Local Governments across Rural America: Status, Challenges and Positioning for the Future

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Local governments are an important but frequently overlooked component of rural development. Conventionally, rural development has tended to be viewed as a private-sector endeavor, spurred by incoming new businesses and led by groups such as chambers of commerce and real estate interests. This conventional portrayal has led to a unidimensional view that business development and community development are one and the same. Yet business growth alone cannot improve the lives of all people in a community. Further, such a view underestimates the scaffolding needed for economic development as seen in local infrastructure, land-use planning, an educated and healthy labor force, and quality public services. This is where local governments come in. They make a difference by addressing the needs of all residents and providing the support for the community's future.

In some sense, communities are only as strong as their local governments; their fortunes are intertwined. We know quite a bit about the social and economic conditions of communities. But there is far less information available about local governments, particularly in rural areas. This information is critical because profound changes have occurred that affect how well local governments can promote sustainable forms of development and provide quality public services to all residents, especially those in need.

Local governments have faced dramatic changes to their operating environments from a variety of external forces. These include the protracted recovery from the Great Recession and now the COVID-19 downturn, ongoing devolution from state and federal governments, and more-recent pressures from state governments that affect local policy and budgets. Local governments have been called upon to do more with less or without marked funding increases. Yet the need for public services has grown in the wake of national economic distress, climate-related events and social distress such as from the opioid crisis. These changes signal a "new normal" operating environment. They call for creative responses from local governments and place-based policies that are tailored to specific local conditions and population needs.

To what degree are rural local governments up to the challenges of dealing with the new normal? In this chapter, we take stock of the status of local governments across the nation and how they are coping. We focus on county governments. Counties cover both small, rural communities and large, urban areas. They are the major local governments for rural America because they cover unincorporated places and often provide services that rural towns and municipalities do not. Counties' roles in providing services have also expanded over time in both urban and rural areas because of population growth, devolution from state and federal governments, and other factors.

Today's County Governments

Relatively little is known about how rural local governments are coping with the challenges they face because public sources of such information are limited. For example, the U.S. Census of Governments does not cover the range of factors (noted above) that can influence local economic prosperity and well-being. To obtain such information, we followed an established approach of surveying government officials. The survey method is used when researchers need to collect information for large numbers of local governments. Our survey methodology is more fully explained in a recent article by Linda Lobao and Paige Kelly.[1] In brief, questionnaires were mailed in late spring 2018 through early winter 2019 to 3,052 counties in the 46 contiguous states that have functioning county governments. The official selected to receive the questionnaire was identified by the National Association of Counties in consultation with the researchers. There were 1,097 responding counties, a 36% response rate. Seventy percent of responding officials were county commissioners or county managers/executives, and the remainder were other top administrators. On average, officials had served in their county governments for 14 years.

We report the results for three categories of counties: *metropolitan counties* contain or are located within a region that has a large urban core; *adjacent rural counties* are nonmetropolitan counties located next to metropolitan counties; and *remote rural counties* are nonmetropolitan counties that are not adjacent to metropolitan counties and that have relatively small or no urban populations.[2] This three-tier classification is often used by rural researchers because it highlights meaningful differences in a parsimonious manner. Rural America is not homogeneous, and this classification allows for some gradation. For example, poverty rates historically have been highest in remote (nonadjacent) rural counties. Sixty-one percent of the responding counties are nonmetropolitan: 27% (300) are remote rural, and 34% (368) are adjacent rural. The remaining 39% (429) are metropolitan. The proportion of responding counties is similar to the national share of all counties. It is rare to have such good representation of rural local governments in a national survey.

How Level Is the Playing Field? Challenges Faced by Rural and Urban Governments

By looking at both rural and urban counties, we can see the level of the playing field between local governments. Analysts have long noted that rural places tend to be at a disadvantage. This is usually attributed to factors such as smaller population size; poorer quality economic structure; an older, less affluent and less educated population; lower population density; and overall poorer tax base. As a result, rural county governments tend to face greater barriers to improving economic prosperity and population well-being.

Governmental capacity—the administrative, fiscal and other resources needed to get things done—varies a great deal between rural and urban counties. In general, a gradation exists where remote rural counties have the least capacity, followed by adjacent rural counties. Remote rural counties have much smaller governments, with a median of 84 employees, compared to adjacent rural (136 employees) and metro (460 employees) counties. They are less likely to have grant writers and economic development professionals on staff that could help them to better compete for external funds. Only 26% of remote rural counties and 35% of adjacent rural counties have an economic development professional on staff, compared to over half of metro counties. Twenty-four percent of remote rural counties and 27% of adjacent rural counties have a land-use planner on staff, compared to over half of the metro counties. Rural county administrators tend to have less-formal education and are often overburdened because of lack of staff. Only 77% of remote rural county governments have a website, compared to 93% of metro counties and 86% of adjacent rural counties.

Governmental capacity depends upon fiscal health, and this has become a problem for most counties. Fifty-two percent of responding officials report that their governments experience "moderate" or "significant" levels of fiscal stress. Yet fiscal health also follows a gradation. Remote rural counties fare worst: 43% of metro, 57% of adjacent rural and 59% of remote rural counties report "moderate or significant" levels of fiscal stress.

What are the sources of counties' fiscal problems? In terms of revenues, the most frequently mentioned source of strain was state government. Eighty-four percent of counties reported that the loss of state revenue was a "somewhat important" or "very important" problem for their finances over the past three years. Reported loss of state revenue was widespread, with no statistically significant rural-urban differences. With regard to federal revenue, however, rural counties were more likely than urban counties to report the loss of federal revenue as an important problem (77% versus 73%, respectively). A declining tax base was another major revenue challenge. This was much more frequently reported by rural counties: 73% of remote rural and 68% of adjacent rural counties rated tax-base decline as important, compared to under half of metro counties.

In addition to revenue losses, counties are stressed by the need to cover the costs of operations and services. Counties face cost pressures in numerous areas, and our survey captures only some of these pressures. Almost all (95%) counties reported that covering the costs of employees' health insurance was a "somewhat" or "very important" problem for their finances, with no statistically significant rural-urban differences. Covering mandated costs from federal or state governments was reported to be an important problem for 89% of metro and adjacent rural counties and 84% of remote rural counties. The costs of employee pensions were another important problem, reported by 79% of all counties, with no significant rural-urban differences. About 70% of counties reported that substance abuse services were important to finances, with no significant rural-urban differences. Covering the costs of natural disasters loomed highest for remote rural counties: 64% reported this was an important problem as compared to about 55% for both adjacent rural and metro counties. Only about one-quarter of counties reported that the costs of immigrant populations had an important effect on finances, with no statistically significant urban-rural differences.

Promoting Community Well-Being: Economic Development, Public Services and Land-Use Policies

Despite challenges due to capacity, resources and rising costs, county governments make important efforts to improve local economic development and provide public services.

Local economic development activities are often classified into two general types: traditional, competitive development activities such as external business attraction (e.g., tax abatements, state/international travel to recruit businesses, and national advertising) and alternative strategies aimed at local entrepreneurship, small-business development and worker training. While it might be thought that traditional, competitive development activities are used to the exclusion of alternative strategies, or vice versa, the most-active counties today use a mix of the two strategies.

Although remote rural counties have greater need for economic development, as shown by their concern with tax base decline, they are significantly less likely than other counties to employ traditional as well as alternative development strategies—the latter of which are best suited to creating more locally sustainable businesses. These rural-urban differences are further reflected in budget allocations and staff, with only 52% of remote rural counties budgeting for small-business development, compared to 61% of adjacent rural and 65% of metro counties. Arts-based community development—sometimes termed "creative place-making programs"—has been increasingly advocated for rural areas. However, only 18% of remote rural counties and 26% of adjacent rural counties have such programs in place, compared to 34% of metro counties. Yet rural counties are likely to have greater need for such programs because they tend to have overall poorer economic conditions.

Turning to public services, we examined 26 services that counties provide. The most ubiquitous service offered is law enforcement, provided by 94% of all counties. Close to 90% of all counties also provide 911 emergency service, jails and correctional facilities, courts and road maintenance. For 13 of the 26 public services in the survey, there were statistically significant differences across the three county categories, with rural counties providing fewer services than metro counties, and remote rural counties providing fewer services than adjacent rural counties. Some of these differences are in programs that directly affect the health and well-being of the workforce.

For example, mental health programs are provided by 40% of remote rural counties, as compared to 48% of adjacent rural and 54% of metro counties; nutrition programs are provided by 31% of remote rural counties and by 35% of adjacent rural and 44% of metro counties; and drug-alcohol programs are provided by 22% of remote rural counties and by 29% of adjacent rural and 34% of metro counties.

Finally, land-use planning is important to guiding future local development. We asked county officials whether their counties had enacted any of 14 different land-use policies. There was a clear rural-urban gradation in all these policies. For example, 37% of remote rural counties, 45% of adjacent rural counties and 66% of metro counties have comprehensive land-use planning. Zoning policies have been enacted by 40% of remote rural, 44% of adjacent rural and 63% of metro counties. Capital improvement planning is used by 21% of remote rural, 31% of adjacent rural and 53% of metro counties.

Local Governments and Future Rural Community Development

Local governments are, in many respects, the unsung heroes behind rural development, providing the scaffolding for the future of rural communities in the U.S. The picture that emerges from our research is that local governments across the board are working hard to deliver public services and foster economic development, despite the many barriers they face. For almost all the public service and economic development efforts discussed above, county officials indicated that their activities in these areas had increased rather than decreased in recent years. Local government officials are savvy in recognizing the different ways in which services can be delivered. They collaborate with other local governments and with nongovernmental and private-sector partners to deliver services where this is feasible. Remote rural counties engage in somewhat less collaboration, and we have found in our previous research that they use less outsourcing, likely due to a lack of interested private firms because those firms find service delivery in rural areas less profitable. Overall, our research suggests that local governments are doing all they can given their current resource capacity.

The challenges faced by local governments described above will set the course for future rural development. Most of these challenges are not of local governments' own making but rather are systemic in character—they are not constrained by county borders and affect localities across the nation. First, it is important to point out that local governments have long experienced fiscal pressures, what some see as continual austerity, particularly from the 1980s onward. Underfunded, they do their best to provide services. They also must balance budgets and respond to often unfunded/underfunded mandates that arise from federal and state governments (e.g., seen in some requirements for Medicaid, the Clean Water Act and the Clean Air Act, and various state mandates such as support for indigent health care and legal defense).[3] Local governments are perpetually being asked to do more with less.

This long-term trend toward fiscal stress is exacerbated by more-recent challenges from the new-normal operating environment. Counties are faced with rising costs due to community social and economic distress and climate change. Rural counties are likely to be particularly at a disadvantage in addressing such growing needs in the future owing to their weaker tax bases.

Another issue that will affect counties' future service and development efforts is their state government. States too often push down their own fiscal problems to local governments, allowing them to avoid raising taxes. As our survey data show, revenue cuts from the state are the most frequently identified source of revenue loss for counties. Worse, some states restrict or preempt county efforts to protect their populations from potentially unsustainable forms of development, such as shale-gas extraction, and tie counties' hands from raising revenues and enacting policies that help workers and the poor. About 73% of all counties report that their states have restricted them to some degree in their recent efforts to raise local revenue. Another 69% report their states have affected their ability to control recent local expenditures, with a similar share reporting that states have restricted their ability to make local policy. Adjacent rural and metro counties report being hampered by state governments' actions more than remote rural counties do (which in general have more bare-boned governments to begin with).

As the fates of local governments and their communities are intertwined, it is important to consider how to improve local governments' future effectiveness. The trick is to realize what can be done at the local level and what needs broader systemic intervention. Our research points to the importance of initiatives that are already being undertaken by localities, such as the following: collaborating with other local governments and nongovernmental organizations; developing public-private partnerships, though these need to be carefully monitored; retaining and expanding small, local businesses; and supporting workers and families. For rural communities particularly, reducing the administrative burden of serving in local office and increasing avenues for leadership development would be important. These types of local initiatives have long been the staple of many community development efforts.

Our research shows, however, that local governments' hands are tied strongly by external, systemic forces, such as the national economy and the actions of state and federal governments. As analysts have long noted, federal engagement with rural areas has historically come in the form of farm policy, when a concerted rural development effort aimed broadly at communities and rural people is needed. As state governments have consigned their own distress to local governments, the need for federal policy has increased. Local governments were coping with fiscal stress before the pandemic, and without additional federal support, the future is likely to be an environment of austerity. The nation's communities and their local governments deserve better.

References

Lobao, Linda; and Kelly, Paige. "Local Governments across the Rural-Urban Continuum: Findings from a Recent National County Government Study." *State and Local Government Review*, 2019, Vol. 51, No. 4, pp. 223-32. See journals.sagepub.com/doi/10.1177/0160323X20922287.

U.S. House of Representatives. "Unfunded Mandates: Examining Federally Imposed Burdens on State and Local Government." Hearing before the Subcommittee on Intergovernmental Affairs of the Committee on Oversight and Government Reform, One Hundred Fifteenth Congress, First Session, April 26, 2017. See govinfo.gov/content/pkg/CHRG-115hhrg26556/pdf/CHRG-115hhrg26556.pdf.

Endnotes

1 See Lobao and Kelly.

2 Counties are categorized using the Rural-Urban Continuum Codes prepared by the U.S. Department of Agriculture's Economic Research Service. Metropolitan counties include rural-urban continuum codes 1-3. Adjacent rural counties include codes 4, 6 and 8. (Adjacency is determined by physical boundary adjacency and commuting flows.) Remote rural counties include codes 5, 7 and 9. Most differences among the three categories of counties denoted are statistically significant. See ers.usda.gov/data-products/rural-urban-continuum-codes.

3 See U.S. House of Representatives.