
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## INTRODUCTION

Before 1935, it is felt that not many people were greatly concerned whether rural people ever got electricity or not. And the old muscle method of gas-engine power seemed to be the only way to accomplish barnyard tasks. As for the farm-wife, well, she just could not be expected to have all the comforts her sister in town had. Farming in 1935 was pretty much muscle work, and farm living was pretty drab. Farmers pitched hay, and carried pails of water by the hour to the cows and chickens, and armfuls of wood for the old kitchen stove. There was the wash to be scrubbed, and the lamp chimneys to be cleaned. Outdoor work after dark could not be done, because the barnyard was pitch black; the work was done slowly, or there was less work done. Jobs like shelling corn, sharpening tools, sawing or hoisting took elbow grease and hours of drudgery; whereas they would have taken a few minutes or seconds in a modern factory.

It is felt that the above stated conditions are probably the reasons why young farm people left for the city. Not only was the farm poor in conveniences, modern working tools, and comforts, but schools were badly lighted and often bare; communities lacked recreational, cultural, and social advantages, and job opportunities that only large centers of population offered. That was farming and rural living in 1935.

The question may arise as to what had happened in the years between 1935 and the present? Why have doors opened in every direction for farm families --- doors to a new kind of farming, new jobs in rural areas, new life of all kinds?

The Rural Electrification Administration, published a Pamphlet in 1947 entitled Electricity Comes to Rural America, the writer of this pamphlet stated that:

Electric power hadn't been brought to the farm because it cost too much. If a group of farmers wanted to get a power line strung out from town to their farms, they had to plank down sums ranging up to \$3,000 a mile to pay the power company for the construction. After the line was built they still didn't have title to it. And sometimes their power cost as much as 25 cents per Kilowatt-hour... The bottleneck was broken in 1935. Funds to promote rural electrification under Government auspices were included in the emergency appropriation act for that year, and an executive order issued May 11, 1935 created the Rural Electrification Administration. The nation's farms needed power and the nation's workers needed jobs. Thus REA was born...The act authorized REA to lend funds to cooperatives, public utility districts, municipalities, or private companies to finance the construction and operation of power lines, and power plants were necessary in order to bring central-station electric service to rural establishments not receiving it ... So the start was made with the Rural Electrification Act, but only a relatively small number of farms were served --- those which could afford to pay the high cost.

REA set out to change this in several ways. First, the practice of serving only the "cream" of the farms---those which could show an immediate profit to the power supplier --- was abandoned. In its stead a new idea was born---that electricity should be made available to all rural establishments in a given area (farms, schools, churches, non-farm

dwellings, industries, and all other potential users of electricity). Second, to make coverage economically possible, REA tried to bring down the lines by redesigning some of the heavy equipment and at the same time strengthen other phases of line construction. What was needed was a low cost durable line. So, REA engineers developed a single type of construction characterized by the absence of a cross arm, with longer spans, and a stronger conductor. Such lines were built by REA borrowers, under REA supervision, for less than \$900 a mile. These two principles of area coverage and low-cost construction combined to make a third. By bringing down the cost of service and by planning for service to all consumers in a given area, REA apply mass-production methods for the first time to rural line building ... By serving all the consumers within an area, both large and small, in one integrated system, REA borrowers were able, with the aid of Government long-term, low-cost financing, to make economical service possible to all. This method of extending service has been REA's fixed policy, and has proven to be the most practical way of getting the job done.<sup>1</sup>

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1

Rural Electrification Administration, United States Department of Agriculture; *Electricity Comes to Rural America*, Washington D. C., 1947, pp. 2-8.

## STATEMENT OF THE PROBLEM

This is a historical treatise of the progress of the Rural Electrification Administration and the development of the Navarro County Electric Co-op. It points out the struggle the REA encountered before it was organized, and a comprehensive study of the growth and development of the Navarro County Electric Co-op for a period of ten years.

## PURPOSE

It is the purpose of this thesis to show:

1. The Role of the Rural Electrification Administration in the development of rural areas.
2. To prove that the Rural Electrification Administration has been an asset to the American common-wealth rather than a liability.
3. To show the accomplishments of a cooperative unit as a service organization.
4. To show the status of the farm population now as compared to 1935, and the availability of modern house-hold equipment in the farm home today as compared with that of the city home.

## METHOD OF COLLECTING DATA

Data for this thesis were secured in the following manner:

1. From books, pamphlets, magazines, newspapers, official publications, and the Congressional Record.
2. Questionnaires, and personal interviews.

## CHAPTER I

### DEVELOPMENT OF THE RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification beginning about 1900, was confined until after the first world war largely to areas using irrigation pumping. After the war, increased interest and activity in rural service was shown. Rates were high; prospective consumers were generally expected to finance extensions; demand charges, and other burdensome conditions were imposed. Most electric companies found rural service unprofitable, especially by contrast with the returns from other classes of service. It is believed that they were unwilling to undertake exhaustive examination of rate structures and the changes in operating and business practices which were apparently required. Under these conditions there were no increases in rural service at all comparable to that in other classes.

Executive order No. 7037, issued May 11, 1935 under authority of the Emergency Relief Appropriation Act of that year, created the REA to initiate, formulate, administer, and supervise a program of approved projects with respect to the generation, transmission, and distribution of electric energy in rural areas. The amount earmarked by the President for that purpose was \$50,000,000 (later reduced to \$10,000,000) subject to the conditions set up for REA money to be distributed.



Morris L. Coke, who has been closely associated with the National Resource Studies of the previous year, was appointed administrator by the president. Soon after his appointment he announced a "new viewpoint" to which all participants were expected to conform. It contained nine points:

1. No service demand, or other fixed charges
2. Simple and promotional block rates
3. Low minimum charges
4. Short customer contracts
5. No customer contributions to rural extensions where possible
6. Rules for extension to be based on the average for districts and stated in feet per customer
7. Surveys of extension to be made on the ground
8. Line costs to be reduced
9. No joint committees of farmers and utilities to be approved<sup>2</sup>

In one of the administrator's first interviews he declared that there were four schools of thought as to how REA should distribute the funds made available to it:

1. Aid the private utilities
2. Depend on local agencies
3. Assist cooperatives
4. Build and operate plants and lines<sup>3</sup>

The previously mentioned factors were Cooke's version of how REA funds should be distributed. Appearing in the National Municipal Review, an article written by Cooke, stated that:

If private companies failed to offer reasonable rates, the government might be compelled to buy some plants so as to obtain control, REA never

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<sup>2</sup>  
Rural Electrification News. October 2, 1935, pl

<sup>3</sup>  
New York Times, May 14, 1935 (Bound Volume).

seems to have considered the direct construction or operation of system, nor has it ever been possible to rely in any degree on state agencies or municipal plants to take a major part in the program... Often limited by state law and in general tending to be conservative, utility operators municipals have proven rather apathetic. In preference to using intermediary state organizations, REA has sought to work directly with groups to which it could distribute funds quickly and without interposition.<sup>4</sup>

#### LEGISLATIVE PROCEEDINGS:

On May 11, 1935, some 6,000,000 of the nation's 6,800,000 farms, farmers still read their mail order catalogs by lamp light, still ran their radios, if any, on batteries. President Roosevelt used his emergency power and some of his relief billions to set up a Rural Electrification Administration. Its job was to provide farmers with electric power. An article appeared in TIME magazine, April 20, 1936, titled "Power". This article stated that:

Senator Norris, No 1 congressional lover of electricity, sponsored a bill to lend \$100,000,000 a year for ten years to promote rural electrification on a permanent basis... The chief aim of REA is to organize farmers in the co-operative associations to build power lines on money borrowed for 25 years from the government. States, territories and even persons and corporations can borrow money for that purpose.<sup>5</sup>

The Rural Electrification Act of 1936 laid down the outlines of the federal program in broad terms. It created REA as now constituted and provided for an administrator. Public Act No. 605, 74th

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<sup>4</sup>M. L. Cooke, National Municipal Review, Municipalities and REA, May 1936, p. 262.

<sup>5</sup>Time, April 20, 1936, Power, XXVII p. 19.

Congress states that:

"The administrator is authorized to make loans for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central electric service; and to make and publish studies concerning rural electrification".<sup>6</sup> The loan program as authorized by the act contained two parts. For fiscal year 1937 the Reconstruction Finance Corporation was directed to lend REA borrowers \$50,000,000 with interest at 3% per annum, upon the security of the obligations of borrowers from REA (with no loan to exceed 85% of the security provided) for each of the 9 years succeeding, the act authorized the appropriation from the treasury of \$40,000,000.<sup>7</sup>

This plan has not been followed from year to year; the amount appropriated or authorized in each fiscal year since 1937 has varied and all loan funds are now borrowed from the RFC upon the terms established by the act.

F. W. Muller in his book Public Rural Electrification points out that:

In launching the rural electrification program and entrusting it to REA, it was clearly the intent of congress (and of those whose interest stimulated the passage of the act) to provide for the furnishing of electric energy to persons in rural areas. REA is fundamentally a lending agency --- the making of loans was the primary activity authorized by congress and is REA's chief source of authority and influence over the system it guides. The most significant trends in the loan program are to be found in the volume of loans outstanding in their geographical distributions, and the purposes for which loans have been made, and in the classes of borrowers.<sup>8</sup>

<sup>6</sup>Congressional Record Public Act 605, 74th Congress, House Bill 1363. May 20, 1936

<sup>7</sup>Ibid., Section 3.

<sup>8</sup>F. W. Muller, Public Rural Electrification. Washington, D. C. American Council on Public Affairs, pp. 54-55.

TABLE I

NUMBER OF R E A BORROWERS AND AMOUNT OF ALLOTMENT BY TYPE OF BORROWERS AND FISCAL YEAR

Year	Total		Cooperate and Public Power Districts		Public Bodies		Private Companies									
	Bor- rowers	Per cent	Allo- tment	Per cent	Bor- rowers	Per cent	Allo- tment	Per cent	Bor- rowers	Per cent	Allo- tment	Per cent				
1935-36	66	100	\$13,920,659	100	51	77.3	\$12,296,219	38.3	4	6.0	\$856,710	6.2	11	16.7	\$767,766	5.5
1937	227	100	44,959,522	100	218	96.0	44,172,022	98.3	3	1.2	392,000	9	6	2.6	575,500	8
1938	265	100	29,254,843	100	255	95.5	27,742,855	94.8	8	3.0	879,000	3.0	4	1.5	653,000	2.2
1939	568	100	139,342,379	100	551	97.0	135,730,879	97.4	8	1.4	1,489,000	1.1	9	1.0	2,122,500	5
1940	406	100	41,523,500	100	395	97.3	40,501,500	97.5	6	1.5	621,000	1.5	5	1.2	395,000	5
1941	601	100	100,046,672	100	589	98.0	98,200,672	98.2	7	1.2	855,000	.9	5	.8	4,700	1.0
1942	425	100	64,690,700	100	422	99.3	63,837,000	98.5	2	.5	1,129,000	1.6				.9

\* Distribution of R E A Loans for 7 years taken from F. W. Muller Public Rural Electrification page 26.

## CHAPTER II

## DEVELOPMENT OF THE RURAL ELECTRIFICATION COOPERATIVE

The rural electric cooperative was organized to function according to the general pattern of other consumer cooperatives. They have been accepted by the cooperative movement, but they have a number of distinguishing characteristics which, taken as a whole, make them somewhat different from most older American cooperatives, particularly under the area coverage plan, the electric cooperative has a market concentrated in one limited area. The market is restricted technologically and sometimes legally to that area, but it embraces at least all the residents in it without prospect of direct competition. The consumers are in a permanent relationship to the cooperative, from which they can separate only at a great loss to themselves. The cooperatives usually serve the territories that the private companies are not willing to serve.

Muller points out that:

The conditions of REA loans have given the cooperative certain distinctive characteristics. The act limits the construction of lines with funds lent under it (this means practically all the capital construction funds of borrowed capital) to construction in unincorporated areas of not more than 1500 population, for persons not already receiving high-line service. Despite the interpretations REA has put on these provisions, they act, in almost all cases, to restrict cooperative borrowers to extensions outside the corporate limits of towns (sometimes the corporation line marks the boundary between

power company services and cooperative service) and to prohibit extensions to present power company customers even where they want to change over ... The cooperatives must maintain their properties and amortize their obligations within a single generation.<sup>9</sup>

It is felt that numerous factors have influenced the development of the REA financed cooperatives, yet they seem to function not very differently from many other small organizations in rural communities. They have similar problems of keeping members interested in educating them in the workings of the organization, of electing officers, publicizing activities, and keeping down internal conflicts. They have a localism only partly offset by the national character of their program; they must take account of the different ways of different communities in their territories; they are always in danger of being drawn into local disputes. Their members and consumers are mostly farmers ---- slow to decide, cautious to spend, hesitant to speak out, eager to gain a point in trading, doing business very often on a basis of confidence in one or two trusted men. It is believed that the rural electric cooperative must be considered in the light of rural institutional life as a whole.

#### PRINCIPLES OF THE ORGANIZATION:

The rural electric cooperatives are organized and functioned according to the general pattern that most consumer cooperatives follow, "the Rochdale principles". It is believed that in order

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<sup>9</sup> Ibid., pp. 69-73.

for the reader to get a broader viewpoint and a clearer understanding of the cooperative principles, he must first have a general knowledge of the Rochdale Society.

G. J. Holyoake in his book The History of Cooperation points out that:

During the years 1843 - 1844 when employment was common and low wages general, some workmen were in the habit of meeting at "the weavers arm" and "the Socialists Institute" to escape the despair of their homes and to banish cares in the companionship of fellow workers ..... while there discussing things in general they decided upon a plan to purchase some simple household necessities cooperatively. According to their plan, each weaver was to save two pence a week which otherwise would be illspent; by pooling these resources, a capital fund large enough to begin a cooperative provision store could be created. After nearly a year's effort twenty-eight persons succeeded in saving twenty eight pounds, and on the evening of December 21, 1844, they opened a store on Toad Lane in Rochdale. The twenty eight undaunted pioneers with their small amount of working capital, could offer only limited supplies of butter, flour, oatmeal, and sugar. At first the store was open to the public only on Monday evenings from seven to nine and on Saturday evenings from six to eleven, but after four months the store operated Saturday afternoons and every evening except Tuesday. It took boundless courage, faith, and determination to sustain the Equitable Pioneers through the first faltering years when the specters of poverty, indifference, and opposition mantled every move. The reward for their perseverance was great. The brilliance of their attainment can scarcely be measured by the summary figures of their yearly business transactions .... not even the most optimistic of the men who called themselves equitable pioneers dared dream of an industrial and mercantile empire so expansive as the one arising from the humble little cooperative store on Toad Lane. Strict adherence to sound business "principles" is the usual explanation for the success of the weaver's

enterprise.<sup>10</sup>

It is believed that, after having given a historical background of the Rochdale Society of Equitable Pioneers, and how good sound business principles helped them to become successful cooperatively, the reader can see who most cooperatives use the principles adapted by the Rochdale Society.

PRINCIPLES

1. Membership fee, or value of stock, low in price, and within the reach of all. No prospective member is debarred from participation because of his financial status.
2. Limitation of the number of shares of capital stock held by any one member. Capital shall be concentrated within the hands of a few.
3. One man, one vote regardless of the number of shares owned. This provision insures the equal rights and voting power of the members.
4. Sales at regular prices rather than at reduced rates. This practice does not invite ruinous price cutting wars with competitors.
5. Sales for cash. This eliminates inevitable losses connected with the granting of credit.
6. Payment of a low rate dividend on capital stock and a distribution of savings on the basis of the volume of patronage contributed by each member. Capital is hired. Patronage is rewarded.<sup>11</sup>

The rural electric cooperatives strictly adheres to all of the principles except Number 6. Members of the cooperatives do not

<sup>10</sup>G. J. Holyoake, The History of Cooperatives, Rev. Ed., New York, 1906, E. P. Dulton & Co., Inc., p. 285.

<sup>11</sup>News for Farmers Cooperatives, United States Department of Agriculture, Farm Credit Administration, Kansas City, Missouri, p. 13.



receive dividends on capital stock. The reason for this is that they are in debt to the Federal Government and will not be able to issue dividends until 25 years from the date they borrowed their first money.

PURPOSE:

The purpose of the rural electric cooperatives is to render electric service to all farmers, at a reasonable rate, with each member taking an active part in the operation of the co-op. It is not the purpose of the co-op to make money, but to render service to its members on a democratic basis.

POLICY MAKING:

It is widely maintained that policy in the cooperatives should be determined by the board of directors. In every cooperative the board hires the manager, sets the rates, supervises loans from REA, and receives a monthly report from the manager on the condition of the business, and meets all necessary legal requirements except those which must be fulfilled by the membership. Some boards approve the appointment of new employees, some examine monthly budgets before they are sent to the REA, some rely on operation reports, others leave them to the managers. Muller points out that:

REA has tried to define their functions, but in terms not closely related to specific problems,

either general or local.... Setting these practices against the types and background of directors can be seen the part the board plays in policy-making. While a few board members may be corrupt and many have drifted in partly because of local politics, because they liked to be on committees, most of them give the impression of sincerely believing in the cooperatives and being willing to work for their success. Although the boards are growing in knowledge and experience, they come from a group that is very busy; they have no consolidated idea; they have not had much experience; (as one REA man puts it) as to policies; they have not received much instruction as to exactly how they should function. What they take on themselves depends on their confidence in the manager .... Aside from some formal actions ordinary members take little part in cooperative policy-making. The character of the annual membership meetings, from the view point of policy-making is revealing. The attendance is frequently small-sometimes less than a quorum. Many cooperatives are being forced to abandon the rule that by-laws may be amended only by membership meetings.... It should be pointed out also that in some systems the members do not take part, even in meetings, on the same basis. In many the viewpoints of the poorer farmers are probably kept from expression more by their own reserve than by custom; in the south, Negroes are automatically excluded from equal, and frequently any participation in cooperative activities and policy-making. Yet members seem, in fact, to play an indirect role. Their influence is only negative--members do not take a positive part in policy-making.<sup>12</sup>

#### MEMBER AND MEMBERSHIP RELATIONS

The members as owners are the controlling body of the co-op. By their vote they can approve or disapprove policies. They have the right and duty to elect directors or trustees who are capable and public-spirited, and to see that they do their jobs. Members

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<sup>12</sup>Muller, op. cit., pp. 84-86.

should attend all meetings and vote in all matters which the members have a right to decide. By-laws usually give the members a right to remove at any time a director or officer who has not proven satisfactory.

Muller states that:

The attitudes of members toward their cooperatives reflect different conditions and different stages of development of rural areas of groups. Successful dairy farmers in a territory familiar with the cooperative and its relation to REA, while the wives of tenant-farmers in the hill counties may believe their current comes from a private company. Certain conditions, however, appear often enough to awaken the same reactions in many places. Membership response may be considered under four headings: understanding of the cooperatives affairs, interest in them, like or dislike of the cooperative, and actual participation in its work.<sup>13</sup>

It is believed that members cooperate in minor matters of a cooperative more so than they would if they were connected with a private company. Members would probably report outages and breaks in lines, members read their own meters and return meter cards. The work of adding members to lines, or of serving on committees, still falls upon a few people; and attendance at annual meetings is still small. Membership response still remain a major operating problem.

#### -TEXAS, INSURANCE AND PUBLICITY

The exact situation regarding co-op taxation will probably vary from state to state. In general, however, REA co-ops like

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<sup>13</sup>Ibid., p. 83.

other co-ops pay property taxes and a variety of other federal, state, and local tax, just as other businesses do. Rural electric co-ops which exist primarily to serve their members are not subject to federal income tax.

Bakken and Schaars in their book Economics of Cooperative Marketing, state that:

The Revenue Act of 1926 contained a provision (Section 231) which was a boom to cooperative associations. This provision exempted cooperative associations from the taxation of their net incomes. While it was held in theory that cooperative associations were non-profit, yet many tax collectors who examined their financial statements, and who were not particularly versed in the objectives and modes of operation of cooperatives, construed these associations as actually earning net incomes which were taxable. Consequently, a specific ruling by congress which would exempt cooperative organizations was necessary. Under the Internal Revenue Act of 1934, cooperative associations exempted from paying capital stock and excess profits taxes. Associations must communicate with the collector of internal revenue for the district in which the cooperative is located if exemption from the payment of capital stock, excess profits, and income taxes is desired.<sup>14</sup>

#### INSURANCE

Muller states that:

REA loan contracts and mortgages stipulate that borrowers must take out such insurance as the Administrator may require and that REA may, if necessary, buy to the insurance and charge to the borrower. REA systems are insured for \$1.50 to \$2.00 a mile, or about \$600.00 a year for a 350 mile system. Each system has about six policies

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<sup>14</sup>

H. H. Bakken, M. A. Schaars, The Economics of Cooperative Marketing, New York: McGraw-Hill Book Company, Inc, First Edition, 1937, pp. 289-290.

current; over 8,000 policies have been placed with contractors for all the systems... REA requires fidelity bonds, workmen's compensation, and public liability insurance before an allotment is made, an auto and property (fire and windstorm) insurance later on. Other types of insurance are approved if they seem necessary. There is no insurance on lines as the cost runs too high.<sup>15</sup>

#### PUBLICITY

It is believed that local publicity and information activities are important to an electric cooperative as a business enterprise; its cooperative character also obligates it to devote particular attention to keeping members informed. Each co-op is required to maintain an "REA" sign on construction and is expected to mark poles, trucks, and offices. REA has prepared much pamphlet and leaflet literature, sent free to systems to be distributed to members. Some systems have radio programs. REA publishes a summary of Rural Electrification activities called Rural Electrification News; and most all co-ops have their own house organs to keep members informed of the doings of the co-op.

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<sup>15</sup>Muller, op cit., p. 123.

### CHAPTER III

#### HISTORICAL BACKGROUND OF NAVARRO COUNTY

Navarro County was created from Robertson County in 1846 and organized the same year. Named in honor of Jose Antonio Navarro, Texas Patriot, and signer of Texas Declaration of Independence. Navarro County is located in north central Texas with rolling terrain of blackland prairies, with a small eastern part in the post oak belt. The county is divided by the trinity river which forms the northeast boundary.

Soils of Navarro county are largely black, waxy loam. Post oak, Pecan and Cedar are trees grown mostly for timber. Oil production is 614.067 bbls, gas, brick, clay. Navarro has a record of the largest continuous oil production of any county in Texas. There are lignite deposits.

Corsicana, with a population of 18,500, is the county seat, main retail, wholesale, shipping center with balanced income from oil, crops, and livestock. Industries include food products, steel fabrications, refrigeration, and air-conditioning equipment, textile mill, hatcheries, creameries, cottonseed oil mills, oil well supply, farm machinery, garment factories, compress oil refinery, poultry dressing plants and others. There are good hospitals, Navarro Junior College, Texas State Home and School for Orphans and I. O. O. F. Children's Home. Local market centers include Kerens, Dawson, Blooming Grove and Frost.

## DEVELOPMENT OF THE CO-OP

There are many different definitions for a co-op, but for the purpose of this writing, a co-op may be defined as "an organization by which people associate themselves together for the mutual advantage of all who participate in the service of the organization".

The Navarro county electric co-op was organized by local farmers, after the passage of the REA Act by congress in 1935, to make funds available by congress to build rural electric lines to serve farmers with electric power. Surveys were made by local farmers and requests for funds from the REA at 2% interest to be repaid over a period of 25 years from revenue derived from the sale of electric power.

The Navarro county electric co-op obtained its charter in June 1937. The first line was started in June 1938. When all interest and principal payments are made to the government and electric co-op will belong to the farmers. After operating expenses are met by the co-op, cash incomes will be returned to co-op members either in cash dividends or cheaper electric rates.

At the co-op's first meeting, officers were elected and directors appointed. The officers consist of a president, vice-president, secretary-treasurer. There are seven members on the board of directors who in turn appoint a manager. The present manager, Osie Cauble, has been serving in that capacity since the beginning of the co-op. Prior to being hired as manager of the co-op, Cauble was employed by the Texas Power and Light Company

(TP&L). Like in most co-ops the manager and his staff are the only paid officials. Directors hold a monthly meeting and they are paid travel to and from the meeting.

The Navarro County Co-op, like all co-ops, in trying to get established had rivalry. The TP&L had been serving the people of Navarro county for years with electric power, and it seemed as if they did not relish competition. Although the co-op was not out to make a profit off farm people, but to supply all farms and rural homes with electric power at a cheaper rate than TP&L was doing.

#### RATES CHARGED BY THE NAVARRO COUNTY ELECTRIC CO-OP

*25 Killowatt hrs.	Minimum \$2.54
Over 25 Killowatt hrs.	5¢ each
50 Killowatt hours	3¢ each
100 Killowatt hrs.	2¢ each
Over 200 Killowatt hrs.	1½¢ each

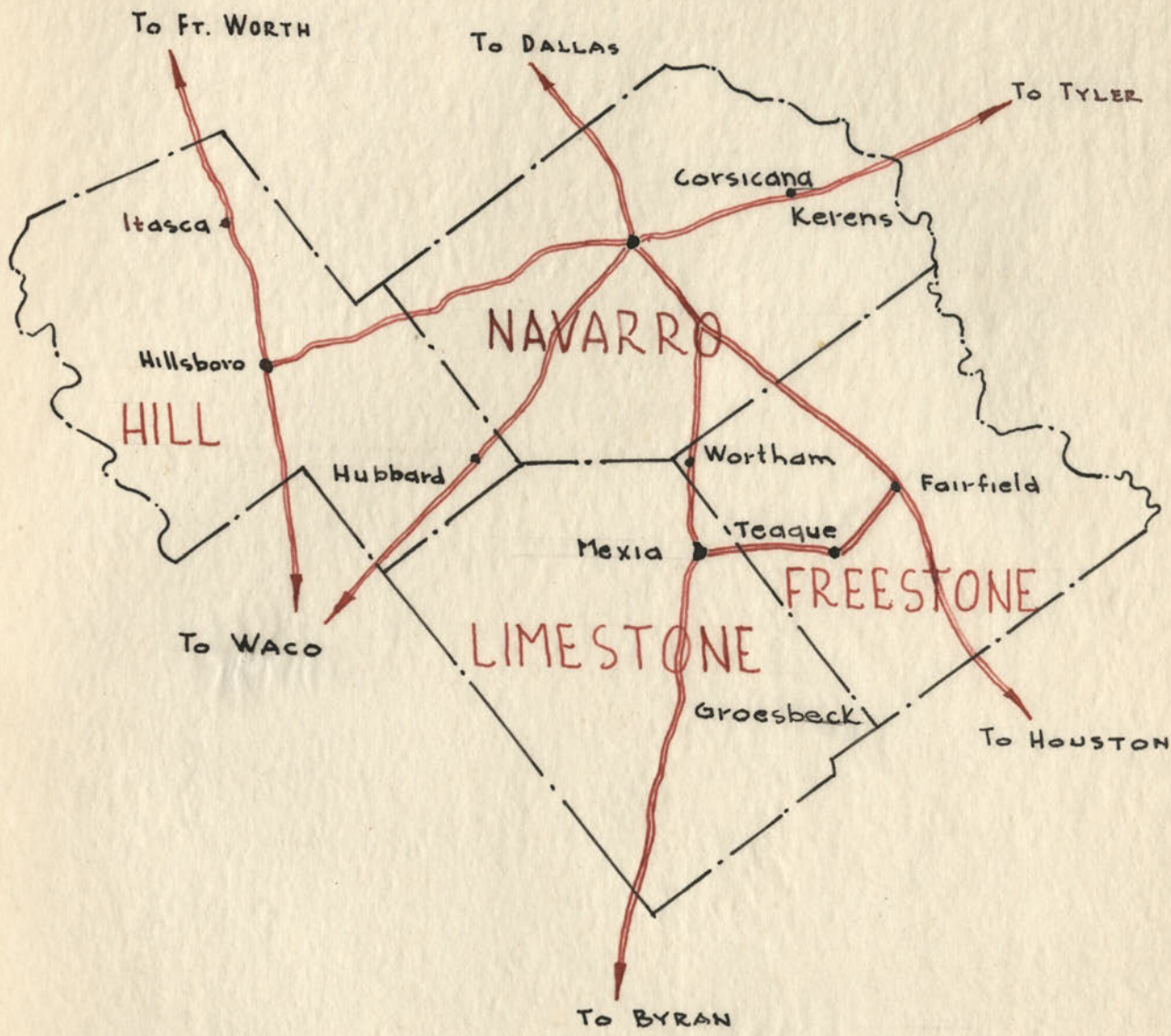
TP&L, realizing the benefit that farmers living in sparsely settled areas would get out of receiving lights at this rate from the co-op, agreed to sell power to the co-op at a reasonable rate until the co-op built an electrical manufacturing plant.

\*The Navarro county electric co-op does not only serve the people of Navarro county but portions of Ellis, Hill, Limestone and Freestone counties. All of these counties have electric co-ops, but they use what is called an imaginary boundary line running into each county, whenever a community is too scarcely populated and is

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\* See map on next page.





MAP SHOWING LOCATION OF FREESTONE, NAVARRO,  
 HILL & LIMESTONE COUNTIES BOUNDARY LINES

situated too far on the edge of the county, the county that borders it will go in and carry lights. This really conveys the spirit of cooperatives.

The total allocation for the Navarro County electric co-op was \$1,696,500 for construction. In December 1937, they borrowed their first money, the sum of \$125,000 and yet they have \$1,696,679.46 (as of December 1949) to be used. Every three months a payment is made to REA (no stipulated amount).

The Navarro County Electric Co-op, since its beginning, has steadily grown, as of December 1949 there were 23 paid employees consisting of seven office personnel, fifteen linesmen, and the manager. The Navarro County Electric Co-op, like all good cooperatives, is organized under and uses as a guide, the Rochdale principles which are often referred to as the democratic principles.

TABLE 2

## CO-OP GROWTH OVER A PERIOD OF TEN YEARS

YEARS	NO. MEMBERS	MILES OF LINE
1939	243	100
1940	1,257	572
1941	1,310	701
1942	1,350	710
1943	1,303	710
1944	1,533	723
1945	1,744	773
1946	1,185	883
1947	2,443	987
1948	3,138	1,177
Nov. 1949	3,358	1,207

Navarro County Electric Co-op (Annual Reports)

## PURPOSE AND POLICIES

The purpose of the Navarro County Electric Co-op is to render service to the rural, farm and non-farm population of Navarro County in the form of electric power at cheaper rates.

Policies of the co-op are set by the board of directors, which consist of seven men. These directors are elected at the annual meeting by the members. Their length of tenure is from 1 to 3 years usually, they are staggered to keep any board from being composed of all members. It has been found in some cases that board members have served as long as seven years.

## MEMBERS

To become a member of the co-op, a person must be living in a rural area where TP&L does not carry their lines. A five dollar membership fee is required to join which makes the member eligible to participate in the business affairs of the cooperative.

Annual membership meetings are held where all members are notified and invited to attend and have a voice in the affairs of the co-op. At one time the co-op used as (house organ) a newspaper that they published at a cost of ninety dollars per year. Because of the expense of publishing this newspaper, the co-op discontinued it and started sending their news to the state's cooperative monthly paper which is published in Austin monthly, titled Texas Co-op Power. This paper is sent to the co-op and it is distributed among the members.

On having a personal interview with the manager of the co-op, he disclosed that the co-op is successful, but members do not actually participate enough in the affairs of the co-op. The attendance at annual meetings is small, and members do not know enough in general about the organization. While talking with one co-op member, he was asked what was the manager's name. After deliberating for several seconds he remarked, "I see his name on my letters, but I can't call it". It is felt that this situation should be remedied; members should become better acquainted with their co-op.

\*Individuals who wish to become members of the co-op have to sign a Right-of-way Easement permitting the co-op to run a line across their place. This easement is filled out in duplicate copies, one copy becoming the property of the land-owner and the other the co-op.

Since the co-op is rendering public service, it may seem feasible that it should use the law of Eminent Domain to get a right of way across land owners land. But, this is not done, the co-op does not attempt to buy the land, when ever it runs a line it is agreed by the party and the co-op that they can run a line across their place. One member related an incident, where he wanted lights and his neighbor on the adjoining farm did not. So therefore, the co-op had to run its line about thirteen miles out of the way to get to his place, but later this same individual wanted lights.

# RIGHT-OF-WAY EASEMENT

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, whether one or more,.....

(unmarried)

(husband and wife)

for a good and valuable consideration, the receipt whereof is hereby acknowledged, does hereby grant unto **NAVARRO COUNTY ELECTRIC COOPERATIVE, Inc.**, a corporation, whose postoffice address is Corsicana, Texas, and to its successors or assigns, the right to enter upon the lands of the undersigned, situated in the County of ..... State of Texas, and more particularly described as follows:

A tract of land approximately ..... acres in.....

..... survey

located ..... miles ..... from the town of.....

and bounded by land owned by.....

and.....

and to place, construct, operate, repair, maintain, relocate and replace thereon and in or upon all streets, roads or highways abutting said lands an electric transmission or distribution line or system, and to cut down from time to time all dead, weak, leaning or dangerous trees that are tall enough to strike wires in falling.

The undersigned agree that all poles, wires and other facilities, including any main service entrance equipment, installed on the above described lands at the Cooperative's expense shall remain the property of the Cooperative, removable at the option of the Cooperative upon termination of service to or on said lands.

The undersigned covenants that he is the owner of the above described lands and that the said lands are free and clear of encumbrances and liens of whatsoever character except those held by the following persons:

IN WITNESS WHEREOF, the undersigned has set his hand and seal this ..... day of ..... 19.....

Signed, sealed and delivered in the presence of:

..... (L. S.)

..... (L. S.)

..... (L. S.)

..... (L. S.)

## STATE OF TEXAS

County of.....

Before me, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared....., known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed. Also on this day personally appeared before me.....

wife of the said....., known to me to be the person whose name is subscribed to the foregoing instrument, and having been examined by me privily and apart from her husband, and having the same fully explained to her, she, the said..... acknowledged such instrument to be her act and deed, and declared that she had willingly signed the same for the purposes and consideration therein expressed, and that she did not wish to retract it.

Given under my hand and seal of office this the..... day of....., A. D., 19.....

Location Number.....

**RIGHT-OF-WAY EASEMENT**

From

to

**NAVARRO COUNTY ELECTRIC  
COOPERATIVE, INC.**

Filed for record, this ..... day of .....

A. D., 19 ..... at ..... o'clock ..... M.

....., County Clerk

By ..... Deputy

Recorded in Vol. .... Page .....

Deed Records of ..... County, Texas

One cannot definitely say, why some farmers do not want lights in this new day and time. The questions may arise, are farmers ignorant? Have they been misinformed? Or are they just skeptical? The manager of the Navarro County Electric Co-op seems to be of the opinion that most farmers want lights, but are afraid. They give as their argument that electricity draws lightning, and faulty wiring will cause their houses to burn. Since the co-op has been organized, somewhere in the neighborhood of 150 houses have burned. Can not one be attributed to faulty wiring or electricity in general.

#### MEMBERSHIP CONTRACTS AND MEMBER RELATIONSHIP

The Navarro County Electric Co-op does not issue contracts to their members. A \$5.00 membership fee is required of all prospective members, when an individual pays the fee he gets a membership certificate. This certificate makes him a certified member. When a member moves to a different section, his \$5.00 is returned to him.

Some cooperative organizations issue contracts to their members, the literature seems to indicate that these organizations are not service organizations. Skar and Palmer in their book Business Law, states that: "A contract is an agreement between two or more competent persons that, for a given consideration, they will do or not do some lawful thing".<sup>16</sup>

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<sup>16</sup>R. O. Skar, B. W. Palmer, Business Law, New York, McGraw-Hill Book Company, Inc., 1948, p. 35.

\*See Membership Certificate Next Page.

# MEMBERSHIP CERTIFICATE

Nº 3501

## NAVARRO COUNTY ELECTRIC CO-OPERATIVE, INC.

A CO-OPERATIVE, NON-PROFIT, MEMBERSHIP CORPORATION INCORPORATED UNDER THE ELECTRIC CO-OPERATIVE CORPORATION ACT OF THE STATE OF TEXAS

This Certifies that Harvey Armstrong is a member of

NAVARRO COUNTY ELECTRIC CO-OPERATIVE, INC.

This certificate and the membership evidenced hereby are not transferable and such membership may be terminated as provided in the By-Laws of the Corporation. Upon termination of the membership of the holder hereof by death, cessation of existence, withdrawal or expulsion, this certificate shall thereupon be surrendered to the Corporation. Each member of the Corporation shall be entitled to one vote and no more at all meetings of the members of the Corporation.

This Certificate and the membership evidenced hereby are subject to all the terms, conditions and limitations contained in the Articles of the Incorporation and By-Laws of the Corporation and all amendments thereto and in the application of the holder hereof for membership in the Corporation.

IN WITNESS WHEREOF the Corporation has caused this certificate to be signed by its President and Secretary and its corporate seal

to be hereunto affixed this 12 day of December 1949

(Corporate Seal)

P. Hill  
PRESIDENT

Dannie L. Saunders  
SECRETARY



Members in the co-op are able to attend meetings, elect officers, and help plan the policies of the co-op. Any individual who desires to become a member and live in the rural area of Navarro County can do so. The co-op is organized so well that it is impossible for members to get by without paying their bills. Members pay their bills by coming to the co-op office or mailing them in. A self-reading meter card is sent each member every month, and the members read their own meters, in case the meters are not read and the cards are sent to the co-op office by the fifteenth of the month, the co-op sends the members an estimated light bill.

When ever a member does not pay his monthly light bill, his lights are not cut off, the clerk takes the money out of the \$5.00 that the member paid for his certificate. Probably the member has enough money left out of his membership fee to pay another month's bill, after then the lights will be cut off and the meter will be taken. In order for the individual to get his lights back again, he will have to pay \$2.00 to get his meter back again, he will also have to pay another \$5.00 for a membership fee.

#### SERVICE RENDERED AND FUTURE OUTLOOK

It is felt that the best method of determining the service rendered by the co-op in supplying electrical power is to give a representative opinion of those sampled in the study of the following: Mrs. X of Route 1, Powell, Texas, writes "I have been a member of Navarro County Electric Co-op for seven years. I am

a school teacher and I use to have to get up early in order to prepare breakfast for my husband and get an early start to school.

I heard about REA coming our way and was I delighted? We were one of the first to join. I have been pleased with my lights every since; we have lights on the front and back porch, chicken house, barn, and even in our outdoor toilet. I don't have to get up in the morning so early now. We have an electric range, and an electric toaster and it does not take me very long to prepare meals now.

Mrs. Y of Kerens, writes, "My home is in Kerens, I live fourteen miles from town. The only lights we were accustomed to were kerosene lamps. I was really glad when REA came along. There is no one in the family but my husband and me and we have an electric radio, refrigerator, iron, toaster, and churn. My husband is planning to get a milking machine. We milk four cows. REA made homework much easier."

Mr. Z writes, I am a minister. I have three daughters. Two are away in college and one is a junior in high school, but we are all at home together in the summer. We have had lights 8 years and we all enjoy them. We enjoy all the luxuries that city folks do. Frankly, I think I like it better out here, we do not have much noise.

I never shall forget when our electricity was first turned on. My greatest thrill came that morning when I hooked up my new electric razor that my brother in San Antonio sent me. And mother is getting lazy, she does not even have to churn anymore; she just sticks in a plug and then her churning is done. We also have a new television set that my congregation gave me for Christmas. I really wish we could pick up any station. I am 58 years old and have not seen a world series game. I would really like to see Joe Dimaggio hit a home run.

You have just read three members' opinion of the REA and their appreciation for the service they have rendered.

#### FUTURE OUTLOOK

It is felt that the reason for the urban movement was because young people did not have a convenient way to travel; and that living conditions in the home were not conducive to young life. REA attempted to solve this problem by bringing electric power to the farm. This situation is being remedied also. It is believed that someday the farm will be the ideal place to live.

Little imagination is required to see, first, that this technological revolution on the farm is only the beginning; and second, that it has tremendous appeal and opportunities not only for the present generation, but also for youth who will be the rural citizens of tomorrow. Today, most farm products are produced

far from the market. With a more rational and intensive application of power principle, much primary processing will be done near, where the products are grown, either on the farm, or in rural communities. Youth will learn new skills, and new job opportunities will open up a few miles from home or at home itself. The evidence seems to indicate the rural communities in many cases have already been virtually transformed by the coming of light and power. Schools, churches, and community buildings have been made vastly more attractive and inviting. Hospitals and other health facilities have been expanded in some neighborhoods, and the possibilities in this direction are great. With a bill recently passed for rural telephones, a better job, more vital, more secure community results when electricity enters the picture, ---a community which holds its people because they want to live there.

## SUMMARY

The year 1935 seems to have marked the beginning of a new era for farm people. Funds to promote rural electrification under Government auspices were included in the Emergency Appropriation Act of that year; created the Rural Electrification Administration. The nation's farms needed power and the nation's workers needed jobs. Thus, REA was born.

It was seen rather quickly that rural electrification was a big job that could be done only over an extended period. Congress passed the Rural Electrification Act of 1936, setting up a long-term development program. Much credit for the successful passage of this bill has been given to Senator Albert Norris of Nebraska, who took the leadership, and became known along with Senator Rankin of Mississippi as the Father of the program.

REA's purpose was to take electricity to as many farms as possible in the shortest possible time, and to have it used in quantities sufficient to affect rural life. Thus, REA cooperatives were born. States and counties began to develop cooperatives. These cooperatives advocated: non-profit service; consumers will own system when paid for; local ownership; no absentee stockholders; no down payment to get service; no personal liability; and democratic control.

The Navarro County Electric Co-op was organized after this pattern, and promised to supply the rural farm and non-farm population with electric power. As a young striving organization, they have acquired 3,358 members and strung 1,207 miles of line in a period of ten years. It is their desire to electrify all farm and non-farm rural homes in Navarro County.

It is firmly believed that by electrification of farm homes, chores will be made easier, living standards will be increased, and farm people will be able to enjoy all of the luxuries of finer living that city people enjoy.

## CONCLUSION

Since the technological advantages have gone to the farm, it is easy to see that better living conditions will prevail. Before REA the farm wife usually worked in the field along with her husband weekdays and washed on Saturday when she was not working in the field. Since the arrival of REA some house wives living in rural areas have washing machines, and it does not take them long to do their washing. So therefore, on Saturday they go to town with their husbands.

It is believed that in REA there are still jobs to be done, and jobs to be created. Electrification of the remaining half of the nation's farms and the rest of its rural areas now without service is a vital part of the program for a secure America. Rural Electrification means jobs for thousands of Americans, in addition to the farm people themselves. The mere bringing of electric service to the remaining farms and other rural establishments in the nation is a construction task of tremendous proportion. It will take a good many man hours to do this and many workers will be needed.

It is believed that since technological developments have come to the rural areas, others will continue to come. It is firmly believed that it will be impossible for any one to come to a definite conclusion as to the extent these technological developments will come.

Mr. Poage of Texas recently introduced a bill in the House of Representatives, Bill 2960, to amend the Rural Electrification Act to provide for rural telephones and other purposes. As yet these other purposes are not clearly defined. They may bring some other technological developments along to the farm with rural telephones.

It is felt that one cannot successfully predict the future outcome, or the role electricity will finally play in making rural areas conducive to good living. It is believed that when rural areas become electrified, new factories will open, seasonal job opportunities will develop, and everything will be modernized.

It can be readily seen that for years our cities have had electric power in abundance. They have made sweeping technological advances. Our rural areas have lagged behind. There is no reason for the lag, once the steps ahead can be taken.



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APPENDIX A  
CORRESPONDENCE

Prairie View A & M College  
Prairie View, Texas

February 16, 1950

Dear REA Member:

I am attempting to write a thesis, and am using your Co-op as an essential part of it. Your Co-op manager gave me your name as one of the most promising members of the organization. Enclosed you will find a "Questionnaire" form, that I am hoping you will fill out and return to the address at the bottom of this page.

It is not necessary for you to sign your name to the questionnaire, since I will refer to you in my problem as Mr. X or Mrs. Y.

Your cooperation in this matter will be appreciated highly.

Very truly yours,

Grant T. Hallmon

Mail to:

Grant T. Hallmon  
Prairie View A & M College  
Prairie View, Texas

APPENDIX B  
QUESTIONNAIRE

QUESTIONNAIRE

Date \_\_\_\_\_

1. Home Address \_\_\_\_\_
2. Age \_\_\_\_\_ Sex \_\_\_\_\_ Occupation \_\_\_\_\_  
(a) (Check one) Married? \_\_\_\_\_ Unmarried? \_\_\_\_\_
3. No. of members in Family if Married? \_\_\_\_\_
4. How long have you been a member of REA? \_\_\_\_\_  
(in years)
5. Do you attend meetings? \_\_\_\_\_, Do you attend  
(yes or no) regularly? \_\_\_\_\_  
(yes or no)
6. If so, do you get any benefit out of the meetings? \_\_\_\_\_  
(yes or no)
7. What kind of lighting system was you using before REA? \_\_\_\_\_  
\_\_\_\_\_  
(kerosene lamp or Delco)
8. Has electricity made your farm chores easier? \_\_\_\_\_  
(yes or no)
9. Do most of your neighbors have lights? \_\_\_\_\_  
(yes or no)
10. Have your home ever caught fire because of faulty wiring?  
\_\_\_\_\_  
(yes or no)
11. List the electrical devices that you have in your rural home  
that is usually found in city homes.  
1. \_\_\_\_\_ 4. \_\_\_\_\_ 7. \_\_\_\_\_  
2. \_\_\_\_\_ 5. \_\_\_\_\_ 8. \_\_\_\_\_  
3. \_\_\_\_\_ 6. \_\_\_\_\_ 9. \_\_\_\_\_
12. Do you have indoor toilet facilities? \_\_\_\_\_ if not,  
(yes or no) is there a light in your outdoor facilities? \_\_\_\_\_  
(yes or no)
13. Do your barn, tool shed, etc. have lights in them? \_\_\_\_\_  
(yes or no)
14. Give in your own words the service REA has rendered you, list  
the ways electricity has made your jobs around the home easier,  
and give your personal feeling toward REA.

APPENDIX C

RURAL ELECTRIFICATION ADMINISTRATION  
(Special Release)







## UNELECTRIFIED FARM SURVEY DATA AND ALLOTMENT OF LOAN FUNDS

State	Number of Farms Electrified	Percent of Farms Electrified	Number Farms Unelectrified	Allotment of Fiscal 1950 Loan Funds *
U. S. TOTAL	4,582,016	78.2	1,277,153	\$175,000,000
Alabama	174,080	77.9	49,289	6,753,752
Arizona	10,965	83.4	2,177	298,300
Arkansas	137,140	69.0	61,629	8,444,622
California	131,870	94.9	7,047	965,605
Colorado	42,957	90.2	4,661	638,667
Connecticut	22,130	99.5	111	15,210
Delaware	8,857	95.3	439	60,153
Florida	46,769	76.5	14,390	1,971,768
Georgia	193,449	85.6	32,448	4,446,139
Idaho	40,501	97.6	997	136,612
Illinois	189,336	92.7	14,903	2,042,062
Indiana	172,795	98.2	3,175	435,050
Iowa	180,043	86.2	28,891	3,958,747
Kansas	86,557	61.3	54,635	7,486,280
Kentucky	154,130	64.6	84,371	11,560,811
Louisiana	92,337	71.4	36,958	5,064,115
Maine	32,917	78.0	9,267	1,269,797
Maryland	38,753	93.8	2,562	351,054
Massachusetts	35,520	96.0	1,487	203,754
Michigan	170,081	97.0	5,187	710,741
Minnesota	149,500	79.1	39,452	5,405,852
Mississippi	129,473	49.1	134,055	18,368,688
Missouri	148,523	61.1	94,411	12,936,528
Montana	23,462	62.2	14,285	1,957,381
Nebraska	60,917	54.5	50,839	6,966,139
Nevada	2,164	63.1	1,265	173,335
New Hampshire	17,794	94.7	992	135,927
New Jersey	25,684	97.9	542	74,267
New Mexico	15,561	52.4	14,134	1,936,690
New York	141,473	94.6	8,017	1,098,518
North Carolina	240,209	83.6	47,203	6,467,921
North Dakota	25,334	36.4	44,186	6,054,521
Ohio	219,227	99.4	1,348	184,708
Oklahoma	92,288	56.0	72,502	9,934,479
Oregon	62,705	99.3	420	57,550
Pennsylvania	160,583	93.5	11,178	1,531,649
Rhode Island	3,516	97.6	87	11,921
South Carolina	116,087	78.6	31,658	4,337,891
South Dakota	26,613	38.7	42,092	5,767,594
Tennessee	154,233	65.8	80,198	10,989,012
Texas	301,746	78.4	83,231	11,404,605
Utah	21,279	80.8	5,043	691,010
Vermont	22,076	83.3	4,414	604,822
Virginia	146,617	84.7	26,434	3,622,080
Washington	77,146	96.6	2,741	375,581
West Virginia	65,516	67.1	32,084	4,396,263
Wisconsin	162,802	91.6	14,943	2,047,542
Wyoming	8,301	63.5	4,775	654,287

\* NOTE: Under the REAct one-half of the total loan funds authorized for a single fiscal year must be earmarked by States. Thus, only \$175,000,000 of REA loan funds for the 1950 fiscal year is earmarked. The remainder may be lent at the discretion of the Administrator provided not more than 10 percent is lent in one State.