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Foreword

MICHELLE W. BOWMAN
Governor
Board of Governors of the Federal Reserve System

JAMES BULLARD
President and Chief Executive Officer
Federal Reserve Bank of St. Louis

The Federal Reserve has long played an important role in ensuring that communities—including rural, low- to moderate-income and minority communities—have the information they need to make the best possible decisions for their economic futures. Collaborating with industry and academic experts, conversing with community groups, and gathering and disseminating information are some of the ways that the Federal Reserve promotes a healthy economy for communities and financial stability for households across the United States.

We created this book to bring together community and economic development researchers, practitioners, philanthropists and others to showcase the great work happening across this country and to outline a framework for conducting community and economic development that, if applied, can help more communities achieve shared economic prosperity. Our goal for this book is to help inform rural development stakeholders how initiatives at the local, state and federal level can support the achievement of broad-based, long-term economic opportunity in rural communities, especially historically challenged areas. Rural areas face a unique set of challenges, but their contributions to our nation’s economy are also important and provide incentive for developing a better understanding of how to create better opportunities for rural households, businesses and communities.

Prior to the COVID-19 pandemic, the economic fortunes of different regions of the United States seemed to be diverging. As you will read in this book, rural areas as a whole were experiencing significant headwinds
across several key economic and demographic indicators, such as population growth, job growth and new business starts. Although some of these concerns persist, rural areas were less impacted by the pandemic in certain ways; for instance, unemployment rates did not increase as sharply following the outbreak of the coronavirus and recovered more quickly than in urban areas. Rural areas also may have benefited from expansion of public services during the recovery, such as the increased focus on broadband due to school closures and remote work.

Rural communities are an integral part of our national economy, security and identity. A large share of the land area in the United States is rural; and depending on your definition, around 45 million people—about 14% of the U.S. population—live in rural America. Furthermore, without the critical contributions of rural communities, many aspects of suburban and urban economies and ways of life would not be possible.

Rural communities also play a key role in food production and environmental services. Due in large part to agricultural production in rural areas, the United States has one of the world’s safest and most secure food supplies. Alongside food production, rural communities also provide a disproportionate share of the fuel and fiber that keep our country operational and the members of our armed forces who serve to keep us safe and defend our nation. Most of our country’s renewable resources and new energy infrastructure are located in rural areas, highlighting how our nation’s rural communities are partners in ensuring resiliency today and tomorrow.

So, the question before us is: How can people realize their greatest potential no matter where they choose to live? The authors did not disappoint, and throughout the book there are key lessons and insights to be gleaned; we will highlight just a few.

**Rural America Is Not a Monolith**

Several chapters in this book explore how the overall demographic and economic trends mentioned at the beginning of this foreword mask significant differences community by community. Some rural communities saw exponential growth between 2010 and 2019, while others saw their populations and economies hollow out, and still others continued their
long struggle to provide economic opportunity for their residents. Indeed, the vast majority of communities that have persistently struggled with high levels of poverty are rural communities, especially rural communities that are predominantly socially disadvantaged or underserved. Even so, many of the stories highlighted throughout the book show that, no matter how a community is currently faring, all places have assets they can build upon to improve their outcomes when sufficiently armed with knowledge and resources.

**There Is a “TRIC” to Fostering Shared Economic Prosperity**

While every community may have assets to build on, several chapters note that simply having assets is not a sufficient condition for shared economic prosperity. The editors of this volume, Daniel Paul Davis from the Federal Reserve Bank of St. Louis and Andrew Dumont from the Board of Governors of the Federal Reserve System, outline in their chapter a framework for how rural communities can convert the mere presence of assets into economic prosperity that is felt by the whole community. They propose that doing so requires implementing a development strategy that is tailored to the local context and resilient to anticipated and unanticipated short-term shocks and to long-term structural shifts; is intentionally inclusive of all members of the community; and is designed and carried out through a collaborative process that includes stakeholders from different sectors and from across the region.

**Rural Communities Are Innovative and Have Important Lessons to Teach**

Many of the book's chapters highlight what the approach just outlined looks like in practice, and what rural communities can achieve when they take such an approach. Whether they detail efforts to expand access to opportunities in the digital economy, advance environmental and wealth creation goals through forest-based industries, or increase Black and Native American entrepreneurship through capital access and business assistance, the chapters throughout this book showcase the important work taking place in rural communities across the country, and offer useful lessons for community and economic development stakeholders working anywhere.
There Is a Bright Future Ahead for Rural America ...
If We Take the Steps to Get There

The one commonality that connects all the stories in the book is that no one is doing this work alone. The public, private, nonprofit and philanthropic sectors all have a role to play and must work together to support rural communities as they seek to move forward. Many of the chapters make recommendations for what those roles should be for these different stakeholders and what actions they can take to improve our collective likelihood of fostering shared economic prosperity in rural America.

At the Federal Reserve, we are committed to continuing to serve this vital role through the publication of resources like this book, as well as by bringing people together to discuss common opportunities and strategies. In so doing, we aim to do our part to advance shared economic prosperity across rural America.
Section 1

Rural America: Important Context
Megatrends and Implications for Rural Development Policy

JOSE ENRIQUE GARCILAZO
Head, Regional and Rural Unit
Organization for Economic Cooperation and Development
The COVID-19 pandemic has made it clear—even if it was true before—that policies based on restoring the past will not succeed. Too often rural policy has been framed in the context of restoring a world that once was. But coal is not coming back; cut-and-sew textiles are not coming back; a small-town retail sector based on family-owned stores is not coming back; small, community-owned, rural hospitals offering a full spectrum of services are not coming back; nor are many of the ways that people earned their incomes even 10 years ago. While devising a national rural policy is clearly a challenge for the United States, as it is for other Organization for Economic Cooperation and Development (OECD) countries, the only hope for success is to make it forward-looking, so it can help position rural communities, people and firms for future challenges and opportunities. Several megatrends, such as digitalization, globalization, demographic change and climate change, are shaping challenges and opportunities in rural regions.

Recent work by the OECD can help to identify the broad environment in which discussion about a national U.S. rural policy can take place. This chapter provides an overview of rural opportunities and challenges in the 21st century and policy responses for rural regions.

**Rural Regions Have Distinct Features**

Rural regions share a number of common features and characteristics that shape their development opportunities, business environment and quality of life for residents in ways different from more densely populated metropolitan areas. Policymakers need to understand these differences and tailor policy responses accordingly. A main distinction between the two is the lack of economies of agglomeration in rural regions. The economics literature over the past several decades explains why people and firms tend to cluster in common geographies and shows that over time these places further attract and concentrate more people and firms. Simply put, people like to locate close to firms where more job diversity and opportunities are present,
and in turn, firms like to locate close to consumer markets. This symbiotic relationship gives rise to scale effects and increasing returns to scale, leading to more jobs and higher living standards. It is estimated that, all things equal, doubling the population size of cities would yield productivity gains between 2% and 5%. Indeed, the evidence confirms higher levels of average gross domestic product per capita (GDP pc) and productivity in cities. Densely populated areas, however, must also mitigate a number of associated costs that emerge in agglomerations, including congestion, pollution, noise and higher inequality, among others.

A common feature of rural regions is that they lack the agglomeration benefits and consequently dense internal markets. Hence, they face higher transportation costs to take their goods or services into larger markets elsewhere. Services produced for rural regions in turn must rely on a much smaller market base, and therefore performance highly depends on tradable activities. Rural regions also face higher marginal costs to deliver essential public goods and services, notably education and health. Despite these differences, rural regions have numerous unique assets ranging from natural resources, renewable energy and natural amenities, to unique cultures and histories. When well-managed, these assets can develop a dynamic and competitive business ecosystem. Effective policy response will need to understand and leverage these unique features to make the most of the opportunities that are present in rural regions.

Despite the distinct opportunities and challenges present in rural regions, urban and rural places are both being shaped by various megatrends. These megatrends are broader external structural forces that are shaping and transforming our economies and societies in fundamental ways, notably regarding globalization, digitalization, demographic change and climate change. If they are to have any hope of success, rural policies must consider the effects of these megatrends.

Globalization, Global Value Chains and Growing Gaps

Much has been written about globalization going back to the development of the Silk Road, migration of Europeans to the Americas, and travel and trade patterns by the Vikings during early days. More recently, rural regions have been affected by globalization via the delocalization of
production factors and the emergence of global value chains, in which labor inputs have shifted from developed to emerging economies, driven by international competition. This megatrend has especially affected manufacturing and tradable activities, which have had an especially large impact on many rural regions. In addition, rural regions tend to be more vulnerable to economic shocks, such as the one experienced during the 2008 global financial crisis, because of their less-diversified economic base when compared to that of large cities.

As a result, it is no surprise that since 2008 there has been a growing gap in population when comparing large cities and their surrounding regions to remote rural areas and those close to small and medium-sized cities. (See Figure 1.)

**FIGURE 1**

**The Global Financial Crisis Brought Convergence to a Halt**

Size of Bubble Proportional to Population in the Initial and Final Years

<table>
<thead>
<tr>
<th>GDP pc 2000, 2017 (USD)</th>
<th>GDP pc Percent Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>0.0</td>
</tr>
<tr>
<td>$30,000</td>
<td>0.5</td>
</tr>
<tr>
<td>$35,000</td>
<td>1.0</td>
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<tr>
<td>$40,000</td>
<td>1.5</td>
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<td>$55,000</td>
<td></td>
</tr>
<tr>
<td>$60,000</td>
<td></td>
</tr>
</tbody>
</table>

**Regions with a city >1M**

**Regions near a city >250K**

**Regions with a city >250K**

**Regions with/near a city <250K**

**Remote Regions**

**Postcrisis (2008-2017)**

**Precrisis (2000-2007)**

**No. of People**

SOURCE: OECD Rural Studies, *Rural Well-Being: Geography of Opportunities* (2020);¹
NOTES: 2017 extrapolated values for France and Japan based on 2001-16 regional growth rates. Based on available data for 1,530 TL3 regions in 28 countries. GDP is in U.S. dollar purchasing power parities with the base year 2015.

The growing divide is not only economic but also cultural, sociological and, in many countries, political. Simply put, inhabitants of rural regions feel that the opportunities brought by globalization have not reached their communities.
Although many uncertainties exist regarding the effects of the COVID-19 pandemic, there is a risk that these disparities could deepen if emergency measures and recovery plans do not address rural needs. Of particular concern is the fact that many rural regions are home to large populations that have been vulnerable to COVID-19, including a higher share of the population that is elderly or obese. In addition, rural places often have less capacity to deliver health services. Besides the health effects, inhabitants in rural regions have a smaller share of jobs that can be conducted through teleworking and hence have been more disrupted by the confinement measures implemented in many countries.

Despite these associated challenges, the COVID-19 pandemic can bring many positive effects to rural regions. A greater adoption of remote working could incentivize the demand for places outside large cities to offer affordable and suitable housing and office spaces with better access to environmental amenities. Many of these locations, however, will likely be close to cities, which will remain important hubs of opportunities. An acceleration of digitalization can also strengthen the competitiveness of rural small to medium-sized enterprises (SMEs) and entrepreneurs, and deliver services at lower costs and higher quality.

These two factors—remote working and digitalization—with the right set of policy responses, can bring new opportunities for rural business, attract highly skilled workers and improve the attractiveness of rural regions. Policy responses to mitigate the growing population gap will need to improve the following:

- **Broadband access and affordability**—this involves implementing holistic policies to foster competition in communication markets, simplifying procedures for broadband deployment, and creating funding methods to increase connectivity; for example, demanding aggregation models, public-private partnerships, public funding to expand connectivity, coverage obligation in spectrum auctions and bottom-up approaches, and addressing the last mile.\(^2\)

- **Investment in digital skills for workers, and information and communications technology (ICT) capacity for firms, especially SMEs**—this includes implementing training on basic use of ICT and computing, and capacity-building on software and ICT maintenance in rural economies.
• The quality of education and health services outside large cities, by addressing gaps in provisions that lower the attractiveness of some rural regions.
  o For education, this includes developing school clusters or networks in which schools formally cooperate under a single leadership to allocate resources more flexibly and efficiently, as well as introducing more-flexible approaches to considering class sizes and other relevant regulations.  
  o On health, this includes providing incentives for the establishment of multidisciplinary health centers and reinforcing primary and integrated care provisions (which are generally the first contact point for the majority of patients’ needs outside of large cities). Policies to attract, retain and empower health workers should also be bolstered.
• Multilevel governance (the relationship between the federal, state and local governments).

**Demographic Trends and Their Implications for Policy Responses**

Although demographic patterns across OECD countries are relatively stable, those countries are experiencing several long-term patterns. Populations have been aging and gradually concentrating in geographies home to large cities. These transformations will likely continue in the coming years, although recent changes in teleworking brought on by COVID-19 could alter these patterns.

It is likely that there will continue to be a gradual concentration toward urban areas, specifically in what the OECD calls functional urban areas (FUAs). For example, the share of the population living in FUAs globally increased from 2.1 billion (or 51.5% of the world population) to 4.9 billion (53.7%) between 1975 and 2015. In turn, rural regions have been losing their relative population shares. Recent analysis, using a revised definition of small regions (Territorial Level 3 OECD regions; see Appendix), shows that in all countries except one (Greece), the share of population living in metropolitan regions increased since 1990 against a fall in nonmetropolitan regions.

It is interesting to note that countries with both lower incomes (e.g., Estonia, Lithuania and Hungary) and higher incomes (e.g., Finland, Canada,
Norway and Sweden) are experiencing high growth in the share of the population living in metropolitan regions.

Outside metro regions, rural regions—those close to medium and small cities—and remote regions are facing greater demographic pressures than regions close to larger cities (see Figure 2). Between 2001 and 2019, 12 OECD countries experienced population declines in remote regions, and eight had declines in regions close to medium and small cities, but only five had declines in nonmetropolitan regions close to large cities.

**Figure 2**

**Population Growth in Regions Near Large Cities over the Last Two Decades**

*Population Growth Rates 2001-19*

Aging is also a stronger structural phenomenon in rural regions vis-à-vis metropolitan regions. In all but one OECD country (Poland), aging dependency ratios—the ratio of the population over age 65 to the working-age population—are higher in rural regions compared to those in metropolitan
regions. In the large majority of countries (27 out of 31 countries with available data), the aging dependency ratio is higher in rural regions by at least 1 percentage point. The countries with the largest gap in elderly dependency ratios in 2019 include Japan, Finland, Australia, the United Kingdom, Sweden, Canada and Korea—all with a gap above 9 percentage points.

In sum, rural regions are facing stronger demographic pressures than urban regions, especially in remote places and in those close to small and medium-sized cities. Policy responses will need to:

- Shift from reactionary measures—such as keeping places “afloat,” which has not worked well in the past—toward policies that are anticipatory and deliver services that are fit for future demographic scenarios.
- Ensure sustainability, take advantage of digitalization and technologies, and coordinate well with other measures that can improve the attractiveness of rural places.
- Go beyond commodity-based responses (agriculture, energy) and focus on the well-being of people and rural communities.
- Provide holistic approaches that target enabling factors of development such as education and infrastructure—especially those related to technology and innovation that can support rural small and medium-sized enterprises and entrepreneurs aligned with the provision of essential services including health.
- Leverage economies of scale and scope, such as school networks and multidisciplinary health services in rural regions, or utilize primary and secondary educational facilities to teach digital skills to adult and elderly populations.

**Rural Regions Need to Be Active Players in the Transition to a Low-Carbon Economy**

Climate change is around the corner, and the transformations it will produce are unprecedented. A rise in temperature levels by 2 degrees Celsius will raise sea levels along coastlines, change tourism destinations and affect agricultural production, just to name a few. Policy responses will need to focus on adapting to these changes and transitioning to a low-carbon economy.
Cities, which contribute to around 80% of global carbon dioxide emissions, have played an important role in accelerating the transition to a low-carbon economy, putting in place aggressive measures to mitigate CO2 emissions, including efforts to promote green mobility options, zero-energy buildings and a circular economy. Rural regions also have an essential role in the transition to a low-carbon economy. They cover roughly 80% of territory in OECD countries, contain natural resources, and offer biodiversity and ecosystem services needed to sustain our lives. They produce food and energy, clean the air, detoxify waste, clear the water and sequester carbon.

The transition to a low-carbon economy will undoubtedly bring a number of challenges to our economies and local communities given the transformations it will bring. Nonetheless, rural regions are well-placed to take advantage of a wide range of opportunities. There is potential for rural regions to attract investment and increase economic activity, while safeguarding the natural environment and reducing emissions. This includes the “reshoring” of some manufacturing activities and the potential to make and develop new technologies. This can happen in a range of different areas. For example, developing a circular and bioeconomy could create new business or employment opportunities in the ecosystem services industry, and royalty income in renewable energy production.

Rather than isolated actions, integrated and holistic policy approaches at the subnational level are needed to coordinate push-and-pull factors and reinforce the impact of different actions and address trade-offs. A place-based approach in rural communities reflecting local circumstances and geographic location can accelerate the opportunities related to climate change.

The following are key areas to accelerate in rural regions:

• Protecting natural amenity areas with rich biodiversity, and promoting the valorization of ecosystem services.

• Making the most of the potential of renewable energies by enhancing innovation and technological advancements to increase their competitiveness with respect to carbon-intensive energy sources and to improve storage capacity of things such as hydro fuels.

• Promoting the shift to the circular economy by exploring new business models and supporting urban-rural linkages.
• Coordinating transportation, land-use and spatial planning to ensure environmentally friendly commuting patterns, with the expected expansion of local labor market areas brought by higher rates of teleworking.

• Contributing to decarbonizing transportation and decreasing high car dependence in rural regions by accelerating the transition with infrastructure, smartly connected to the variable production of renewable electricity, and accelerating green hydrogen production to contribute to zero-emissions heavy-road transport.

**Conclusion**

Rural communities face a number of opportunities and challenges brought by globalization, demographic change and climate change. Rural policies will need to be forward-looking, going beyond a four- to five-year policy cycle to ensure they can take into account long-term demographic scenarios and understand the opportunities brought by climate change and globalization. Rural policies also need to be holistic and target the well-being of citizens living in rural places. This means going beyond a traditional narrow focus on agriculture and other commodities, to improve the services available in rural regions in ways that can improve their attractiveness and enhance the conditions needed for robust development. Digital infrastructure and digital skills will be critical conditions for growth in the post-COVID-19 economy. Rural policies will also need to take into account the diversity of rural regions and recognize that their relative linkages and accessibility to cities will necessitate different policy responses. To this end, many countries across the OECD are implementing the rural policy framework *Rural Well-Being: Geography of Opportunities* through the OECD Principles on Rural Policy. The OECD welcomes the opportunity to continue its engagement with the U.S. to help ensure that its rural communities are able to thrive and prosper.
Appendix: A Typology of Territorial Level 3 (TL3) Regions Based on Their Levels of Access to Cities of Different Sizes

The first tier of a TL3 (small) region adopts as its threshold that 50% of its population lives in an FUA of at least 250,000 people; the second tier uses a 60-minute driving-time threshold, a measure of the access to an FUA.

The new methodology classifies TL3 regions into metropolitan and non-metropolitan according to the following criteria:

**Metropolitan TL3 region** when more than 50% of its population lives in an FUA of at least 250,000 inhabitants. Metropolitan regions are further classified into:

- **Large metropolitan TL3 region** when more than 50% of its population lives in an FUA of at least 1.5 million inhabitants.
- **Metropolitan TL3 region when the TL3 region** is not a large metropolitan region and 50% of its population lives in an FUA of at least 250,000 inhabitants.

**Nonmetropolitan TL3 region** when less than 50% of its population lives in an FUA. These regions are further classified according to their levels of access to FUAs of different sizes:

- **Region with access to (near) a metropolitan TL3 region** when more than 50% of its population lives within a 60-minute drive from a metropolitan area (an FUA with more than 250,000 people); or when the TL3 region contains more than 80% of the area of an FUA of at least 250,000 inhabitants.

- **Region with access to (near) a small/medium TL3 region** when the TL3 region does not have access to a metropolitan area and 50% of its population has access to a small or medium city (an FUA of more than 50,000 and less than 250,000 inhabitants) within a 60-minute drive; or when the TL3 region contains more than 80% of the area of a small or medium city.

- **Remote TL3 region when the TL3 region** is not classified as a nonmetropolitan region near a large city or small or medium city; i.e., when 50% of its population does not have access to any FUA within a 60-minute drive.
References


Endnotes
1 See OECD, 2020.
2 See OECD, 2018.
3 See OECD, 2021.
4 Ibid.
6 See Fadic et al.
The Elusive Promise of U.S. Rural Policy

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
“While the U.S. has taken a number of actions called ‘rural policy,’ these have seldom merited the name.”

—Rural Economic Development in the 1980s: Preparing for the Future

Introduction

In the last 50 years, there have been periodic efforts to create a coherent and comprehensive national policy to support economic development across rural America. Most of these efforts have been initiated as part of the periodic congressional farm bill process, with rural advocates arguing that rural America needs more than support for farmers, that too many rural Americans lack the opportunities and access to services available in cities, and that rural poverty is a serious issue requiring greater federal attention. This chapter reviews past efforts to create a cohesive federal rural development policy, beginning in the early 20th century. It identifies multiple challenges inherent in the U.S. system of government that make constructing a sustainable and comprehensive rural development policy difficult. It also notes that while a comprehensive federal rural development policy has proved to be an elusive goal, there are many examples of programs across a wide range of federal agencies that provide meaningful support to rural people, firms and communities. With the new impetus for a revised federal role brought about by the recognition of a rural-urban divide, this is a timely moment to assess how the federal government can play a stronger role in supporting development in rural America. While developing a comprehensive rural policy may be seen as the ideal approach, past experience suggests that providing better federal support to rural communities may be a more effective strategy that better fits within the realities of the American political process.

The Evolution of U.S. Rural Policy

Identifying and implementing a national rural policy have been challenges for the United States since closing the frontier, at the end of the
19th century, ended westward expansion. The first significant effort—the 1909 Report of the Country Life Commission to President Theodore Roosevelt—recognized that rural America had moved well beyond semi-subsistence agriculture and was in need of major investments in infrastructure and public services. The commission’s report subsequently led to the introduction of the rural postal service, investments in rural roads, efforts to improve schools in rural areas and the creation of the Cooperative Extension System. Notably, the commission also recommended the creation of a national agency devoted to rural progress, but this did not happen.

The farm population peaked at 32.5 million in 1916, and the number of farms peaked at about 6.5 million in the mid-1920s. By 1920, America was no longer mostly a nation of farmers, and the flow of immigrants into rural areas was replaced by an outflow of people from farms to cities. Better employment opportunities and a higher quality of life in cities pulled people away from rural areas. At the same time, mechanization and other technological improvements allowed a farm family to operate a larger farm and created pressure for farm consolidations that pushed people off farms, and this continues today. In response, efforts to diversify rural economies began during the 1930s, notably in the South, where rural poverty was exacerbated by the Great Depression. Mississippi introduced the Balance Agriculture with Industry (BAWI) program in 1936 to provide counties and cities with the authority to recruit manufacturing firms from the North. BAWI was soon replicated by other states and is the origin of the various industrial recruitment programs that remain in use across the country today.

The 1930s also saw the introduction of the first major national policy to support agriculture through the Agricultural Adjustment Act (AAA) of 1933. While the 1933 act was declared unconstitutional, its successors (the AAA acts of 1937 and 1938) put in place the core system of farm support policies that lasted through the rest of the 20th century. Since the 1930s, high levels of federal support for farmers have been the main form of U.S. rural policy, if one defines rural policy as “those policies that are mainly applicable only in rural areas.” While the rural population has largely remained constant at around 50 million to 60 million people, it has declined as a share of the total population, from 44% in the 1930s to about 19% in 2020. Over the same period, the number of farmers has declined much faster, as has their share of the rural population. In the 1930s, there were about 30 million farmers, which was
53% of the rural population. By 2020, there were just over 2 million farmers, which was about 4% of the rural population.

The shift in the nature of the rural population is reflected in the underlying economies of rural counties. There are 3,142 counties (or statistical equivalents) in the United States. Of these, 1,180 are part of a metropolitan statistical area (MSA). Many of the counties in an MSA are rural in nature but are strongly connected to an urban county by commuting patterns. The remaining nonmetropolitan counties are considered rural, which means they do not contain a city larger than 50,000 people. The Economic Research Service (ERS) of the U.S. Department of Agriculture (USDA) has developed a typology of county industry specialization. The most recent typology is described by Timothy Parker⁴ and is reproduced as Table 1.

### TABLE 1:
**Number of Counties by Economic Type, 2001 and 2020**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Farming-Dependent</td>
<td>444</td>
<td>394</td>
<td>67</td>
<td>50</td>
<td>51</td>
<td>444</td>
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<tr>
<td>Mining-Dependent</td>
<td>113</td>
<td>181</td>
<td>17</td>
<td>38</td>
<td>130</td>
<td>219</td>
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<tr>
<td>Manufacturing-Dependent</td>
<td>571</td>
<td>353</td>
<td>311</td>
<td>153</td>
<td>882</td>
<td>506</td>
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<tr>
<td>Federal/State Government-Dependent</td>
<td>218</td>
<td>234</td>
<td>50</td>
<td>171</td>
<td>368</td>
<td>405</td>
</tr>
<tr>
<td>Recreation-Dependent</td>
<td>217</td>
<td>228</td>
<td>108</td>
<td>104</td>
<td>325</td>
<td>332</td>
</tr>
<tr>
<td>Not Specialized</td>
<td>411</td>
<td>572</td>
<td>513</td>
<td>664</td>
<td>924</td>
<td>1,236</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,974</strong></td>
<td><strong>1,962</strong></td>
<td><strong>1,166</strong></td>
<td><strong>1,180</strong></td>
<td><strong>3,140</strong></td>
<td><strong>3,142</strong></td>
</tr>
</tbody>
</table>

**SOURCE:** Adapted from Parker, 2015.

**NOTES:** Data for 2001 are taken directly from Parker, 2015. Results for 2020 are based on the U.S. Office of Management and Budget’s 2020 classification of metropolitan counties. County specializations for 2020 are based on the most recent adjustments by USDA ERS (2017).

In 2020, farming-dependent counties were 16% of all counties and 23% of rural counties. Moreover, some of the counties that produce the greatest amount of agricultural output are not farming-dependent because a larger share of county output comes from some other activity, such as manufacturing. Indeed, the vast majority of American farm households now earn more money from off-farm employment than they do from farming, and the vast
The majority of farm support program payments go to a small number of very large farms. While farming has become a smaller part of rural America, there has been little success in developing a national rural policy that goes beyond support for agriculture. What’s more, increasing agricultural supports have not halted the decline in the number of farms.

Even so, there have been important new programs introduced in the last half-century that have improved conditions in rural areas. Following World War II, major expansions of rural electrification, rural hospital construction and support for rural manufacturing led to better living conditions in many parts of the country. But, poverty rates in parts of rural America were and remain high, in particular in the South and Appalachia, and on Native American reservations. In 1958, there was an effort to create a second Country Life Commission to help identify a new vision for rural America. While there was some support in the House Agriculture Committee, little interest was shown by the executive branch, and the proposal was abandoned.5

Starting in the 1960s, USDA outlays for rural development increased as Congress added new programs in housing, water and sewer infrastructure, and business development.6 A potential opportunity for a national strategy came with the Johnson administration’s War on Poverty in the mid-1960s. The rural part of the poverty challenge was identified in a report by the National Advisory Commission on Rural Poverty titled “The People Left Behind.” The report sparked action: it identified ways that conditions in rural America could be improved; it led to the passing of the Rural Development Act of 1972 that authorized the USDA to introduce new nonfarm activities to support rural communities; and it designated the USDA as the federal agency responsible for coordinating all national rural development policies within the executive branch.7 The last major commitment to developing a comprehensive national rural policy was during the Carter administration, which rolled out a national framework for rural policy in early 1980 that largely shaped the Rural Development Policy Act of 1980.8

While not an attempt to develop a comprehensive national rural policy, the 1990 farm bill was the first to include a specific rural development title; that inclusion has continued through all subsequent farm bills. In principle, this means that roughly every five years, Congress reviews the current needs of rural America and has the opportunity to reshape federal policy. However, only the agriculture committees are involved in this review.
process, and while the USDA has a significant set of authorized policy tools, it has no ability to influence the actions of other key departments, such as the departments of Labor, Transportation, Commerce, Health and Human Services, or Education. Moreover, many of the policies that the USDA is authorized to carry out are often not funded, or only partially funded, by the Appropriations Committee. Finally, while the agriculture committees are relatively unique in their autonomy in setting the content of farm bills, this independence has contributed to the executive branch not fully engaging in formulating a comprehensive national rural policy that cuts across all departments and agencies.  

**U.S. Regional Policy Has Largely Been for Rural Areas**

Regional policy agencies constructed by the federal government are relatively uncommon in the U.S. compared to those constructed in other developed countries. This reflects, to a large extent, the constitutional division of power between states and the federal government, but also the nature of the federal government, whereby the executive branch has limited scope for domestic policy initiatives without congressional authorization. Where regional policy agencies exist, they follow one of two forms: large, multistate agencies with congressional charters that operate as quasi-independent agencies with explicit policy mandates but often too few resources to accomplish those mandates; or multicounty organizations that receive federal funding to perform specific tasks, but which are created under a specific state's enabling legislation. Beyond these specific regional agencies, there are myriad federal programs that just happen to have different effects on a region-by-region basis but are not intentionally regionally focused. While used sporadically, regional policy has been mostly driven by a desire to improve conditions in more-rural areas, whereas urban policy has typically focused on large cities.

**Multistate Agencies**

The first use of formal regional policy was the creation of the Tennessee Valley Authority (TVA) in 1933 to address chronic problems of flooding, erosion and low incomes in the Tennessee River watershed. The commission was formed as a quasi-government agency that received congressional
appropriations and was subject to limited oversight. The TVA reduced flooding by building a series of dams on the river, which became a source of cheap hydroelectricity that attracted new industries to the region. Over time, the TVA—like most integrated power companies in the U.S.—expanded its economic development activities, in part to meet its government charter requirements but also to build demand for the power it produced. As new dam sites were exhausted, the TVA diversified into coal and nuclear power production, and its initial conservation and rural development mission areas began to receive less focus.

In the Pacific Northwest, the Bonneville Power Administration (BPA) was established in 1937 to develop and deliver hydroelectric power from the Columbia River. Like the TVA, the BPA used cheap power to attract industry to a region that was underperforming economically. The BPA, unlike the TVA, however, had only a single mission, and although it received appropriated funds to build dams, its economic development efforts lacked a congressional mandate. While both agencies continue to exist, reforms to the electricity industry that increased wholesale power sales outside their designated regions have greatly reduced their interests in local economic development. Neither the TVA nor BPA now receive appropriated funds, and both operate on a self-sufficient basis, although their congressional charters still make them subject to congressional oversight.

The Appalachian Regional Commission (ARC), created in 1965, is generally considered the first true federal regional development agency. The ARC serves a contiguous block of mainly rural counties in 14 Eastern states, most of which had high levels of persistent poverty in the 1950s and early 1960s. The ARC is a state and federal government partnership, with the 13 state governors and a federal chair directing the commission. Funding mainly comes from federal sources, but states also invest in its projects, which focus on core infrastructure, transportation improvements, workforce development, support for local business and community capacity-building. While support for the ARC at the federal level has varied over time, the program has always been funded and remains largely popular in the region it serves. Efforts to replicate the ARC in other regions have generally not been successful, with the exception of the Delta Regional Authority, which was established in 2000 to provide support for economic development in predominantly high-poverty counties in eight states along the lower Mississippi River.
Multicounty Development Programs

The Economic Development Administration (EDA) in the Commerce Department was established in 1965 to provide grants to multicounty economic development organizations across the country. While a group of adjacent counties could collectively develop a common development strategy that benefits the group without the EDA’s support, this is uncommon because there has to be an incentive to collaborate rather than compete. EDA provides that incentive. The EDA largely focuses on capacity-building in the various multicounty development districts it supports, but it also can provide support for innovation and entrepreneurship. While the EDA is a federal program, states have to enact legislation that allows counties to organize cross-jurisdictional economic development districts. While the approach has advantages, it also has challenges. In the states east of the Mississippi River, counties are relatively small and therefore can lack the capacity to carry out effective local development activity individually. While in the states west of the Mississippi, counties are generally much larger in area, which raises the challenge of having too big a geographic area for effective multicounty collaboration.

Other Spatially Influenced Federal Development Programs

Most federal agencies, including the USDA, have programs that impact economic development and are differentiated by type of place, typically using counties as the basic spatial unit. In 2005, Mark Drabenstott identified 180 such programs, most of which tended to have an infrastructure focus. Individual departments may have a mandate to undertake a specific activity for one purpose but may also have an economic development function. For example, the Army Corps of Engineers initially undertook waterway improvements for defense purposes, but these often provided “public good” transportation improvements. In other cases, such as for the USDA Cooperative Extension System, the improvement of farm productivity and income was the key motivation.

Spatial units can be defined in many ways depending on the agency: administrative units, such as counties; topographic units, such as watersheds; or areas impacted by natural disaster, for the Federal Emergency
Management Agency (FEMA), for example. Each agency chooses a spatial unit that corresponds to its specific mandate and objectives. And, while these geographies are individually appropriate, the result is a system of programs that lacks coherence and can challenge the local communities trying to improve their economic conditions.

**Future Prospects for a Cohesive U.S. Rural Policy**

In principle, one might think that agricultural policy should be part of a larger rural policy, but in the U.S., explicit rural policy exists as a piece of agricultural policy. Path dependency theory (based on the idea that what has occurred in the past will persist because of resistance to change) can provide a partial explanation—agricultural interests entrenched in Congress and the executive branch are well-placed to defend their position. But political science also suggests that part of the problem is that agricultural policy is a relatively compact policy area, whereby participants have shared values and objectives that make it easy to organize and form a policy monopoly. In contrast, where issues, actors and institutions are numerous and only weakly connected, such as for rural policy broadly defined, it is difficult to formulate coherent policy.

Peter May and two colleagues conclude that the following are key elements in explaining success in national policy formation in the U.S.: a high degree of issue concentration, a high degree of interest concentration, strong targeting of policies, concentration of policy responsibility in a small number of committees, and the existence of an engaged executive agency. Agriculture scores strongly on all counts, because it is focused solely on issues affecting farmers, and those issues are of importance mainly to farmers. Further, agricultural programs are largely the responsibility of a single congressional committee, and the USDA is primarily focused on serving farmers. By contrast, rural policy involves many issues that appeal to a wide range of interests, its programs are often difficult to target, and multiple committees are involved in rural policy creation. Further, while the USDA is nominally in charge of coordination of all federal rural programs, it has had neither a strong interest in broad rural policy nor the ability to influence other agencies.

To date, the usual set of rural interests has been unable to form an effective coalition that can put forth a unified position on its priorities for rural policy. Adding more supporters for rural policy who introduce a new
objective of healing political divides is unlikely to help the process. Without clear priorities, it is difficult to see how congressional committees could work across their intersecting jurisdictions to craft multiple pieces of legislation to create a coherent package. Agricultural policy works because within Congress the agriculture committees have the ability to deal with most of the needs of farmers, and few other committees have any interest in engaging in farming issues. In comparison, a comprehensive rural policy would have to engage most congressional committees and, to be effective, would require that the various committees coordinate their actions to ensure their efforts align. In the process, the various rural interest groups would have to agree on budget and resource allocations for every aspect.

A final reason for the lack of progress on rural policy is that it has too often been oriented to trying to restore a lost past. In part, this reflects a belief among some that rural areas are guardians of a society’s cultural heritage, while cities are dynamic agents of change. More likely, it is a recognition that past times were more prosperous and, for many small places, few new and better alternatives are evident. These efforts to restore the rural past have been largely ineffective, and for rural regions to prosper, they must adapt to a changing world.

To conclude this section, it is clear that over time the federal government has expanded the number and scope of programs that are either specifically focused on rural areas or have a larger geographic focus that includes rural areas. But even in the Carter era, there was little evidence that programs fit within some larger rural policy objective. The situation today is little changed from half a century ago, except the number of programs has increased. Lynn Daft goes on to argue that the absence of a policy means that the various parts of the social system are treated in isolation from the other parts, which leads to resource misallocation, conflicting actions and missed opportunities. “The characteristic that sets the rural development issue apart from others is its concern with the economic and social activity of a specific part of the national landscape—the rural part.” While in principal the solution to this problem may appear to be trying to create a more compact policy area to simplify coordination, Daft, as well as Norman Reid and Richard Long, concludes this is impossible, because the policy problems of rural areas do not neatly fit into a rural-specific framework, which may
make creating a coherent rural policy difficult conceptually, and virtually impossible within the U.S. political system.

**A Refocused Federal Role**

Despite the limited gains from past struggles to put in place effective federal rural policy, there is broad ongoing support for helping rural America.\(^\text{19}\) One strand of local development theory and practice, endorsed by the Organization for Economic Cooperation and Development (OECD), holds that successful local economic development takes place when communities are able to mobilize their residents to jointly construct their own vision of where they want to be, and accept responsibility for actions that can achieve their vision.\(^\text{20}\) Local coordination offers the opportunity to assemble specific sets of programs tailored to meet local needs, and can offer the agency providing the program a high probability of success without having to either reshape its internal objectives or engage in complex interagency coordination. In this framework, it may be sufficient that the federal government provides and fully funds a broad array of programs that can address the wide variety of local development strategies appropriate to the diversity of rural America. Perhaps it is time to acknowledge and improve the current bottom-up rural development approach. If rural places had better capacity to undertake the planning and actions needed for their local areas, they could undertake the coordination necessary to access existing federal programs, and a true bottom-up development process could occur.

Since every rural place is different and only that place can know its opportunities and challenges, this may be appropriate. Moreover, the people in any particular rural place have the greatest incentive to get their development strategy right because they are the main beneficiaries of its success. Adopting a bottom-up approach changes the responsibility of the federal government from managing a comprehensive set of programs in an integrated way, to supporting local governments as they identify the best set of programs to implement their development strategy. Two crucial issues remain: the first is to identify the appropriate spatial and administrative units for locally based development; the second is to suggest some structural changes to the way the federal government supports these initiatives. While this is by far a less comprehensive approach to rural development, it builds
upon past program successes and avoids embarking on an approach that has a long history of failure. If it were possible to ensure that the needs and capabilities of rural areas were included in broad national issues—such as adapting to climate change, mitigating the effects of demographic decline or making better use of digital technologies—it may even be possible to reduce the sense of disadvantage that underpins the current political divide.

**A County-Based Approach**

Counties are likely the appropriate entry point for local development in rural areas because they are already well-connected to existing federal programs, are integrated into state policymaking and contain elements of a potential mechanism to bring about a locally led approach.

A primary support for rural counties is the USDA Cooperative Extension System (CES), which is already an example of multilevel governance, because it involves federal, state and local resources. In many counties, county agents are already acting as de facto local development officers. In addition, the USDA is the oversight and funding agency for the extension system, will remain the main federal agency involved in rural development, and has numerous rural development programs—all of which can create potential synergies.

A second existing support is the Commerce Department’s EDA program, which already funds multicounty development organizations tasked with joint planning and obtaining federal support for multicounty projects. Other federal agencies have programs that are already operating in rural areas and that, with modest local coordination efforts, could be more effective.

Providing encouragement to county leaders to better utilize these resources in a more coordinated way and using existing executive branch authority to enable cooperative behavior in agencies could go a long way to facilitating more of a bottom-up approach. Of course, not all counties will take on the challenge, especially at first. But one of the core strategies of Cooperative Extension is the demonstration model, whereby one farmer agrees to participate in an experiment, and neighbors come to assess the outcomes; they see the benefits and, in turn, commit to the new approach. Similarly, if at first only a few rural counties in a state improve their
outcomes by becoming proactive, this could lead to broader adoption of a new development model supported by federal programs.

Improving Federal Support

Within this broad framework, the federal government should focus on three key areas to support the needs of rural communities as effectively as possible within the current policy context.

The first is recognizing that rural development is different, and that strategies, policies and programs appropriate for urban development cannot be simply scaled down to fit rural conditions. Long distances, low population density, limited possibilities for scale economies, a small labor market and truncated local economies combine to make economic growth prospects and service delivery mechanisms different from those in urban America. It would help rural areas if federal regulations and programs focused on outcomes rather than on specific technologies or practices. For example, wastewater treatment rules that specify the use of best available technology are not as effective in rural areas as simpler approaches that deliver the same results. Similarly, COVID 19 has shown that rural areas are more exposed because of their containing a higher share of essential workers, and having less opportunity for working from home, more limited access to e-commerce and fewer local hospitals capable of providing intensive care. Advances in telemedicine and better coordination among rural and urban hospitals could address these issues.

A second issue is the problem of inconsistent support for rural programs within the executive branch. Farm programs and nutrition programs continue to dominate USDA activity, both for political and budgetary reasons. While rural development is a dedicated mission area of the USDA, few presidential administrations place much emphasis on the topic. This lack of commitment carries across to other departments and agencies, most of which have programs that have a direct impact on rural America. Sporadic efforts by administrations to create rural development councils led by the USDA to coordinate federal programs are short-lived and receive little more than lip service from most other parts of the government. This lack of consistent, vocal and coordinated support means that rural communities often do not have a dedicated federal partner to help them identify, access and coordinate
useful resources across multiple departments, and that they frequently face programmatic requirements that are impractical or unworkable in a rural context.

A third issue is a lack of strategic planning and implementation capacity at the local level, and the almost impossible task for a rural community to understand and access the myriad potential sources of federal support. Cities can afford to retain a professional planning staff and develop the expertise to obtain federal funds, because they have the financial resources to make these investments. Rural areas lack this internal capacity, and while there are many rural governments—so that, in principle, consultants should be able to provide this service—the reality is that profit margins are too small to sustain the activity. This argues for strong federal support for community capacity-building that takes advantage of the extension system and existing EDA programs.

References


Endnotes

1 See Reid and Long, p. 9-1.
2 See Peters and Morgan.
3 See Novak et al.
4 See Parker.
5 See Long.
6 See Cowan.
7 Ibid.
8 See Long, p. 28.
9 See Daft, and Ulrich-Schad and Duncan.
10 See Hewings et al.
11 Ibid.
12 See Drabenstott, p. 6.
13 See Cairney, pp. 178-82.
14 See May et al., pp. 389-95.
15 See Browne.
16 See Castle, and Long.
17 See Daft, Long, and Reid and Long.
18 See Daft, p. 3.
19 See Junod et al., Pipa and Geismar, and Vilsack.
Marginalization of Rural Communities in the U.S.

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Chronic Rural Poverty and Deliberate Marginalization

Rural America evokes strong and pleasing images for most people who live in urban areas: the vast Western landscape and big sky, farms with neatly tended crops and a barn full of animals, mountains and valleys, lakes and forests. But there are rural places where many people endure real hardship and have for decades. This chapter examines the marginalized, chronically poor places in rural America.\(^1\) These persistently poor places include much of the rural South, Appalachia, the colonias and other borderland communities, and Indian Country—places where people have been denied opportunities, where racism often permeates daily life, and where critical community institutions are weak.

Persistent rural poverty is often assumed to follow from geographical remoteness or sparse population that limits economic opportunity, compared to denser areas with access to urban markets. Indeed, much policy to improve rural conditions has been designed on the premise that poor places need to overcome isolation (and the “cultural deficits” that accompany isolation). We argue that, in most cases, persistent rural poverty stems not from spatial isolation but from a historical political economy and, in all cases except Appalachia, deep structural racism. These are places where many poor people were deliberately kept vulnerable to powerful elites and where local corruption undermined local institutions, especially educational institutions, denying the poor access to a decent education and economic opportunity.\(^2\)

We use the word marginalization to describe these places, signaling agency and intent: people are “kept down,” relegated to the periphery by the elite who gain from their lack of power. Some use the concept of social exclusion: “shut out,” emphasizing “the processes by which the distribution of power and resources are controlled.”\(^3\) In many persistently poor rural places, there are only two classes—“haves” and “have-nots”—and almost no middle class. The haves marginalize the have-nots, stigmatizing them, to differentiate themselves from the poor to preserve their own higher status,
and to keep the poor dependent on those who control access to opportunities. The poor’s cultural toolkit—to use Ann Swidler’s concept of culture as the habits, stories and relationships that shape a sense of what “people like us” do—includes that stigma: that branding as a failure with little chance for participating in the mainstream.

Failed institutions play an important role in the perpetuation of poverty. Development economist Amartya Sen and ethics professor Martha Nussbaum think about poverty through a capabilities framework. Sen describes the poor as those who have been deprived of basic capabilities: to be healthy and literate, and to lead creative lives. Like marginalization and exclusion, the word deprivation reminds us that poverty is not about choosing to be poor. Nussbaum argues that we need to think about what people can do, what they are capable of, and that supporting the development of people’s capacity requires “affirmative material and institutional support, not simply … a failure to impede.” The poor need institutions to provide the resources that build their capacity to live healthy, creative lives as full participants in the mainstream.

Economist Albert Hirschman identified three paths people can take in poor, tightly controlled communities: Exit, Loyalty or Voice. Exit refers to out-migration, leaving the place where opportunities are limited and tightly controlled by the powerful elite. Out-migration is more often an option for those with education, and the prospect of migrating can be stymied by a cultural toolkit that sees limited prospects. Some scholars and policymakers have considered encouraging and facilitating Exit as a way to address rural poverty.

By Loyalty, Hirschman meant allegiance to the status quo, accepting the oppressive conditions and divided patron-client social relations. Sometimes people stay and don’t make trouble because they want to be close to family. But other times, they come to accept their circumstances, unable to imagine a different scenario. As one Black woman described her father: “A way of thinking, it’s that Delta mentality ... my father was a sharecropper. He did the fields and everything, and he was kept in debt, and his mindset had gotten to the point, ‘This is all I can do.’” While they understand its source, local change agents deplore the “mindset” of Loyalty, of accepting things as they are.

Voice refers to speaking and acting for change, resisting the status quo, and working to build a more equitable and inclusive community, often at real risk of personal and family punishment or blackballing by elites.
What Characterizes RuralMarginalized Communities?

In 1960 there were 1,689 high-poverty counties in rural America (blue counties in Figure 1). Most have shed their high-poverty status in recent decades. The U.S. Department of Agriculture (USDA) Economic Research Service (ERS) classifies counties as “persistent poverty” when they have high poverty over multiple decades. The counties in blue with bold borders in Figure 1 are the places that remain persistently poor today. There are 301 such marginalized, persistently poor counties, and strikingly, four out of five are concentrated in the rural South.¹¹

FIGURE 1


NOTES: Nonmetro counties are outside the boundaries of metro areas and have no cities with 50,000 residents or more. Persistent poverty counties are those where 20% or more of county residents were poor, measured by the 1980, 1990 and 2000 censuses, and the 2007-11 American Community Surveys. Similar to those in the ERS, counties are classified as high poverty if they have 20% or more of residents in poverty each decade as determined by historical data from the U.S. Census Bureau.
Economic restructuring has dramatically changed work across the rural U.S. in recent decades. Low-skilled service-providing jobs are replacing goods-producing jobs, contributing to an overall decline in the quality and quantity of jobs, and the loss of the work that generations may have relied on and which they felt defined by in their rural communities—their heritage. Rural residents have seen job loss everywhere, but chronically poor rural places have fewer adults working full time, many more families with no workers at all, and more residents with disabilities than other rural places.

Chronically poor rural places also tend to have low educational attainment levels. Of the 301 rural marginalized counties in 2015, 57% were what the ERS considers to be “low education,” meaning 20% or more of adults have not finished high school (see Figures 2a and 2b). In 2010, only 11% of adults were college graduates in our Appalachian study area and 13% in

**FIGURE 2A**
Persistent Poverty Counties in the U.S., 2015


NOTES: Persistent poverty counties are those where 20% or more of county residents were poor, measured by the 1980, 1990 and 2000 censuses, and the 2007-11 American Community Community Surveys. County boundaries are drawn for the persistent poverty counties only.
the Mississippi Delta, compared to 28% in the U.S. as a whole. Not only do current residents of chronically poor rural areas have low levels of education, their parents also had far less education, indicating a disadvantage that persists across generations.\textsuperscript{16} When we surveyed rural Americans in the mid-2000s, we found that 30% of respondents living in chronically poor rural counties said the highest level of education completed by their fathers was eighth grade or less.\textsuperscript{17} In our study of coal-dependent Appalachian and plantation-dependent Delta counties in the 1990s and 2013, we found local schools serving the poor were chaotic and ineffective, full of patronage and with little accountability.

There are 424 frontier counties in the rural U.S.—places where the population is sparse, and distance to metro areas is far.\textsuperscript{18} As Figure 3 shows, they are mostly west of the Mississippi River. Despite the common assumption

\textbf{FIGURE 2B}

\textbf{Low-Education Counties in the U.S., 2015}

\textbf{SOURCE: USDA Economic Research Service using data from the U.S. Census Bureau.}

\textbf{NOTES:} Low-education counties are those where 20% or more of county residents aged 25-64 did not have a high school diploma or equivalent, determined by the American Community Survey five-year average data for 2008-12. County boundaries are drawn for the low-education counties only.
that rural poverty is perpetuated by spatial isolation, most persistent poverty counties are not frontier. Only 34 are both persistent poverty and frontier counties—remote places in the West where either low-income Hispanics or Native Americans reside.

In persistently poor areas of the U.S., high poverty has become less prevalent over time, but it remains much higher in these areas than in frontier counties (see Figure 4). More-remote rural places are not necessarily marginalized. For instance, 86% of Mississippi Delta, 68% of central Appalachia and 55% of colonias counties are low-education counties. In comparison, only 9%
of frontier counties are ERS low-education counties. The median household income for non-high-poverty frontier counties in 2018 was $50,728, while it was closer to $30,000 in all the persistently poor areas we studied.

FIGURE 4
Poverty Trends in Nonmetro Persistently Poor Counties and Frontier Counties by Decade, 1960 to 2018


NOTES:
• “N=X” statements represent the number of counties classified into each type.
• Nonmetro counties are outside the boundaries of metro areas and have no cities with 50,000 residents or more.
• Mississippi Delta counties (N=14) are nonmetro counties located in northwest Mississippi between the Mississippi and Yazoo rivers.
• Central Appalachia counties (N=50) include nonmetro counties in Kentucky and West Virginia.
• Native Majority counties (N=27) are nonmetro counties where 50% or more residents are Native.
• Colonias counties (N=40) are nonmetro counties identified according to Carlos G. Vélez-Ibáñez, and Jordana Barton et al.22
• Frontier Alone counties (N=383) are nonmetro counties with population densities of fewer than seven people per square mile.
• Similar to those in the ERS, counties are classified as high poverty if they have 20% or more of residents in poverty each decade as determined by historical data from the U.S. Census Bureau.
Legacies of Oppression

The maps and graph above indicate that rural chronic poverty is not only concentrated in remote areas. In nearly every case in which high poverty and low-educational attainment persist, we can find a historical period when local elites kept people vulnerable and blocked or neglected investment in key institutions. They did so to maintain segregation by race and class, ensure low wages for the poor, and thus maintain wealth and privilege for the powerful.

After decades of slaughtering American Indians, infecting them with deadly diseases and pushing them off their land, European Americans established Indian Territory and then Indian reservations to keep American Indians contained, to free up land for white settlement of the West. Indian Country was deliberately and harshly marginalized. Although there was a period of attempting to assimilate American Indians into white society through improved health and education on reservations, racism, as well as the day-to-day control exerted by unscrupulous “agents” who were supposed to support the Native Americans, ensured ongoing marginalization. There was little opportunity for asset acquisition, educational attainment and civic engagement to build resilient institutions.

The legacies of a slave-based plantation economy and then failed Reconstruction after the Civil War in a period of stark racism make the rural South the poster child of rural chronic poverty. Slavery is the most severe marginalization. The Jim Crow laws and brutal racist enforcement of segregation After the Civil War and the failure of Reconstruction, the Jim Crow laws and brutal racist enforcement of segregation kept Blacks vulnerable to whites for work, credit, housing and every aspect of daily life. Historians Eric Foner and James Cobb are among the scholars who have documented the periods’ racial violence and cruel outcomes of segregation and oppression of rural Blacks that have left their legacies today.

That re-subjugation lived on into recent decades across the rural South. A 72-year-old woman we interviewed in North Carolina in 2014, one of nine children of Black sharecroppers, began working in the peanut and tobacco fields for the “boss man” when she was 8. She became pregnant at 14, and later married and raised seven children who farmed as sharecroppers, and all were kept in debt: “I had a hard life. We came up hard … the end of the
year would come and we looked for Christmas money, but they said we came out even.” She concludes, “I wish I had gotten more education, so I could have gotten a better job.”

But even if she had stayed in school, she would have faced obstacles to upward mobility. Schools for Blacks in the rural South were overcrowded, underfunded and often chaotic. Until the 1950s, rural Black children attended one-room schools on the plantation, and when it was time to pick the crops, schools closed so the children could work. Until the 1960s, high school was out of reach for most Black children—only a select handful could attend a church-sponsored high school. In the 1990s, one white school teacher described going to teach in a Black school when public schools were desegregated: “Nine hundred students and a faculty of thirty, and one functioning bathroom ... cotton-patch black children—bathrooms were unheard of, running water was few and far between in the homes. It was the most different and difficult thing that I had ever, ever seen in my life.” Twenty years later, a Black leader summed up the marginalization of Blacks in a Mississippi Delta community, where whites controlled jobs in the private and the public sector: “We had to go outside of [the community] to get jobs. We were locked out of everything, and also deprived educationally.”

Black leaders deplored the “marginalization mindset” of the poor rural Blacks they were trying to mobilize. One leader observed: “Because they think they are inferior, you know? It’s just so depressed in these black neighborhoods, not having jobs so long and having to depend on welfare and food stamps and not being able to be sufficient on your own. ... Our men have taken a backseat. ... So I would say the influence of the white community on our people, we’re trying to change that mindset. That will be the only thing that holds us back from growth, [being] scared of change.”

Appalachia is a white majority, chronically poor region, a region where the competitive coal industry, under the thumb of Northeastern utilities, needed cheap labor to ensure they made a profit and survived. But even before outside timber and coal interests arrived, as Dwight Billings and Kathleen Blee’s history of poverty in Appalachia found, local elites—landowners, merchants, business owners—kept have-nots down to preserve their own wealth and power, and this fed corruption, which undermined civic institutions. The coal industry exacerbated and deepened these early
patron-client relations. Historians Curtis Seltzer and Ronald Eller describe how coal companies deliberately created a two-class society to separate and control workers and prevent union organizing. The result was no middle class and no public institutions; miners had separate institutions, and many “simply withdrew from active participation in local and county politics, leaving a truncated political system to be controlled by the managerial elite.”

Everyone in our study of coal country could name the coal and merchant families who run things and warned that opposing them would lead to blackballing. Family names were a shorthand separating the elite from the poor, and as one young woman said in the 1990s: “Now my family, they’ve always been a bad family. There are places we can’t even rent a house because of our last name. And that’s just the way it is.”

When we returned 20 years later to this coal community, national “friends of coal” advocates had infiltrated the communities to support the coal industry in opposition to environmental restoration, polarizing locals, and, as jobs continued to evaporate and unscrupulous doctors prescribed opioids, the opioid addiction crisis had overtaken the region. Many younger families who could have chosen to exit the community, and those able to organize for voice were discouraged. As in the rural South, local leaders blamed the Loyalty mindset, saying, “It’s a mindset. It’s folks who’ve been outta work for years. They will still get that signal from the [coal] operators.”

Like their Delta counterparts, local change agents realize that the experience of being out of work and the local power brokers’ control over political and economic forces are real: “Until we diversify this coal, and I know it sounds clichéd, but until we do something about that, it’s not going to change. ... Politics and economics are joined at the hip here.”

The Hispanic Southwest has both historic and contemporary patterns of marginalization. Robert Maril’s account of the Rio Grande Valley’s development into a ranch economy portrays the same strong control by local elites over jobs, land and politics that we found in the Mississippi Delta and Appalachia. Spanish explorers and colonists found a harsh environment in the period between the 1500s and 1700s. When Spanish colonists were given incentives to settle and farm the land to counter French influence in Louisiana and mitigate Indian uprisings, they overgrazed the fragile land. Maril describes a region along the Rio Grande where lack of water and
ongoing violence made life hard. However, some ranches survived, and “ranch workers fell into a condition resembling peonage; their servitude was premised upon their debt to the ranch owners.” Later Anglos came to the region as merchants seeking control over regional trade. They created a political machine, “political bossism,” that offered protection from the widespread violence and thrived on patronage. Although the elite families consisted of Mexicans, Mexican Americans and Anglos, racism persisted and served the elite—increasingly an Anglo elite. Maril sums up the 1800s in the Valley: “The rigid class system in the Valley towns and on the ranches, enforced in part by an ideology of racism, was well suited to the particular demands of life along the Rio Grande.”

In the 1900s, Anglo farmers from the Midwest developed productive agricultural operations with irrigation, dependent on Mexican and Mexican American laborers. As Maril puts it: “Mexican-American laborers were not only incredibly cheap but renowned for their hard work, their dependability, and their lack of viable economic options.” Maril found that the powerful used racism to reinforce their power and to shut Mexican Americans out of civic and political participation. Throughout the 20th century, workers’ efforts to unionize were squashed by the powerful farmers and ranchers. Mexican laborers continued to cross into Texas for work, and many settled in what became known as the colonias along the border, where nearly 100% are Hispanic or Latinx. Today, more than 40% of Texas colonias residents live in poverty, and over half the residents have not completed high school. Maril describes a school system undermined by patronage, just like we found in Appalachia and the Delta. Those who spoke up for improvements in schools or other institutions lost their jobs.

Conclusion

In all of these regions, there are examples of resistance, of brave Voices of individual leaders and groups. Native Americans resisted marginalization, evidenced by many sad and infamous conflicts. Rural Blacks organized for civil rights at great risk. Coal miners and farmworkers organized unions, often in violent contexts. Robert Korstad and James Leloudis describe the fusionists in North Carolina as a fragile but truly biracial Republican-Populist alliance to challenge the policies of white elites at the turn of the
century. They describe how white elites were able to marshal racist fears and stop the resistance, ensuring that North Carolina Blacks stayed poor and stayed rural.\textsuperscript{45} Since President Lyndon Johnson's War on Poverty, local and regional community development organizations have invested in businesses and developed programs to support children and workers. But the concentrated power over jobs and the legacy of oppression, corruption and failed institutions present enormous challenges to individual mobility and community development.

Power over job opportunities mostly remains tightly held in these poor places, and the patron-client social system undermines the institutions necessary for change. Some change agents in our Appalachia study community pointed to a nearby county where new jobs in companies supplying a big Toyota plant were outside the control of the local elite, enabling people to reject Exit and use their Voices to challenge the status quo: “The people who might have left, with an education, stayed when new jobs came in. And they started to do things differently. … People who cared about education started running for the school board. People started letting the county judge know what they wanted—not jobs for their cousins, but roads and litter control, garbage pickup. And all of these things, all these civic concerns, brought them together. … But for any of this to happen, people got to have education, and they have got to have a job outside the reach of the power structure.”\textsuperscript{36}

While we have emphasized the power local elites wield in most of these places, there have been extraordinary policy failures at the national level. Policies toward Native Americans, particularly during the last half of the 19th century, were clearly designed to keep them down, even remove them completely, through violence or assimilation, and there have been limited policies to support their opportunities to live healthy, creative lives. Policies toward African Americans have not expanded opportunities, but rather have bowed to racism and the needs of the Southern agricultural economy. Southern political leaders were able to prevent agricultural workers and domestic workers from being eligible for Social Security benefits because that small stipend would have upended the very low-wage economy they had created and relied upon. Likewise, labor and immigration policies affecting Hispanics and Latinx have served agricultural interests, not the workers
and their families, ensuring a low-wage labor force. And even when we have proven, evidence-based policies to support working families, children and youth, we have failed to fund them adequately to have a real impact.

But as we argue in Worlds Apart, the greatest national policy failure is in education: early childhood education and basic elementary, middle and high school education. Unlike many other advanced nations, we do not invest in inclusive quality education. Locally controlled schools become part of the patronage system in poor rural communities, enhancing the power of local elites who control jobs. In addition, other programs to support early childhood education and stabilize families are woefully underfunded. To truly make a difference in these marginalized communities, we as a nation need to invest in quality education for all living in the U.S.

References


Ulrich-Schad, Jessica D. “Rural Natives’ Perceptions of Strengths and Challenges in Their Communities.” University of New Hampshire, Carsey Institute, Issue Brief No. 61, 2013. See scholars.unh.edu/carsey/190.


Endnotes

1 We use the terms “chronic poverty” or “chronically poor,” “marginalized,” and “persistent poverty” or “persistently poor” throughout the chapter to indicate places with sustained high poverty rates.

2 See, for example, Duncan, 2013, 2014; Ulrich-Schad and Duncan; and Ulrich-Schad.

3 See Brown and Schafft, p. 43.

4 See Ridgeway.

5 See Swidler.

6 See Nussbaum.

7 See Hirschman.

8 See, for example, National Committee on Employment of Youth

9 See Lukes.


11 See, for example, Thiede et al., and Weber and Miller.

12 See U.S. Census Bureau.

13 See USDA.

14 See, for example, Brown and Schafft, Institute for Research on Poverty, and Falk et al.

15 See Ulrich-Schad and Duncan.

16 See Ulrich.
We are referring here to the Community and Environment in Rural America (CERA) survey and respondents who took the survey from 2007 to 2011 in a variety of rural place types. (For more details, see Ulrich-Schad and Duncan.)

USDA’s ERS defines frontier and remote areas on the basis of sparse settlement and distance from urbanized areas.

See USDA.

See U.S. Census Bureau.

See USDA.

See Vélez-Ibáñez, and Barton et al.

In this section, we draw on others’ historical and contemporary studies of these marginalized places, as well as our own qualitative work in Appalachia and the rural South, and studies we conducted with focus groups of tribal leaders in Montana in collaboration with the National Congress of American Indians (NCAI).

See Snipp.

In 2010, we conducted focus groups with tribal leaders in the West in collaboration with the NCAI, and encountered frustration and ongoing mistrust based on the historical treachery and current racism Indians experience. Peter Morris, Emily White Hat, Mil Duncan and Jessica Ulrich submitted the memo “Summary of Themes That Emerged in Focus Groups with Native Leaders from Montana” to the National Congress of American Indians and Carsey School of Public Policy, who shared it with focus group participants. NCAI requested that the memo itself remain confidential.

About 85% of persistently poor nonmetro counties in the Southern Black Belt have at least 30% Black, non-Hispanic residents.

See Foner, Korstad and Leloudis, and Cobb.

See Duncan, 2013, p. 23.

See Duncan, 2014.

See Duncan, 2014, p. 102.

See Duncan, 2014, p. 185.

Ibid.

See Billings and Blee.

See Seltzer, and Eller.


See Duncan, 2014, p. 87.


California’s agricultural valley is also high in poverty. See Martin et al. for a good discussion.

See Maril.

See Maril, p. 24.

See Maril, p. 34.
See Maril, p. 37.

See Barton et al.

See Stock and Johnston, Goodwyn, and Danbom.

See Korstad and Leloudis, ch. 1.


See Schleicher.
A Demographic Lifeline to Rural America: Latino Population Growth in New Destinations, 1990-2019

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Can America’s Latino population save rural America? Latinos have provided a demographic lifeline and an engine of economic development in many declining parts of rural America. Latinos and other immigrant and refugee populations have filled the demand for low-wage, low-skill labor, especially in the meatpacking industry, in corporate agriculture and food processing (e.g., canning vegetables), on dairy farms, and in hospitality jobs in rural recreational and amenity areas. The amnesty provisions in the 1986 Immigration Reform and Control Act (IRCA) gave immigrants a “new freedom” of movement, and many Latinos acted on it when California, in 1994, passed its anti-immigrant Proposition 187. The Latino diaspora from the Southwest was reinforced by the militarization of U.S.-Mexico border enforcement in the aftermath of 9/11 and new threats from international terrorism.

This chapter documents the growing racial and ethnic diversity of rural America since 1990—after IRCA became law. It then identifies post-1990 patterns of nonmetropolitan (nonmetro) county population growth and decline in new Hispanic destinations. The analyses address whether Hispanics have provided a demographic lifeline to “dying” rural areas, those counties that have experienced chronic out-migration for decades and now face the prospect of natural decrease—an excess of deaths over births—over the foreseeable future.

Racial and Ethnic Diversity in Nonmetro America

America’s rural and small towns have experienced substantial racial and ethnic change since 1990. This reflects rapid in-migration of racial and ethnic minority populations, including Latinos and other immigrant and refugee populations. Perhaps paradoxically, growing racial and ethnic diversity is also due to white population declines from net out-migration and natural decrease. In 2019, 78% of the nonmetro population was identified as non-Hispanic white (see Figure 1). Between 1990 and 2019, the nonmetro Hispanic population nearly doubled in size. Hispanics are now the largest
minority population, representing 9% of the rural population compared with 8% of the African American population. Asian, Native and multiracial peoples represent the remaining 5% of the nonmetro population.

The outsized demographic footprint of Latinos is also revealed in their share of all nonmetro growth since 1990 (Figure 1). Latinos accounted for 58% of overall nonmetro growth between 1990 and 2019, compared to only 7% among the non-Hispanic white population. African Americans contributed only 3% of overall rural growth since 1990. Other minority populations (including Asians, Native peoples and multiracial populations) accounted for almost one-third of all nonmetro growth since 1990.

New Latino Destinations, 1990-2019

The Hispanic population has dispersed widely since 1990. Hispanics have left established gateways in the Southwest for rapidly growing “new destinations” located throughout the United States. Indeed, these patterns are clearly revealed when nonmetro counties are classified by changes in Hispanic population size and percentage from 1990 to 2019. Specifically,
we identified 155 New Destinations representing nonmetro counties that (1) had at least 500 Hispanic residents in 2019, (2) experienced a Hispanic population gain of at least 250% between 1990 and 2019, and (3) had a Hispanic population of at least 10% in 2019. We also identified 197 Emerging Destinations, which are now experiencing increases in Hispanic populations and have the potential to become New Destinations. These counties (1) had a Hispanic population of at least 500 in 2019, (2) experienced a Hispanic population gain of at least 250% between 1990 and 2019, and (3) were at least 5% but less than 10% Hispanic in 2019. Established Destinations represented 203 counties, with Hispanic population shares of 10% or more in 1990, 2000, 2010 and 2019. Finally, the 1,421 remaining nonmetro counties—a residual category—were identified as Other Destinations.\textsuperscript{6}

The spatial distribution of Hispanics is best described as a pattern of dispersed population concentration (Figure 2). Established Destinations
are represented in blue in the Southwest United States, but also extend north into parts of Nevada, Oregon and Washington, among other states. Metropolitan counties also are outlined in this map, which reveals many metropolitan gateway counties, including the Chicago metroplex, the metropolitan corridor from Washington, D.C., to Boston, and South Florida. New and Emerging Destinations have spread outward from traditional Hispanic settlement areas (in the Southwest) into nearby parts of northeast Texas, Arkansas, Oklahoma, Kansas and Colorado. They are also found in the Pacific Northwest, the Carolinas, Florida, and scattered across the agricultural heartland. This map clearly highlights the new geographic spread of the Hispanic population throughout the United States.

Table 1 documents nonmetro Hispanic population growth from 1990 to 2019 for each destination category. These data clearly reveal the rapid growth of the nonmetro Latino population over the study period: 56% in the 1990s, 40% in the 2000s, and 19% in the 2010s. The Hispanic population increased from 1.6 million in 1990 to 4.1 million in 2019 (data not shown)—an increase of 160% in nonmetro America.

In New Destinations, the nonmetro Hispanic population increased 230% in the 1990s, 74% in the 2000s, and 22% in the 2010s. Rural Hispanic growth rates have declined significantly since the Great Recession in the late 2000s. The diminishing growth rate in New Destinations is due, in part, to the economic downturn, but also to the extraordinary growth of the Hispanic population base, from 109,165 in 1990 to 762,872 in 2019. In 1990, Hispanics accounted for just 3% of the population in New Destinations. By 2019 the Hispanic population had increased more than fivefold—to 16%.

Emerging Destinations, as expected, experienced especially rapid increases in the size of the Latino population in the post-2000 period, even exceeding rates observed in New Destinations. Hispanic growth rates also increased substantially in Other Destinations after 2010. Still, Established Destinations remain home to the majority of all nonmetro Hispanics. In 1990, more than 1 million Latinos lived in Established Destinations, compared with only 170,000 in New and Emerging Destinations. By 2019, nearly 1.7 million Hispanics lived in Established Destinations, and the share of the population in these counties that were Hispanic increased from 32% to 44% between 1990 and 2019.
Hispanics as a Demographic Lifeline

Hispanic population growth prevented overall population decline in many nonmetro counties over the past three decades. Here we identify counties that experienced (1) overall population loss, including Hispanic population loss; (2) population loss but Hispanic population gains; (3) population gains that were only because Hispanic population gains exceeded non-Hispanic losses; and (4) overall growth, including both Hispanic and non-Hispanic population gains. Whether Hispanics provided a demographic lifeline is revealed in the share of counties classified as (3) above, i.e., in counties where Hispanic population growth exceeded non-Hispanic declines.

Over the entire 1990-2019 period (top panel, Table 2), more than 10% of all nonmetro counties grew in population size, but only because Hispanic growth offset non-Hispanic population declines. This represents 200 counties, distributed widely but unevenly across the United States (the light blue counties in Figure 3). In the Midwest, overall county population losses since 1990 occurred mostly in tandem with Hispanic population growth (shown in pink). This pattern also characterizes Appalachia and historical Black Belt counties, spread in an arc from the Ozarks (in southern Missouri and

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**TABLE 1**

Percent Hispanic and Percent Change in Hispanic Population, Nonmetro Counties, 1990-2019

<table>
<thead>
<tr>
<th></th>
<th>PERCENT HISPANIC</th>
<th>HISPANIC PERCENTAGE GROWTH</th>
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<tr>
<td>Other Destination</td>
<td>1.3</td>
<td>2.0</td>
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<tr>
<td>Emerging Destination</td>
<td>1.1</td>
<td>3.1</td>
</tr>
<tr>
<td>New Destination</td>
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<td>8.5</td>
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<tr>
<td>Established Destination</td>
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<td>36.5</td>
</tr>
<tr>
<td>Total Population</td>
<td>3.8</td>
<td>5.5</td>
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</table>

TABLE 2
Percent of Nonmetro Counties, by Destination and by Hispanic and Total Population Change, 1990-2019 and 2010-19

<table>
<thead>
<tr>
<th></th>
<th>POPULATION LOSS—HISPANIC LOSS</th>
<th>POPULATION LOSS—HISPANIC GAIN</th>
<th>POPULATION GAIN—HISPANIC ONLY</th>
<th>POPULATION GAIN</th>
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<tr>
<td></td>
<td>1990-2019</td>
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<tr>
<td>Other Destination</td>
<td>0.6</td>
<td>52.7</td>
<td>5.7</td>
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<tr>
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<td>–</td>
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<td>20.6</td>
<td>22.6</td>
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<tr>
<td>Total Population</td>
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<td>43.9</td>
<td>10.1</td>
<td>44.3</td>
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<td></td>
<td>2010-2019</td>
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<tr>
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<td>1.1</td>
<td>72.7</td>
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<td>10.2</td>
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<td>20.6</td>
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<tr>
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<td>22.2</td>
<td>35.0</td>
<td>25.6</td>
<td>17.2</td>
</tr>
<tr>
<td>Total Population</td>
<td>3.4</td>
<td>63.8</td>
<td>9.8</td>
<td>22.9</td>
</tr>
</tbody>
</table>


northern Arkansas), to the Piedmont region (straddling the North Carolina and Virginia border), as well as various parts of the Mid-Atlantic and New England regions.

The Hispanic population has been an engine of nonmetro growth over the 1990-2019 period, even as Hispanic population growth slowed considerably after 2010 in the wake of the Great Recession (bottom panel, Table 2). Hispanic population growth since 2010 was nevertheless sufficient to fully offset non-Hispanic population declines in nearly 10% of all nonmetro counties. This figure is nearly identical to the percentage for the entire study period. What is different now is the sharp downward shift in the number of counties with both Hispanic and non-Hispanic population gains. This growth-growth pattern represented 44% of all nonmetro counties from
1990 to 2019, but only 23% since 2010, when depopulation in rural America spiked. The new majority pattern after 2010 was one of Hispanic population growth, but growth insufficient to avoid overall county population decline (64% of nonmetro counties).

These national patterns varied across New, Emerging and Established Destinations. Indeed, between 1990 and 2019, 23% of New Destination counties exhibited a pattern whereby Hispanic population growth exceeded non-Hispanic population decline—a figure more than double the national average (top panel, Table 2). Another 21% of these New Destinations and 22% of Emerging Destinations declined in population, despite Hispanic population growth. Without Hispanic growth, the overall population losses would have been much larger in these nonmetro counties. In the
post-2010 period, Hispanics once again provided a “demographic lifeline,” with Hispanic growth more than offsetting non-Hispanic decline in nearly 21% of New Destinations and 10% of Emerging Destinations. Even so, New and Emerging Destinations were less likely than in the past to experience Hispanic growth sufficient to offset non-Hispanic population declines.

Figure 4 clearly reveals widely divergent annual growth between Hispanics and non-Hispanics since 1990. The Hispanic population grew rapidly in each of our four county types. Only in Emerging Destinations did Hispanic population growth fall below non-Hispanic growth. The slowest overall county population growth occurred, perhaps surprisingly, in Established Destinations, where the non-Hispanic population actually declined from 1990 to 2019.

Perhaps the most dramatic story of demographic change is observed in Other Destinations, where population growth was substantial over the 29-year study period (Figure 4). After 2010, however, these nonmetro counties experienced unprecedented overall population losses (Figure 5). Hispanic populations continued to grow in all nonmetro counties after 2010, but at levels no longer sufficient to offset mounting non-Hispanic population losses, especially in Other Destinations.

Conclusion

America’s burgeoning Latino population has become the demographic lifeblood of rural America. This demographic fact is clearly revealed in extraordinary Hispanic growth patterns between 1990 and 2019, even during the post-2010 period when the overall nonmetro population experienced, for the first time, absolute population decline. Rural population decline is deeply rooted in ongoing population aging, accelerating natural decrease, and declines in the female population of reproductive ages, which has depressed rural fertility rates. America’s Hispanic population—both native and foreign-born—is a clear source of rural demographic and economic resilience.

The policy implications are stark. Rural areas are unlikely to thrive economically without new population growth from migration, especially from America’s diverse Hispanic population. Rural America remains disproportionately non-Hispanic white. The U.S. Census Bureau projects future
declines by midcentury in America’s non-Hispanic white population, driven by high mortality rates among America’s aging baby boom generation and fertility rates that fall well below replacement levels. For rural America, this means that depopulating counties are unlikely to experience a population or economic revival without in-migration from minority and immigrant populations. Hispanics have demonstrated their willingness to move to remote rural areas to work in corporate agriculture or in the hospitality industry at low wages. In contrast, non-Hispanic whites, particularly young adults, continue to leave rural areas in large numbers.

Revitalizing rural and small-town America requires new approaches that incentivize job growth, attract new migrants and retain young adults. Economic development efforts arguably must target those rural regions and communities that are sustainable in the longer term. Investments are most likely to reap success in rural communities with the most potential for growth—those of sufficient population size, with an infrastructure suited to an information-based economy and having a viable civic culture (e.g., with good schools, hospitals and cultural amenities), and located in close
proximity to urban employment centers or natural amenities. Federal, state and local restrictions on legal immigration or on the number of refugees or asylum-seekers will not save rural America, rather those restrictions will limit potential sources of rural population and economic growth. That is why some civic and nonprofit organizations are now calling for heartland visas that could provide immigrants with opportunities to live and work in rural areas. Of course, this strategy has its own challenges. At a minimum, it requires greater tolerance and acceptance of racial and cultural diversity in rural communities with limited previous exposure to diverse populations. Hispanic growth is integral to the future well-being of rural America—to ongoing economic development efforts that promote thriving rural people and sustainable communities.
References


Endnotes

1 This chapter uses Hispanic and Latino interchangeably, recognizing that Hispanic is a term typically used by the U.S. Census Bureau in demographic reports or by demographers, but also is sometimes found objectionable among racial and ethnic scholars, who prefer Latino/Latina/Latinx.

2 We use rural and nonmetro interchangeably in this chapter.

3 See Lichter and Johnson.

4 See Kandel and Cromartie.

5 Growing racial and ethnic diversity is expressed unevenly across nonmetro counties, with much of it concentrated in a relatively small number of counties. For example, only 10% of all nonmetro counties accounted for about 50% of all Hispanic growth in the 2000s. (See Lichter, 2012.)

6 Here we construct a new typology through the 2010s that builds on previous studies of Latino population growth in the 1990s and 2000s. See Kandel and Cromartie for typology of the 1990s. See Johnson and Lichter, 2016, for the 2000s typology of New and Established Destinations.

7 See Johnson and Lichter, 2019.

8 See Johnson.

9 For a discussion, see Lichter, 2013.

10 See Ozimek et al.

11 See Ajilore and Willingham.
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


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.
Restoring Well-Being and Entrepreneurship in Rural America

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Rural America is as vast, as differentiated and, in many ways, as unequal as the country itself. In total, 31 million Americans live in rural and small-town ZIP codes (henceforth “rural”) that are considered prosperous or comfortable on the Economic Innovation Group (EIG) Distressed Communities Index (DCI), meaning their communities rank in the top two-fifths of economic well-being nationwide. And historically, certain parts of rural America have been forging grounds for the American dream, leading the nation in fostering upward economic mobility for young people. However, 23% of the rural population resides in economically distressed communities, or ones that rank in the bottom one-fifth of national well-being. That compares to only 13% of the country’s urban and suburban populations (henceforth “urban”). These figures suggest that many rural areas are struggling to gain their footing in the modern economy.

**FIGURE 1**

**Share of the Urban versus Rural Population Living in Each Tier of Economic Well-Being**

<table>
<thead>
<tr>
<th>Tier</th>
<th>Urban and Suburban</th>
<th>Small Town and Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prosperous</td>
<td>32%</td>
<td>22%</td>
</tr>
<tr>
<td>Comfortable</td>
<td>18%</td>
<td>15%</td>
</tr>
<tr>
<td>Mid-Tier</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>At Risk</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Distressed</td>
<td>13%</td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: EIG’s Distressed Communities Index.
Majority-minority rural communities are particularly disadvantaged. An alarming 63% of rural ZIP codes in which a majority of the population is nonwhite are economically distressed, compared to 19% of majority-white ones. And while 19% of the rural white population lives in a distressed ZIP code, 29% of rural Hispanics do. That figure rises to 49% each for the country’s rural Black and Native American populations. By contrast, 32% of urban Blacks and 15% of urban Native Americans live in distressed communities, suggesting that the intersection of race and rurality can be an especially potent force in constraining economic well-being.

As recently as the 1990s, rural America powered the country’s economic advance. Counties with fewer than 100,000 residents added jobs and businesses more than twice as quickly as counties with more than 1 million residents from 1992 to 1996. By the 2000s, the playing field had leveled, and rural areas fell behind through the 2010s. Today, numerous forces compound to hold back rural economic well-being; they include the living legacies of past injustices facing minority groups. Yet they also include underinvestment in the stocks of capital—human and digital in particular—that power the modern economy and would allow more economic opportunity to open in rural parts of the country. Indeed, the deteriorating state of rural entrepreneurship over the past decade signals that the United States has done too little to secure the preconditions for a healthy, dynamic economy to thrive in many rural parts of the country.

The Entrepreneurship That Defines the Rural Way of Life Looks Increasingly Imperiled

Entrepreneurs help economies evolve—globally, nationally and locally. They combine the factors of production—land, labor, capital and technology—in new and innovative ways. The future of the rural economy will come from within rural America itself, and entrepreneurs will shepherd it in.

Yet rural entrepreneurship is declining, arguably just when it is needed most. According to EIG’s analysis of U.S. Census Bureau Business Dynamics Statistics data, rural America (defined in this section as nonmetropolitan areas) produced its smallest crop of startups ever in 2018, just shy of 18,000—that’s 44% below its 1995 peak. It also falls well short of offsetting the 21,300 rural firms that closed in 2018.
And this imbalance did not occur only in 2018. In fact, every year since 2008, more firms have wound down across rural America than have started. This is a new development historically, and as a result, the total number of firms in the rural United States has fallen by 10.5% since just before the Great Recession. There are fewer rural firms active in the United States today than at any time since 1987.

**FIGURE 2**

Net Difference between Firm Starts and Firm Closures in the Nonmetropolitan United States

Fading entrepreneurship is not a phenomenon unique to rural America. Startup rates have been falling nationally for several decades, accelerating modestly at the start of the 21st century and then swiftly with the 2008 financial crisis. However, the fall has been steeper for rural areas and pushed them below the critical “replacement rate” threshold that would have at least one new company forming for every one that folded. We see the same accelerated downward trend with respect to rural self-employment rates, although for the time being, rural areas still beat out metropolitan areas on this more individualized measure of entrepreneurship.6

The drying startup pipeline is making itself felt across rural labor markets, especially when combined with the broader trend toward increased corporate concentration across the economy (in which a smaller number of firms have come to dominate larger shares of their respective markets).
A burgeoning area of academic research finds that a phenomenon called *labor market monopsony*, in which a single firm or set of firms dominates demand for an occupation in an area, is likely suppressing wages in many industries in low-population areas.\(^7\) Where there are fewer employers, workers simply have less choice and therefore less power.

While corporate concentration is a fraught and complicated issue, meaningful wins for workers and entrepreneurs can be achieved in the near term by reforming certain anti-competitive practices, such as the use of noncompete agreements. An estimated 20% of the U.S. workforce is currently subject to a noncompete agreement. These agreements are typically forced upon workers as a condition of employment and prohibit them for working for or starting a competing firm within their employer’s market area.\(^8\) It is easy to imagine how noncompete agreements might have disproportionate impacts on rural areas. A single firm armed with a noncompete can effectively lock in specialized talent, block spinoffs and prevent competitors from opening in the market. This chokes off most local economic development potential in the affected industry. Promisingly, momentum is building at both state and federal levels to dramatically curtail the use of these agreements. 2019 was a banner year for state-level reforms, and for the first time ever, in early 2021 bipartisan groups of lawmakers in both the House and the Senate introduced federal legislation to effectively ban the use of noncompete agreements.\(^9\)

**Recent Transformations in Capital Markets Present Challenges and Opportunities for Rural Areas**

A number of changes to the country’s banking sector affecting rural businesses and entrepreneurs took place in the wake of the Great Recession, triggered by the event itself (e.g., the crisis-instigated wave of mergers and acquisitions), its regulatory fallout (e.g., Dodd-Frank Act) or its lasting impact on monetary policy (i.e., perpetual low-interest-rate environment). Banking data reveal how significant a combined impact these developments had on the wider market.

In real terms, total small-business lending (defined as commercial loans under $1 million) fell by nearly one-quarter between 2008 and 2013 and stagnated thereafter, even as big businesses drove real total commercial lending to new heights.\(^10\) The small-dollar share of all commercial loans fell from 40% in 1995 to 20% in 2018.
In addition, many regional and community banks disappeared or were absorbed into larger enterprises as the banking industry consolidated, severing long-established ties between business owners and their trusted bankers. A Federal Reserve report from 2019 found that 41% of rural counties (disproportionately distressed and minority ones) lost bank branches from 2012 to 2017, and nearly 100 rural banking markets lost their only headquarters. The same report showed that most small businesses enjoy real tangible benefits from banking in person, which include better access to credit under better terms.

In other words, the country’s increasingly consolidated banking industry has curtailed small-business lending and partially retreated from more peripheral or riskier areas, activities or groups. These transformations matter disproportionately in rural areas, where 62% of workers are employed in small businesses, compared to 47% in metropolitan areas. Bank lending is by no means the only form of capital available to rural business owners and entrepreneurs, but it is generally the most common.

Nevertheless, rural capital markets demonstrated real strength during the COVID-19 pandemic. The Paycheck Protection Program (PPP) showcased rural banking’s competitive advantages; for example, the community-centric and relationship-powered banking ecosystem of the Great Plains kicked into high gear to deliver some of the fastest rates of PPP penetration in the country. And as other chapters in the book will show, community development financial institutions, loan funds and other creative and mission-oriented lenders stepped in to support small businesses in other regions where the traditional banking ecosystem was less responsive.

Policymakers have also created a few new tools to increase access to capital in rural areas. Both the rural business investment companies, created by the 2008 farm bill, and “opportunity zones,” enacted as part of the 2017 Tax Cuts and Jobs Act, are helping to improve rural access to equity capital. Equity is particularly important for companies with high growth potential. Promisingly, early evidence suggests that rural areas are holding their own in attracting opportunity zone investments into startups and growth businesses, as the associated tax incentives encourage investors to seek promising investment opportunities in traditionally overlooked areas. Led by groups such as the Center on Rural Innovation in Vermont or Four Points Funding on Colorado’s Western Slope, opportunity zone investors are taking
a second look at rural business models and finding growth opportunities in everything from outdoor recreation and tourism-focused businesses to mental health, water and space technologies. The revival of the successful State Small Business Credit Initiative in the March 2021 COVID relief package should add momentum.

**The Country’s Demographic Slowdown Is Hitting Rural Areas Particularly Hard**

One national challenge especially exaggerated on the country’s rural landscape is demographic decline.

The United States registered its slowest decade of population growth ever in the 2010s, as birth rates tumbled and international immigration dried up. This demographic transformation creates headwinds that are compounded in rural areas by the out-migration of young people, who often move away for education and opportunity elsewhere. In total, 81% of U.S. counties, home to 158 million Americans, lost prime working-age (25-54) adults from 2010 to 2019. For rural counties, the share was 91%. Rural counties experiencing population growth almost exclusively cover oil and gas beds, recreation hot spots and exurban sprawl in the Southeast.

Population decline complicates the work of restoring economic growth and prosperity. Once population loss sets in, housing markets can begin to flounder, eroding household wealth. Local and county government finances can begin to struggle as the tax base shrinks. Leaders eventually find themselves having to make such wrenching decisions as whether to increase ambulance wait times or distances children must travel to school. A shrinking labor pool is less attractive to outside firms scouting locations. Meanwhile, the aging workforces left behind may have a harder time integrating new technologies into their workstreams, stymieing productivity growth locally. Making matters worse, it becomes even harder to start a business in areas where labor has moved away and the local pie of consumer spending is shrinking.17

Thus demographic decline can also be a cause of economic decline, not just a symptom of it. Many rural areas are not yet ready to accept demographics as destiny, however, and they are working to shore up demographic flanks and rekindle economic activity in tandem.
An idea advanced by EIG to create a “Heartland Visa” is gaining adherents. Heartland Visas would add to top-line national immigration flows (which are now near modern historical lows) by opening a new class of visa that would allow skilled immigrants to come to communities contending with prime-age population loss. Communities would opt in to the program, choose how many visas they wish to make available, and ultimately what support and integration services they would like to wrap around the program. The visa would be employment-contingent but not employer-based, meaning skilled visa holders could start their own businesses (and immigrants are already around twice as likely to start a company as native-born residents) or find work on the open market, making their talents available to new, small and midsized businesses, as well as the big ones that typically dominate traditional classes of employment-based visas. Such an injection of entrepreneurial zeal, human
capital, spending and demand could provide a welcome spark to many rural communities and complement initiatives to further develop the local workforce and enhance the skills of long-term residents.

**The Pandemic Offers a Chance for a Rural Reset**

The COVID-19 pandemic brought the longest economic expansion in modern American history to an abrupt and tragic end. The convulsions it has caused, however, may have a silver lining: The asymmetric shock it levied against American society and the economy means long-established assumptions about behavior no longer hold, patterns of growth are being disrupted and economic opportunities are opening up.

Yet the pandemic has also accelerated the digitization of economic and social life by at least a decade, estimates McKinsey & Company, a consulting group. Rurality itself is no impediment to prosperity, but isolation—physical or digital—is. Digital connectivity is the key that opens the possibilities of this moment. It is what will allow rural areas to attract remote workers, and it is the foundation on which new rural business models will form. Without modern digital infrastructure and rapid, reliable internet connectivity, rural areas cannot compete in providing advanced services, for example, and they will be at a disadvantage in tapping into knowledge networks. Sadly, our haphazard nationwide rollout of rural broadband and intermittent commitment to the cause left thousands of rural communities less well-positioned than they should have been to take advantage of 2020’s step-change increase in professional demand for rural living. The pandemic should be a wake-up call that we, as a nation, must commit to universal broadband as an essential service and achieve a full nationwide rollout within five years.

However, connectivity alone is a necessary but insufficient condition for rural areas to thrive. As also noted in this chapter, the country’s recommitment to rural prosperity must include efforts to improve access to capital, ready more of the workforce for the jobs of tomorrow, safeguard competitive markets nationally and overhaul the systems that perpetuate racial injustice. Rural America has immense capacity for endurance and renewal. It is as resilient as the land itself. But after a long period of strong economic headwinds and policy neglect, the garden needs tending. Nevertheless, with some new tools and real attention to the conditions that allow natural processes of economic renewal to unfold, new pathways to rural prosperity are sure to open.
References


Economic Innovation Group. Distressed Communities Index. See eig.org/dci.


Endnotes

1 The DCI compares the performance of all ZIP codes with at least 500 residents across the country on seven distinct measures of economic well-being, and groups them into five quintiles ranging from prosperous and comfortable at the top to mid-tier and then at risk and distressed at the bottom. The seven measures are poverty rate, median income relative to a benchmark area, share of adults without a high school diploma, share of prime working-age adults not employed, housing vacancy rate (excluding seasonal and recreational properties), change in jobs and change in number of business establishments. For more information on the DCI, see Economic Innovation Group, Distressed Communities Index.

2 See Economic Innovation Group, 2017.

3 See Economic Innovation Group, 2016.

4 See Ajilore.

5 The geographic definitions in this time series are standardized to 2018, so the figures are not biased by the shrinking portion of the country that is considered nonmetropolitan.

6 See Wilmoth.

7 See, for example, Azar et al., and Stansbury.

8 See Starr.
9 See O’Donnell, and Lettieri.

10 EIG analysis of Federal Deposit Insurance Corp. (FDIC) Historical Bank Data; all commercial loans encompass commercial and industrial plus nonfarm, nonresidential lending as categorized by the FDIC. For more information, see Fikri.

11 See Board of Governors of the Federal Reserve System.

12 For a related story, see Simon.

13 EIG analysis of 2018 Business Dynamics Statistics data; small businesses are defined here as firms with fewer than 500 employees.

14 See McKay et al.

15 See Abello.

16 See Fikri et al.

17 For more on these forces, see Ozimek et al.


19 A 2021 assessment by the advocacy group BroadbandNow estimates that 42 million Americans, many of them rural, lack broadband access; see Busby et al.
Native America x Rural America: Tribal Nations as Key Players in Regional Rural Economies

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
Since time immemorial, Native Peoples\textsuperscript{1} have built vibrant communities across the country now called the United States. While colonization radically altered their histories, tribal communities remain a vital part of 21st century America, and particularly 21st century rural America. At least 40\% of the United States’ 5.2 million self-identified American Indians\textsuperscript{2} and approximately 70\% of all tribal citizens live on and near reservations\textsuperscript{3}—tribal lands that largely are located far from urban cores. While reservation-based Native populations have been among the poorest in the United States, a growing number are experiencing sustained economic growth. Where this growth is linked to an expansion of recreation, entertainment and creative ventures, tribal communities are becoming hubs for arts and cultural activities. Likewise, Native nations’ governance success is evident in the role many tribes now play as major regional employers and service providers. By these demographic, economic, social and political measures, Native communities already are key contributors to the vitality of rural America—and they appear poised to have an even greater impact in the years to come.

\textbf{Native America at a Glance}

As of January 2021, 574 federally recognized tribes share geography with 35 states in the United States and control more than 55 million acres of land.\textsuperscript{4} An additional 60 state-recognized tribes share geography with 14 states.\textsuperscript{5}

These nations, which together comprise “Indian Country,”\textsuperscript{6} are diverse. Their cultures, traditions, governmental forms, land bases, natural resources and approaches to development all vary. Their similarity is this: All tribes share a commitment to protecting their sovereignty, enhancing the welfare of their citizens, and sustaining their religions, customs and languages.

Native nation governmental powers are vast and perhaps best understood as comparable to those of states, although tribal governments also have some “national” powers. Tribes may determine their own governmental forms\textsuperscript{7} and citizenship criteria, make and enforce laws, resolve disputes in their
own courts, and develop and regulate their lands, waters and other natural resources. Tribal governments also bear primary responsibility for the delivery of social, health, housing and education services in their communities and for the development of their lands. Nonetheless, tribes’ capacities to exercise their powers vary by population, territorial expanse, government revenues and administrative prowess.\(^8\)

**A Closer Look at Native Economies**

Prior to colonization, many North American Native Peoples lived in flourishing communities. In the Northeast in the 1500s, historical records describe settlements with “one town bumping up against the other,”\(^9\) supported by hunting, fishing and Three Sisters agriculture (the growing of corn, beans and squash). In the 1700s, Indigenous farmers working in the Ohio River Valley produced 1.3 to 2.5 times more grain per acre than the European immigrants who displaced them—surpluses that in turn supported cottage industries and extensive trade.\(^10\) In the 1800s, a comparatively affluent and healthy lifestyle made Great Plains Peoples among the tallest in the world.\(^11\) Until colonial agents interrupted the practice in the early 1900s, Native Peoples of the Northwest coast amassed and shared significant material wealth through ceremonial feasts called potlatches.\(^12\)

European colonization changed all of this. First, explorers, traders and settlers brought disease and war. Later, the founding and growth of the United States brought forced removal from homelands, confinement on reservations and natural-resource expropriation. Policies that disempowered tribal governments, outlawed Native religions, censored Indigenous language use, attenuated access to sacred sites and removed children from family homes further undermined Native nations. By 1920, what remained for most Native Peoples were administered communities, suppressed cultures, imposed governing systems, collapsed economies and a host of accompanying social problems—conditions that made Native Americans the poorest population in the country for much of the 20th century. In 1980, 41.1% of all self-identified American Indians and Alaska Natives living on (largely rural) tribal lands were in poverty, as compared to 30.9% of Native Americans overall, 29.5% of Black Americans, 25.3% of Hispanic Americans and 10% of white Americans.\(^13\)
In the 1960s and 1970s, Native activism led to a sea change in U.S. policy. Initially through the Economic Opportunity Act of 1964 and then through President Nixon’s Indian self-determination policy (solidified in the Indian Self-Determination and Education Assistance Act of 1975), tribes gained greater standing as governments and more control over their resources. Over time, additional laws strengthened both the policy and its results.

Greater economic prosperity has been one important result. On average, reservation economies have marked a long period of growth. Further, research suggests that tribal sovereignty (political self-determination) and effective tribal governance have been key to this outcome: As tribes exercise decision-making authority and back up that authority with capable and culturally legitimate governing institutions, they are better able to seize development opportunities and carry out economic plans that sustain their nations and enhance citizen well-being. In sum, while many Native people living on and near reservation lands remain less well off than the American mainstream, their situation (on average) has been improving.

Today, myriad industries are represented in reservation economies, including agriculture, oil and gas, forestry, fishing, retail trade, finance, hospitality, gaming, tourism, health care, government services, and more. Ownership of these enterprises spans the public, state-owned (tribal enterprise), private and nonprofit sectors.

The public and tribal enterprise sectors are dominant—a pattern that is influenced by tribal governments’ many responsibilities, communities’ cultural preferences and rights, economies of scale, legal requirements and tribes’ limited taxation opportunities. For example, casinos are an important part of the tribal enterprise sector both because U.S. law requires tribal government ownership and because casino ownership is an effective means of tribal public finance. Together, tribal governments and tribal enterprises offer substantial employment opportunities to both Natives and non-Natives and, especially in rural economies, play an important role as providers of goods and services and of recreation and entertainment opportunities.

In general, the on-reservation private and nonprofit sectors are smaller. Many businesses are microenterprises that are too small to meet local demand. Others focus on nonlocal trade to improve their prospects for viability and growth. Consequently, tribal citizens often travel to nearby towns for groceries and other goods and services. While this state of affairs
strengthens connections between on- and off-reservation markets, it also highlights the opportunity for further, and potentially transformative, private sector growth in Indian Country.

Business-friendly legal infrastructure and improved access to capital are related keys to unlocking such growth: Reservation zoning, streamlined tribal regulations, transparent commercial codes and reliably fair tribal courts increase lenders’ confidence in tribal-citizen borrowers. Nonetheless, reservation residents who earn cash incomes, who have poor credit histories or who lack traditional collateral may require additional assistance. Native community development financial institutions (CDFIs) have proven to be especially effective at meeting such needs.23

**Partnership and Progress?**

So what does the future hold for tribal economies? Certainly, Native economies lagged the mainstream before the COVID-19 pandemic and, given the devastation it wrought in Indian Country in both economic and health terms,24 the challenges to a continued trajectory of economic growth and improved community well-being are substantial. Yet, while the future is inherently uncertain, Native Peoples have proven themselves to be resilient. It will take time for tribal enterprises reliant on external customers to rebound, for tribal citizen entrepreneurs to more seamlessly support e-commerce, and for tribal governments to build the infrastructure necessary to spur a new round of growth—but we believe they will do so.

Moreover, as Native nations rise, so too can the rural regional economies in which most are embedded. Consider:

- **The value of regional government partnerships.** In Benewah County, Idaho, the Coeur d'Alene Tribe and municipality of Plummer together operate a rural, community-based outpatient health care system, which neither could have afforded on its own.25 In Pottawatomie County, Oklahoma, the Citizen Potawatomi Nation operates Rural Water District 3, whose 1,300 Native and non-Native customers include residents, businesses, churches, schools and fire departments.26

- **The widespread benefits of tribal sovereignty and self-determination.** Since 1987, tribes have been able to seek status as regulators under the Clean Water Act, and research shows that they have been more effective
than other governments at ensuring cleaner water for all residents—Native and non-Native—in the pollution-affected areas they oversee.\textsuperscript{27} Research also shows that “exposure” to a Native CDFI improved credit scores for all low-score consumers—Native and non-Native—by an average of 45 points over the period 2013-2017; mainstream CDFIs do not appear to generate the same result.\textsuperscript{28}

- **The payoffs of population diversity.** In 2020, the weighted average 10-year population growth rate in South Dakota’s 19 metro- and micropolitical counties was 13.13%, compared to 1.81% in the state’s 47 rural counties. Yet those rural counties, reservations and near-reservation areas accounted for the majority of population growth, generated comparatively lower median ages, and likely spurred greater economic dynamism. Put differently, the younger, growing areas in rural South Dakota are more racially diverse.\textsuperscript{29} This diversity generates benefits—be they coffee shops, art exhibits, home health care providers or more-vibrant churches—that improve the quality of life for everyone living there.

Native Peoples always have shared the spaces they inhabit—with animals, plants and other humans. Historically, to live well, and to help those others live well, required the development of relationships of respect. In Hopi, the language of co-author Joan Timeche, the idea is expressed with the word *tuukyaptsi*, which means “respect for others.” Despite the ravages of colonization, this principle remains a core value in Native America. In the context of rural America, it means that tribes know they are not islands; their markets, labor forces, infrastructure, lands and residents are intertwined in critical ways with those of their settler neighbors. As permanent residents and caretakers, they will continue to approach all relationships, economic and otherwise, from this perspective.

The examples shared exemplify this connectedness—and suggest that the future holds remarkable possibilities, *should tribes and the rural communities that are their neighbors come together and seize them.* Regional governance partnerships can help rural community residents address vexing problems. The exercise of tribal sovereignty and self-determination (through, for example, regulatory enforcement and the creation of CDFIs), can create spillover effects for non-Indigenous neighbors. Native nations’ comparatively youthful labor forces can mitigate rural population loss and keep rural communities...
vibrant, adaptable and relevant. Anecdotal evidence suggests that a commitment to place—Native people's living connection to their homelands and non-Native residents' deep appreciation for the rural lifestyle—can undergird the collaboration necessary for mutual gains. Cooperation may at times be difficult, but the payoffs for both tribal and rural communities can be substantial. *Tuukyaptsi.*

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Endnotes

1 We use the terms “American Indian,” “Native American,” “Native” and “Indigenous” interchangeably throughout this chapter; we intend them to be inclusive of Alaska Natives. We also use the terms “tribe” and “Native nation” interchangeably. The term “Native people” refers to all Native individuals, while the term “Native Peoples” refers to their collectives and is essentially synonymous with “tribes.”

2 See Norris et al.

3 See Pettit et al.

4 See U.S. Forest Service.

5 See Koenig and Stein.

6 U.S. 18 U.S. Code § 1151 provides a legal definition of “Indian country,” which is largely based on land status. The more common colloquial term “Indian Country” (note capitalization) refers to any of the self-governing American Indian and Alaska Native nations that share geography with the United States.
Today, most Native nation governments appear similar to Western governments, with legislative, executive and judicial branches; although some Native nations continue to use traditional forms of government (numerous pueblos in New Mexico, for example) and others employ customary law alongside contemporary law (the Navajo Nation’s syncretic practices, for example, which are especially well-established and well-documented).

For those interested in learning more about tribal governments, two useful resources are the website of the Native Nations Institute, and Jorgensen, 2007—both of which highlight the many ways Native nations are working to develop stronger and more capable governments.

See Mann, p. 42.

See Sleeper-Smith.

See Steckel and Prince.

See Driver, p. 210: “The maximum number of each material item exchanged at any single Kwakiutl potlatch from 1729 to 1936 will give an idea of the immensity of some of these affairs: 6 slaves, 54 dressed elk skins, 8 canoes, 3 coppers, 2,000 silver bracelets, 7,000 brass bracelets, 33,000 blankets. As many as 50 seals were eaten at the accompanying feast.”

See Waters and Eschbach, and Bureau of the Census.

For a useful discussion of these changes, see Cornell.

See Akee and Taylor; and Cornell and Kalt, 2010.


We stress that this is a statement about the central tendency in the data. As the COVID-19 pandemic has made especially clear, the socioeconomic circumstances of Native nations—such as the Navajo Nation, Hopi Tribe, Oglala Sioux Tribe and Rosebud Sioux Tribe—remain extremely challenging.

See Akee et al., 2019.

Because the U.S. government took Native lands and placed remaining reserved lands “in trust” for tribes, tribal governments do not have the same property taxation opportunities that municipal governments (for example) have over fee (private) land within their jurisdictions. Additionally, states have asserted primacy over many other forms of taxation, further limiting tribes’ tax bases. The result is that tribal governments must be more innovative than other governments in raising funds to carry out the tasks of government.

This is a requirement of the Indian Gaming Regulatory Act of 1988.

In 2021, 245 tribes owned 524 gaming operations in 29 states. See 500 Nations.

See, for example, O’Connell et al.

For overarching discussions of the reservation private sector and how to spur its growth, see Miller; Cornell et al.; and Jorgensen, 2016. For an example of the support that Native CDFIs can provide to a reservation economy, see Lakota Funds. Since its inception, Lakota Funds, a Native CDFI, has helped start more than 600 businesses and create over 1,600 permanent jobs, most of which are located on the Pine Ridge Reservation in South Dakota.
This is not to say that Native residents of rural reservations always remain in place. In fact, reservation populations are populations in flux. Drawn by education, employment and quality-of-life opportunities, many tribal citizens move to urban areas at some point in their lives. But strong ties to family, land, culture and ceremony often mean that these same tribal citizens travel “back home” on weekends, several times over the course of a year, after several years or after several decades. With these moves, they are in part responding to the expectation that any knowledge and skills gained “abroad” will be invested back into their tribes. In fact, this “churn” is another aspect of tribal community life that can be harnessed for the benefit of the broader rural community.
Rural Opportunities: Changing the Narrative and Shifting Ownership of Land

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“In the settler mind, land was property, real estate, capital, or natural resources. But to our people, it was everything: identity, the connection to our ancestors, the home of our nonhuman kinfolk, our pharmacy, our library, the source of all that sustained us.”

—Robin Wall Kimmerer, citizen of the Citizen Potawatomi Nation

**LAND IS POWER.** Land is not only a key to the agricultural system in the United States, it is a critical factor in multiple other systems, including: a store of wealth, recreation, environmental/ecological stewardship, spiritual re-creation, familial stability and political power.

Land is the basis of the modern rural economy—alternately revered and used wisely and for sustenance, and overlooked, abused and taken for granted. It was stewarded by, then seized and used to oppress and enslave, Indigenous peoples and survivors of the African diaspora. It is sought by some as a source of great material wealth, and by others for individual and communal sustenance, self-sufficiency, self-determination and sustainability. In this chapter, we will explore the myth and the reality of who and what is rural America, and the opportunities and community benefits that can accrue from changing the narrative and shifting ownership, control and stewardship of land for the greater good.

**Where Are We?**

By the numbers, rural America is distressingly behind urban counterparts, according to many indicators, with disproportionately high percentages of people living in poverty, sustaining job losses, having poor health outcomes, lacking access to healthy foods, attaining lower levels of education, and more. The Economic Research Service (ERS) of the U.S. Department of Agriculture (USDA) has identified a total of 353 U.S. counties designated as having “persistent poverty” and a total of 708 counties designated as having “persistent child poverty.”
Eighty-five percent of persistent poverty counties and 79% of persistent child poverty counties in the U.S. are designated as nonmetro. These counties tend to be geographically clustered in the South, Appalachia, Indian Country and the Southwest. The Social Vulnerability Index maps of the Centers for Disease Control and Prevention’s Agency for Toxic Substances and Disease Registry reveal similar geographic patterns of socioeconomic distress (dark blue on the map).

The notion that rural America is predominantly white farm families is perhaps one of the most misleading myths. In fact, rural America has historically been home to large numbers of racial and ethnic minorities, although unlike for their white counterparts, it was often not by choice. Colonization, genocide, slavery and racial subjugation resulted in geographically and socially isolated communities of color, especially in the South, in the colonias and on American Indian reservations. While segregation is often seen as an urban
issue, Black, Indigenous and other people-of-color (BIPOC) communities in rural areas abound yet are often invisible and therefore easily forgotten.

Land has played a key role in the creation, retention and loss of wealth in rural America, and it provides the foundation for the food we eat, the water we drink and the air we breathe. Many public and private investments in rural counties have declined, because only 14% of the U.S. population lives in rural areas. Yet, with rural counties comprising more than 72% of the country’s total land base, the environmental health of our country relies on strong economies in rural and tribal communities sustainably using and stewarding these lands.

**How Did We Get Here?**

“Indigenous people have been growing food, creating complex systems of agriculture, gathering, and practicing land stewardship long before the formation of any discipline, area of study, or social movement describing the relationships between environments and humans. Violent colonization and willful ignorance of these Indigenous land stewardship systems have led to the destructive replacement of the Indigenous relationships with our environment with parasitic, extractive systems, which now urgently need to be corrected.”

—A-dae Romero Briones, director of programs, Native Agriculture and Food Systems Initiative, First Nations Development Institute

**Systemic racism, policies and power:** The root causes of disproportionately high poverty, unemployment, poor health, and other negative outcomes in some rural communities are found in governmental policies, racism and injustices, many of which impacted land ownership or control. The forced relocation of Indigenous nations from ancestral homelands has been well-documented, though the resulting starvation, disease, and loss of languages and culture may be less well-known. The enslavement of African, Indigenous and other peoples produced great wealth for the enslavers and, in many cases, created the generational poverty and wealth gaps we see today.

“The Mexican War brought not only soldiers to the lower border country, but also a host of Anglo-Americans who began almost immediately to challenge the Mexicans for control of the land. … Anglos ultimately took advantage of their growing economic power, used new laws to gain land, and occasionally
resorted to devious means to subvert the Mexicans’ position as dominant landholders.”

—Armando C. Alonzo, associate professor of history, Texas A&M University

While it is tempting to categorize the impacts on low-income and BIPOC communities as “broken systems” or “system failures,” grassroots and BIPOC conventional wisdom would argue the system is working exactly as it was designed to work—to benefit the few at the expense of the many. Despite efforts to push back against these systems over the years, “backlash” policies gave powerful non-BIPOC individuals the upper hand, resulting in the loss of land. For example:

- Indigenous nations were forced from their ancestral homelands by federal actions, with treaties benefiting white negotiators, as well as settlers who received lands seized by the federal government. Most treaties were not honored, and in the 1950s, Congress adopted policies designed to terminate federal obligations to tribes. Through the Bureau of Indian Affairs relocation program, more than 33,000 American Indian and Alaska Native people were removed from reservations and villages and relocated to urban centers for “training and employment.” Over 100 tribes were terminated, and more than a million acres of land were removed from trust status when Congress passed House Concurrent Resolution 108 (HCR 108) in 1953.

- The descendants of slaves overcame Reconstruction, sharecropping, lynchings and other efforts meant to keep them marginalized to eventually acquire, own and farm millions of acres of land by 1920. But Jim Crow laws—state and local statutes that codified racial segregation and barred African Americans from voting, holding jobs, and more—were in effect for almost 100 years following the Civil War. Racially discriminatory practices by public agencies and private lending institutions led to the loss of millions of acres of land, homes, livelihoods and, in too many cases, lives. Countless family lands were seized when African Americans fled to the North to escape these conditions.

- Landowners in Appalachia lost wealth and power with the sale (typically for pennies on the dollar) of mineral rights to family lands, resulting in the wholesale depletion of the region’s natural resource base. A 1978 review of land deeds from 80 counties in Alabama, Kentucky, North Carolina,
Tennessee, Virginia and West Virginia found that 40% of the property and 70% of the mineral rights in sampled counties were owned by corporations, and less than half of the individual-owned lands were owned by “local individuals.” This loss of local control created “patterns of inadequate local tax revenues and services, lack of economic development, loss of agricultural lands, lack of sufficient housing … and land use.”

The resulting poverty rates have been consistently higher in rural areas than metro areas ever since measurement began in 1960. In minority-dominated persistent poverty counties, the poverty rate for Blacks dropped from 59.8% in 1960 to 27.2% in 1980. But little has changed since then. In 2018, the rural Black poverty rate remained highest of all rural race/ethnicity groups at 31.6%, followed by American Indians at 30.9% and Hispanics at 23.8%. The resulting multigenerational poverty in rural BIPOC communities has continued to be exacerbated by systemic, institutional abuses of political and economic power, along with lack of access to capital, and public policies, statutes and systems that enable outright theft of land from those with lack of access to legal support.

Numerous studies have documented the disproportionate levels of environmental degradation that result from racism and multigenerational poverty. Landfills, confined animal feeding operations, prisons, and other environmentally and socially degrading industries are recruited to high-poverty rural areas and communities of color to create jobs or replace jobs lost to mechanization and the global economy. In recent years, many of the most distressed rural communities have also been disproportionately impacted by climate change and severe weather events. And, in 2020-21, the same communities were severely and disproportionately impacted by the COVID-19 pandemic.

What Does the Future Hold?

“Creating a more equitable agriculture system will be impossible unless Black farmers have control over their own financial destinies. … Years of racist policies at the USDA have taken an enormous toll on Black-operated farms. Consider that, in 1910, 14% of the nation’s farmers were Black. By 2017, that number had fallen to 1.4%. … America needs to finally address the legacy of discrimination that pervades our farm sector. But as long as loan decisions are made by white-dominated institutions, Black farmers will never break free of the racism that
has held them back for generations. That’s why a credit and financing institution owned and controlled by Black farmers is long overdue. Congress can help create such an organization and devote $50 [million] to $100 million for a credit and financing institution modeled on the Farm Credit System.”

—Lloyd Wright, former director of USDA Office of Civil Rights and Virginia farmer

The future of rural America’s most vulnerable communities will depend on the degree and comprehensiveness of actions that are taken now and in the coming years. We recommend the following three actions—some of which are in process; the others will need broader regional and national support, including public and private investments, to advance.

1. Change the Narrative and Increase Investments in Rural and Tribal Communities

Nationally, philanthropic support for rural America has lagged behind its support for urban areas, with only about 6% of philanthropic dollars invested in rural communities. As interest increases in investing in organizations led by and serving BIPOC communities, it will be vitally important to do the following:

- Raise awareness and change the narrative about who lives in rural America
- Support community-defined and -led strategies that build on rural and tribal communities’ assets, sustain the rural land base, and create local jobs and small-business opportunities to reverse the challenges facing these communities
- Increase private support to at least 14% of philanthropic dollars, reflecting the rural percentage of the overall U.S. population, to:
  - More equitably support locally controlled rural and tribal development and community capacity-building efforts, with an emphasis on increasing local ownership and control of land and increasing access to capital
  - Leverage support that is targeted to socially, economically and environmentally distressed communities and provide nonfederal-matched funds to leverage public dollars
  - Help rural BIPOC communities reconnect with their urban counterparts to raise awareness and create new markets that will help rural/
tribal farmers and business owners retain land, increase their incomes, and strengthen the vitality and viability of rural communities

- Increase access to capital through cross-sectoral public-private partnerships. Given the intersectionality of rural and tribal challenges, combining funds for community development, social justice, health, education, food systems, climate and the environment can strengthen economies, advance racial justice, and protect the landscape and the people by supporting ownership, control and management of the land by the original stewards.

2. Incorporate Racial and Social Equity into Public Policies

Recognizing that public policies and institutional racism have been the root causes of many of rural America’s challenges, it will be vitally important to revise existing, and create new, policies that help rural communities—especially BIPOC communities—break the cycle of systemic racism and poverty. A few suggestions include:

- **Incorporate racial and social equity into all public policies**, including:
  - Using poverty rates and social vulnerability data to shape public policies and target funds to communities and regions of multigenerational persistent poverty. For example, legislation might set aside 10% of federal, state and local funding for areas that have had a child poverty rate of 20% or more for 30 years or longer.
  - Setting aside federal, state and local funds to be distributed to historically underserved communities, organizations and agencies to increase access to other public dollars.

- **Invest in BIPOC ownership of land.** Community and tribal forests or farms can ensure that wealth is created and retained locally, and can advance community-driven agroforestry, food sovereignty and equitable food systems. Federal, state and local funding programs that support land purchases could be examined to identify and eliminate barriers that low-income communities and communities of color face in accessing these public dollars, and rural and tribal access to these public dollars could be increased.

- **Invest in Indigenous land management and restoration practices** to restore soil and land health and improve water quality, especially on tribal lands. Many tribal lands have been degraded because federal policies have allowed non-Native land practices to deplete soils and water quality.
Support of Indigenous land management and restoration, combined with return of these lands to tribal nations, will help to reverse the economic, social and environmental conditions in tribal communities.

3. Shift Ownership, Control and Stewardship of Land for Broader Community Benefits

**Case Study:** In Georgia, McIntosh S.E.E.D., a Black-led community-based organization, purchased 1,150 acres and created a community forest that is sustainably managed for timber production and used as a venue to help landowners learn to manage family lands and access conservation resources. The educational workshops and landowner assistance are paying off in increased incomes for hundreds of landowner families, healthier forests and increased engagement of younger generations. Long-term plans call for extensive community-based programming, agroforestry-based food production, construction of a meeting facility, ecotourism, and propagation of sweetgrass to support small businesses that are generating income and keeping alive the basketmaking traditions of Gullah-Geechee ancestors.

Returning rural land to BIPOC communities and organizations, and providing the resources needed for long-term ownership and control, must be the centerpiece of future strategies. There are extraordinary efforts in place in rural America that—with supportive policies and intentional public and private investments—can help rural leaders realize the true potential of rural people and places through land ownership, control and stewardship. Some strategies have been tested before, often gaining and then losing ground, when economic, social or political power was used against BIPOC communities. Intentional public-private support will help rural and tribal communities grow self-sufficiency, self-determination and social justice.

**Case Study:** In 1969, New Communities Inc. (NCI) was established as one of the original community land trusts in the U.S. The Black-led organization amassed 5,735 acres of land, with 1,800+ acres communally farmed and managed, including a farmers market and a greenhouse. There was severe local backlash, including buildings being shot...
at, fertilizer being diluted, and crops receiving lower prices than white farmers’ crops. When severe drought hit the region, NCI was denied drought relief funds by local USDA officials, crops were lost, the land was seized, and improvements were bulldozed by the government. After 10 years of litigation, NCI prevailed in its discrimination claim against the USDA and, with the settlement funds, purchased Resora, a former plantation with vast land and natural resources. The organization is farming the land, implementing conservation practices, and launching cultural heritage and ecotourism programming.

In the wake of severe weather events and natural disasters, communities that were consigned to low-lying lands by racism and abuses of power continue to be inundated. Rural resilience and resourcefulness, however, continue to prevail. In rural southeastern North Carolina, for example, Youth Ambassadors for a Better Community, a program of the Men and Women United for Youth and Families, is growing entrepreneurship skills and connecting Black farmers to new markets through a youth-led, community-supported agriculture program for beachgoers. Its “Rural Food Justice Summit: Addressing Climate Change From the Ground Up” program has brought together young people of color from across the state to explore land-based solutions to disaster preparedness, climate resilience, mitigation and adaptation—all driven by community priorities.10

**LAND IS POWER.** Rural America is at a pivotal place in history and can reach its full potential with equitable public policies, intentional and substantive levels of financial support and investments in community-defined priorities and strategies. Initiatives such as the case studies included in this chapter demonstrate that shifting ownership, control and stewardship of those lands to rural communities will shift the power to local residents and unleash the power that has existed within rural and tribal communities for countless generations. We urge investments in changing the narrative, changing policies and implementing land reform for a brighter, and locally driven, future for rural America.
“[In Hawai‘i], we are more than farmers, more than planters, more than plantation workers. We are descendants of the land and it is our kuleana (responsibility and privilege) to care for our ancestor. Kuleana is [a] very weighted term that provides insight into the relationship that Hawaiian people have with their ‘āina [land]. Kuleana means responsibility but it also means right, privilege, interest, liability, or concern. The term also relates to property, tenure, and ownership.”

—Julie Au, former program coordinator, ‘Āina Momona, a Native Hawaiian nonprofit organization

References

‘Āina Momona (website). See kaainamomona.org.


### Endnotes

1. See Kimmerer.
2. See MeGee and Boone, and Zabawa.
3. See Cromartie.
4. See Briones.
5. See Alonzo.
6. See Appalachian Land Ownership Task Force.
7. See USDA, 2021.
9. See Wright.
10. See McKinney.
11. This quote appears in an unpublished paper written by Julie Au titled “Ahupua’a.” For more information about the nonprofit, see ‘Āina Momona (website).
Section 2

Advancing Shared Economic Prosperity in a Tailored, Resilient, Inclusive and Collaborative Way
The “TRIC” to Fostering Shared Economic Prosperity in Rural America

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Introduction

When people think of “rural America,” different images may come to mind. One person may envision a pastoral scene of rolling farmland, another may recall a lolling pump jack on a desolate plain. Others may picture the beauty and majesty of the wilderness, while their neighbors might think about a train hauling coal down a railroad in a small town. When asked to think about the people living there, some may envision a Hispanic banker or a Native American lawyer, others a Black teacher or a white nurse. The truth is all these people would be right, for rural America has always been many things.

Much of the narrative about rural America in recent years has focused on its challenges. We often hear of the places seemingly left behind by the economy of today and tomorrow. However, the nearly infinite variety of people and places across rural America means rural communities exist across the spectrum: from places that are experiencing their heyday to places that can’t seem to catch a break. Even within individual rural communities—whether they are thriving or barely surviving—there are people who are doing well and people who find it difficult to make ends meet.

Whether it is at its peak, its rock bottom or somewhere in between, every rural community has something that makes it special. Perhaps it is the local workforce. Perhaps it is the beauty of the landscape. Perhaps it is rich soil. Perhaps it is the strong social fabric of the community. Whatever it is, these assets represent the community’s best chance to move forward.

And yet, far too often, communities look beyond their own boundaries for solutions that will either jolt them back to life or return them to a prior era. Communities may wish they had what another community has, instead of recognizing what they already have. Or, they may spend too much of their time focused on attracting firms from elsewhere, instead of learning about and investing in the needs of the existing—or potential—businesses in their own backyards. Their aims are often well-intentioned. Like leaders in most
places, rural leaders want to ensure their community is an attractive place to live so people will want to continue to live and work there. They want to collect sufficient tax revenue to maintain high-quality public services, such as good schools, smooth roads and functioning water systems. They want sufficient, good-quality jobs in their community so the people living there can afford a comfortable life. These are all laudable goals for any community to have, and appropriate goals for rural development efforts.

We believe rural communities are more likely to achieve these and other common community and economic development goals if, instead of focusing on scarcity or on only what they need to bring in from the outside, they build from the inside on the assets they already have. We also believe that rural communities will achieve longer-term, more durable success if they focus not just on the aggregate picture, but on how their development efforts reflect and consider the needs and opportunities of all segments of the community.

Because of these beliefs, we think that an asset-based, equitable approach to rural development not only is necessary but will set communities on a course to create broad-based economic prosperity. Our proposed approach is tailored to the specific goals, assets and organizational infrastructure of the community; designed to be resilient to changing circumstances; intentionally inclusive about who is at the decision-making table and who benefits from local development; and created and carried out through a collaborative process. We call this type of approach the “TRIC” to fostering shared economic prosperity in rural communities.

The TRIC concept is heavily influenced by previous development frameworks, including the rural wealth creation approach,¹ the WealthWorks method² and the collective impact model.³ We believe the TRIC framework builds on the ideas outlined in these different existing development approaches by bringing important concepts from each into a comprehensive framework that places greater emphasis on each of the four principles than exists in any one current approach.

The TRIC framework for how to approach rural development is intentionally not sector- or policy area-specific. Whether the area of opportunity in your community is related to expanding the availability of affordable housing, bolstering quality jobs, supporting small-business development and
entrepreneurship, increasing high-speed internet access, improving educational outcomes or fostering a vibrant arts culture, we believe that taking this kind of approach can make your efforts more impactful, more enduring and more equitable.

That is why we endeavored to create *Investing in Rural Prosperity* and to write this chapter: to help show that there is another way, and that some communities are producing incredible outcomes by taking an approach consistent with this framework. Many of these communities not only are having success overall but are creating opportunities for those who have historically faced the most challenges engaging within the economy. While we focus specifically on rural communities, we believe that this approach has applicability in urban or suburban contexts too.

The remainder of this chapter explores the four principles included in the framework—their meanings, their interconnectedness and interdependence, and their ability to inform and shape rural development. We have also included sets of example questions to help readers begin to consider how the four principles might inform their efforts to support rural communities.

**Tailored: Making Certain the Strategy Fits the Place**

Attempts to support shared economic prosperity in rural places will be most effective when they are tailored to the specific community where they are being carried out. This means that the strategy is fashioned around the goals of the community and the particular assets that are present in the community at the time it is being developed. Those assets could be particular skills that are present in the local workforce, local historical or cultural sites, proximity to a community college or university that is conducting research on a new technology, or any number of other things. Certainly, the assets always include the people inhabiting the community. It is important to identify who and what are already present in the community and to ensure the blueprint for development builds on their value. Of course, development activities can and should strive to create new or expand existing assets, but should be based on some asset already present in the community. Otherwise, they have little chance of being successful.

For example, if a rural community is in a region with abundant forests and a large number of highly skilled artisan woodworkers, then a
development approach focused on marketing their products, building out the industry, or identifying and fostering complementary industries—such as cultural tourism, or bioenergy using wood industry waste products—might be a viable development opportunity. Or it might not, but at least it would have some reasonable basis for success.

It is also beneficial to take stock of the organizational capacity that exists in a community. Because every community has a different history, each has evolved with a unique set of institutions. As a result, the organizations that develop and implement a rural development strategy will likely be different in each community. It is critical to remember this in crafting policies and programs for rural communities, whether those are coming from the government, philanthropy, the private sector or elsewhere.

For example, some communities may be served by multiple strong community foundations, while others may not be served by any. In some communities, social services may be provided through a robust ecosystem of formally incorporated 501(c)(3) nonprofits, while in others these same services may be delivered by an informal network of volunteers. Some communities may have a strong local community bank with a full suite of services and products, others a community development financial institution loan fund with targeted resources for underserved parts of the community, and others may have a revolving loan fund at the local economic development agency. In each case, how you engage with your community needs to reflect the capacity that exists.

While the centrality of tailoring your rural development strategy may sound obvious, many communities do not currently take this approach, nor do many of the government agencies, foundations or other resource providers that want to support them. Oftentimes, well-meaning community leaders pursue opportunities that sound good but have little likelihood of success or, even if they do “succeed,” provide little benefit to the community itself, because community members lack the specific skills or abilities necessary to participate and are not sufficiently supported to develop them. Similarly, many well-intentioned resource providers have a clearly defined box they want grantees to fit into that may not necessarily match the realities of the communities they want to help. Communities need to be met where they are, not presented with one-size-fits-all solutions.
Example questions to consider in developing a **tailored** development approach:

**Community Members**

- What assets does your community possess? How does your plan for advancing local economic prosperity build on those assets?
- Who in your community can help implement the strategies you have identified? How might you bolster your community’s capacity to move your strategies forward?

**Funders**

- Do your priorities reflect the opportunities present in the community in which you are looking to make funds available?
- Are your funding criteria flexible enough to adapt to different local contexts, or could they create or contribute to historical and/or unintended barriers depending on the community’s institutional infrastructure?

**Policymakers**

- Do your policies depend on the existence of specific institutions within target communities? If so, does the existence of those institutions differ across areas in a way that could create barriers to advancing shared economic prosperity?
- Are your policies flexible enough to be relevant regardless of a community’s industrial or workforce composition, or will they be inaccessible to certain communities or drive them to pursue strategies that don’t align with their current assets?

**Resilient: Designing for Durable Adaptability**

To have long-lasting, positive effects on the community, rural development efforts must be structured in a way that is resilient to both the sudden shocks and gradual changes that will undoubtedly occur over time. The kinds of changes that will inevitably buffet a rural community, potentially derailing its progress, are manifold. They could be climate-induced natural disasters, financial market disruptions, widespread or localized economic
restructurings, pandemics, or any number of other unforeseen events. They could occur decades apart, or they could all happen in one year. When a community encounters changing dynamics, it needs to be able to respond and adapt throughout these shifts.

To the greatest extent possible, this need for resiliency should be built into the way communities plan for and structure their rural development activities. This means not being overly reliant on one person, one organization or one industry. It means considering, planning for and hedging against what happens if the big employer in town goes bust. It means having a plan in place for how to address the economic and financial needs of your local residents and businesses in the event a natural disaster affects their ability to earn income. It also means thinking about what happens if that one very active local community member wins the lottery and uproots his or her life.

To be resilient, rural development strategies also need to be future-oriented. Among other things, this involves performing a forward-looking assessment of trends in the economy and demography—locally, nationally and globally—and thinking about how best to position the community to benefit from what is on the horizon, and then mobilizing the community to seize that opportunity. Resiliency is definitely not fostered by trying to recreate the economy that sustained the community 20 or more years ago.

Resiliency is also not a stagnant plan that you created a few years back, sitting on a shelf until some grant requires you to do another one in five years. This is a critical point we want to reinforce: While much of the discussion in this section can sound like planning, resiliency is not just a planning process, and it is not a solitary activity. To truly weave resilience into the fabric of a community, it must be an ongoing process. It is a cycle that is in constant motion, evolving as the community evolves and as the external environment changes.

Because of this, resilience is not something that can be created with a one-time planning grant or a short-term training program focused on a singular technical topic. It requires building long-term capacity in the community among a wide network of organizations that work together and adapt over time. This argues for long-term, consistent funding and support that help build this muscle memory in the community.

It also dictates that ongoing evaluation—and investment into the necessary capacity to carry it out—is imperative. It is very difficult for local communities
to effectively adapt over time if they cannot distinguish between what they are doing that is working and what they are doing that is not.

**Example questions to consider in assessing whether your development approach is resilient:**

**Community Members**

- Do you regularly update your development approach in response to changing dynamics, such as changes in the composition of your local workforce and the future prospects of key industries?
- Are your development initiatives led by one or two people or organizations? What would happen if one or both of them left the community? Who would take over their work?

**Funders**

- In what ways does your funding incentivize your grantees to adapt to changing circumstances? In what ways does your funding disincentivize them from adapting to those same circumstances?
- Do you help your grantees learn whether their efforts are achieving their intended objectives? How do you incorporate those lessons into future funding strategies?

**Policymakers**

- Do your policies encourage rural communities to invest in long-term, consistent capacity, or do they erect barriers to making long-term human capital investments?
- Do you regularly evaluate whether your policies or the programs you fund are having their intended effects? How does the knowledge created through those evaluations inform policy or program changes?

**Inclusive: Engaging and Benefiting the Full Community**

To truly advance shared economic prosperity in a rural place, development activities must be inclusive of the full range of people living in the community, especially those who traditionally may be on the sidelines. Taking
an inclusive approach means more than just inviting a couple more diverse people into the existing process; it means rethinking your entire approach.

Inclusiveness often means reassessing who gets to decide what matters and what gets funding by ensuring that traditionally marginalized groups have a seat at the decision-making table, not only to have their voices heard but to actually exercise decision-making power. It may mean making greater investments into organizations led by people of color. It necessitates ascribing the same value to lived experience and insights that you afford to expertise developed in a classroom. It also requires putting front and center at all stages of the planning and implementation process the distributional effects of development choices on different groups—such as people of color, women, immigrants, and those with less-formal education or skills training—as well as how those choices correspond to the desires, needs and skills of those groups. In addition, success has to be measured, at least in part, by how well the plan improves the lives of representatives from these groups.

Those sitting on the sidelines of the community are often doing so because obstacles exist that limit their participation. Intentionality is required, therefore, to address the barriers they face and to open the door for new opportunities. For example, marginalized individuals may possess less accumulated wealth, be more likely to face transportation challenges, have difficulty paying for child care, require different types of skills training to access new job opportunities, or speak languages other than English. Each of the unique conditions applicable to these community members must be factored into the development strategy if it is to have any hope of creating economic opportunities that they can access and, thereby, creating long-term and durable economic prosperity for the community overall—as well as a place where everyone belongs.

To best understand the challenges individuals are experiencing, as well as the potential solutions to those challenges, it is important to view the community members most impacted by the challenges as experts of their own circumstances. Ask for their input, place value on their ideas and incorporate their feedback. Because community members coming from a variety of circumstances may have competing priorities that make it difficult to reach them, be flexible, and seek creative ways of hearing input. This may require changing when or where you hold meetings. It may necessitate providing
child care during your meetings, or just being more understanding of people bringing their kids to meetings. It may also require going beyond simply holding a standard town hall or focus group.

Too often communities focus on attracting new members to their community and minimalizing those who already call it home. An inclusive approach recognizes the worth of existing community members, while making the community the kind of place that is likely to be welcoming to new populations. As a result, taking an inclusive approach can improve strategies aimed at both attracting new residents and retaining existing ones.

Ensuring that all community members benefit from the community’s growth and prosperity will strengthen the fabric of the community itself and lead to a stronger economy overall. It may also result in other positive externalities including increased tax revenues, long-term cost savings and reduced population loss. As explored elsewhere in this book, racially and ethnically diverse populations—including immigrants—represent the largest source of population growth for many rural communities across the country. Therefore, if rural places want to thrive over the long term, they need to welcome and embrace people from diverse backgrounds and experiences, as well as open up leadership opportunities that deepen the commitment of diverse individuals to the community and make them want to stay and help it grow and thrive.

**Example questions to consider in determining whether your development approach is inclusive:**

**Community Members**

- Are any segments of your community missing from the decision-making table? Does everyone at the decision-making table have an equal voice in the ultimate decision?
- Is your plan for advancing shared local economic prosperity culturally relevant for your community’s most vulnerable members, and does it explicitly focus on benefiting those members?

**Funders**

- How do the perspectives and voices of those often left on the sidelines shape your funding priorities and strategies?
In deciding whom to fund, do you prioritize organizations led by people of color, immigrants, those with less-formal education, or other traditionally underserved groups? Do your outreach and marketing materials reach these populations, and are those materials in their primary languages?

**Policymakers**

- Do your policies or programs incentivize or require grantees to include marginalized groups at the decision-making table?
- Do any of your policies or programs create unintentional access barriers among certain population groups?

**Collaborative: Advancing Further Together**

Rural communities are more equipped to advance shared prosperity when people throughout the community, and across multiple communities, collaborate to formulate and implement development strategies. A prerequisite of collaboration is the recognition that collective action achieves greater impact than individual or siloed acts. In essence, we advance further together than we do alone.

Communities and their economies, even small rural ones, are incredibly complex systems. In most instances, it is largely infeasible for any one individual or organization to wield enough capacity and influence to shoulder long-term development responsibilities alone. Communities that achieve success over time pursue cross-sector approaches, whereby leaders from the nonprofit, for-profit, financial, government and philanthropic sectors work together. Each element of the community has something important to bring to the table. For example, an academic institution may bring research capacity, the private sector might offer market intelligence, a nonprofit may provide training or child care for the workforce, a community bank might provide access to credit to budding entrepreneurs, while the government and philanthropy may provide grants to bring it all together. By working together across silos, the community can accomplish goals no one segment can achieve by itself.

However, even if a rural community works well across sectors within its own borders, it may still struggle to marshal the resources needed to make the most of the opportunities available to it. This may be because it is too
small to have everything it needs, because it has suffered from long-term disinvestment that has stripped it of key resources, or for various other reasons. This is when regional collaboration is necessary. Several communities within a region may not by themselves have everything they need to capitalize on a development opportunity, but together they may. For example, one community might have a workforce or business community with key specialized skills, a neighboring community may have a key piece of infrastructure, while yet another may have a market for a product or service that could be developed by collaborating with the workforce and infrastructure of the other two communities. Oftentimes, the assets of separate communities, when combined, are more than the sum of the individual parts.

The best collaborations seek to build consensus and also employ a distributed leadership approach. Collaborations are more durable when all involved feel their voices are heard, respected and given appropriate weight. If the leadership of the collaboration rests with more than one person, it is more likely to last even when there are changes in the leadership of one or more participating entities.

Shared prosperity within a community and across a region is unlikely to occur without collaboration. Identifying what everyone brings to the collective table, agreeing on common goals and pursuing a common vision will go a long way toward making collaboration a reality for your rural community.

**Example questions to consider in structuring a collaborative development approach:**

**Community Members**

- Who else in the community has a stake in the outcome of this activity? What benefits could each gain from working together?
- How does what you are doing relate to the opportunities and challenges facing other communities and organizations in your region? How could you achieve more if you worked on this together?

**Funders**

- Do you support the critical need for different groups to come together and coordinate their efforts? What must the communities you support do to do this hard work effectively?
• How does your funding approach incentivize long-term collaboration and consensus-building?

**Policymakers**

• Do your policies and programs incentivize competition between communities, or collaboration among them?

• Are you regularly showing up as a committed partner on equal footing to the others around the table?

**The Relationships between the TRIC Principles**

As you may have noticed, there is not a clear and clean distinction among these four principles. In fact, they are intimately interrelated and mutually reinforcing.

**Tailored + Inclusive**

To be truly tailored, any rural development approach must reflect the goals, skills and talents of all parts of the community, which necessitates inclusively identifying those existing goals and assets, and creating culturally relevant strategies that build on them. And to be truly inclusive, the approach to engaging the community needs to be tailored to the local context, in that it needs to be focused on the groups that have had the least voice in decision-making and face the greatest barriers to advancement, which can differ from community to community. Furthermore, many rural communities of color have been subject to decades of systemic disinvestment that has in some cases undermined the formal institutional infrastructure in those communities. As such, it is especially important that any attempt to support marginalized rural communities of color reflect their particular needs and capacities.

**Tailored + Collaborative**

Rural development is truly tailored when the needs and opportunities of the community are identified through a collaborative process that brings people together from all different sectors within the community. In addition, to be as effective as possible, the partners involved in any collaboration need to be tailored to the specific community context, as well as the development opportunity being pursued. Otherwise, there is a risk that the partners
around the table aren’t the ones most relevant in that specific community or for the specific endeavor.

**Tailored + Resilient**

Tailoring your approach makes it more resilient because it then reflects the assets, goals and desires of the specific community in which you are working. As a result, the members of the community are more likely to see themselves and their hopes and dreams in the plan, increasing the likelihood that they take ownership to drive it forward and stick with it over time. A development plan copied from another community and not adapted to the local context may achieve limited success in the short run, but if it does not reflect the values and abilities of the local community, it has little chance of enduring over the long term.

**Resilient + Collaborative**

To be truly resilient, a rural development plan must be developed through a collaborative approach so that everyone has a stake in the solution and carries it forward. This helps to ensure it is not reliant on one person
or organization should that person or organization leave or otherwise not be able to contribute. In addition, the most sustainable collaborations are those built with an eye toward resilience. Community leaders building such collaborations intentionally consider how to keep the partners together over the long term.

**Resilient + Inclusive**

Resilience also necessitates being inclusive so that future community leaders participate in developing the plan and, as a result, are committed to carrying it forward after the current leaders retire or move on. Furthermore, rural communities cannot be resilient if their most vulnerable residents remain at risk. For example, if low-income homeowners do not have adequate access to post-disaster assistance, flood insurance, accumulated wealth, or other resources to prepare for or recover from a natural disaster, they won’t be able to repair and rebuild their homes. This could deteriorate the community’s local housing stock, which in many rural communities is already stretched thin. This could limit a community’s ability to attract workers, put downward pressure on property tax receipts, or throw off the community’s development plans in myriad other ways. Lastly, efforts to be inclusive must also be designed with resilience in mind. Inclusion at one point in time, with no thought given to how individual groups will continue to be engaged in and benefit from the process long term, is not likely to create lasting benefits for the most traditionally underserved groups in the community.

**Inclusive + Collaborative**

True inclusion is also by definition collaborative, in that collaboration involves inviting all groups to the table, listening to their perspectives and incorporating their ideas. It also means creating shared leadership and power in deciding the path forward for the community and shared ownership in the community’s future. Activities to engage with marginalized community members that do not involve sharing any decision-making power and ownership are better characterized as tokenism than true inclusion. One way to mitigate this is to build in feedback mechanisms, to allow all residents at the collaborative table to assess the degree to which they feel they have a share in the community’s future, share their assessment with the group,
and then work together to course-correct. This regular practice will help the group ensure inclusion and collaboration are moving in tandem.

Conclusion

Rural communities are incredibly diverse, each with its own history, culture, and industrial and demographic mix. But no matter their history or present circumstances, every rural community has a wealth of assets that can be leveraged to foster shared economic prosperity for all living there. To make the best use of those assets, rural communities should tailor their approach, build it on a foundation of resilience and inclusivity, and proceed collaboratively at every step of the way.

While we have focused on the applicability of the TRIC framework to rural communities, we fully believe this framework could lead to transformational change in suburban and urban communities as well if applied in those contexts. A community integrating any one of these principles into its development approach will likely see better results than it would have without doing so; however, the full potential of this framework can be realized only when all four principles are implemented together. This is because each element of the framework relies on the others to be successful.

Many of our communities today are at a crossroads where leaders and residents are discerning which direction to travel next. The TRIC framework can aid communities by bolstering the capacity necessary to successfully proceed. This approach can help ensure that the path along which a community advances leads to a destination where everyone shares in its economic prosperity.
References


Endnotes

1 See, for example, Pender et al., and Ratner.

2 See WealthWorks.

3 See, for example, Kania and Kramer.
Turning Points: Doing Rural Development Differently

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For me, it started in 1991 with Tupelo, Mississippi, and Vaughn Grisham. I was in the room when Grisham, then professor of sociology and director of the McLean Institute for Community Development at the University of Mississippi,1 spoke to a small gathering of leaders representing the states that comprised the 1992 Commission on the Future of the South. A storyteller by nature, Grisham recounted in truly gripping detail how, starting in the 1940s, Lee County—then nearly the poorest county in the poorest state, Mississippi—started on its road to becoming the active core of what is today one of the most prosperous multi-county, multi-industry regions in the South.

But in 1940, Tupelo, the county seat of about 8,200 people, was still suffering from the Great Depression, as were its even more rural surrounding areas. Main Street businesses were struggling to survive. A new fellow in town, George McLean, publisher of the Tupelo Daily Journal, had a vision and a plan to help Tupelo and its neighboring rural communities prosper together. He approached downtown business owners about it, but at first they would not listen to this newcomer. Once he got to know them better through church and civic activities, McLean tried again. One by one, he asked Tupelo business owners a pivotal question—*How would you like to double your earnings over the next year?*—and got the predictable “Sure would!” answers. McLean helped them collectively see that if their customers did better—many of whom were poor farmers in the surrounding areas—the Tupelo businesses would do better as well.

Thus began a collaborative effort among people in Tupelo and its surrounding smaller communities to invest time, energy and innovation in one another. Farmers switched from growing cotton—a risky annual crop subject to weather and infestations, which kept farm families from spending much till the harvest came in—to producing dairy products, which provided a more predictable weekly income they could spend regularly with less worry. Downtown business owners aided this shift by creating an investment pool to import a few high-quality bulls, engage a dairy expert, and reduce the cost for local farmers to implement the innovative practice
of artificial insemination for cattle breeding—one of the earliest known uses of that practice in the United States. The effort quickly added $2 million to the region’s economy. It also seeded the trust, the understanding of shared lot and common cause, and the inventive energy that sparked more and more regional collaborations. The area soon embedded that ethos in strong and supportive regional economic and community development organizations (at first, Rural Community Development Councils, working together in Black, white and racially mixed rural areas, and then the Community Development Foundation and the CREATE Foundation, among others) that sought to keep the region vital, connected and looking ahead.²

Listening to Grisham that day sparked my recognition that the same community and economic development principles that propelled what has come to be called “The Tupelo Story” are evident in almost every productive and equity-seeking rural development effort I had seen before—and the same is true for all I have seen since. It has led me to learn, from and with creative development practitioners in rural and Native places around the country, that there is a way to “do economic development differently”—that is, to shift from the risky “winner takes all” approach that is heavily reliant on a business-recruitment strategy to a “let’s all win” approach of building on a region’s existing, underutilized assets. It is an approach that believes we can work together to get ahead together. The principles for doing economic development differently are rooted in the cogent thinking and resourceful doing of many.³ Some have contributed other chapters to this book. The principles are stated in slightly different terms by different observers and doers. But they all come down to tailoring economic and community development efforts to the local context by understanding a community’s assets—its “starting point”—and learning how best to connect and leverage those assets to meet and create progressively greater opportunity over time.

Tailoring community and economic development efforts to the existing assets of a place and the real economic opportunities that exist right now and for the foreseeable future is not cookie-cutter work. Nor is it generally taught in school—especially in relation to rural development. It demands rooted, sustained, rural-based organizations and intermediaries, along with

² The Distributional Financial Accounts do not break down wealth by gender.
³ The Distributional Financial Accounts do not break down wealth by gender.
resources that they can use flexibly, which have been hard to come by from government, the philanthropic sector or private investors.

To spark more thinking and understanding about the conditions that require and facilitate this tailored approach to doing economic development differently in rural communities, I offer six realities and action principles that, once I came to understand them, became turning points in my own thinking and doing. I offer them in hopes they will turn more heads and hearts to contribute in more productive ways to the breadth, depth and future of rural enterprise.

I. *Every rural place, economy and community has a different variety and volume of assets.*

I grew up in Detroit. I have also lived in San Francisco and Chicago briefly and in Washington, D.C., for decades. No one would confuse any one of these four cities with one another, or suggest that their physical attributes, economies or populations are the same.

Yet too many easily and oddly lump all of rural America together as one place unto itself, and seem to believe that whatever ails it would benefit from one-size-fits-all solutions.

Of course, rural places and regions vary a great deal. There are booming rural places and those in decline. There are rural economies based on manufacturing, recreation, energy generation, food production, health care, education, forestry, tourism, the arts—and every possible mix of those (and more). There are rural communities nestled

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**THE EIGHT COMMUNITY CAPITALS/ASSETS**

- **Individual:** Skills, understanding, physical health and mental wellness of a region’s people
- **Intellectual:** Knowledge, resourcefulness, creativity and innovation in a region’s people, institutions, organizations and sectors
- **Social:** Trust, relationships and networks
- **Cultural:** Traditions, customs, ways of doing things, and world views
- **Natural:** Natural resources; e.g., water, land, air, plants and animals
- **Built:** Constructed infrastructure; e.g., buildings, sewer systems, broadband, roads
- **Political:** Goodwill, influence and power that people, organizations and institutions in the region can exercise in decision-making
- **Financial:** Monetary resources available in the region for investment
in the mountains, on the plains, along rivers and coasts. There are rural regions with immense wealth, and others with concentrated poverty—sometimes sitting side by side, just as in cities. There are rural places with majority Black, Indigenous or Latinx populations, some that are largely white, and everything in between (one in five rural people is a person of color). There are rural places stymied by historic and lingering deep divides, and some where social capital is strong enough to propel almost any good idea. There are rural places with world-class universities and health systems, and some where residents have to drive hours to attend a college class or see a doctor.

But all these rural places have plenty of assets. The assets go well beyond financial. In fact, if all a community had was a bag of money sitting in the middle of town, and no other assets, that bag would just sit and nothing would come of it. It is the other seven types of assets—individual well-being, intellectual know-how, social trust and networks, cultural heritage and respect, natural resource base, built infrastructure, and political influence and reach—that must be wielded to turn financial capital into something more. Those seven assets—their quantity, condition and mix—are thus much more important than money, and they have a different starting point in each place. So although not every rural community is the same, they all can build from a base of assets.

2. **Local analysis and know-how, conducted by and engaging the full range of people in a rural place, are critical.**

   In the 1990s’ world of domestic economic development, community business incubators became a “thing.” A few pilot incubators experienced some early success. As a result, many communities, rural and urban, rushed to build one of their own, and a raft of workshops and guides were funded to help them learn how. Incubator buildings provided small spaces for startup businesses and offered shared equipment, meeting space and, in some cases, business advisory services. Incubators were meant to reduce cost, foster innovation and speed startups toward initial stability and then growth. Some incubators became important resources in their communities. Others stood empty and never took off. The variation in those outcomes might have had to do with luck in some cases, but the decision to establish an incubator surely could have benefited from
an analysis at the outset that asked this question: Based on what we know about the assets and activity and aspirations in our community at this point in time, will an incubator help?

The truth is, a field-of-dreams quality often accompanies what is “flown into” rural communities as “what will work” to foster community and economic development. Ideas and processes and innovations elsewhere are touted as silver-bullet answers for rural community development by outside advocates—well-meaning as they may be—without the benefit of consulting the community for an analysis of its situation. Government and philanthropy will fund “X” when a community needs “Y,” but communities go for it because it is the only funding available, and many thus divert their time and energy from strategies with more potential. Or private and public investors offer loans only of certain types, for specific business or enterprise categories, or that must meet some performance mark, many of which are often unrealistic for rural places, if only because of population size.

The opposite approach is demonstrated by the tagline of the Black Belt Community Foundation in Alabama: Taking What We Have To Make What We Need. In short, to combine, leverage and utilize assets well, a community or region must analyze its starting point. There is no good or bad starting point; there simply is what a rural community or region has to start with at this point in time, which changes over time.

So, the first job of rural development is to understand that starting point—before selecting a strategy and acting. What is true about the community’s or region’s current assets: their quantity, their quality, how they are or are not connected, and aspirations for them? Data are important here, because data often counter the conventional wisdom—that is, what people, both inside and outside the community, mistakenly think is true—about who lives here, how people are doing, what the real economic and resource base is, and emerging trends. Of course, good rural data are hard to come by, but that is beyond the scope of this chapter.

The point is that data simply sit in tables unless people from across a rural community are at the table to make meaning of the data. If we have unfilled jobs but high unemployment, is that because people need training for those jobs; or is it because they have no transportation, or
perhaps child care; or is it because the company two counties over is paying its workers a family-supporting wage and drawing people away? If local small manufacturers are just getting by, is it because they lack market knowledge, or the right workforce; or is there a gap in their capital stack? If tourism is a growing sector, what other recreational and cultural resources do we have that we might connect to it, so that visitors stay overnight more? And, oh by the way, does that mean we need more lodging options? Without bringing people together and talking about what the real barriers may be, or about connections they see that could unleash opportunity, or about their dreams for themselves and the community, economic development efforts are flying blind. They also likely lack the community energy and buy-in that are necessary to succeed over the long term.

3. **Identify and learn all you can about connective opportunity.**

WealthWorks, in its approach to community and economic development, has its own instructive tagline: *Connecting community assets to market demand to build lasting livelihoods.* Indeed, once rural communities and regions understand their assets and starting points, they can better answer these key development questions:

- **Current ability:** What do we already know how to do or make in our place? What is keeping us from doing more of it, or doing it better?

- **Potential ability:** What else could we feasibly learn to do or make? What is keeping us from doing that?

- **Market demand:** Who in the world wants the products or services that we already—or could—make or do in our rural place? What qualities are they looking for in those products and services?

- **Opportunity gaps:** What new connections and resources and know-how do we need to weave into our asset mix *both* to meet that market demand *and* to strengthen our rural place, people and future prospects?

The repeated cycle of answering these questions and devising ways to find opportunities and address gaps is what the practice of economic development truly should be. It is constantly looking and assessing inward, and reaching outward to potential customers and researching trends, so as to
assemble what it will take to (1) meet documented local and outside market demand for what the community can organize its doers to produce or provide, while (2) strengthening community assets and well-being for more people in the region.

4. Design and measure for “development success”—defined differently.

That brings us to: “What are we doing development for?” The traditional world of economic development in recent decades has generally defined development success as job creation and retention, profit, financial return on investment to shareholders, and business starts. These are surely worth measuring, but they ignore many of the assets essential for future development. And they typically neglect the important component of “for whom?”

True development success, better defined, meets Indigenous design wisdom: Think forward seven generations, and act in their interests. It does so intentionally by producing and tracking three types of outcomes:

- **Grow the stock and strength of the eight types of assets/capitals.** One objective of economic development should be to increase the quantity, quality and connective tissue between as many of the community capitals as possible. What you don’t want to do is damage or deplete any of the capitals in a way that will endure or be irreversible. In short, you want to create a new and better starting point for whatever you do next. This only makes sense: Producing something over the short term that quickly depletes a vital stock of nonrenewable natural resources or that harms the health and vitality of workers and families will likely strap the long-term future of a community—a common situation that has hurt rural America. For prosperity to endure across generations, communities must maintain and strengthen the health of their assets.

- **Root ownership and control in the region.** Rural communities need people, organizations and businesses in the community to have the power to make decisions about the use of the community’s assets. Thus, local ownership of those assets is important—whether, for example, that means actual ownership of land or business assets, or whether it means local

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5 The Distributional Financial Accounts do not break down wealth by gender.
people acquiring and “owning” new skills that can help support the community’s efforts without the need to hire outside expertise.

- **Improve livelihoods for those currently living on the margins.** Back at the start of the Tupelo and Lee County efforts, the region’s leaders came quickly to the understanding that “when we all do better, we all do better.” And they specifically designed their efforts to make sure that the people whose livelihoods were most at risk were able to improve their incomes and financial stability. They intentionally addressed “for whom” in their initial design. Helping people on the social and economic margins advance via development efforts—and thus reducing local wealth inequality and the effects of historic and systemic race, place or class discrimination and oppression—is almost always possible. But its success relies on intentionally engaging those community members in the analysis of barriers and opportunities at the front end, and on intentionally choosing a design that will improve well-being for more people, even if it means less “win” for the “already-haves.”

Designing every rural development effort to produce some measure of these three outcomes—and using these as measures of success—will go further in making things better in rural places than the standard operating measures of jobs created, loans made and businesses started. What’s critical to realize is that the indicators for these outcomes will vary by development effort, and the community is the actor that must define meaningful progress from its starting point. Government and philanthropy have tended to impose measures based on their own program aspirations for scale and their sense of what qualifies as success. Rural communities and regions must define success for themselves, and outside resource providers and investors must work with rural communities to understand and agree to their measures.

5. **Work at the regional “action-scape” of the challenge or opportunity.**

Back to my opening story. Those Tupelo business owners who were just getting by were not going to do better all by themselves. Nor were the struggling farmers in the surrounding region. They needed each other for a solution. So the locals crossed boundaries to find a mutually beneficial strategy and then implemented it—and have expanded to many surrounding counties to do the same ever since.
Rural development, likely more than urban development, benefits from looking at the geographic scope needed to take significant and sustainable action and to have significant and sustainable effect. Does it make sense to try laboriously to lower school supply and contract costs school by school when a joint purchasing and maintenance contract among four adjoining county school districts could do the job more efficiently? Training welders in high demand by local small manufacturers benefits from a cross-community effort. Tourist numbers in a region increase when the Dew Drop Inn in County X cross-promotes the state park’s mountain biking trails the next county over, and vice versa—and increase even more when local high school or college students help upgrade the food, lodging and recreation websites in their entire region, rather than in just their one town.

In short, tailoring rural community and economic development requires an analysis of what I call the “action-scape.” That, in short, is the commonsense geographic area that will bring the critical mix of assets and useful partners to the table to have the most positive impact on the challenge or opportunity. Action-scape can be influenced by many criteria; for example, commuting zones, watersheds, media markets, or the scale it takes to become “investable” for whatever opportunity the region is pursuing. The action-scape will be different for different issues and for different regions. Productive action-scapes take into account the potential for strengthening the eight types of capital, for increasing ownership and influence over them, and for ensuring greater well-being for more people who have been overlooked or left out in the past. Working via action-scape requires more collaboration and generosity of spirit, but generally reaps greater rewards.

6. Strengthen rural development hubs to strengthen rural development ecosystems.

I have traveled to every state in the Union and am often in rooms full of new work acquaintances. It is natural to ask, “Where are you from?” People often answer something like “The Valley” or “The Range.” In my home state of Michigan, where the lower peninsula is shaped like a mitten, people sometimes answer: “I live in The Thumb.” Geographic-area identities like these are based on having many things in common:
economic base, highways, natural features, people with a similar sensibility, media markets or perhaps some significant history. They likely have similar challenges and opportunities. But something keeps them from easily joining forces and acting together. The Thumb, for example, has multiple cities, towns, sewer districts, school districts and other public jurisdictions. But there is no government of The Thumb. There is no one assigned as decision-making body for The Thumb as a whole. There is no shared revenue base that the residents or jurisdictions can use to invest in themselves together.

In rural places, this is a problem. Individual community action is essential and desirable. But it is too hard and expensive for every small community to tackle every challenge that comes its way. And it makes no sense to address every opportunity common to a region community by community, especially when working together will get them further faster. As Mike Clayborne, president of the CREATE Foundation in Tupelo, recently offered: “When you look at how a region functions, these imaginary lines of cities and counties don’t mean a lot in terms of economic development and how people are able to better themselves.”

So, the question is: Who “holds that whole” for rural regions? In some places, no one. In others, the innovation and regional action is coming from what the Aspen Institute Community Strategies Group has dubbed “rural development hubs.” A hub is a place-rooted organization working hand in glove with people and organizations within and across a region to build inclusive wealth, increase local capacity and create opportunities for better livelihoods, wealth and well-being. Hubs are regional organizations whose mission, whether stated or not, has essentially become “doing development differently.” For at least a few critical regional issues that hubs’ limited resources allow them to address, their work aligns with the approaches I have described above, and their results show it. Where they exist, hubs are filling a large and critical gap in the development ecosystem in rural America by bringing actors together to work across issues, across places and jurisdictions, and across vested interests to analyze, connect and leverage local assets in ways that improve regional outcomes and future prospects.
Hubs are not an official designation; they are simply a role that any type of organization can fill. A hub might be, for example, a community action agency (CAA), community development financial institution, community foundation, community college, United Way agency, regional development district, chamber of commerce, community development corporation, or something else. Sometimes it is a “unicorn” organization that comes into being specifically to address regional issues. Different types of organizations morph into hubs in rural places precisely because they work in rural places.

The hub model is particularly suited to rural regions because individual rural jurisdictions tend not to have as many issue-specific organizations, or the wide range of useful and needed functions across organizations, as urban places. And, as already noted, regions have no government in which to center action. So, rural regions need some entity to act as a coordinator that can identify assets, gaps, partners and resources, and bring them together to solve problems and capitalize on an opportunity. The organization that steps into that role will differ in each region based on that region’s unique history, the opportunities and struggles that are present, and the gaps that need filling. For example, if a rural region happens to have an able community foundation but no financial institution that does gap lending to local businesses, the foundation might learn to do lending. Likewise, if a CAA sees the need for affordable workforce housing, but there is no community development corporation or anyone else supplying it in the region, the CAA may become a housing developer. Many hubs, in short, evolve into flexible and innovative intermediaries by taking on the functions that organizations of other types would be doing if the region had them. Hubs become the Swiss Army knives of rural development in their regions.

**Toward True Rural Development Ecosystems**

The six realities and action principles above, derived from Grisham’s observations and underlined by decades of my own, highlight the importance of tailoring rural development approaches to the assets, actors and goals of specific communities and regions. Whether it is learning about
the assets of the place, ensuring the community has a voice in shaping the approach, identifying the opportunities that exist in that specific place, defining useful measures of success, acting at the right geographic level, or organizing collaborative action in that location, it is all about being place-conscious.

However, to tailor rural development, a rural place needs a tailor. In the United States, we have and will continue to face significant challenges advancing rural regions until we catalyze and sufficiently fund and utilize the capacity of the “glue” organizations and initiatives that are acting as rural development tailors—bringing people, organizations, businesses and assets together to function as a well-performing rural development ecosystem. Such a rural development hub organization has these attributes:

- It is **collaborative** and seeks to maximize and strengthen all types of capital.
- It is **flexible** enough to seize opportunities.
- It **serves all** people, businesses and organizations in the area.
- It analyzes assets and potential with a **systems** lens.
- It acts at the **regional geographic scale** that makes sense for the issue or opportunity.
- It supports efforts that will **build other long-term assets** for individuals and the broader community.
- It is **grounded in reality** and is demand-based.

Short of developing a nationwide system of regional governments, we must rely on innovative, scrappy, resource-strapped organizations that are cobbling together whatever they can to function as rural development hubs. If we strengthen the capacity and flexible agency of these on-the-ground experts, and build more of them, we will construct a better rural development ecosystem—and a better future for rural people and places, and for the nation as a whole.
References


Endnotes

1 The institute’s name has since changed to the McLean Institute for Public Service and Community Engagement.

2 See Grisham and Gurwitt.

3 See Kretzmann and McKnight, Flora et al., University of Nebraska–Lincoln, WealthWorks, and Ratner.

4 This version of the Eight Capitals (or Assets) is advanced by the WealthWorks approach. Its roots include ideas from both Kretzmann and McKnight, and Flora et al. (See endnote 3.)

5 The Seventh Generation Principle dates back more than 600 years to The Great Law of Haudenosaunee Confederacy. (The Haudenosaunee are commonly known today as the Iroquois.) See Indigenous Corporate Training.

6 See Aspen Institute.

7 Ibid., p. 18.
A Path for Rural Resilience

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Most of the earliest scholarship on disasters came from sociologists, who defined disasters broadly as any event or phenomenon that disrupts society’s day-to-day functioning on a scale that overwhelms society’s ability to restore normalcy without external support. To illustrate, if a tree falls on a home—depending on the size of the tree—it could be a disaster for people in the home. Still, this represents only a routine emergency for the local emergency response team, and even a volunteer response team will likely be able to mobilize enough people and equipment to remove the tree. Alternatively, imagine if multiple days of heavy rain and strong winds caused hundreds of trees to fall, damaging dozens of homes, streets and power lines. In this case, the city might have to call on neighboring municipalities, the state or the federal government for additional capacity to restore normalcy. Ideally, the city would have recognized the potential of such circumstances and acted in advance to adopt policies limiting development in areas with lots of trees or strengthening building standards to ensure public and private property could withstand the impact of fallen trees. In this chapter, we submit that community survival requires that all members of the community have access to employment, income and savings sufficient to afford homes that can withstand “fallen trees” and that they not fall into poverty as they try to restore normalcy to their lives.

Among professional emergency managers and those who study disasters, resilience is commonly defined as the ability to anticipate and prepare for disasters, so a community can absorb and fully recover. Shocks to communities from weather-related disasters (e.g., tornados, hurricanes, ice storms and wildfires) expose the fragmented, inequitable systems that work for some people, but not for all. These shocks, or disasters, provide a suitable frame for thinking about community resilience in response to other kinds of crises (i.e., loss of a major employer, public health crises, school shootings, etc.). Therefore, the term “disaster” should be applied broadly to any situation to describe any severe, sudden or sustained disruption to a system or set of systems in a community that causes those systems to function at
less-than-optimal capacity. In this sense, too many rural communities are in a perpetual state of disaster due to a lack of inclusive, forward-thinking leadership and a lack of investment in critical practices and policies that support resilience.

The path to resilience in rural communities starts with developing a local plan that seeks to maximize the health, safety and economic well-being of everyone in the community. Effective resilience planning gathers data to assess community resilience threats, engages community stakeholders in determining the most appropriate strategies for mitigating threats, and positions everyone in the community to meaningfully contribute to implementing the priority strategies. This work requires coordination and collaboration of the different systems that together represent the building blocks of a community, including those related to the local economy and workforce, education, finance, environment/natural resources, transportation, health, etc. When sufficiently accounted for and strategically aligned in a resilience plan, these myriad systems constitute an infrastructure of opportunity, and everyone in the community has the resources to know how the systems work and that they will achieve their full potential without fear of disaster.

The remainder of this chapter describes the development process and key elements of a community resilience plan, based on the lessons from MDC’s research and practice.

**Community Engagement and Co-Development of a Resilience Plan**

Developing a plan for community resilience is no different from other planning processes, beginning with the identification of a representative group of stakeholders to lead the process. This local task force should include not just those people in traditional leadership functions (e.g., city or local governmental officials, and fire, police and medical personnel), but concerned citizens as well. To be effective, resilience planning needs to address deep disparities and inequitable socioeconomic fragmentation. Keep in mind: A community is only as resilient as its most vulnerable citizens. Rural communities tend to have higher concentrations of people who are more likely to experience the impacts of disasters disproportionately (e.g., poor, disabled, elderly and unemployed) due to system inequities and scarce
resources. In short, a process that does not include those most affected by the outcome will result in a flawed plan.

MDC’s July 2005 partnership with the Federal Emergency Management Agency (FEMA) to launch the Emergency Preparedness Demonstration (EPD) is an example of how to undertake an inclusive community resilience planning process. The EPD identified six communities with barriers to disaster awareness and preparedness among the most vulnerable members in the community and identified strategies to overcome those barriers. A vital feature of this place-based approach was establishing partnerships with local nonprofits and other agencies trusted by community stakeholders and with a demonstrated track record of successful program implementation. We intended to find organizations anchored in the community with the desire and capacity to serve as the brokers of new relationships, repositories of new knowledge and beneficiaries of expanded capabilities to ensure the resulting plans would take root. A critical feature of the EPD approach was establishing community planning teams composed of stakeholders representing the community’s diverse interests who could provide local knowledge about disaster issues and formulate solutions according to their priorities.

Successful recruitment of team members began with personal contacts brokered by trusted agents and one-on-one relationships. It also required adaptation of recruitment strategies to fit the local cultural and historical context. For example, we took time to learn about the history of a place, what topics might deepen social divides if not handled with care, and what public spaces were most conducive to authentic conversations. For these reasons, recruitment strategies were often multipronged, with potential participants identified early and encouraged to participate through personal contact. In some cases, however, the well-developed social network required for this approach was not present in the rural communities. Instead, local agencies had to rely on several longtime residents to recruit highly respected individuals that were trusted by community residents, as well as representatives of community-based service providers (e.g., churches, child care services and the housing cooperative). Lastly, planning grants were provided to enable team members to engage meaningfully in the process.

The practice of providing resources to enable laypersons to participate in strategic conversations is informed by MDC’s decades of experience in
community-based work. In the EPD, every community received a small grant to cover the cost of meeting space, food and materials for the planning process. The planning grant could also be used to partially reimburse the local partner for a project coordinator’s time and effort.

Community Assessment

After identifying key stakeholders for the planning team, the collaborative work began, which included gathering data to illuminate current conditions, creating a shared vision of the future and identifying the most appropriate strategies for achieving that vision. MDC and its partners used a participatory action research approach throughout the EPD planning process to identify issues, initiate studies and facilitate actions—all in collaboration with residents.

A participatory approach to resilience planning is helpful in rural communities for many reasons. First, a participatory approach can address recent demographic shifts in rural places and foster community engagement to enhance and strengthen democratic participation, while increasing public transparency. Second, there are often gaps in contextual data for rural places. For example, demographic data from the U.S. Census and flood maps from the National Flood Insurance Program were either insufficient or outdated. This lack of timely and reliable data highlighted the value of integrating indigenous knowledge in planning for resilience, which can validate and supplement data from traditional sources. Third, citizens were eager to participate in the process when invited to and given the authority to make informed decisions based on technical data, with some coaching from a skilled facilitator. Asking citizens to the table, providing them with access to data, trusting their analyses, and allowing them to choose the strategic priorities resulted in a greater appreciation of the inequities that leave some people vulnerable to disasters. This type of inclusive engagement also led to more buy-in about the execution of strategies. One of the most valuable takeaways for the MDC team in managing the EPD was witnessing how developing rural leadership capacity and positioning that capacity to raise disaster awareness morphed into conversations about how to deploy that capacity in new ways to address persistent barriers to equitable outcomes.

Participatory planning processes in rural communities affected by
disasters can foster new social connections within and between sites through peer meetings, increased civic engagement, amplified social capital and inspired innovation. Indeed, a common feature of any MDC-led demonstration project is the opportunity for cross-site peer learning. EPD planning teams were invited to attend learning summits throughout the project. During these summits, participants engaged in small-group exercises with members from peer sites and their fellow team members to process lessons learned and promote the cross-pollination of ideas. Such a process facilitated sustained connections, innovation and commitment beyond the end date of the EPD. Of course, resources to support expert meeting design and strong facilitation are required to create thoughtful public discourse and peer learning. Unfortunately, many rural communities do not have the resources necessary to retain professional staff or hire consultants who can design and manage collaborative resilience planning conversations and shared learning opportunities.

Since rural communities typically lack sufficient resources to move from planning to implementation, access to community participation funds is a crucial ingredient for inclusive engagement. For the EPD, we encouraged the funder to set aside resources (up to $25,000 per site) for every community to implement at least one promising strategy. The guarantee of implementation grants created a strong incentive for teams to stay committed to the planning process, especially for the typically low-resource emergency management departments. Grants also meant teamwork was not speculative, because there was a tangible return on the time and energy invested during the months spent on planning. In short, without access to technical assistance and other resources for planning and implementation, rural communities will struggle to become more resilient.

**Accessing and Distributing Funding**

In theory, communities have access to an influx of public and private money after natural disasters, but they often lack the organization to receive and distribute assistance effectively. Recovery in rural communities is typically led by ad hoc long-term recovery groups (LTRGs)—volunteers with little to no collaborative history, no legal capacity to receive grants, and no budgetary expertise to manage grants. As a result, money that could go
directly to the community from public and private sources is diverted to more-established organizations (e.g., American Red Cross) presumably on behalf of the community, without a guarantee the funds will be used wisely or at all for their intended beneficiaries. However, in some cases and with subsequent disasters, these ad hoc groups can become more formal, receive grants directly and mentor other emerging LTRGs. Researchers who study how social capital is mobilized in response to disasters and the evolution of disaster-responding organizations have documented how these groups move from impromptu neighborhood rescue efforts to certified nonprofits—with members specializing in emergency management systems—that continue to aid the community and others after disasters.¹ They also expand their networks and coordinate their efforts using social media. Perhaps the most well-known example of this is the Cajun Navy, which originated in response to Hurricane Katrina as volunteers used their personal boats to rescue thousands of people from flooding. Today the Cajun Navy has a foundation to manage donations and is a network of multiple volunteer-based organizations with many skills, including case management, construction, and food preparation and distribution.

Research and practice have demonstrated that the return on investment for the time and effort spent on planning for resilience before a disaster strikes can be at least six times the cost of relief and recovery:² Also, the granting of some federal relief money requires a local plan to be in place before funding can be approved. Moreover, as some of the challenges and opportunities that come are unpredictable post-disaster, every resilience plan should include which public or private entity will serve as the fiscal agent to accept and distribute resources equitably and efficiently, and according to the community’s resilience goals.

**Forward-Thinking Plan Implementation**

Resilience planning must be universal and continuous. All systems must include strategies to reduce the negative impacts from disasters with a keen focus on the continuity of operations—especially when it comes to the supply chains and safety nets that maintain economic security for everyone in the community.
In addition, while a local plan is key to resilience, community leaders must address the broader set of issues that promote economic insecurity and undermine resilience in communities. That is, a significant factor in the difference between recovery (i.e., typically defined as a return to the status quo) and resilience is the leadership in place to support a rural community’s transformation from its past (i.e., vulnerable to environmental and economic threats) to its future (equitable and resilient). To that end, rural leaders should be change agents, with an integral role in shepherding a community into the future. Leaders and funders should do so by making strategic upstream investments in the parts of rural life that connect people to an infrastructure of opportunity and the resources they need to prepare for, survive and recover from disasters. For example, access to broadband, employment and health care are crucial to the vitality and resilience of rural communities during and after disasters, as well as at any other time.

**Broadband:** Community resilience cannot happen without addressing the digital divide. Access to affordable broadband is necessary for communities to prepare the next generation of workers, to facilitate the connection between rural workers and urban employers, and to support small-business development, telehealth services and other community assistance needs. It is also critical to expediting the filing of paperwork for disaster recovery or unemployment funds. However, local preemptions, restrictions and roadblocks discourage governmental participation in establishing affordable broadband networks for rural residents. Research has found that residents in states with no roadblocks to or restrictions against municipal broadband have, on average, 10% greater access to low-cost broadband.

**Medicaid expansion:** Health care delivery, insurance access and the preservation of health care jobs are essential for rural resilience. Rural areas in states that have expanded Medicaid have seen larger coverage gains than rural areas in non-expansion states. Medicaid expansion also has led to larger declines in uncompensated care costs and fewer hospital closures.

The closure of a hospital has profound ripple effects on rural communities. In addition to reduced access to inpatient care, many residents are left without stable employment. Most closures and “abandoned” rural hospitals are in the South (60%), where poverty rates are higher, and people are generally less healthy and less likely to have health insurance. The typical rural
hospital employs about 300 people and serves a community of about 60,000. When the only hospital in a county closes, per capita income decreases by about $1,400 (2018 dollars), making families and the community less able to recover and adapt after a disaster.\textsuperscript{6}

**Conclusion**

True community resilience is rarely achieved, but the development of a plan can move a rural community closer to resiliency. The year 2020 laid bare the challenges that rural communities continue to face in creating a society that works for all, despite being beholden to policies and decisions antithetical to their very survival. Rural resilience will require a different way of working, advanced planning, inclusive leadership and supportive societal infrastructure.
References


Endnotes

1 See Meyer et al.

2 See National Institute of Building Sciences.

3 Low-priced broadband is classified as any stand-alone internet plan at $60 per month or less.

4 See Chamberlain.

5 See Center on Budget and Policy Priorities.

6 See The University of North Carolina at Chapel Hill.
Inclusive Development:
A Competitive Advantage for Rural Communities

NOEL ANDRÉS POYO
Introduction

Inclusive development is a concept that implicitly recognizes that some communities and geographies have been economically marginalized, experiencing less access to the capital, services and resources that are critical for social or economic mobility, or both. Many rural communities face less favorable economic conditions and greater challenges in accessing capital compared to urban areas. That being recognized, within rural communities, different groups of people often have dramatically different experiences and access to economic opportunities, which correlate strongly to race, ethnicity, culture and language. The practice of inclusive rural development involves investing in the people and places for which the challenges of their rural location are compounded by disadvantages that stem from how they have been impacted by systemic biases and blatant discrimination. To do this effectively, we must precisely define the people and places we seek to serve and take into account how they have experienced the political, economic and social systems around them.

Looking Past the Myth of Rural America

Much of the popular and political rhetoric around rural communities is rooted in visions of the past from a majority white perspective. To have any hope of pursuing inclusive rural development, we must first be clear-eyed about how race and ethnicity fundamentally shape any given individual's experience in a rural community. Structural factors in the finance and real estate markets, the daily reality of discrimination and intentional public policy at the federal, state and local levels have produced disparities in access to the capital, services and resources that are critical for achieving economic mobility. It is increasingly well-documented that some long-established populations in rural communities have been the target of racially and ethnically motivated discrimination, de jure and otherwise, that has often been enforced by violence. Our nation’s history of patchwork apartheid has had
multigenerational consequences, both economic and social, for those who have been the target of those systems and policies. This has been broadly true for African Americans, with significant concentrations across the rural South and Southeast, as well as for Mexican American communities across the Southwest and West, among others.

It is also important to consider that many rural communities have undergone significant demographic and economic changes over the past several decades and many are experiencing relatively rapid evolution. Changes in economic sectors including energy production, manufacturing and industrial agriculture are catalyzing significant economic shifts across rural America and have incentivized the movement of workers, both into and out of rural towns.¹ This has been occurring simultaneously with the aging of white populations in many rural communities and the departure of youth to seek educational and economic opportunities. In his 2014 book, William Frey illustrates how some of the most impactful demographic shifts in the United States are not so much the ongoing growth of minority and immigrant communities in large cities, where these communities have been well-established for generations, but rather the dispersion of Hispanics, people of diverse Asian descent and mixed-race households in smaller population centers, including rural communities.² As workers and entrepreneurs, these newer and less integrated populations are critical to the future economic viability of the rural communities to which they or their parents moved.

Rural communities that have experienced comparatively little change over recent decades are typically those that have been disconnected from capital flows or larger economic systems for a very long time. These communities are poor and typically racially, ethnically or culturally distinct—places like Luna County, New Mexico; Sunflower County, Mississippi; or McDowell County, West Virginia. Many of these counties have experienced persistent poverty over many decades and require an entirely different approach to rural development than a place where market forces and population shifts are driving change.

Dividing rural communities into those that are economically and demographically stagnant and those that are more dynamic is undoubtedly a generalization. Nonetheless, it is useful to think about a gray scale between these poles. Locating a community along this scale, paired with other methods of
assessments, can help to define an impactful approach to inclusive rural development.

**Considering the Organizational Infrastructure for Delivering Opportunity**

The success of any effort toward inclusive rural development relies heavily on the capacity of institutions that deliver capital and, more broadly, economic opportunity in the target community. Perhaps obvious, but too often overlooked, is the fact that the capacity to serve one population does not necessarily translate into the capacity to serve a second, or third or fourth distinct population. The cultural and linguistic competence of private, nonprofit and governmental institutions is central to the success of inclusive rural development. It is clearly a barrier to inclusive development when established institutions on “Main Street,” such as state and county government, public schools, banks, credit unions, realtors and service organizations, reflect and enforce historic patterns of discrimination and bias.

A willingness to break these patterns is necessary, but not sufficient, to build the cultural and linguistic competence necessary to effectively deliver the ingredients to produce economic opportunity. Most importantly, building this competence requires hiring staff members who reflect the demographic diversity of the rural community. It may also require translating documents, building trust through meaningful community engagement, and customizing financial products to reflect a different “typical customer,” among many other strategies. These efforts require intentionality and resources, oftentimes in places and within institutions where resources are scarce. Consider a county administrator who wants to diversify his or her staff. County government jobs may be coveted for their stability and relatively good pay and benefits in a community where there may be limited job opportunities. As a result, there may be relatively little turnover. This means that the administrator’s desire to diversify may be tied to increasing the personnel budget or waiting years for an opening, even before considering how to effectively recruit a diverse candidate. This is just one example of how the pace of change in rural institutions, particularly underresourced ones, may not match the pace of demographic change in the community more broadly.

Main Street institutions may struggle to reengineer their systems,
personnel and products to match the needs and opportunities of new or historically underserved groups. In this context, churches, community-based nonprofit organizations, small businesses and community-controlled financial institutions are critical, especially those founded and led by people from those groups. Community-based organizations are often more effective because their services and products are specifically designed to the needs and opportunities of their communities. In the best of circumstances, these community-based institutions become both structural bridges into mainstream institutions and independent escalators of opportunity. Less ideal, though sometimes necessary, is when community-based institutions become separate, parallel structures, providing services and access to capital when it is not possible for members of minority groups to access opportunities through Main Street institutions.

When community-based institutions are the only realistic way for people in the most underserved segments of rural communities to access capital and services, the technical capacity of those institutions has an enormous impact on these groups’ access to economic opportunity. Therefore, developing the capacity of community-based institutions is an important element of any approach to inclusive rural development. Key aspects of building organizational capacity include building systems and procedures for program delivery; strengthening the organizational balance sheet with unrestricted net assets (in the case of nonprofits) or long-term subordinated, i.e., “tier 1,” investments (in the case of credit unions or banks); and, perhaps most importantly, investing in human capital.

Institutional capacity-building is an effort that takes years, not months, and sustaining capacity can be difficult, particularly with regard to human capital. Retaining highly qualified staff in rural-serving community institutions is just one aspect of the broader workforce retention challenge in rural communities. Leadership transitions, a risk for any institution, are especially difficult for rural community-serving institutions. These leaders often embody a mix of skills, ingenuity and dedication that takes time to build, and their connectivity to the community is commonly a critical aspect of their success. These are “big shoes to fill,” and there is typically competition from other entities for those who have the skills needed to step into leadership. Successful executive transitions in rural community-based
organizations often rely on grooming successors from within and require recognizing that new leaders themselves need capacity-building and support.

**Recognizing Extraordinary Legacies**

Some of the community-based institutions that have demonstrated the most impactful approaches to inclusive rural development have grown out of poor communities of color, for which the demographic and economic conditions have been relatively consistent over time.

Founded in 1973, Tierra del Sol Housing Corporation has engaged extensively in community and economic development in rural communities across southern New Mexico and West Texas. Tierra del Sol has developed thousands of units of affordable housing in heavily Mexican American rural counties along the U.S.-Mexico border, including in many colonia communities with dire infrastructure needs. Tierra del Sol has benefited from the stability of the longer-term, highly competent leadership of Rose Garcia. Ms. Garcia and the organization’s staff leadership reflect the communities they serve, and their approach to development is built on community engagement and organizing with the residents.

Typically with housing as an anchor, Tierra del Sol creates broader community impact through economic development efforts, including business lending, water infrastructure and creative job creation efforts. This has often meant that Tierra del Sol has had a multidecade presence in the towns and colonias where it works, moving from one project to the next. This comprehensive and consistent approach to producing housing stability and economic opportunity has had transformative impact in many of the rural communities that Tierra del Sol serves.

In rural places where ethnically distinct populations are comparatively new, the community-based infrastructure that can deliver culturally relevant services is typically less well-developed and may rely on organizations from urban areas. The Latino Economic Development Center (LEDC), a community development financial institution, and its founder Ramón León have been rightly celebrated for supporting immigrant-owned small businesses in the Twin Cities. There has been, however, little recognition of LEDC’s impact in rural communities. LEDC utilized funding from the U.S. Department of Agriculture and the state of Minnesota to extend its small-business lending
and entrepreneurial assistance services to rural communities, often partnering with less-developed local organizations. LEDC-MN supports not only individual entrepreneurs but grassroots projects, like a multicultural market in Willmar, which developed into an independent project of its own. This rural impact of LEDC-MN’s work is a good example of how the cultural competence and technical capacity of an urban-based organization added value across rural areas.

Organizations like Hope Credit Union, based in Jackson, Mississippi, and Chicanos Por La Causa (CPLC), based in Phoenix, have achieved broader impact and have become a part of the fabric of rural towns across multistate regions. These organizations represent some of the most sophisticated and impactful examples of inclusive rural community development.

CPLC is a community development organization that was founded in 1969 by community activists and Chicano student leaders. While the organization reflected the experience of the barrios of South Phoenix, from its inception, the organization was connected to a broader civil rights movement. Over time, and particularly under the long tenure of former CEO Pete Garcia, CPLC became a diverse nonprofit conglomerate providing affordable housing, workforce development, small-business investment and social services. CPLC was invited by town councils, chambers of commerce and other institutions in rural communities throughout Arizona to establish offices and become a catalyst for economic opportunity. In a very real way, CPLC filled a gap in which local and state government failed to serve Mexican Americans and Mexican immigrants, in both urban and rural communities. In the 2000s, CPLC expanded into surrounding states by integrating established community-based nonprofits into its corporate structure. For example, Siete del Norte was, for decades, the most important economic development entity in rural northern New Mexico to focus on the needs in Mexican American and native communities. When Siete del Norte’s longtime CEO Amos Atencio prepared for retirement, he partnered with CPLC to sustain his legacy through CPLC New Mexico, which took on the stewardship of the assets of Siete del Norte.

Hope Credit Union’s meteoric growth from the late 1990s to today was fundamentally connected to partnerships with churches, including through membership networks and associations such as the Amos Network,
Fellowship of Hope Ministries, the 100 Concerned Clergy, Voice of Calvary Ministries and New Horizon Ministries. Expanding its credit union field of membership through church communities allowed Hope to build trust rapidly, and the credit union made good on that trust by delivering high-quality financial services. While Hope's impact in urban communities has been formidable, it is difficult to overstate the transformative impact it has had in heavily African American rural communities across Mississippi and surrounding states that have been actively and intentionally denied access to capital and financial services.

National and regional capacity-building organizations have played important roles in supporting inclusive rural development and breaking down the isolation that can come with serving rural places. The Housing Assistance Council (HAC), originally established in the early 1970s, has a mission to improve housing conditions for the rural poor, with an emphasis on the poorest of the poor in the most rural places. HAC is well-recognized for its track record of support for culturally and linguistically relevant rural development work, building capacity through its lending, grant-making, technical assistance and peer learning activities. HAC’s board of directors, currently and over time, has been made up primarily of diverse rural development practitioners, a fact that helps to explain the organization’s focus on inclusive development. The Local Initiatives Support Corporation, nationally, and the Rural Community Assistance Corporation, primarily in the Western U.S., are among other important rural capacity-building organizations that have provided intentional support for inclusive approaches to rural development.

Another example is the National Association for Latino Community Asset Builders (NALCAB). Founded in 2002, NALCAB is a national membership network of Latino-led and -serving community and economic development organizations. Approximately one-quarter of NALCAB’s members serve rural communities. NALCAB has developed a strong track record of providing financial resources and technical assistance to rural-serving organizations, similar to other national intermediaries. Unlike most intermediaries, however, NALCAB drew rural Latino-serving organizations into broader collaborations with urban Latino-serving organizations. Perhaps most notably, in the wake of the Great Recession, NALCAB organized a consortium
of more than a dozen member organizations to apply for funding from the U.S. Department of Housing and Urban Development (HUD) under the Neighborhood Stabilization Program Round II (NSP-II). Chicanos Por La Causa led the consortium’s application and was awarded $137 million to address the impacts of foreclosures and blight in Latino communities in eight states and the District of Columbia by developing and financing affordable housing. While rural-serving organizations would not have been competitive for HUD NSP-II funding on their own, being part of a broader consortium allowed rural-serving organizations in the NALCAB network to gain access to tens of millions of dollars for affordable housing purposes.

**Conclusion**

The practice of inclusive rural development must begin by looking beyond myths with a clear-eyed examination of how race and ethnicity fundamentally shape the experiences and opportunities of people in specific rural communities. We must also recognize that the key to the economic future of many rural towns can be found in the demographic and economic shifts that are happening today. To be effective, those organizations that deliver capital, services and other resources critical for economic mobility (governmental, for profit or nonprofit) must reflect the communities they seek to serve in their staff and fundamental approach. Therefore, cultural and linguistic relevance is at least as important as technical delivery capacity in terms of building organizational capacity for rural development. With extraordinary examples to learn from, there is an enormous opportunity for the practice of inclusive rural development to unlock opportunity and economic productivity with people and communities that have been historically marginalized, as well as those migrants and immigrants who arrive with little more than dreams. Those rural communities that support inclusive development and tap into the potential of all of their residents will have a competitive advantage in the economy of the future.
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Endnotes

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Collaborative Rural Development and Regional Economic Connectivity

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Introduction

This chapter focuses on the importance and practice of collaborative rural development. It has three main parts. The first describes the evolution of regional collaboration, drawing from recent research on regional collaboration as a means of addressing rural and urban challenges and on how rural economic development is evolving. It provides a rationale for thinking about rural development in a regional context. The second part draws from recent research on regional economic connectivity as a means of bridging the urban-rural divide, specifically focusing on industry clusters that connect economies along the urban-rural continuum. An example shows how regional approaches to economic development can benefit rural economies based on collaboration across jurisdictions and sectors. Lastly, we present findings and general principles for effective regional collaboration, with particular reference to economic development in a rural context.

Evolution of Regional Collaboration

There is a long history in the United States of efforts to cross jurisdictional and functional boundaries to solve problems that are beyond the scope and capacity of any single government, agency or organization. John Wesley Powell, best known for his exploration of the Colorado River, presented his vision in 1890 for the frontier West in which resources, communities and institutions would be organized into hydrographic districts or commonwealths. He argued that administrative units should be based on watersheds, recognizing the interdependence of settlements and the management and use of land and water. Unfortunately, his ideas fell on deaf ears, and the opportunity was lost to create meaningful regional collaborative arrangements to tackle what has become over a century later an almost intractable challenge of water management across many Western states.

However, collaboration, particularly from a governmental perspective, is now a fact of life, even if not universally embraced. As Michael McGuire
argues, there is nothing new in collaborative public management, noting that federal, state and local governments, together with nonprofit corporations, have cooperated “informally and officially, vertically and horizontally, in many different ways and through many different mechanisms for decades.”

In many areas, counties, cities and municipalities have found ways to collaborate to provide basic services, such as waste management, water, public safety and social services. However, these arrangements tend to be ad hoc and sporadic, and far from adequate to tackle the growing range and complexity of challenges that face communities and regions across the country. The damage and chaos wrought by Hurricane Katrina in 2005 exposed what happens when public agencies and services are not coordinated at the neighborhood, regional and national levels, and led to calls for greater and deeper collaboration among all levels of government and with the private and nonprofit sectors.

Collaboration, or “collaborative management,” refers to purposive relationships that go beyond cooperation and are aimed at creating or discovering solutions to solve problems that take no account of administrative and political boundaries. Regional collaboration, often termed regionalism, has attracted waves of enthusiastic support and strong opposition over the years, leaving behind a complex web of institutions and organizations of varying importance and effectiveness. Examples include the Tennessee Valley Authority from the 1930s, multicounty regional commissions from the 1950s, and the Appalachian Regional Commission and multicounty economic development districts from the 1960s. In the 1990s, the impetus for collaboration came from the theories of “new regionalism” and from the growing interest in economic development circles in regional competitiveness. These coalesced in efforts to create voluntary ways of promoting public-private sector cooperation in metropolitan regions to improve their competitiveness in the global economy, and to address the negative consequences of fragmented governmental structures.

Today, growing concern about the impact of rural-urban divide and dissonance has led to renewed interest in regional collaboration as a potentially powerful and intentional way of addressing rural-urban disparities. The complex and dynamic nature of rural-urban interactions raises questions about the capacity of existing governance structures, especially those
that serve rural communities and economies, to address pressing regional challenges. At the same time, it is important to note that regional collaboration can be an effective strategy for pooling resources across multiple rural jurisdictions beyond the direct influence of large urban economies.

**Bridging the Urban-Rural Divide**

Despite many obstacles—such as high transaction costs often associated with collaboration, and the imbalances of resources, priorities and power among cities, suburbs and rural areas—there are several encouraging examples of regional collaborative efforts that are designed to uplift rural interests. In Sacramento, for example, economic development leaders, industry and university partners, and policy officials recently committed to creating a cohesive regional ecosystem to support the life sciences and agricultural biotechnology (ag-tech) industry clusters. Although significant assets exist in both urban and rural parts of the region, the lack of alignment among assets and strategies, poor integration of local communities, poor broadband access in rural parts of the region, and the lack of commercialization assets were holding back the true potential for growth.

A new, collaborative five-year strategy for inclusive economic development aims to bolster and align assets across urban and rural parts of the region to grow the clusters. Aggie Square, a research park project, led by the University of California–Davis, in an urban neighborhood of Sacramento will allow for services and innovative partnerships to connect companies and communities across the region. Aggie Square will also develop a talent pipeline by providing workforce development opportunities to residents in adjacent urban neighborhoods. In rural parts of the Sacramento region, the Woodland Research and Technology Park will serve as a hub for agricultural innovation and an incubator for ag-tech entrepreneurs. The park complements existing rural assets including a strong agriculture and biological sciences research institution, a growing sector of startups and agricultural community, and research and development facilities for global agriculture companies.

The regional plan also prioritizes expanded broadband infrastructure to ensure digital equity across the region, connectivity within the cluster and deployment of agriculture technologies in rural parts of the region. “Dig
Once joint use transportation and broadband infrastructure projects, especially in designated Strategic Corridors, will improve efficiency in infrastructure investments while reaching underserved communities.\textsuperscript{10} Although only in its initial stages, the strategy in Sacramento demonstrates the value of collaborative development to rural and urban communities alike. Robust linkages within regions, often between urban and rural communities, provide the fuel that drives business innovation, competitiveness and growth. Indeed, an analysis of county employment growth from 2010 to 2016 reveals that communities with industries that were integrated across urban and rural areas within economic regions grew more quickly than those with industries that were not integrated.\textsuperscript{11} These findings are particularly pronounced for rural communities, indicating that coordinated regional economic development approaches across jurisdictions and sectors are critical for rural development.

It is encouraging to see that the practice of rural economic development is evolving from attracting businesses from outside the community to retaining and supporting existing businesses and economic generators, and on creating the conditions for entrepreneurship.\textsuperscript{12} With this come efforts to pursue cross-jurisdictional, cross-sectoral collaboration on a regional scale. These include preparing comprehensive economic development strategies, forging links with universities for technology transfer and special expertise, creating partnerships with community colleges for workforce development programs, and engaging with utility companies and others to pursue infrastructure and service improvements.

**Effective Regional Collaboration**

The Sacramento example, as well as other regional initiatives around the country, offers some important insights, the first of which is the need for effective and inclusive regional leadership. Although the engagement of state and local governments will be critical, regional leadership may best come from outside government to draw in a broader representation across geography, race, and economic and social conditions. To be effective, such leadership must have an established and trusted presence in the region, with a track record of real engagement across every sector and community. It must have access to and value sound analysis of the pressing social, economic
and environmental issues facing its region, and an ability to communicate and listen to diverse and often conflicting interests. Each region will have an organization or institution that can fulfill or assemble most of these requirements. It could be an anchor institution such as a hospital, university or community college, or a regional foundation, a community development agency, a public-private partnership, a community development financial institution, or a regional economic development organization. If these requirements are not in place, there is a danger that regional efforts will be technocratic and bureaucratic in nature, responding mainly to federal or foundation expectations to access funding for priority projects. These are rarely inclusive and are likely to downplay rural interests.

A second insight is that adopting a regional perspective emphasizes the interdependency of challenges, such as affordable housing; education and child care; health care; economic, community and workforce development; transportation; air quality; and broadband access. All of these are essential to creating and sustaining healthy economies and communities, whether urban or rural. However, each tends to be locked into its own system and network of policy advocates, service delivery agencies, funding sources, research specialists and political constituencies. Effective collaboration provides a way to connect these systems and networks into regional ecosystems to achieve better outcomes for rural and urban populations.

Third, regional collaboration provides the means for highlighting the contributions that rural economies and communities make to the regional economy. Often these are “hidden in plain sight,” and must be uplifted to show to metropolitan populations and to the nation more generally the true value of the work of stewarding natural resources, mitigating climate change, providing ecosystem services, and conserving and managing large-scale landscapes.

Finally, concerns about equity in a rural context highlight the intersection of geography (principally the impacts of isolation, disinvestment, and lack of local capacity and agency) with race and ethnicity, gender, income and class. Addressing inequities requires a high level of intentionality, and regional collaboration provides a vehicle for improving social and economic opportunity and health for all people and all places in a region, by ensuring rural interests and perspectives are at the table to set priorities and drive change.
Conclusion

Regional collaboration is not only a vehicle for pursuing growth in rural communities, but a precondition for achieving the goal of equitable rural development. The governments, institutions and organizations that serve rural communities simply do not have the resources and technical capacity to achieve this goal on their own. This does not mean that they must forfeit their independence and local control, nor does it mean that they must submit to additional levels of bureaucracy. But it does mean that they find ways to work with and find common ground with their rural and urban neighbors, and to plan and work collaboratively with new partners in the public, private and nonprofit sectors.

Despite the hurdles to achieving collaborative governance, examples of effective regional collaboration abound. Lessons from these experiences—including leveraging inclusive leadership, recognizing the interdependency of regional challenges, valuing the contributions of rural economies and communities, and intentionally addressing inequities through the lens of geography as it pertains to race and ethnicity, gender, income and class—will continue to nurture the path for rural development.

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Endnotes

1 See Powell.
2 See McGuire, p. 34.
3 See Agranoff.
4 See Wannop.
5 See Frisken and Norris.
6 See Porter.
7 See Dabson.
8 See Dabson et al.
9 See McFarland, 2019.
10 See The Prosperity Strategy, p. 12.
12 See Dabson and Kumar.
Section 3

Rural Communities
Promoting Shared Economic Prosperity
Fostering Rural Prosperity through the Stewardship Economy

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Despite long-standing inequities brought into stark relief by the 2020 coronavirus pandemic, new leadership and investment strategies are restoring vibrancy to rural places. Grounded in a stewardship ethic and inspired by early success, rural places are diversifying their natural resource economies to create local wealth and contribute to national prosperity in the 21st century.

Our organizations—the Northern Forest Center and Wallowa Resources—have worked for more than 25 years to redefine economic development in rural New England and eastern Oregon, respectively. Both organizations align land and resource stewardship with rural economic development, job creation and community wealth-building. As regional intermediary organizations, we connect rural and urban places, and local and regional issues; we bring new approaches to address challenges posed by climate change, corporate consolidation, demographic trends, industrial automation and political polarization.

**National Context**

Traditional rural development approaches responded to the erosion of commodity-based economies by focusing on business attraction—a top-down model that used jobs “created or retained” as the primary measure of success. The traditional approach essentially sought to recreate the “one-mill town” model that had brought finite prosperity to communities in the past—and it wasn’t working. Ultimately, communities kept losing people due to the lack of opportunity. In response, we engaged leaders within our communities, and across our regions, to advance new visions that are centered on leveraging the natural assets of each area, along with the skills, experience and passion of local people.

Our early efforts were supported by, and helped inform, national partnerships and initiatives—including the Communities Committee that emerged from the Seventh American Forest Congress, the Ford Foundation’s Community-Based Forestry Demonstration Program, and
the Forest Investment Zones initiative\(^2\) of the U.S. Endowment for Forestry and Communities. More recently, our work is characterized by the Aspen Institute’s examination of “rural development hubs”: intermediaries working with people and organizations across a region to build inclusive wealth, increase local capacity and create opportunities for better livelihoods, health and well-being.\(^3\)

**Elements of a New Rural Development Strategy**

Our organizations focus on generating and retaining wealth within the community. We focus on the human and natural capital of a place and facilitate the reinvestment of that wealth to advance equity in access and opportunity throughout the communities we serve.

We motivate and support active participation in community development instead of waiting for a single “solution” to appear from outside the community. More than any direct investment either of our organizations can make, the shift in community psyche and coffee-shop talk—from anger, frustration, and despair, to hope, pride and optimism—is critical to making our communities attractive to young families and workers. This shift in outlook and focus builds bridges throughout the community, creating opportunity and momentum.

**Case Study #1: The Northern Forest**

The rich natural resource base of the Northern Forest—30 million acres of forest and the headwaters of 11 major rivers—fueled the 19th-century economic boom of the Northeastern metropolitan corridor, from Boston to Baltimore and beyond. Eventually an unwinding of timberland and mill ownership, new technology and changing consumer demands led to declines in the dominance of the region’s pulp and paper economy.

What becomes of the pride and purpose of a community when its major employer closes, Main Street businesses close, and young people leave and don’t return? What is the solution to addressing rural decline in a place rich with natural amenities? The Northern Forest Center is exploring answers to these fundamental questions at multiple scales.

The Northern Forest Center (the Center) was founded in 1997 to address the lack of coordinated community and economic attention in the wake
The Northern Forest region encompasses 30 million acres of forest and communities spanning most of Maine, and northern New Hampshire, Vermont and New York. Credit: Northern Forest Center

of the wholesale shift of the pulp and paper economy across the four-state Northern Forest region of Maine, and northern New Hampshire, Vermont and New York. Today the Center is a regional innovation and investment partner connecting people and local economies to the forested landscape.

At the regional level, the Center brings attention to issues of rural decline and revival, leveraging the potential of emerging technologies, activities, and markets to reinvigorate and reimagine places and industries. We help bring regional scale and capacity to the issues facing the communities we serve, both when supporting isolated rural leaders to more effectively tackle persistent issues, and when advancing state or federal policies and programs that support innovative and integrated initiatives that transcend geopolitical lines.

At the community level, the Center uses its expertise in convening, facilitating, fundraising, and managing projects to partner with local stakeholders, identify catalytic projects and invest integrated capital. We have developed relationships in, delivered programs to, and become deeply familiar with many Northern Forest communities. This knowledge and trust have allowed
us to tackle the fundamental issue facing rural communities—demographic decline. Our work in Millinocket, Maine, exemplifies this approach.

Innovation in Community Revitalization: The story of Millinocket is its own, but it mirrors countless other places where global forces created the meteoric rise and steady decline of the natural resource economy. Millinocket—known as the Magic City—sprang up seemingly overnight in the late 19th century, supported by the confluence of vast water and timber resources. At its height, Millinocket had nearly 8,000 residents, many employed by Great Northern Paper Company. The mill dominated the town and sat adjacent to millions of acres of company-owned forests penetrated by the privately owned 100-mile “Golden Road.” No expense was spared to advance what seemed to be an endless source of wealth for the company and workers.

But by the time the Center began engaging in Millinocket in 2015, the mill had been shuttered and dismantled. The town had lost nearly half of its residents. The median price for homes in town bottomed out at less than $25,000. The Center’s role in the community began through modest investments. We helped install Wi-Fi networks in downtown businesses to help
visitors navigate on their smartphones, assisted local businesses with digital marketing so visitors could find them, provided incentives to expand the use of wood heat in area homes, and connected hospitality and tourism leaders to others across the Maine North Woods. These programs built on conversations and movement around the stewardship economy in the region.

At the same time, we probed more deeply to identify gaps that needed to be addressed to make a more significant, long-term difference in the community. It became abundantly clear that addressing the region’s demographic challenges required going beyond creating jobs—it meant positioning the community to retain and attract young people and entrepreneurs.

We heard from local leaders that amenities like an attractive downtown, high-speed broadband, recreational trails accessible from town, and third spaces such as coffee shops, brew pubs and the public library—as well as redevelopment of the mill site—were all necessary for economic revival. We also heard that a lack of quality rental housing was a significant barrier to attracting talent for the hospital, school and other local businesses.

**Tailored**

We probed ... deeply to identify gaps that needed to be addressed to make a more significant, long-term difference in the community. ... We heard from local leaders that ... a lack of quality rental housing was a significant barrier to attracting talent for the hospital, school and other local businesses. The free market was not meeting the community need, so the [Northern Forest] Center stepped in.

The free market was not meeting the community need, so the Center stepped in. In 2017, we launched our first $1 million impact investment fund with a goal of purchasing, renovating and renting units for up to a seven-year period. Today the Center owns six properties (11 units), all in the downtown core, that are setting a new quality standard for rentals in town—and making it easier for employers to attract talent.

We also helped a new, visionary librarian secure New Markets Tax Credit financing to renovate the local public library, helping him reposition it as the hub of the community’s revitalization efforts. We convened and now facilitate two steering committees, one focused on downtown revitalization and the other on the regional recreation economy. Our staff works closely with
town leaders and other partners to pursue state and federal funding, and has connected foundations to the community for their potential investment.

More is still needed; regionally, Millinocket and its neighboring communities need to move beyond historic rivalries and work collectively to address systemic issues of health care, education and broadband. This infrastructure is core to the region and its ability to attract and retain young people and businesses. In the meantime, catalytic activity is underway, and we know our approach is beginning to make a difference.

**Measuring Impact:** Despite economic upheaval on a national and global scale due to the COVID-19 pandemic, our housing initiative investments continue to perform, and our units are in high demand. New businesses are opening, and others are expanding. New investment is improving downtown buildings and homes throughout the community. New recreational trails are getting more people outside. Local news is reflecting more positive stories. Young people are moving to the community, and strollers and babies are more prevalent than they were a few years ago. While not dramatically impacting the overall population yet, these shifts are contributing to the sense of positive change in the air. New leadership willing to embrace new ideas is stepping up. And town pride—reflected in an annual survey—is on the rise.

Millinocket isn’t out of the woods yet. Its story is still being written—not by outsiders imposing solutions, but by the people who live there—supported by
nonprofits, governmental agencies and private businesses that understand the value of both contributing capacity and building it locally.

Case Study #2: Northeastern Oregon

Across the Pacific Northwest, ecological and political dynamics collided in the 1990s with the identification of the Columbia Basin salmon and steelhead populations as officially recognized endangered species. This listing, and the nationwide transition by the U.S. Forest Service (USFS) to an emphasis on ecosystem management, triggered a 90% reduction in national forest timber sales and had significant consequences on some rural communities. In northeastern Oregon, it eliminated 70% of Wallowa County’s annual timber harvest and shuttered its three sawmills—the county’s largest private-sector employers. Wallowa County’s unemployment rate was among Oregon’s highest, and K-12 enrollment declined by more than 50%. School budgets took another hit with the decline in federal timber payments. Teachers were laid off, course offerings were eliminated and the school week was reduced to four days, with parents forced to juggle work and child care.

In response, local citizens, with support from county government, created the nonprofit Wallowa Resources in 1996 with a mission focused on sustainability—providing equal weight to forest, watershed and community health; job and business creation; and increased understanding of the interdependence of environment and community well-being. Over time, Wallowa Resources’ vision embraced a stewardship economy centered on regenerative agriculture; forest and watershed restoration; small-scale, value-added processing of food, wood and renewable energy; and community ownership or control over critical assets including working lands. But Wallowa Resources’ beginnings had two priorities: (1) ensure displaced forest workers and mill-workers found rewarding work, and (2) develop new products and markets for small-diameter trees.
Building a Stewardship Economy: By the late 1990s, the value of USFS service contracts in northeast Oregon exceeded the value of timber sales offered. Local contractors typically won the majority of timber sales but secured less than 15% of the service contracts, which were primarily awarded to contractors located outside the region. In response, Wallowa Resources unleashed a complementary suite of programs to diversify the forest sector, expanding opportunities beyond timber harvest to include forest and watershed restoration.

Working with the Pinchot Institute for Conservation, we advocated for the USFS to shift from low-bid contracts to best-value contracting, and for the inclusion of local economic benefit as an evaluation criterion. We provided training programs and issued locally competitive restoration contracts to build local capacity. As a result, several local logging contractors diversified to include service contract work, and new businesses were created. Within five years, local contractors were capturing 54% of the service contract work on national forests in the region. The region maintained higher contractor capacity than other areas that lost mills, which was critical to large landscape restoration across our public and private lands.
Through two wholly owned subsidiaries, Wallowa Resources supported the utilization of small-diameter logs by directly investing in businesses and small-scale, distributed renewable energy technologies, contributing to increased forest restoration and broader community development. We also maintain critical community assets, including more than 100 USFS campsites and a 56,000-square-foot community center—the reincarnation of a former county hospital—for use by natural resource, community development and health care organizations.

To build scale and impact, we worked with county government and the USFS to design a “community planning process,” which convened representatives from the Nez Perce Tribe, grazing permit holders, and recreation, environment and timber interests to craft agreement for large landscape restoration. The first large watershed project to come out of this planning process restored 30 miles of salmon habitat and 15,000 acres of upland forest, earning national awards and contributing to the emergence of forest collaboration nationwide. Oregon State University Extension estimated the local economic benefits at more than $6 million.5
Additional opportunities arose from this initial success, including the creation of Community Wildfire Protection Plans, the development of the U.S. Department of Agriculture (USDA) Joint Chiefs’ Landscape Restoration Partnership projects, the formation of local Firewise USA programs and the acquisition of the 1,800-acre East Moraine Community Forest. In addition, in 2020 the USDA secretary approved new funding to the Collaborative Forest Landscape Restoration Program, through the Northern Blues Forest Collaborative, spanning 10 million acres of public, private and tribal lands in northeast Oregon and southeast Washington.

To resolve policy constraints and advance solutions, a handful of regional and rural leaders identified the need for federal policy analysis rooted in the West’s public lands-dominated rural communities. Wallowa Resources was a founding member of the Rural Voices for Conservation Coalition (RVCC), which engages more than 80 nonprofit, public and private organizations. The RVCC empowers and amplifies the shared priorities of rural leaders, and serves as a vital peer-learning and capacity-building network. It also highlights the rural development prospects of land stewardship, and the opportunity to align local economic potential with broader national goals and public benefits, including creating rural jobs, mitigating climate change and bridging the urban-rural divide.

With an eye to the future, Wallowa Resources invested heavily in our youth with the aim of building the next generation of rural leaders and land stewards. We launched a Friday field school—called Wallowa Resources Exploration of Nature, or WREN—for third- to sixth-graders that grew to include high school, undergraduate and graduate programming. University students describe our programs as transformative—generating epiphanies about the challenges facing rural places and the potential for community-based renewal centered on collaboration and land stewardship.

Resilient

With an eye to the future, Wallowa Resources invested heavily in our youth with the aim of building the next generation of rural leaders and land stewards. ... University students describe our programs as transformative—generating epiphanies about the challenges facing rural places and the potential for community-based renewal centered on collaboration and land stewardship.
Measuring Impact: We measure success by our contribution to: (1) creating jobs and businesses tied to public and private working lands, (2) improving the ecological condition of these lands, and (3) preventing their conversion to other use. More broadly, we assess our role in building an inclusive community, eliminating inequities in access and opportunity, and expanding engagement in our mission. We pursue increased impact by expanding our geographic scale and engagement in cross-boundary cooperation, as well as the numbers of partners, landowners, students, businesses and jobs we are affecting. Across the West, we support other communities interested in advancing a stewardship economy.

Our structure and programming facilitate a diversified revenue model. Over the last five years, our typical year-end revenue included 33% from federal and state grants and contracts, 30% from private foundations, 22% in earned income (primarily from our subsidiaries), and 15% from charitable donations gifted by individuals, families and businesses. Forest and renewable energy business investments have accessed commercial (and occasionally federally guaranteed) debt, leveraged new-market and renewable energy tax credits, and grown interest from social impact investors.
What We Have Learned

We offer five shared lessons on how to revitalize rural communities, attract and retain the next generation of rural citizens, and deliver broad public benefit through the stewardship economy:

1. **Honor and incorporate local knowledge of place.** Development efforts often fail when they ignore local people’s history with place, understanding of seasonal changes and use of land. Successful efforts engage and empower local stakeholders—while also bringing research, ideas and broader context to complement local knowledge and values. Community members are immediate beneficiaries, innovators, vision stewards and durable agents of impact.

2. **Advocate for integrated strategies, new conceptions of “value” and impact investment.** Instead of seeking simply to create jobs, consider what kind of jobs are being created, and whether they reinforce connections to place and community wealth-building. Identify the conditions required to support new jobs—from child care to affordable housing to environmental quality—and consider issues of equity and ownership. Promote a broader notion of return on investment in rural places; financial return is just one of the benefits derived from investments in the stewardship economy. Other benefits include carbon sequestration, water management, recreation opportunities and renewable energy development, among others. Each of these benefits is attractive to impact investors.

3. **Bring and build capacity to sustain innovation and increase resiliency.** Wallowa Resources and the Northern Forest Center bring core capacities that augment those already in place. Balancing inclusive planning with tangible results (“the eagerness to just get something done”) requires deep relationships, longevity, adaptability and persistence—as does capacity-building. Rural decline has been generations in the making and will take a long time to reverse. As such, multiyear operating grants that provide the time and flexibility for authentic relationship-building and collaborative engagement are critical to stability and success.

4. **Drive policy and practice through outcome measures that advance a stewardship economy.** Instead of evaluating only the economic impact of a proposed development, consider how projects advance community well-being at a systems level, and the full suite of economic, social and
environmental benefits that might be generated. Doing this requires a new paradigm of public resource deployment:

- Provide greater flexibility to allow for changes in grant uses based on changing conditions (e.g., a global pandemic). Greater adaptability in public programs is necessary if we are to elevate local agency, value natural resources and ensure that policy works for local needs.

- Draft federal policies and programs with the input of those targeted or impacted. Long-lived legislation needs to be reviewed and revised to better align with current conditions, and must support locally articulated goals and values, eliminate overlapping tensions and reduce complexity.

- Amend geographically bound program restrictions that often follow nonsensical census tract boundaries (e.g., down the middle of a road, dividing one side of a town from the other). For example, New Markets Tax Credits, limited by census tracts, result in missed opportunities or poorly sited capital investments.

5. **Bridge rural and urban relationships.** While there are differences between rural and urban conditions and opportunities based on various socioeconomic, demographic and political factors, we see similarities in the kinds of communities, neighborhoods and businesses that people are trying to create in both rural and urban places. We need to reconnect producers and consumers, land managers and the beneficiaries of environmental services, and recreation users with the families that live and work in the places where they play.

The COVID-19 pandemic has caused many urbanites to seek space in rural communities. This provides an opportunity for open conversations about land use and stewardship; economic opportunity; affordable housing; the “digital divide”; rural health care and education; and diversity, equity and inclusion. As people are brought together by place, they have the opportunity to learn about and understanding one another’s lived experiences.

**Conclusion**

Rural places are defined by their natural resources in ways that most cities are not. This gives them both a special opportunity and distinct responsibility. If natural assets are what make rural communities viable and prosperous,
ignoring or misusing that resource base guarantees eventual decay. Conversely, using those assets as the basis for diverse, robust and sustainable economic activity, to attract young people and creative investment, is a self-perpetuating system that generates long-term resilience and prosperity. Our work in the Northern Forest and northeastern Oregon gives us confidence that the stewardship economy is real, attainable and worth pursuing in rural communities across the U.S. We look forward to seeing a shift in national thinking about rural investment. Every day, we are advancing the “proof of concept” in the rural stewardship economy. It’s good not just for the communities we cherish, but for the world.

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1 See Communities Committee.
2 See U.S. Endowment for Forestry and Communities.
3 See Aspen Institute.
4 Service contracts include surveys, seed collection, pre-commercial thinning, habitat restoration, invasive species management, trail projects, etc.
5 See Christoffersen.
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Bringing Broadband to Rural America: The Role for Philanthropy

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
Introduction

By now almost everyone knows broadband’s critical role in fostering vibrant rural communities. It enables students to learn remotely, seniors to connect with health care providers and loved ones, and both farmers and small businesses to access customers in distant markets.

Americans in some rural communities benefit from the same internet speeds and affordable prices as their peers in large cities. Unfortunately, this isn’t the case everywhere. For some, broadband simply isn’t available. According to a Pew Research study from August 2021, just 72% of rural adults have internet that meets the minimum standards to be considered broadband [download speeds of at least 25 megabits per second (Mbps) and upload speeds of 3 Mbps]. Internet connections slower than this won’t support the needs of today’s households or small businesses.

TABLE 1
Internet Speed Varies by Type of Connection

<table>
<thead>
<tr>
<th>TECHNOLOGY</th>
<th>DSL</th>
<th>FIXED WIRELESS</th>
<th>CABLE</th>
<th>FIBER-OPTIC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median Down (Mbps)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>18.000</td>
<td>15.000</td>
<td>400.000</td>
<td>940.000</td>
</tr>
<tr>
<td>Rural</td>
<td>10.000</td>
<td>12.000</td>
<td>300.000</td>
<td>1,000.000</td>
</tr>
<tr>
<td><strong>Median Up (Mbps)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>0.768</td>
<td>4.000</td>
<td>30.000</td>
<td>880.000</td>
</tr>
<tr>
<td>Rural</td>
<td>1.000</td>
<td>3.000</td>
<td>20.000</td>
<td>150.000</td>
</tr>
</tbody>
</table>

SOURCE: The Daily Yonder.

Where broadband is available, it isn’t always affordable. Affordability may explain why just 86% of adults with incomes under $30,000 use the internet
at home compared with 99% of adults with incomes above $75,000. Where one lives really matters when it comes to not just internet speed but how much that speed costs. In rural northwest Missouri, for example, an internet service provider offers residents in the town of Gallatin internet speeds of 20 Mbps down and 4 Mbps up (too slow to be considered broadband) for $94.95 per month. Just 24 miles away in Maysville, a provider offers 200 Mbps down and up (“symmetrical”) for just $49.95. Inequities like this can be found across the country.

Key definitions

**Broadband Availability vs. Adoption**

These terms are sometimes used interchangeably but are not the same. *Broadband availability* means that if a person or business wants it, it’s available. *Broadband adoption* means that someone actually has a broadband subscription. Sometimes the broadband is available but is simply not affordable.

Federal Communications Commission data in 2017 showed 96% of urban households and 61% of rural households live in areas where high-speed broadband infrastructure is available. U.S. Census Bureau American Community Survey data from 2015 found that the nationwide residential broadband adoption rate at that time was 76.6%.

**Digital Inclusion**

 *Digital inclusion* refers to the activities necessary to ensure that all individuals and communities, including the most disadvantaged, have access to and use of information and communication technologies. At the most basic level, this can be thought of as a three-legged stool supported by:

1. affordable, robust broadband internet service,
2. internet-enabled devices that meet the needs of the user, and
3. access to digital literacy training.

Experts and practitioners increasingly are adding the following elements to the definition: high-quality technical support, and applications and online content designed to enable and encourage self-sufficiency, participation and collaboration.
Why Some Rural Communities Still Lack Affordable Broadband

The federal government has spent billions to expand broadband in recent decades, so why do some communities still lack this essential infrastructure? In short, it’s complicated.

Multiple funding streams exist at federal and state levels, and eligibility requirements vary. One common eligibility requirement is that the funding be spent in communities that don’t already have an internet service provider offering services at broadband speeds. The intent is to ensure funding goes to areas that need it most. Unfortunately, though, data on which locations do or don’t have broadband are widely viewed as inaccurate, with some rural areas’ being reported as having it when they actually don’t.

There are also multiple broadband technologies, each with its own pros and cons. Fiber typically offers the fastest internet speeds; however, it’s also the most expensive to deploy. Fixed wireless can be less expensive to deploy in rural areas, but it doesn’t work well in hilly or mountainous regions.

Another variable in how broadband is deployed is the regulatory environment. Adding this to the issues outlined above creates a very complex puzzle that makes it nearly impossible to develop a national or even statewide approach. “Broadband is a local issue because communities are unique and may require varying solutions to closing persistent gaps,” said Crystal Ivey, broadband director with Tennessee’s Department of Economic and Community Development.

The Role of Philanthropy in Supporting Communities

Like broadband, philanthropic organizations also play an important role in fostering vibrant communities. These grant-making organizations typically take income earned from investments and use it to fund causes that align with their missions. A health foundation, for example, might fund initiatives like access to healthy food, disease prevention or mental health services. Community foundations often fund initiatives broadly seen as advancing the well-being of the community’s residents. Philanthropies rarely, if ever, fund initiatives that don’t align with their missions.

Affordable broadband and digital literacy are foundational to the missions of almost all philanthropic organizations. Unfortunately, it can be
difficult for them to tie support for digital inclusion to their missions. A
health care foundation may recognize that patients need broadband to ben-
fit from telehealth services, but the idea of the foundation's helping to fund a
broadband project might be harder to justify. Some philanthropies, though,
have proven it is possible to make that connection.

The Federal Reserve Bank of Kansas City identified several foundations
that have cracked the code to funding digital inclusion projects while staying
ture to their missions. Each takes a unique approach. Some provide smaller
grants to assist with broadband plans, for example, and others provide loans
to internet service providers. Here are a few examples.

**Hutchinson Community Foundation: Investing Donor Assets in
the Foundation’s Mission**

Hutchinson Community Foundation uses its $80 million endowment to
advance the well-being of the 60,000 residents of Reno County, Kansas. It
focuses on generating three long-term outcomes:

- a strong, diverse and inclusive economy,
- healthy, livable and resilient neighborhoods and communities, and
- a community that is open to change with a culture of shared ownership
  and pride.

The foundation looks for creative ways to use its assets. For example, it
has invested in an early childhood learning center and an effort to reha-
bilitate historic buildings for use by small businesses. President and CEO
Aubrey Abbott Patterson said, “Traditionally, foundations invest in the stock
market and use the earnings to make grants. We’d been asking ourselves,
‘Wouldn’t it be better if we could solve big issues through investing some
funds in loans to local businesses?’ It’s a win-win for our community.”

Patterson said the “digital divide” wasn’t a secret in Reno County. When
the COVID-19 pandemic struck, however, many were stunned to learn that
more than 30% of students lacked the home internet necessary for online
learning. “We realized we have resources right here, right now, to spark
investment and address these kinds of social issues,” Patterson said. “We
just have to think creatively to deploy our resources differently, in ways that
attract other funding to our community.”
Patterson quickly joined other community partners to tackle the problem. Partners included the Hutchinson/Reno County Chamber of Commerce, the United Way of Reno County and IdeaTek, a local internet service provider. IdeaTek already was expanding its coverage to parts of Reno County, but despite those plans, many rural households remain without service.

Carolyn Bontrager’s longtime Arlington, Kansas, restaurant, Carolyn’s Essenhaus, is one of the businesses in rural Reno County benefiting from IdeaTek’s broadband-expansion project. Photo courtesy of IdeaTek.

Patterson worked with the foundation’s Impact Investment subcommittee and several donor-advised funds to offer IdeaTek a five-year, $215,000 loan at 3.5% interest. The foundation also contacted the Kansas Health Foundation and NetWork Kansas—both recognize the vital role broadband plays in rural health and economic development. They added a loan of $225,000 and a grant of $25,000 from their Kansas Community Investment Fund partnership. The Hutchinson/Reno Chamber of Commerce gave IdeaTek a $30,000 workforce development grant; in exchange, IdeaTek promised to create 30 new full-time jobs in the next four years.
With local matching funds, IdeaTek was able to secure $2 million in Coronavirus Aid, Relief and Economic Security (CARES) Act grants through the state of Kansas. By January 2021, IdeaTek had expanded service to 515 new premises and upgraded 2,300 additional locations to 100 Mbps.

**Collaborative**

*When the COVID-19 pandemic struck ... many were stunned to learn that more than 30% of students lacked the home internet necessary for online learning. [The Hutchinson Community Foundation] quickly joined other community partners to tackle the problem. ... With local matching funds [raised through this effort], IdeaTek [a local internet service provider] was able to secure $2 million in Coronavirus Aid, Relief and Economic Security (CARES) Act grants ... [and] expanded service to 515 new premises and upgraded 2,300 additional locations to 100 Mbps.*

Patterson sees this philanthropic-public-private partnership as a model for communities nationwide to use to address myriad challenges. “Broadband is just one of many issues we can address through philanthropic investment in private ventures,” she said. “I am excited about the possibilities not only for our community, but for communities across Kansas and the nation.”

**Blandin Foundation: Supporting Economic Vitality by Expanding Broadband’s Reach**

The Blandin Foundation enhances the economic viability of rural communities and the well-being of residents in rural Minnesota. The foundation has assets of about $465 million. It supports leadership training programs that develop healthy communities. Program graduates may apply for funds for community-building projects such as feasibility studies, technical assistance and strategic planning.

The Blandin Foundation views broadband as critical to the economic viability of rural communities. From the foundation’s website: “Without robust broadband access and fully technologically literate populations, rural communities will be unable to take advantage of the extraordinary benefits that ultra high-speed, next-generation internet can provide.”
Bernadine Joselyn is the foundation’s director of public policy and engagement. She considers the foundation’s role as “upstream,” ensuring that communities are ready for broadband when it arrives. “People come together around health, education and jobs, not broadband. But we know all of these things are better with broadband.” Joselyn suggests starting the conversation by asking, “What is it that we want for our community, and what role does broadband play in that?”

The Blandin Broadband Communities program is an intensive, two-year partnership between rural Minnesota communities and the foundation. The communities can be cities, counties, tribes, or other self-identified communities of interest or place. Selected communities define their technology goals and measure the current levels of broadband access and use. Then they seek technical help and resources to meet their goals, which may include a $75,000 matching grant from the foundation.

The foundation also supports broadband readiness efforts, including an annual conference and a broadband webinar series.

**Maine Community Foundation: Helping Rural Communities Become Broadband-Ready**

The Maine Community Foundation has a variety of programs to support broadband advocacy, technical assistance and planning, coalition-building and digital literacy training. The foundation provided a multiyear grant ($44,000 in 2019 and $49,000 in 2020) to the Maine Broadband Coalition to build statewide support among the public and policy leaders for broadband expansion and digital inclusion. Its Community Broadband Grant Program
provides community grants up to $15,000. Maggie Drummond-Bahl, senior program officer, said this is a “very broad program designed to meet the wildly varying needs of communities and regions working on this issue at many different levels.”

The foundation also recognizes the importance of ensuring people have the necessary skills to use computers and the internet. It provides a multiyear grant ($50,000 a year for three years) to fund digital literacy classes through library and university systems statewide.

Additional funding supports technical assistance to communities through the Island Institute and the Northern Forest Center. These organizations assist communities working to advance digital inclusion. Grants range from $15,000 to $25,000 a year.

Islesboro, Maine, is a great example of what can be accomplished when small and remote communities take matters into their own hands and receive support from key partners. The island community of 566 is 3 miles off the Maine coast. Residents were determined to build a broadband network affordable to all residents. The community received technical assistance and small-grant support to help with its planning by way of the nonprofit Island Institute and from the state’s broadband authority. With the technical plan in place, residents voted to partially fund the network through property taxes. Now, with the build-out complete, 90% of residents have subscribed to the network, paying just $30 a month for gigabit speeds.

The Islesboro example underscores findings from previous research: Rural communities that are the most connected also are the most likely to see population growth. In less than three years since the broadband build-out, six new families have moved in.

Four Tips for Foundations Considering Digital Inclusion Initiatives

Support efforts to engage the community early in the process. Every community is unique. One thing that remains consistent, however, is that solving the digital divide requires input and resources from many stakeholders. Libraries, schools, local governments, nonprofit organizations and internet service providers each have unique insights, needs and resources to offer.
Crystal Ivey, with Tennessee’s Department of Economic and Community Development, has spent the past six years overseeing the state’s broadband efforts and has consulted other states on best practices. “Maximizing the vast benefits of true digital inclusion and broadband access can best [be] accomplished through significant community involvement and input on the local level. One of our most important roles as a funding entity is to convene local stakeholders who have a pulse on the specific needs of their community to discuss and support those solutions.”

Make affordability part of the objective. Just making broadband available doesn’t mean it will benefit everyone. The average internet plan costs $57 a month and easily can exceed $100 depending on where you live. This is one reason lower-income households are less likely to have broadband. Foundations can make better use of their funds by requiring low-cost options for low-income households. IdeaTek—the Hutchinson, Kansas, internet service provider—offered low-income households a year of free internet with a discounted subscription of $20 afterward.

Pair broadband efforts with digital literacy training. Broadband efforts are most effective when they are paired with digital skills training. This is why the Maine Community Foundation supports digital literacy training. Maggie Drummond-Bahl of the foundation said, “We think investing in infrastructure without the essential understanding of the value the technology can bring to people’s lives is like making an amazing meal and not having the plate or the silverware to serve it, eat it and take advantage of all of the nutrition it provides. We can have the fastest fiber network in the world, but if the fisherman or the farmer doesn’t realize how she can access new markets and customers using it, or the student doesn’t know how to get online to finish their assignments, the return on this amazing investment just hasn’t been realized.”
Define a realistic, meaningful framework for reporting outcomes. In recent years, government agencies, private foundations and community-based organizations have increasingly sought to understand how programs that promote digital inclusion lead to social and economic outcomes for individuals, programs and communities.

According to the U.S. Institute of Museum and Library Services (IMLS), outcomes-based evaluation is the measurement of results: achievements or changes in skill, knowledge, attitude, behavior, condition, or life status for program participants. Outcomes-based evaluation:

1. identifies observations that can credibly demonstrate change or desirable conditions;
2. systematically collects information about these indicators; and
3. uses that information to show the extent to which a program achieved its goals.4

Adrianne B. Furniss, executive director of the Benton Institute for Broadband & Society, said, “In an era of increasing pressure to show funders, policymakers and constituents the impact of digital inclusion programs, community-based organizations in particular face significant barriers in conducting outcomes-based evaluation and showing that dollars are being used efficiently to improve lives rather than simply to deliver services.” Benton Institute-funded research, resulting in the report Digital Inclusion Outcomes-Based Evaluation, provides frameworks, logic models and resources to help guide the development of outcomes-based evaluation efforts.

Conclusion

Philanthropy serves a vital role in addressing societal needs, filling voids that the government and the business sector can’t. Regarding broadband, however, it will be tremendously expensive to ensure everyone has affordable access and the skills and technology to reap its benefits. Philanthropic organizations cannot address the issue alone, but they can play pivotal roles in the effort by filling voids that align with their organizations’ missions. Meanwhile, community leaders must reflect on what they want for their communities, how digital equity supports that vision, and what
opportunities exist for them to be the catalyst for change. Working together, philanthropies and communities can ensure broadband is accessible to and affordable for all.

References


Endnotes

1 See Vogels.
2 See Gallardo and Whitacre.
3 See Statista.
4 See Rhinesmith and Siefer.
Cultivating Capital: Partners for Rural Transformation

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Communities Unlimited
Rural communities in persistent poverty areas can evolve into places of persistent prosperity. Often standing in the way of this transformation, however, is the misalignment of needs and resources. Perhaps no other set of institutions understands this dynamic more than the community development financial institutions (CDFIs) founded to address the economic challenges associated with persistent poverty in the regions where it is most prevalent—in Appalachia, the Mississippi Delta and Alabama Black Belt, in Native communities and along the U.S.-Mexico border. For decades, CDFIs in these regions have specialized in the import of capital to responsibly finance small-business development, homeownership and community infrastructure, and even to create access to basic financial services.

The long track records of success coupled with the common experience of working in resource-constrained environments served as the catalyst for six CDFIs rooted in regions of persistent poverty to come together as the Partners for Rural Transformation (the Partners) in 2014. Anchored by a shared ethos of investing in people and place, the Partners’ leaders posited that the resource challenges encountered by each organization, when compared to the needs in the communities they served, could be solved more effectively by working together.

The testing of this hypothesis was greatly accelerated in 2020 with the onset of the health, economic and racial justice crises facing the nation. With systems in place to share information, capital and risk, the Partners mobilized quickly to acquire the resources needed for rapid response, which positioned the group and the individual regional organizations to take on more lasting endeavors toward the advancement of persistent prosperity.

**Persistent Poverty in Rural America**

Persistent poverty is a federal designation for a U.S. county, parish or municipio where the poverty rate has been 20% or higher for at least 30 years in a row. Persistent poverty is ubiquitous in rural America: Of the
395 persistent poverty counties nationwide, more than 80% are classified as nonmetro counties. Additionally, other indicators of distress are associated with the presence of persistent poverty: High unemployment, limited access to financial services and low health outcomes occur frequently in these communities. For example:

- 86% of persistent poverty counties have unemployment rates in excess of the national average;
- three-quarters of the 158 counties nationwide that have household unbanked/underbanked rates at 1.5 times the national average are persistent poverty counties;
- 81% of persistent poverty counties are in the bottom quartile of counties in terms of a wide range of health outcomes; and
- of the 395 persistent poverty counties in 2017, a “health-related water system violation” occurred in approximately 42% of the counties—nearly 5 percentage points higher than the rate nationally.1

SOURCES: U.S. Census Bureau American Community Survey (2017), U.S. Treasury CDFI Persistent Poverty Counties (October 2017) and Hope Policy Institute Analysis.
Persistent poverty counties are also racially and ethnically diverse. Most people living in persistent poverty counties are people of color, and 42% of persistent poverty counties have majority nonwhite populations. (See Map 1.)

The overlapping layers of distress in areas of persistent poverty point to conditions created by design, embedded in the public policy choices guided by institutional racism and made over the course of decades.

**Resources and Needs Were Misaligned before the COVID-19 Pandemic**

Prior to the COVID-19 pandemic, regions of persistent poverty and rural communities lagged urban counterparts in philanthropic and private investment. In fact, per capita grant-making in the San Francisco Bay Area was nearly 100 times the level of philanthropic giving in the Mississippi Delta and Alabama Black Belt, as indicated in Figure 1.

While Figure 1 does not include data measuring gaps in giving to Native initiatives, an analysis conducted by Native Americans in Philanthropy and Candid found less than half a percent of grant-making in 2016 was directed toward places where Native Americans live. Native CDFIs (NCDFIs) struggle to access capital because (1) the rural location of many NCDFIs falls
outside of foundation footprints and Community Reinvestment Act (CRA) assessment areas, and (2) investors have many fears and misconceptions about lending on tribal trust lands. This created unmet capital needs for NCDFIs of more than $55 million in 2018, which has only grown because of COVID-19.2

Historically, private investment in rural communities, particularly bank investment, has significantly lagged the level of investment in urban areas. This condition has been perpetuated by the limitations of the CRA in incentivizing lending, services and investment in rural places. Notably, the largest levels of CRA investment have been funded by the nation’s largest banks—which simply do not serve rural or Native communities characterized by persistent poverty on any meaningful scale. In the absence of a physical branch in a rural community, the regulatory requirement to reinvest simply does not exist. As a result, CRA-motivated bank investments are most heavily concentrated in urban areas.3

The consequence of chronic underinvestment manifests itself in multiple forms of distress including high unemployment, a lack of access to banking services, a paucity of quality affordable housing, and more-limited access to safe drinking water—all of which contribute to the higher rates of premature death and other negative health outcomes. The COVID-19 pandemic exacerbated these already deep divides along health, economic and racial lines. Indeed, by December 2020, the mortality rate in persistent poverty rural counties was 50% higher than it was in all counties nationwide.

Despite these overlapping types of distress in persistently poor regions and places, CDFIs collaborating with rural leaders and residents have proven to be remarkably resilient in the pursuit of opportunity. The collaborative effort undertaken through the formation of the Partners for Rural Transformation reflects the entrepreneurial spirit that was needed to empower Black, Latinx, Native and rural white people before the pandemic, and which is still needed in response to the multiple crises that began in 2020 and continued into 2021.

**Stabilizing Small Businesses**

On April 3, 2020, the first round of funding through the Small Business Administration (SBA) Paycheck Protection Program (PPP) opened, buoyed by a $349 billion appropriation. Thirteen days later, the program ran out of money.4 It has subsequently come to light that the largest
businesses with the greatest preexisting access to capital were most able to access the PPP funds. Among the businesses most often excluded in the first round were those owned by women and people of color.\(^5\) Then came a second round. Whereas the average loan size in round one was $239,152, by the end of the second round of the program, the average dropped to $100,728, suggesting smaller businesses were being served.

On April 16, 2020, when the PPP ran out of funding, the small-business clients of one of the Partners—Communities Unlimited (CU)—had not even received responses to their PPP applications from a number of banks. CU raised this challenge during a meeting with the Partners and unwittingly created a pivotal opportunity for collaboration between three of the Partners. By April 20, 2020, Rural Community Assistance Corporation (RCAC) and Hope Credit Union (HOPE) had each raised sufficient capital to begin making PPP loans to CU’s clients. In partnership with RCAC and HOPE, CU secured $477,267 in PPP loans, ranging from $1,282 to $62,734, for 28 small businesses, saving 146 jobs.

Even with these beneficial partnerships in place, sole proprietors who could not show a profit on their tax returns were locked out of the PPP, including thousands of sole proprietors in persistent poverty counties. In its seven-state footprint in the South, CU leveraged its proven small-business lending model, tied inextricably to intensive technical assistance, to design a toolbox of disaster recovery loans. “Pivot” loans for $5,000 and “Reboot” loans of up to $10,000 involve a simplified application, a three-day underwriting process and a virtual
closing within a week. Payments are forgiven for three to six months (a grant) to help businesses shore up their cash flow. At the same time, CU provided intensive technical assistance to 165 borrowers and small businesses to help them adjust their business models. More than 80% of these businesses are owned by entrepreneurs of color.

CU’s rapid response allowed entrepreneurs to beat the odds. Nationally, 41% of African American-owned businesses closed their doors permanently. While many of CU’s clients closed temporarily in March, all reopened and continued to remain open through the fall. With the second wave of COVID-19 infections in the winter, only 3% of all CU clients were forced out of business. According to the National Restaurant Association, 17% of restaurants in the country closed permanently or long-term. Of CU’s small-business clients, 20% are restaurants. While all closed their indoor seating, they transitioned to serving from food trucks, selling frozen family meals and introducing curbside takeouts or special offers—all of which they marketed via social media. All were still operating as of January 2021.

RCAC also quickly learned that in its 13 Western states, many businesses were being turned down or not receiving responses to their initial PPP requests from their banks. RCAC responded immediately by providing its borrowers with loan modifications, and then moved quickly to raise capital at 0% interest to begin making PPP loans. RCAC worked with Ceniarth to secure initial capital. Ceniarth then formed a lending cohort of other family foundations to support RCAC’s PPP lending. From March through Aug. 8, 2020, RCAC funded 98 PPP loans, totaling more than $9.2 million—47% were made in persistent poverty communities, 21% helped Native communities and 76% went to businesses with 10 or fewer employees.

Loans were distributed throughout RCAC’s region, including California, Colorado, Hawaii, Montana, Nevada, New Mexico, Oregon, Utah and Washington. Borrowers included nonprofit organizations, small businesses and entrepreneurs serving an array of rural and Native communities.

HOPE was also greatly frustrated by the first round of the SBA PPP because it took several days for the SBA to approve HOPE as a certified lender. Meanwhile, banks had ready access to the program through which SBA PPP funds were being drawn down at a rapid pace. As a result of this disparity, HOPE was able to close only 46 loans before the funds from the
first round ran out. Notably, many of the businesses HOPE was unable to serve during the first round were very small, located in communities of color, and were Black- and women-owned. Thankfully, Congress approved a second round of PPP funding, and HOPE rapidly ramped up its lending, such that by the time the program ended on Aug. 8, 2020, HOPE had closed 2,912 loans totaling $85.4 million, supporting more than 11,000 employees and their families. Notably, in any given year, HOPE closes, on average, 50 commercial and small-business loans, so this was a massive increase for the organization. HOPE’s average PPP loan size was less than $30,000—more than $70,000 less than the average for the entire program nationally—and the majority of HOPE’s loans went to minority- or women-owned businesses.

Native CDFIs reported that many of their entrepreneurs were unable to access PPP loans because they lacked access to traditional credit due to damaged credit histories, a lack of local banking institutions and the more informal nature of Native businesses. These businesses relied on NCDFIs to help them through the crisis. The 69 NCDFIs certified by the U.S. Treasury, and fueled by Oweesta—a national NCDFI intermediary—led the COVID-19 response by boldly providing emergency loan products to their community members. Most NCDFIs were established as economic development engines, with 79% of NCDFI lenders providing microenterprise and small-business lending. Even though the average NCDFI has a loan portfolio size of only $5.5 million, NCDFIs as a group deployed more than $55 million to the most disadvantaged communities in America in 2017.

Avoiding Evictions and Homelessness

The economic crisis resulting from COVID-19 impacted not only small businesses but also homeowners and renters. In fact, the value of a home may be one of the most important things highlighted by the crisis surrounding COVID-19. After disinvestment over decades in persistent poverty
regions, delivering affordable housing solutions has been incredibly difficult and has made obvious the vital role of organizations with boots—and relationships—on the ground.

From March 2020 through January 2021, Fahe—a network of more than 50 nonprofits—saw across its service area a 25% increase in new mortgages for first-time homebuyers, as well as a 25% increase in requests for loans to support the construction or purchase of multifamily housing. Fahe and its members have been able to connect more than $30 million in CARES Act funds with over 15,000 families in rental housing and 5,000 homeowners to avoid eviction and foreclosures.

To enhance this work, Fahe made loans to members and partners so that they could better scale delivery. One $500,000 loan to HomeSource East Tennessee (HSET) helped vulnerable families across 17 counties in eastern Tennessee, nearly half of which are coal-impacted counties designated as distressed by the Appalachian Regional Commission. HSET President and CEO Jackie Mayo noted that the loan allowed for a rapid rollout in a short time frame—helping nearly 200 families facing housing needs to access direct assistance through the Tennessee Community CARES Program.

Beyond the immediate COVID-19 crisis, the delivery of capital and quality, affordable housing products in persistent poverty regions must get to scale and be sustained over time. To do so, Fahe is utilizing its seller-servicer status with government-sponsored enterprises (GSEs) to bring much-needed secondary capital to persistent poverty regions, by expanding its broker network of local nonprofits. In addition, Fahe and RCAC are working to expand their U.S. Department of Agriculture (USDA) packaging partnership, a program that already accounts for 7% of the USDA’s Single-Family Housing Guaranteed Loan (aka 502) Program. Together, the two Partners will make these funds available in Indian Country, the Delta and the Deep South, and at the Texas-Mexico border to expand homeownership opportunities to minority-headed households.

In the Rio Grande Valley, in Texas, most workers lived paycheck to paycheck before COVID-19. Then many lost their jobs. In response to COVID-19, for the first time, cdcb |come dream. come build. instituted a mortgage forbearance program and enrolled 31 families with outstanding mortgages, totaling $1.8 million. It also took a leap of faith and agreed to manage the
Resilient

The delivery of capital and quality, affordable housing products in persistent poverty regions must get to scale and be sustained over time. To do so, Fahe is utilizing its seller-servicer status with GSEs to bring much-needed secondary capital to persistent poverty regions, by expanding its broker network of local nonprofits. In addition, Fahe and RCAC are working to expand their USDA packaging partnership.

first tenant-based rental assistance (TBRA) contract in The Valley. Mortgage originators were quickly reassigned to assist with TBRA processing, to help 163 families manage more than $600,000 in the first six months after cdcb had the contract. The nonprofit has moved to create a permanent TBRA program to continue to meet this need in the future.

Despite increases in lumber costs of almost 60%, which drastically slowed the start of new homes in The Valley, cdcb quickly moved to renegotiate contracts and complete 50 new rental units, start construction on 83 others, complete 26 new single-family homes for new homeowners, and open a new mixed-income for-sale community of 129 lots between April 1 and Dec. 31, 2020.

The organization launched “p3” (people. policy. power.) to utilize its first-hand knowledge and the lived experience of low-income families to create, expose and advocate for local, state and federal policies and regulations that directly affect families in the Rio Grande Valley. The p3 team started by focusing on the eviction crisis in The Valley; within the first 30 days of the team’s efforts on this issue, it encouraged a local state senator to deliver to the city of Brownsville a new eviction ordinance for its approval and encouraged the local county to utilize more than $12 million of its COVID-19 relief funds for TBRA.

Tailored

cdcb launched “p3” (people. policy. power.) to utilize its firsthand knowledge and the lived experience of low-income families to create, expose and advocate for local, state and federal policies and regulations that directly affect families in the Rio Grande Valley.
Many communities experiencing persistent poverty and lacking responsive banking infrastructure have fallen prey to predatory lenders, both at street corners and online. COVID-19 has exacerbated the need for responsive financial services.

In addition to tackling the housing needs identified above, cdcb improved and increased access to its award-winning small-dollar loan product, the Community Loan Center (CLC), which is an employer-based partnership that acts as an alternative to payday loans. The CLC allows families to borrow up to $1,000 at 18% and repay the loan through payroll deductions over 12 months. This compares to the typical payday loan in Texas, which comes with an effective interest rate of 640% and is due in 14 days. During the COVID-19 pandemic, the need for short-term cash for families has increased at an astounding rate, leading to the origination of 4,184 small-dollar loans, for a total of $4 million for local families needing assistance over a nine-month period. The CLC program added 17 new employers, increasing the number of employees who have access to the program from 22,000 people pre-pandemic to 34,000 people.

Similarly, in tribal communities, it is Oweesta that over the past 20 years has been pivotal in providing access to capital and education to help build the financial resources of Native people throughout the country. Oweesta remains soundly committed to the founders’ original belief that, when armed with appropriate resources, Native people have the capacity and integrity to ensure the sustainable economic, spiritual and cultural well-being of their communities. Oweesta has revolved $77 million in direct investments in NCDFIs, assisting in the creation of private-sector economies, homeownership and individual asset-building across Indian Country.

To better serve tribal communities during the pandemic, Oweesta created two new lending products—a working capital loan and a line of credit to address emergency lending and small-business needs within tribal communities—with a total deployment of more than $2.5 million. It also launched the Native American COVID-19 Disaster Recovery Fund, based on the model of the highly successful $10 million Native CDFI Capital Pool, which Oweesta piloted in 2018. All funds from the Capital Pool were fully deployed within nine months of launch.
Looking beyond COVID-19

Amid tragic circumstances, the outlook for investment in CDFIs to serve people and communities in persistent poverty places is bullish. To support the ability of CDFIs to respond to the economic crisis caused by the COVID-19 pandemic, Congress made its largest investment ever into CDFIs. In addition, guided by the quest for racial equity, a number of philanthropic and corporate leaders moved to make historic, unrestricted investments in CDFIs led by people of color. Each of the Partners, as illustrated above, responded to COVID-19 quickly and with the capital it had on hand. With these additional investments, the Partners quickly scaled up their deployment of support for the communities they serve.

To transform places of persistent poverty into ones of persistent prosperity, it will take collaborations like those from the Partners for Rural Transformation that transcend competition for scarce resources to achieve true partnership directed toward the collective good.

References


Endnotes

1 See Partners for Rural Transformation.
2 See First Nations Oweesta Corporation.
3 See Opportunity Finance Network.
4 See Frankel.
6 See Fairlie.
7 See Fantozzi.
A Model for Rural Workforce Development that Works

JOHN MOLINARO
Principal
RES Associates, LLC
Development of the Model—West-Central Minnesota

On a hot August afternoon in 1992, rural sociologist Randy Cantrell made a prediction to a group of foundation leaders in rural Minnesota that would result in the launch of one of the most innovative and successful workforce development programs in rural America. This is the story of that program, of two spinoffs modeled on it in other rural places, and of the recent changes in federal workforce funding that have made similar programs feasible across the entire nation.

In 1992, west-central Minnesota was just beginning to emerge from the ravages of the nationwide “farm crisis” of the 1980s that drove thousands of families off their land and resulted in the closing of hundreds of businesses dependent on farm spending for their existence. Unemployment soared to double-digit levels, and rural counties experienced large population losses as families left to seek work.

In 1986, six years prior to that prophetic August afternoon, a group of local leaders founded West Central Initiative (WCI), a regional community foundation, to address this crisis and help rebuild the economies of nine western Minnesota counties. WCI’s early efforts focused on making affordable loans available to help small manufacturing firms grow. After some initial successes, progress slowed during the recession of the early 1990s.

WCI’s board and staff met on that day in 1992 to plan their next investments in the region’s economic recovery. They asked Cantrell to examine recently released 1990 census data and to share observations about important trends that might affect WCI’s work. Most of his observations focused on well-known, long-term trends in the region, but one, a prediction of severe workforce shortages coming on the heels of decades of high unemployment, was so unexpected, counterintuitive and important that it transformed WCI’s thinking and approach.

For 40 years, out-migration of young families seeking better job opportunities had reduced the number of youths entering the workforce. The farm
crisis accelerated these losses. Women entering the workforce had masked the tightening labor market, but by 1992, this supply of new workers had been tapped out.

Cantrell predicted that severe workforce shortages would begin as soon as the recession ended and would persist for at least 20 years. There were simply too few children to replace retiring workers—even if every child remained in the region and entered its workforce. Moreover, at least two-thirds of the region’s youths moved away to seek better economic opportunity after completing their education.

Cantrell also predicted that rapid changes in the nature of work would aggravate the problem. With the decline in agriculture, manufacturing was the strongest remaining pillar of the region’s economy. However, manufacturing was experiencing a period of rapid technological change, requiring skills not generally present in the incumbent workforce. And, many of the region’s most skilled workers would soon be retiring. Even if every young person trained in these skills, there simply weren’t enough of them to fill the gap. Any solution would need to focus as much on upskilling the incumbent workforce as on training new workers.

While these predictions stunned WCI’s board members, they responded quickly and vigorously. They committed $1 million over four years—more than 60% of WCI’s annual grant-making budget—to address skilled workforce shortages in the region. In addition, recognizing that they were not the experts, they founded a regional Labor Force Development Council (LFDC) to plan and oversee the work.

Initial LFDC membership included representatives from business, government, labor, K-12 and postsecondary education, community action programs, nonprofits, the federal/state workforce development system, and

**Collaborative**

[Labor Force Development Council] membership included representatives from business, government, labor, K-12 and postsecondary education, community action programs, nonprofits, the federal/state workforce development system, and the unemployment and welfare systems.
the unemployment and welfare systems. WCI contracted with an emerging regional manufacturer's association to manage the LFDC and ensure that the program maintained focus on the region's manufacturing workforce needs.

At the recommendation of the LFDC, WCI took a five-pronged approach:

1. Partner with individual companies to invest in short-term, industry-specific training for their current workers, to move workers up and fill skill gaps within the companies. Companies would match WCI’s grants dollar for dollar, typically by paying workers wages while they were in training.

2. Continue to provide affordable loans to help the region's manufacturers grow and take on new technologies. Where feasible, couple loans with grants to support workforce training to facilitate the effective use of the new assets being financed.

3. Invest in research to determine, more specifically, what skill gaps existed that affected multiple companies (existing data were not granular enough to break out region-specific needs).

4. Where documented gaps existed and required enough trainees to support an ongoing technical college program, make grants to technical colleges for program development.

5. Support school-to-career programs to inform high school students and their parents about quality job opportunities in the region and to help prepare students for those jobs.

Initial demand for the grant funds was slow. It took some time for employers to recognize that workforce shortages were real and there to stay. Since companies were not familiar with the world of foundation grants, WCI had to identify an intermediary to walk them through the process. Completion of the research documenting workforce shortages was necessary before investing in technical college programs. However, all strategies were well underway within nine months.

WCI selected Minnesota's operator of the federal Manufacturing Extension Partnership (MEP) program—Minnesota Technology Inc. (MTI)—to help manufacturers with this new BestForce program. MTI already helped manufacturers identify and implement new technologies,
and maintained relationships with many firms across the region, and so was ideally suited to run the program.

MTI’s roles included:

- Help companies to assess and define their training needs
- Identify high-quality trainers from MEP’s national database
- Solicit training proposals for company review and approval
- Write grant applications to WCI
- Accept and administer grant funds
- Reimburse companies for eligible expenses, track required matches and document project results
- Prepare final reports to WCI and refund any unexpended funds

MTI also benefited directly from this partnership. While WCI did not compensate MTI for its services, the grant funds that flowed to businesses through MTI’s coffers qualified as matching funds for its federal MEP grant, allowing it to draw down federal funds to support its efforts.

The research commissioned by WCI to identify the region’s workforce shortages bore mixed results. For the first time, the region had good local data available about its workforce needs, and a variety of shortages were identified. However, the data showed few opportunities that would respond to Minnesota’s traditional solution for workforce shortages—creation or expansion of technical college degree and certificate programs.

With just 195,000 residents spread across 8,500 square miles and only two communities with more than 10,000 residents, few of the identified worker shortages were large enough to justify creating an ongoing local technical college program. Health careers, especially nursing, were the primary exception. However, further research showed that the region’s technical, community and four-year colleges were training three to four times as many nurses as needed in the region, but wage rates in Minneapolis/St. Paul were twice those in the rural western Minnesota region, and so induced most students to leave after graduation.³

In addition, virtually none of the manufacturing skill shortages identified by the survey were good candidates for new technical college programs. This was true even for widely recognized shortages such as welding.
While a large shortage of welders existed, companies needed a variety of industry-specific certifications. Technical colleges could and did train in basic welding skills and some more common certifications; however, they lacked the cohort sizes and qualified instructors required to institutionalize training for more-advanced certifications. The only viable training option identified for more-advanced welding was to conduct the training within individual companies utilizing their already-certified workers as instructors.

As a result, WCI concluded that the only approach that would consistently work to address most identified shortages was customized, employer-specific training. This strategy became the core approach for all future efforts of the BestForce program and the driving force behind its impressive, long-term success. Support for creating a technical college program remained an option but was limited to the rare cases for which the colleges could document that the scale and nature of the skill shortage justified creation of an ongoing program.

In the final year of its initial funding commitment, WCI undertook a review of the outcomes of its investments. While there were insufficient data for an empirical analysis, anecdotal evidence clearly indicated that the program was achieving the desired results, including:

- Wage increases for virtually all workers completing training
- Ability of participating companies to take on more orders as skill bottlenecks eased
- Faster reported growth among participating companies
- Additional hiring to backfill positions vacated by promotion of trainees and to meet new orders
- Improved employee job satisfaction and reduction in turnover
- A cost to WCI of less than $500 per worker trained

With these outcomes in mind, in 1996 WCI's board of directors committed an additional $1.25 million in grant funds over five years and pledged to continue making loans to help companies grow. The new grant commitment primarily focused on expanding BestForce and supporting the LFDC. Grants remained available for technical college programs, but few viable proposals emerged.

WCI's second funding commitment achieved even greater successes than
the first. More companies participated, more workers retrained, and companies reported better outcomes. At the conclusion of the five-year commitment, program evaluators noted one crowning achievement: During the 2000-01 recession, the region experienced no net decrease in manufacturing employment.

Participating companies became so convinced of the competitive advantage of a skilled workforce that some took extreme measures to avoid layoffs, such as retaining their entire workforce, moving to a 24-hour workweek and continuing to provide full benefits to all. In addition, some companies used the respite from the frenetic prerecession pace to further invest time and money in training.

The strong performance of the program and clear positive impact on the region’s employment led WCI to renew and increase its investment in 2006. After similar results, WCI again renewed the program in 2011, vesting its program partner Enterprise Minnesota with full authority to decide which companies received support. The most comprehensive evaluation of the program was made at this time, with major results reflected in Table 1. These results were reported while the economy was still recovering from the Great Recession.

TABLE 1
Results, West Central Initiative Workforce and Business Lending Programs

<table>
<thead>
<tr>
<th>REGIONAL INDICATOR</th>
<th>STATUS, 1986</th>
<th>STATUS, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Weekly Wage</td>
<td>Lowest among 11 MN regions</td>
<td>Sixth among 11 MN regions</td>
</tr>
<tr>
<td>Manufacturing Employment</td>
<td>4,345</td>
<td>More than 10,000</td>
</tr>
<tr>
<td>Average Weekly Manufacturing Wage</td>
<td>$365</td>
<td>$761</td>
</tr>
<tr>
<td>Regional Unemployment Rate</td>
<td>-13%</td>
<td>-5%</td>
</tr>
<tr>
<td>Regional Population</td>
<td>195,000 (decreasing)</td>
<td>215,000 (increasing)</td>
</tr>
<tr>
<td>Out-Migration of Youth after Schooling</td>
<td>More than two-thirds</td>
<td>Less than one-third</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REGIONAL INDICATOR</th>
<th>OUTPUT OR OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Number of Workers Trained</td>
<td>More than 10,000</td>
</tr>
<tr>
<td>Estimated Unduplicated Percentage of Manufacturing Workforce Retrained</td>
<td>66%+</td>
</tr>
<tr>
<td>Increase in Regional Employment—1987-2010</td>
<td>More than 35,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPARATIVE INDICATOR</th>
<th>NATIONAL PERFORMANCE</th>
<th>REGIONAL PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Employment—1997-2009</td>
<td>-33%</td>
<td>+104%</td>
</tr>
<tr>
<td>Average Weekly Manufacturing Wage—1997-2009</td>
<td>-71% (net of inflation)</td>
<td>+13.0% (net of inflation)</td>
</tr>
</tbody>
</table>

After 24 years of operation, WCI allowed the BestForce program to sunset in 2016. In deciding to discontinue its support, WCI noted the strong culture of training that had developed among the region’s manufacturers. In addition, two sources of government support had become available to address the need. The Minnesota Department of Employment and Economic Development now provided similar training investments, and recent changes to rules for the federal Workforce Innovation and Opportunities Act (WIOA) now allowed up to 20% of WIOA funding to be expended on incumbent workforce training.

**Resilient**

_In deciding to discontinue its support, [the West Central Initiative] noted the strong culture of training that had developed among the region’s manufacturers. In addition ... the Minnesota Department of Employment and Economic Development now provided similar training investments, and recent changes to rules for the federal Workforce Innovation and Opportunities Act (WIOA) now allowed up to 20% of WIOA funding to be expended on incumbent workforce training._

**Central Wisconsin Adaptation**

In 2004, faced with the closing of two paper mills, costing the area 5,000 highly paid jobs, south Wood County, Wisconsin, was experiencing unprecedented hardship. The Incourage community foundation, along with the Heart of Wisconsin Business Alliance, reacted by launching a Community Progress Initiative (CPI) focused on rebuilding the area’s economy. After a year or two of preliminary efforts, one of the conclusions of the CPI was that skill gaps among area workers were a significant barrier to company and economic growth in the area.

The unionized paper mills had provided a highly structured workplace with rigid job descriptions. Workers were typically hired with little pre-employment training and trained on the job for only the specific duties of their assigned positions. Advancement was accomplished through seniority-based bidding and on-the-job training. Most workers displaced with the
closing of the mills had few transferable skills that were desirable to other employers in the area.

Having learned about the success of WCI's workforce programs, CPI assembled a delegation of leaders—from business, K-12 and higher education, MEP, Wisconsin's jobs and training system, and nonprofit organizations—and organized a multiday bus trip to view WCI's efforts firsthand, meeting with employers and workers at multiple sites across WCI's region.

Following the trip, with the help of the Community Strategies Group of the Aspen Institute, CPI volunteers crafted a Theory of Change focused on necessary preconditions for workers to achieve their aspirations and employers to meet their workforce needs. Using this Theory of Change, they successfully applied to the National Fund for Workforce Solutions (NFWS) for a three-year grant to become one of its first rural demonstration sites.

Incourage and CPI adapted WCI's BestForce model, creating a WorkForce Central (WFC) program. WFC relied more heavily on pre-employment training for displaced and new workers, while retaining BestForce's close ties to industry and ensuring that all workers were trained for industry-specific job requirements applicable to multiple local employers. Because so many of the trained workers were displaced from paper mill jobs, WFC was able to utilize federal WIOA funding to support much of the training.

Major results of the three-year NFWS grant are reported in Table 2. While the formal efforts of WFC under the NFWS grant ended in 2016, the strong cross-sector partnerships among nonprofits, institutions and employers formed for the project remain, and the area continues to be a rural leader in innovating to meet area workforce needs.

**Appalachian Ohio Adaptation**

Appalachian Partnership Inc. (API) was founded in 2012 to serve as the first business-led economic development organization focused on improving the economy of Ohio's 32 Appalachian counties. From the outset, API's business-leader board recognized that skilled workforce shortages were endemic among the manufacturing companies that form the backbone of the region's economy.
### TABLE 2
**Cumulative Three-Year Results, WorkForce Central Program, 2009-11**

<table>
<thead>
<tr>
<th>COMPONENT</th>
<th>NUMBER OF PARTICIPANTS</th>
<th>PERCENT COMPLETING ONE OR MORE COURSES</th>
<th>NUMBER OF CREDENTIALS EARNED</th>
<th>NUMBER HIRED, RETAINED OR ADVANCED IN JOB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Leadership Program</td>
<td>79</td>
<td>90%</td>
<td>18</td>
<td>79¹²</td>
</tr>
<tr>
<td>Food Manufacturing Science</td>
<td>20</td>
<td>90%</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>Certificate Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pathways Partnership¹³</td>
<td>75</td>
<td>63%</td>
<td>18–GED 29–Certificate</td>
<td>49¹⁴</td>
</tr>
</tbody>
</table>

**SOURCES:** Workforce Central Evaluation, University of Wisconsin Center on Wisconsin Strategy, and Incourage, January 2012; and Workforce Poster, a product of Incourage, January 2016¹⁵

In 2013, the Obama administration announced the Make It in America Challenge grant competition combining Department of Labor (DOL) H-1B work visa, MEP and U.S. Economic Development Administration funding to support three-year demonstration grants for innovative efforts to “re-shore” manufacturing jobs. API applied and was awarded a grant focused on four historically dominant manufacturing sectors in its region: automotive supply chain, metals, polymers and wood products. All four had suffered substantially from offshoring but remained major employers in the region.

The DOL portion of the grant focused on UpSkill, an incumbent workforce retraining program closely modeled after WCI’s successful program.¹⁶ The primary adaptation was in use of DOL funding to support incumbent worker training. API and Ohio Valley Employment Resource (OVER), one of the region’s Workforce Investment Boards, forged a partnership to develop administrative systems to meet DOL’s training, procurement, documentation and reporting requirements. OVER created an online portal for trainers to bid on projects to meet DOL procurement standards.

DOL funds supported a program coordinator at API, worker training and administrative expenses of OVER. API’s MEP staff provided outreach, helped companies identify training needs and find qualified trainers, and apply for the training grants. Results over the three-year grant period are reported in Table 3.
TABLE 3
Cumulative Three-Year Results, UpSkill Program, 2014-16

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>OUTCOME</th>
<th>COST PER UNIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers Participating in One or More UpSkill Training Programs</td>
<td>1,168</td>
<td>$948</td>
</tr>
<tr>
<td>Industry-Recognized Credentials Earned</td>
<td>1,273</td>
<td>$870</td>
</tr>
<tr>
<td>Number Not Completing Training</td>
<td>1</td>
<td>N/A</td>
</tr>
<tr>
<td>Number Employed upon Entering Training&lt;sup&gt;17&lt;/sup&gt;</td>
<td>1,148</td>
<td>N/A</td>
</tr>
<tr>
<td>Number Completing Training and Obtaining or Retaining Employment</td>
<td>1,167</td>
<td>$949</td>
</tr>
<tr>
<td>Estimated Average Annual Earnings of Workers Completing Training&lt;sup&gt;19&lt;/sup&gt;</td>
<td>$38,197</td>
<td>N/A</td>
</tr>
<tr>
<td>Program Expenditures&lt;sup&gt;19&lt;/sup&gt;</td>
<td>$1,107,235</td>
<td>N/A</td>
</tr>
</tbody>
</table>

SOURCES: Final grant report to DOL and unpublished internal program data.

Shortly before conclusion of the grant period in 2016, DOL published regulations implementing the 2014 Workforce Innovation and Opportunities Act, which allowed investment of those WIOA funds in incumbent workforce training. Utilizing the procedures developed with the Make It in America Challenge grant, OVER and most other Appalachian Ohio regional Workforce Investment Boards amended their DOL WIOA plans to allow them to launch incumbent workforce training programs modeled after UpSkill. A volunteer working group, formed by API as part of a regionwide prosperity planning project, supports and helps coordinate these efforts.

Use of WIOA funds to upskill workers has largely been put on hold by area Workforce Investment Boards due to the need for the resources to serve workers displaced by the COVID-19 pandemic. Post-pandemic upskilling incumbent workers is expected to regain its position as a mainstay of the region’s workforce and economic development efforts.

Summary

While all three examples cited have their unique elements, they also have some common threads. Following are some of the most important similarities:

- They were planned and coordinated by a broad partnership of employers, government agencies and nonprofits.
- They were employer-driven, with all training focused on preparing workers for specific jobs within local companies.
• Upskilling of current employees was given equal weight to or greater weight than pre-employment training.

• Outreach through existing programs that regularly interact with targeted businesses, like Manufacturing Extension Partnership, kept overhead low and hastened program uptake by employers.

The situation facing west-central Minnesota in 1992 now faces most of rural and much of urban America. Communities and regions across the nation face upside-down population pyramids, with more workers retiring than youths entering the workforce. Availability of skilled workers is widely reported as one of the top two concerns in virtually all corporate location decisions. The pace of technological change has increased, and few parts of America have enough newly entering or displaced workers to fill employer skill gaps if workforce training programs continue their narrow focus on these two population groups.

The three cited examples amply demonstrate the value of employer-driven incumbent workforce training in filling critical industry skill gaps, and the value of multisector partnerships to plan and guide the training. In addition, the west-central Minnesota example provides a clear picture of additional synergies that can be gained by coupling incumbent workforce training with affordable loans to help small firms finance their growth.

Prior to 2016 when DOL published new regulations allowing WIOA funds to be used for incumbent workforce training, the principal barrier for implementing this approach was lack of sustainable funding to support training. Now, with a willing local Workforce Investment Board, any rural (or urban) community in America can adapt this model for local use.

Reference

Endnotes
1 Minnesota Technology Inc. was subsequently renamed Enterprise Minnesota.
2 The program was initially named Workforce 2001 and renamed Workforce 2020 before the BestForce name was finally adopted in 2011.
WCI and the region’s colleges eventually succeeded in increasing retention of nursing graduates by creating a track in local nursing programs focused on upskilling existing nursing assistants and LPNs. Since these workers already had jobs, homes and families in the region, they were much more likely to remain after graduation despite the higher wages paid in Minneapolis/St. Paul.

New unemployment rules allowing workers to receive partial benefits if employed for reduced hours helped facilitate this arrangement.

Enterprise Minnesota was formerly named Minnesota Technology Inc.

Because of the close relationship between WCI’s workforce grants and business financing programs, the two activities were evaluated in concert, and results were reported from the beginning of WCI’s lending in December 1986.

The transition from the U.S. Standard Industrial Classification (SIC) system to the North American Industry Classification System (NAICS) by reporting agencies precludes exact comparison. The 2010 figure is estimated based on the 1986 classification system.

Regional unemployment rate is extrapolated from individual county rates; regional total was not published by reporting agencies.

Out-migration of youth after schooling is extrapolated by comparing census estimates of size of population age cohorts at five-year intervals.

The overall number of workers trained is a conservative estimate extracted from incomplete training session records; it includes workers receiving training on more than one occasion over an 18-year period.

Incourage was then-named Community Foundation of South Wood County.

Most Manufacturing Leadership Program participants were already in supervisory roles. Two were promoted into supervisory roles upon program completion.

Pathways Partnership is a pre-employment training program for the clients of Wisconsin FoodShare (the Wisconsin implementer of the federal Supplemental Nutrition Assistance Program, or SNAP) offering General Educational Development (GED) and gerontology tracks.

Six participants were employed before entering the program and retained employment throughout.

See Incourage.

UpSkill operated under the brand of API’s Appalachian Partnership for Economic Growth (APEG) subsidiary.

Twenty slots supported through the grant were reserved for new workers hired contingent on successful completion of training. The balance of the training slots were reserved for upskilling incumbent workers.

Employers reported that virtually all upskilled workers received wage increases; however, there are insufficient pre-training data available to compute the amounts by which their wages increased. If those increases averaged just 50 cents per hour, net benefits to workers would have exceeded total program costs in less than one year.

Costs include nine months of outcome tracking, following a three-year training period. Overall training costs totaled approximately $800,000, with administrative costs at $300,000 of this total.
Fostering a Culture of Entrepreneurship and Innovation in Rural Communities

DEB MARTIN
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As long-time rural community and economic development practitioners, we have frequently pondered what makes some communities thrive while others with similar demographic and geographic profiles struggle to meet their challenges. Our observations and conversations with leaders in successful communities in the U.S. and abroad suggest that several factors stand out as critical. Because of limited space, we will focus on just one of these factors that has gotten increased attention over the last few years, namely that there is tremendous value in cultivating a culture of entrepreneurship and innovation in rural communities, and building an entrepreneurial ecosystem\(^1\) that supports that goal. The Ewing Marion Kauffman Foundation’s *Entrepreneurial Ecosystem Building Playbook 3.0*\(^2\) characterizes a thriving ecosystem as one that contains the elements shown below.

![Image of entrepreneurial ecosystem](source)

**SOURCE:** Graphic created by Great Lakes Community Action Partnership based on the Ewing Marion Kauffman Foundation Entrepreneurial Ecosystem Building Playbook 3.0.
The one element that is at the heart of virtually every development strategy that works well in rural communities is entrepreneurship. Every entrepreneur matters in rural communities—from the creative, home-based business, to the owner of a small Main Street business, to the larger potential growth company. Community leaders that find meaningful ways to support their efforts reap benefits for the community.

The Great Lakes Community Action Partnership (GLCAP) has been working in rural community and economic development for more than 40 years, and we have seen that it is difficult for rural communities to draw attention or funding for community and economic development efforts, and challenging for them to sustain their own efforts long enough to see them bear fruit. Rural communities often lack paid staff members to do this work, and even those who have them generally have no significant training budget to allow their personnel to keep up with emerging trends or network with other communities that have initiated successful efforts that might be replicated.

It was with these factors in mind that GLCAP created the Entrepreneurial Communities Initiative in late 2016. Our Community Development department had been working for approximately four years prior to that time on various entrepreneurship efforts. In 2014, we made a visit to NetWork Kansas, based in Wichita, to learn more about its work with entrepreneurs, and how the organization worked with communities to create entrepreneurial ecosystems. Given our decades of experience working directly with the elected and appointed leaders in small communities, we felt strongly that GLCAP’s expertise lent itself to helping communities build those critical support systems for entrepreneurs rather than our working directly with entrepreneurs. In 2016, after some discussions with the Center for Rural Entrepreneurship about a similar initiative it was hoping to launch with partners in southern Ohio, West Virginia and Kentucky, we decided to seek funding to serve communities located in the northern half of Ohio to create and expand a network of “entrepreneurial communities” throughout the state.

Our venture was funded by a grant from the Rural Community Development Initiative (RCDI) program of the U.S. Department of Agriculture (USDA). This program is a unique source of funding in many ways. The goal of the program is to build capacity in nonprofit organizations
or small communities through an intermediary organization—in this case, GLCAP. The beauty of this program is that it is one of very few federal programs that has broadly identified parameters, e.g., that the intermediary must conduct a program that increases the capacity of its recipients to undertake housing, community facilities, and/or community and economic development programming. It is therefore flexible enough to allow the intermediary to define the interventions that will work best and respond to local needs. In addition, the program allows the intermediary to use the funds to make small investments that support the capacity-building goal locally. The program does require a one-to-one cash match, but unlike most federal programs, it can be matched with other federal funds. It is worth noting that for most rural communities and nonprofit organizations, securing nonfederal or other matching funds is always a difficult challenge, and it is increasingly required by federal programs. This puts rural communities at a distinct disadvantage in seeking funding for community and economic development projects when such projects are already critically underfunded.

To meet the matching funds requirement, GLCAP has invested some of its Community Services Block Grant (CSBG) funds toward this effort. CSBG funds are another flexible source of federal funds targeted to community action agencies across the country from the U.S. Department of Health and Human Services’ Office of Community Services.

Though the USDA RCDI funds are competitive nationally, GLCAP successfully secured the maximum $250,000 grant for a three-year period, and subsequently secured another $250,000 grant for an additional three years, which is currently operating. For each of these grants, GLCAP invested $250,000 of its CSBG funds as matching funds to support the personnel that work under this grant. This allows us to utilize much of the RCDI funds for training expenses and making investments directly in the communities we serve.

GLCAP chose to target small communities with populations under 20,000, and the majority of communities served are under 7,000 in population. In addition, communities must have a median household income that is below 80% of either the state or national median household income. We chose to target communities with whom we had already built trust through existing, long-standing relationships since this was a new and untested program.
Our Entrepreneurial Communities Initiative is designed with some core elements that we believe to be crucial to the success of the program, while being flexible enough to meet the needs of communities with differing capacities, assets and goals. It is important to note here that regardless of size or assets, every community has the potential to develop entrepreneurial strategies that can be successful. Our communities range in size from 800 people to nearly 18,000, and while smaller communities require smaller-scale efforts, they still have the potential to be entrepreneurial, particularly if they also work collaboratively with others in their region.

The process begins by working with the community’s elected leaders to identify a core group of committed stakeholders to be involved in the process. We encourage each community to seek representation from various segments of the community, including local elected officials, entrepreneurs, school personnel, representatives from chambers of commerce or other business support organizations and local nonprofits, and any other interested citizens. We also encourage the inclusion of people that reflect the diversity of the community (e.g., race and ethnicity, socioeconomic background, gender and age).

Working with this steering committee, we complete the following initial steps:

- conduct a broad assessment of the existing entrepreneurial ecosystem and local assets;
- conduct ecosystem mapping, identifying existing resources for entrepreneurs at various stages of business;
• interview aspiring and existing entrepreneurs to determine their needs
  and which available services they have used and found helpful;
• identify gaps in the current ecosystem, and select and prioritize strategies
to fill them;
• develop action plans to implement selected strategies; and
• develop outcome and success measures.

After completion of these initial planning steps, we meet with the
steering committee monthly to assess progress and discuss new ideas. Each
community joins our network of e-communities to share information and
challenges through quarterly meetings. In addition to networking time at
the meetings, we provide training on a topic of common interest, either from
our staff or outside experts. Additionally, we conduct a monthly webinar
series on topics selected by the group. In these webinars, communities that
have successfully implemented different strategies share their approaches
and lessons learned. Sample topics include local foods and food hubs, rural
tourism, developing and operating business incubators and coworking
spaces in small towns, working with younger residents on community revi-
talization, remote work opportunities, and more. We know from experience
that community leaders learn best from their peers, so the goal is to amplify
the voices of small towns that have crafted innovative strategies, and to repli-
cate their successes in as many communities as possible.

We have utilized a number of programs throughout the life of the ini-
tiative to build capacity in communities, paid for by the grant dollars made
available through USDA’s RCDI program. For example, we have paid for
attendance at training conferences, such as the Main Street Now Conference,
the RuralRISE Summit and the Radically Rural Summit, for many commu-
nity members. We know that training dollars are scarce in most rural com-
munities, and we have seen this strategy pay off as community members get
energized and implement the things they have learned. In addition, we have
paid to train community members to be successful business coaches through
online training with e2 Entrepreneurial Ecosystems, and have conducted a
train-the-trainer session for several schools to certify them to implement
the Startup Experience—a high-energy entrepreneurship training pro-
gram for high school students. We have also provided seed money to help
support other programs or services, such as funding for CO.STARTERS cohort-based entrepreneurship training, membership in the American Independent Business Alliance’s Buy Local program, training on developing and operating makerspaces, and software for customer relationship management in individual communities. All of these efforts are designed to ensure that communities have the capacity to continue programs when we leave the community.

**Collaborative**

*Each community joins our network of e-communities to share information and challenges through quarterly meetings. ... We conduct a monthly webinar series on topics selected by the group. In these webinars, communities that have successfully implemented different strategies share their approaches and lessons learned.*

We measure the success of the program in a variety of ways. Initial successes include increasing civic and social capital by bringing business owners together to network and discuss common issues. Other successes are focused on improving livability factors in the community, such as increased arts and culture-related projects, and community beautification efforts. While these elements may not be tied directly to entrepreneurship, they are necessary considerations for attracting and keeping entrepreneurs. Another measure is how successful the community is in the implementation of its action plan. Ultimately, the success of the program in the longer term will be measured by

**Resilient**

*We have utilized a number of programs throughout the life of the initiative to build capacity in communities. ... For example, we have paid for attendance at training conferences ... we have paid to train community members to be successful business coaches ... we have also provided seed money to help support other programs or services. ... All of these efforts are designed to ensure that communities have the capacity to continue programs when we leave the community.*
the number of new business startups, increases in the revenues of local businesses, and the increase in or stabilization of the community’s population.

**A Success Story**

In Seneca County, Ohio, a few miles from the GLCAP headquarters, one community taking part in the Entrepreneurial Communities Initiative provides a great illustration of the project and what is possible in small communities.

The city of Tiffin, population 17,546, is our newest and largest community, joining the program in 2020. GLCAP has a long history of working with Tiffin and Seneca County, despite their being new to this initiative, and recognized that they have many of the ingredients necessary for success. We had previously worked with them to create a comprehensive economic development plan that has guided their development efforts. That plan called for, among other things, creating an environment in which entrepreneurs could flourish and enhancing the quality of life for businesses and residents. We also worked with the county to prepare a coordinated Public Transit-Human Services Transportation Plan in 2016, which was updated in 2020.

Working with a consultant, the city developed a plan for the downtown area and began working on becoming an Accredited Main Street America Community, which it accomplished in 2016. More than $13 million was invested in downtown between 2016 and 2020, with over 100 facade projects completed and more than 80 buildings registered on the U.S. National Register of Historic Places.

A public-private partnership was developed between the city and National Machinery—a main manufacturer in the city since 1882—its foundation and the founding family to plan an urban park, resulting in the construction of an outdoor amphitheater, a creative splash pad and the addition of significant green space in the downtown area. The East Green Foundation was formed to own the park, with the city taking responsibility for maintaining it. A summer concert series in the amphitheater was funded by the local Reineke Family Dealerships in 2019. As a result of these efforts, the city has won awards from the Heritage Ohio program every year for the past three years on its revitalization efforts, and new businesses are being added regularly to downtown.
In addition to the economic development planning that GLCAP provided, we also utilized our community and business loan fund to commit more than $40,000 in gap financing to the Tiffin Community Reinvestment Group for purchase and renovation of the historic Laird Arcade downtown. More than 15 businesses now occupy the first-floor storefronts, and office space is located on the second floor of the building.

Beyond its efforts downtown, the city also pays attention to its industrial development. In 2018, 2019 and 2020, Tiffin placed in the top 20 of 575 micropolitan areas in the U.S. in Site Selection magazine’s rankings for economic development projects, and is working on a multicounty effort geared toward workforce development and the creation of internships for young people. The city is fortunate to have two private universities that are tremendous local assets.

The Tiffin-Seneca Economic Partnership (TSEP) contacted GLCAP in 2020 to ask about joining the Entrepreneurial Communities Initiative. TSEP had already hired a new staff person to work on community development and entrepreneurship in the city and throughout the county’s rural areas. At the time of this writing, the person hired into that role had returned to her hometown after completing her education—exactly the kind of young talent
that we encourage rural communities to actively cultivate. TSEP members had also worked with the city to put together an entrepreneurship committee made up of various interests, and they felt that their next step should be to develop a strategic plan specifically aimed at entrepreneurship. Having seen much success in allowing past planning strategies to guide them, they recognized that if they wanted to see the same success in entrepreneurship, they would need a concrete plan to steer them in the right direction. GLCAP began work in late 2020 with the Entrepreneurship Committee on this strategic planning process.

This plan will dovetail nicely with a new initiative called Dream Big that is geared toward creating a culture of inclusivity and engagement by asking the public to identify and prioritize new community development projects.

There are a number of promising, new initiatives that we intend to shore up through this process, and others that we hope to assist them in starting. One is that the county has recently begun working with the Midland Institute for Entrepreneurship on its Creating Entrepreneurial Opportunities (CEO) program. This program is designed to give high school students real-life experience in learning about business and developing an entrepreneurial mindset. It is a one-year program that will be offered in schools for 90
minutes per day for two high school credits. While the program is active in a number of U.S. states, Seneca County’s program will be the first in Ohio. The program is paid for by contributions from local businesses. A new nonprofit organization has been created to take charge of the Seneca County program and ensure its continuation.

A relatively recent development is the creation of another nonprofit, Seneca County Common Ground, to operate the local farmers market and a local food council. The board believes that cooking and eating together are excellent ways to build social capital and is committed to developing a community kitchen. Old Trinity Episcopal Church has donated the space, and a capital campaign is underway to raise funds for this $2.4 million project. It is anticipated that funding will come from a variety of private and public sources. The goal of the kitchen will be to connect local growers and businesses to the community, provide opportunities to give back to the community through preparing food, and teach community members ways of using local foods at home through culinary classes. Phase 2 of the plan calls for development of a certified commercial kitchen that can be utilized by local food entrepreneurs. Eight businesses have already been identified that would use this space.

Yet another exciting, new nonprofit is Seneca County Young Professionals, which is working to try to make the community a place where young people want to live and work. It is the largest of its kind in northwest Ohio and represents an opportunity to create a culture that celebrates and supports its youth as future leaders.

What Tiffin’s efforts show us is that while entrepreneurship is critical to the development of rural areas, other factors are equally important to the success of a community’s endeavors. These include:

- Collaboration—all sectors of the community working together;
- Leadership—proactive, focused on the future and willing to take calculated risks;
- Vision—community leaders sharing and working to implement a guiding plan;
- Pride—community investments in public spaces that promote happiness and well-being; and
Empowerment—the community’s youth and young adults are supported to take on leadership roles, have an entrepreneurial mindset and have opportunities to be heard, connect and contribute.

The next task for our partners at TSEP, with GLCAP’s assistance, will be to take the lessons they have learned through their own development process, and build those out to serve other smaller communities and rural areas throughout the county.

References

e2 Entrepreneurial Ecosystems (website). See energizingentrepreneurs.org.
Main Street America. “Main Street America Designation.” See higherlogicdownload.s3.amazonaws.com/NMSC/390e0055-2395-4d3b-af60-81b53974430d/UploadedImages/Join/Main_Street_America_Tier_System_Overview_-_2019_Update.pdf.

Endnotes

1 Colin Mason and Ross Brown defined an entrepreneurial ecosystem as a set of interconnected entrepreneurial actors, organizations, institutions and processes that formally and informally coalesce to connect, mediate and govern performance within the local entrepreneurial environment. See Mason and Brown.

2 See Ewing Marion Kauffman Foundation.

3 The Center for Rural Entrepreneurship has since relocated to become part of the NetWork Kansas team, and is now known as e2 Entrepreneurial Ecosystems. Still led by Don Macke, e2 is dedicated to building sustainable entrepreneurial ecosystems across North America. See e2 Entrepreneurial Ecosystems (website).

4 The Main Street America program is committed to revitalizing communities by strengthening downtown commercial districts, and offers both Affiliate (introductory-tier) and Accredited (top-tier) designations to communities that meet certain performance standards. See Main Street America.
Breaking Down Friday Night Rivalries: Strengthening Regional Governance Structures to Facilitate Collaboration

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
Across America most people have a home team, one they take great pride in and often have a personal connection with, largely because that home team is their community. People inherently harbor a deep connection to familiar people and places, those they understand. It is the community in which they are surrounded that shapes their views on issues and approaches to life. Community is also how families survive and can thrive in rural areas. However, as economies evolve, many rural communities are confronted with challenges that can make thriving more difficult, and sometimes the greatest prospect is simply surviving.

For many rural communities to shift toward thriving, resources that exist beyond the immediate community may be required. Resources such as funding for initiatives, human capital/capacity to execute and an ability to shift toward a proactive mindset may be needed. How those resources are introduced and utilized locally is paramount, perhaps more so than simply being made available. This chapter focuses on regional governance structures at the local level that foster mutually beneficial collaborations across jurisdictions and help communities see beyond the Friday night rivalries.

In the United States, there are hundreds of regional development organizations (RDOs) whose mission is to provide technical assistance to communities within a defined geographic area, typically composed of multiple counties. According to the National Association of Development Organizations:

"Regional Development Organization" is used generically to describe the national network of 540 multi-jurisdictional regional planning and development organizations. These public-based entities play an invaluable role in fostering intergovernmental collaboration among federal, state and local officials. They deliver and manage various federal and state programs. Most importantly, they work to solve areawide issues and to address the fundamental building blocks required for competitive and sustainable communities and economies.
RDOs are typically governed by a policy board with majority control of local elected officials, along with representatives from the business community, educational institutions, nonprofit sector and the general public. In most states, RDOs are authorized and recognized under state law or executive order, as well as hold various program designations from different federal agencies. Therefore, RDOs are often known by many different names.

These groups could be called area development districts, associations of governments, councils of governments, economic development districts, planning district commissions, regional commissions, and other types of multi-jurisdictional development entities across the country. Researchers at the University of Pittsburgh Graduate School of Public and International Affairs developed a map of regional intergovernmental organizations, which can be viewed on their website.

The majority of RDOs were enabled by states and chartered in the mid- to late 1960s. With many RDOs having celebrated 50 years of service to their regions, the organizations have evolved extensively and have become quite complex, with a deep understanding of local issues and pathways to address challenges. How the local governments within the RDO service area utilize the organization is often what sets regions apart when it comes to addressing items of mutual interest.

Historically, RDOs have helped communities address infrastructure issues such as regional drinking water and wastewater systems, transportation networks, transit systems, jails, parks and solid-waste management. As a community needs change, so does the expertise and assistance provided by the RDO. Today, RDOs are actively involved with deploying broadband systems, building affordable housing solutions, supporting entrepreneurship and confronting disaster resilience. As an RDO board member once pointed out during a retreat focused on updating the mission statement of the organization: “We are honest chameleons. We change our colors to serve the most relevant and pressing issues of the region.” How communities choose to utilize the organizational structure presented by the RDO makes the difference in whether the organization is positioned to help communities navigate change.

For RDOs to successfully serve communities, trust and capacity to execute are key ingredients. Trust must be demonstrated over an extended
period of time, and RDOs often create the space for this trust to be developed by convening leaders. Capacity to execute starts with understanding that RDOs are knowledge-based businesses. The staff must have the technical skills, political understanding and knowledge about local, state and federal programs to navigate complex situations. Lastly, communities are best served by an RDO when the RDO has relatively stable funding with which to build a high-capacity team.

Having worked in the RDO profession for more than 15 years, I find it readily apparent that the key to success in fostering mutually beneficial collaborations is initially established and maintained through convening. By way of convening leaders consistently, information is shared, relationships are developed, and trust can be established in a low-stakes environment.

Someone unfamiliar with convening is likely asking these questions: What does convening mean? Who is convened? How often does it happen? Why is an RDO the appropriate convener? First, convening in the RDO sense means setting the figurative regional table for leaders to gather in a neutral setting. Essentially, the RDO performs all the tasks of calling the meeting, sending invitations, setting a broad agenda and facilitating the discussion. Second, who should be convened? From an RDO leader perspective, it is imperative to have strong relationships among the chief local elected officials (mayors, county board chairs), as well as the chief administrative officials, because the elected officials control the purse strings while the administrative officials have a deep understanding on specific needs and how to implement. Third, how often do RDOs convene? Drawing on the New River Valley Regional Commission in Radford, Virginia, as an example, we convene the mayors and county board chairs biannually and the chief administrative officials every other month. During normal circumstances, this frequency has enabled relationships to form and is not too frequent to become burdensome.

It is important to point out that local government elected officials, particularly in rural areas, are often stretched to the max handling duties in their communities. Most elected leaders in rural areas receive very little to no compensation for their extra duties and do not have staff dedicated to help them perform their roles other than the local government administrative staff. Therefore, it is critical that the convening agenda be worthwhile for
the time they are taking out of their day, and they need to see progress on regional initiatives to remain committed to regional efforts.

Fourth, why should the RDO serve as the convener? Every region has organizations that serve the same geography, so why not look toward another organization to perform this task? The RDOs are well-positioned for a few reasons: (1) the board composition referenced earlier already has a direct connection to elected officials and local government administrative officials; (2) RDOs are not singularly focused regional organizations; the large majority have expertise in a wide range of service areas, whereas other regional organizations are likely focused on marketing, business development or specific service delivery; and (3) an RDO’s breadth of program areas allows the convening topics to be broad and exploratory.

At the New River Valley Regional Commission, we have found value in convening local stakeholders—beyond the chief elected officials and administrative officials—to include local government planners and the local tourism marketing offices, as well as geographic information system (GIS) users. Each group finds distinct value in coming together and often discovers collaborative projects to initiate, such as establishing annual regional training for local government planning commissions, working with tourism marketing offices to develop a regional presence, or training GIS users on new technology resources. Ultimately, convening is not meeting for meeting’s sake; it is a chance to give rise to issues of mutual interest and an opportunity to find and implement structures that make sense for the region.

While the RDO is often focused on convening local government leaders, the RDOs helping communities navigate challenges in a multifaceted approach are now becoming adept at partnering with other organizations to co-convene even more broadly. This has often led RDOs to find impactful partnerships with community foundations. Community foundations are valuable partners because they tend to be nonprofits with a mission to invest in local needs. In the New River Valley, the Regional Commission and the Community Foundation of the New River Valley developed a long-standing partnership through a 2010 federal planning grant to develop the New River Valley Livability Initiative, a sustainable communities grant award with the intention of building partnerships to address pressing issues on a regional basis.
At the onset of the planning process, both organizations were familiar with each other; however, neither had worked directly together on a project. As the three-year planning process was concluding, leaders around the project table began exploring ways to continue the good work, although there was no dedicated funding to support the effort going forward. What culminated was the Community Foundation's commitment to revise its grant-making programs to align with findings from the Livability Initiative. Further, the Community Foundation continued to foster the collaborative leadership model by hosting a monthly Livability Leadership meeting with the purpose of convening 10 to 12 cross-sectoral partners to dive deeper on challenging issues. This group continues to meet monthly more than five years after the planning process was complete.

**Tailored**

_in the New River Valley, the Regional Commission and the Community Foundation of the New River Valley developed a long-standing partnership through a 2010 federal planning grant to develop the New River Valley Livability Initiative. ... What culminated was the Community Foundation’s commitment to revise its grant-making programs to align with findings from the Livability Initiative._

As a further example of the power of collaboration and convening, the Livability Leadership group has demonstrated value in two purposes. First, it organizes a popular annual Livability Summit co-hosted by the Community Foundation and the Regional Commission, with registration numbers often exceeding meeting room capacity of 150. The primary purpose of the event is to elevate the awareness of the good work taking place across the region and help foster connections among organizations and communities. This happens during the well-received lightning round of 15 short presentations by partners across a wide segment of topics, from housing to economic development to trail development. The final portion of the event typically allows for a substantive panel discussion on a regionally relevant topic, so attendees can learn more and get a chance to meet the program funders and lead implementers.
The second purpose of the Livability Leadership group is to evolve the cross-sectoral convening into developing significant projects. One such project, scheduled to be completed in 2021, is the redevelopment of a decommissioned elementary school in a rural area outside the region’s largest town, Blacksburg. The classrooms are being converted to apartments, with several restricted for people 55 and over, as well as units reserved for those with low to moderate incomes. The kindergarten space was converted into two separate uses: a microbrewery and a commercial kitchen. The cafeteria and gymnasium spaces are currently being up-fitted to house a restaurant.

Soon after the school was decommissioned, the surrounding rural community expressed a strong desire for the school to remain a focal point of gathering. Fortunately, a local developer purchased the property and was well aware of the findings from the Livability Initiative, which in part called for senior housing, affordable housing and infrastructure for local food systems. The developer looked to the Livability Leadership team members to help with the visioning process for the site and relied upon their expertise to secure state and federal funds to assist with portions of the overall project. To date, the commercial kitchen—called Millstone Kitchen—is up and running, serving an important role with local food-based entrepreneurs, and
the microbrewery (Moon Hollow Brewing) is acting as a gathering place for those near and far seeking a unique gathering experience. The housing component is doing remarkably well. One-half of the 32 units are fully occupied, while the remaining 16 are scheduled for completion in 2021. The people on the waitlist for the remaining 16 units are seeking the opportunity to live in a vibrant community setting.
Let’s explore an example of how convening leaders over an extended period of time developed trust and allowed for an RDO to provide a critical implementation role during an urgent time of need—the COVID-19 pandemic. In March 2020, during the annual Livability Summit, the pandemic was on the verge of drastically changing lives. At noon on March 12, the Regional Commission was hosting the regular bimonthly convening of local government administrators. During that meeting, the group recognized the need to begin meeting much more frequently as the pandemic was ramping
From that day forward, the group has met two times weekly via conference call with the regional health district director, so everyone could stay apprised of the situation and make significant governmental decisions with the same level of information. As of this writing in July 2021, the pandemic has reached 17 months in duration, and the group continues to meet weekly, largely because members have observed several benefits of their collaboration. Initially, the RDO role was minimal: set up the conference call line and send calendar invites to the group of 15 attendees.

As the pandemic was emerging, the New River Valley Public Health Task Force was established and co-chaired by the New River Health District director, Dr. Noelle Bissell, and the Town of Blacksburg police chief, Anthony Wilson. The task force is composed of leaders in health care, law enforcement, higher education, K-12 schools and state emergency preparedness, as well as first responders, local government leaders, and others. This group has been highly effective in identifying public health needs and then tapping existing organizations to assist in addressing them. One such initiative exemplifies the use of this regional structure presented by RDOs—the New River Valley Business Continuity Team (BCT).

The BCT is a resource available to any employer, whether it is a private business, nonprofit, religious entity or government, with the sole purpose of keeping employees safe during the pandemic, while ensuring people remain employed and earn wages. The services provided by the BCT can take many forms, including: over-the-phone advice for operations when an employee has been exposed to the virus or tests positive; access to a pool of funds to pay for on-site environmental cleaning; public relations services to assist
with messaging to employees, customers or business contacts; and legal services to advise employers on navigating the complex human resource issues the pandemic presents. The BCT is staffed with three people: a public health director, a public health schools liaison and a program manager. After six months of operating, the BCT has advised hundreds of businesses, which helped keep more than 14,000 employees in the region working safely with minimal downtime during the pandemic.

The RDO’s role in the BCT has been to chart a course to launch the program, identify funding, hire staff and operate the program. This resource is being paid for by CARES Act funds invested by the local governments in the region to use as matching funds for grants secured by the RDO. In total, the BCT program has seven different sources of revenue, which also points to the strength of RDOs in their ability to manage complex financial scenarios for project implementation. In this model, the RDO had established trusted relationships with the local governments. The government leaders felt confident in the RDO’s ability to implement a vital service at a critical time.

Resilient

The [New River Valley Business Continuity Team] is a resource available to any employer ... with the sole purpose of keeping employees safe during the pandemic, while ensuring people remain employed and earn wages. ... After six months of operating, the BCT has advised hundreds of businesses, which helped keep more than 14,000 employees in the region working safely with minimal downtime during the pandemic. ... In total, the BCT program has seven different sources of revenue, which also points to the strength of RDOs in their ability to manage complex financial scenarios.

For rural communities to move beyond Friday night rivalries, they first need to seek opportunities to convene. Through convening, mutual interests are discovered, and RDOs as problem-solvers can step up to offer structure to address challenges. When the dialogue shifts from “my” issue to “our” issue, the RDO clearly has a role to play in offering solutions that can move rural communities from surviving toward thriving.
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1 See National Association of Development Organizations.
2 See University of Pittsburgh.
Promoting Economic Inclusion in Maine: Systems Change in Rural Communities, One Business at a Time

ELIZABETH L. ROGERS
Chief Communications Officer
Coastal Enterprises, Inc. (CEI)

JOHN SCRIBNER
Director, StartSmart
CEI

LEAH B. THIBAULT
Marketing Manager
CEI
Before she immigrated to Portland, Maine, from The Gambia, Mariama Jallow managed a store with her mom. “It was nothing like here,” she said. “When you arrive in the U.S., you just don’t know. I thought I could just go and open a store. Then I learned about taxes, paperwork, insurance, rules and regulations. I didn’t have any help.”

She heard about StartSmart, a program at Coastal Enterprises, Inc. (CEI) for immigrant entrepreneurs, and sought out the program’s director, John Scribner. Jallow’s first idea was to open a specialty grocery store, but with guidance from Scribner on how to conduct research, she learned that the grocery stores that already existed in Portland were meeting market demand. Next, she dreamed of opening a hair business, which would include retail products and hair braiding. But under Maine law at that time, hair braiding was prohibited without a cosmetology license.

“I couldn’t believe it,” said Jallow. “The hair braiding process doesn’t involve any chemicals or harmful products, which is a major reason for cosmetic licensing. Many people in Maine aren’t familiar with hair braiding because there aren’t many Africans here. I knew this business could be good for the state.”

While Maine (population 1.3 million) competes with Vermont for the designation of top rural state and state with the largest population of individuals who identify as white alone (94%), the state’s diversity has been increasing in recent decades. The narrative that Maine is an “all-white state” dismisses the history and presence of Maine’s native populations, as well as those of African Americans, Latinos, Asians and African immigrants who call Maine home. It also overlooks the fact that Maine was more racially diverse in the 19th century but, by 1920, had enacted economic and social policies that excluded Black and Indigenous people and people of color. This left behind a legacy of disenfranchisement that individuals, businesses and institutions are currently working to identify and overcome.

CEI is a Maine-based community development financial institution
(CDFI) that was founded in 1977 by Ron Phillips, a civil rights activist and seminary graduate, to boost income, employment and business ownership, especially for people left out of the economic mainstream. The intent to create economic inclusion in rural communities was a core part of CEI’s DNA as it considered the declining role of legacy industries and increasing importance of small businesses to the state’s economy; nearly 57% of Maine people work for small businesses.³

Seeing an influx of refugees and immigrants to Maine in the mid-1990s, CEI launched StartSmart, providing no-cost, confidential, and linguistically and culturally sensitive business advice to community members who are refugees and immigrants. From the beginning, StartSmart’s goal has been to help “new Mainers” achieve economic self-sufficiency.

The program accomplishes this by supporting the start-up and expansion of refugee- and immigrant-owned businesses while honoring the social, educational and economic interests of this highly diverse population. For many years, StartSmart has received funding from the federal Office of Refugee Resettlement (ORR) within the Administration for Children & Families of the U.S. Department of Health and Human Services. The funding and associated peer sharing opportunities offered by ORR have been integral to StartSmart’s growth, stability and success since 1997, supporting its work with entrepreneurs from 93 different countries of origin.

Initially, StartSmart staff members offered 12-week classes teaching participants how to write a business plan. They quickly discovered that while many who sought the class were thinking about starting a business, they were not necessarily the same individuals who would actually take the plunge and start one. It was clear that helping people achieve economic self-sufficiency had to begin with targeted and customized one-on-one business advice. Business starts and growth increased substantially as StartSmart evolved, with input from immigrant community leaders. And as the community identified ongoing barriers to entrepreneurship, CEI stepped in to help.

That’s how Jallow and Scribner found themselves testifying before the Maine Legislature to change hair braiding licensing requirements. With a strong case and support from Peggy Schaeffer, the small-business advocate within the secretary of state’s office, the bill quickly passed, allowing individuals to offer hair braiding services without having a cosmetology license.
Once the new ruling was in place, Jallow began looking for a retail space where her vision for the beauty supply store and hair braiding salon could become a reality.

When a retail storefront became available on Portland’s Forest Avenue, Jallow worked closely with Scribner to set up the business, secure a tax ID number and apply for business insurance. “Sometimes I sit down with John for one or two hours, for free! He takes time to come in here to my business. There’s no way I could’ve paid for those services,” she said.

Mariama’s Beauty Supply opened in the summer of 2016 as a hair retail space and quickly became a community hub. While Jallow is not a hair braider herself, after a few months, some of Jallow’s clients began renting space in the store so they could provide hair braiding services and earn a living.

Three years later, Jallow was invited to testify in Washington, D.C., before the U.S. House Committee on Small Business about her experience starting and growing her business. In 2020, she was nominated by CEI and received the U.S. Small Business Administration’s Maine Minority Owned Small Business of the Year Award.

“If it wasn’t for CEI, where would I go?” asked Jallow. “John was there from the start. Each time I work with him, I feel more confident in my ability to run a business. The people in Maine are lucky. It’s impossible for us to do this without support. CEI has provided a lot of help for me, and I know many others who feel the same way.”

To date, CEI has advised 1,551 immigrant entrepreneurs and helped them start 470 businesses through its StartSmart program. While assistance varies depending on the person or the business, the majority of clients work with CEI on feasibility analysis, legal and permitting issues, recordkeeping, marketing, and access to credit building and financing. Knowing immigrant community leaders and the unique needs and challenges that entrepreneurs face has been key to building trust over time. Access to capital is one of those challenges.

Over half of StartSmart clients are from Somalia or Iraq and are Muslim. Because of religious restrictions, they choose not to pay or receive interest. When CEI realized that many Muslim clients were not opening or expanding businesses due to a lack of culturally appropriate financing, the CDFI developed a commercial Sharia-compliant business financing product.
Inclusive

When CEI realized that many Muslim clients were not opening or expanding businesses due to a lack of culturally appropriate financing, the CDFI developed a commercial Sharia-compliant business financing product.

One such client is Hussein Ahmed, whose grocery and home goods store is located on Lisbon Street in Lewiston. Ahmed comes from a long line of traders and entrepreneurs. His father and grandfather were wholesale distributors of farm animals, and they also owned a store that sold an assortment of clothing and other household goods. Ahmed grew up in this environment, helping with the family business. “So maybe it’s in the DNA, I don’t know!” he says.

Life got harder for Ahmed and his family as Somalia’s ongoing civil war continued to devastate the country. They fled from Somalia to a refugee camp in Kenya in 1995, where Ahmed had the opportunity to learn English. In 2001, he moved to the U.S.

Ahmed never intended to come to Maine, but he had been unemployed and unable to find work in Atlanta. One day, a friend asked him, “Can you help me drive to Maine?” Leaving his wife and children behind, Ahmed agreed to accompany his friend. After five days in Lewiston, he found a job at LifeBridge Health. His family joined him soon after. “I guess I was destined to stay in Maine. I do not like the cold, but I could adjust to this,” he said.

While at LifeBridge, Ahmed began working as a caseworker for what was then called the Portland-Lewiston Refugee Collaborative. Ahmed also enrolled as a student at the University of Southern Maine’s Lewiston campus and received bachelor’s degrees in social behavioral sciences, and leadership and organizational studies. Around the same time, he opened Global Halal Market, and business grew rapidly to a point that the store required his full-time attention. Global Halal Market offers international clothing, home goods, and food and spices familiar to Lewiston’s immigrants, many of whom came as asylum-seekers and refugees from Africa.

Ahmed heard about CEI’s StartSmart program while he was working at the Refugee Collaborative. StartSmart provided Ahmed with business
planning for the market, and John Scribner advised him on bookkeeping, financial reporting, hiring employees and advertising. Eventually, Ahmed also needed business financing.

“One thing I really like about StartSmart is that they have created the opportunity for many, many immigrants to change their lives through business opportunities,” said Ahmed. “StartSmart counselors are strong and reliable, and they continue their relationships with their clients after the businesses are running well.”

A devout Muslim, Ahmed appreciated StartSmart’s willingness to respect his cultural and religious preferences by offering a Sharia-compliant financing product. “Few banks are willing to offer Sharia-compliant financing,” he said, but CEI was willing to find a solution by substituting periodic interest payments with an equivalent processing fee.

CEI knows from its work with fishermen, farmers and rural business owners that not everyone is comfortable walking into a traditional financial institution and applying for a loan. As StartSmart staff members began working with immigrant entrepreneurs, they recognized cultural and structural challenges to success, including lack of access to capital. But fundamentally, greater access to capital causes a ripple effect across communities and economies.

By providing access to capital in addition to targeted, individualized programs, products and services for specific populations, CEI builds trust and creates connections. Being successful as a business owner, especially a rural business owner, is dependent on responding to community need. CEI meets clients where they are and helps them create solutions that benefit their communities. Working with individuals and communities, StartSmart is often a bridge to permits and licensing—ultimately, helping immigrant entrepreneurs to engage with the American business and political systems.

Over time, CEI’s efforts and approach have helped connect entrepreneurs with their communities, helping to break down barriers and make Maine a more welcoming state. In rural regions, businesses fill a void in what people need to feel comfortable and safe. A change in licensing regulation can create opportunity for all Mainers; at the same time, specific businesses, like Mariama’s Beauty Supply, can become the first gathering place for new immigrants and a link to further integration.
In 2020, building on many years of developing programs, partnerships, products and services, like StartSmart and Sharia-compliant business financing, CEI designed the Child Care Business Lab, a five-year initiative to grow new child care enterprises. One factor driving the creation of the business lab is a lack of culturally attuned child care offerings for immigrant families or families of color.

But demand for child care extends to Maine’s nonimmigrant population as well, limiting employment opportunities. Across Maine, only 26.5% of children up to 14 years old (55,000 children) are in paid pre- or after-school child care; many parents are shuttling children between family and friends and/or working part-time instead of full-time jobs. Nearly 152,000 Maine children up to 14 years old (74%) may require paid child care services, indicating significant unmet need.

The Child Care Business Lab is an intensive cohort-based program that gives entrepreneurs the tools to start a successful small business, helps them refine their child care/early childhood education philosophy, and guides them through the licensing process. Designed as an experiential leadership opportunity, the Child Care Business Lab provides participants with a blueprint for a high-quality, financially viable nonprofit, for-profit, co-op or shared-model child care business.

Azenaide Pedro was one of the first individuals to apply for the pilot cohort of the Child Care Business Lab to learn how to help five women, who immigrated to Lewiston from Angola, start a cooperative child care center. A recent immigrant to Maine from South Africa, Pedro, who was born in Angola, has a background in public health and community organizing and is now collaborating with the Cooperative Development Institute and
Maine Roads to Quality (a professional development network for the field of early childhood education), along with the state licensors, to open the child care co-op in May 2021. CEI recently hired Pedro as a full-time program development specialist focused on growing additional child care options in Lewiston’s Tree Streets neighborhood, one of the state’s most diverse areas, with the densest population of children in the state, where only 15% of children under age 6 are enrolled in licensed child care. During recent listening sessions in the community, she confirmed the need for culturally appropriate, high-quality, affordable child care that is responsive to around-the-clock work schedules.

In January 2021, Pedro’s Child Care Business Lab classmate, Juana Rodriguez Vazquez, spearheaded the launch of Rayitos de Sol, a new child care center in Milbridge. Vazquez represents the second generation in her family to work with CEI. As a young child, she immigrated to Milbridge from Mexico with her parents, who came to Maine as migrant workers to process seafood, make wreaths and harvest blueberries. In 2005, the Vazquez family sought John Scribner’s help launching a successful food truck business. A graduate of the University of Maine–Machias, Vazquez is director of the Migrant Education Program at Mano en Mano, a nonprofit organization and longtime CEI partner that helps Downeast Maine farm-workers and immigrants thrive by providing education, housing and other essential services.

Rayitos de Sol, Mano en Mano’s latest initiative, operates in English and Spanish and accommodates the shifting schedules of agricultural workers. With CEI’s guidance on how to attract and retain employees in an industry that is often characterized by low pay and high turnover, especially in a rural state, Rayitos de Sol pays a living wage significantly higher than minimum wage, and provides training, health insurance, a 401(k) and vacation time. Mano en Mano is already planning to build a new, expanded center.

Building trust is at the heart of CEI’s work. CEI staff members bring specific skills and knowledge to the table but know that they have not faced the specific cultural barriers that immigrant entrepreneurs like Jallow, Ahmed, Pedro and Vazquez have experienced. It is part of CEI’s ethos and community economic development practice to be open to a discovery process with individuals and communities, helping them find the right solutions to their
own challenges. In turn, by providing personalized, one-on-one advice and financing, in addition to targeted industry and workforce training, CEI helps to create good jobs and small-business ownership, leading to innovation, economic inclusion and systems change in rural regions and, more broadly, shared prosperity for all.

References


Endnotes
1 See U.S. Census Bureau.
2 See Arnold.
3 See Piper.
4 See RegionTrack, Inc.
5 Ibid.
Entrepreneurial Ecosystem-Building in Rural America

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NetWork Kansas

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
Introduction

In our view, entrepreneurship is the foundation for all community-centered economic development. Entrepreneur-led development is particularly important in rural America, where other development opportunities are fewer. In this chapter, we share two stories of impactful entrepreneurial ecosystem-building. Our first story is about Ord, Nebraska, and provides a community-level view on how successful ecosystem-building is contributing to transformative change. Our second story focuses on a statewide ecosystem-building effort in Kansas empowered by NetWork Kansas.

Ord, Nebraska—An Entrepreneurial Community

In the 1980s, Ord and its region were in an agricultural crisis, facing serious challenges and the potential to go the way of so many other rural communities—into continued decline, losing vitality along the way. By the 1990s, Ord was also confronting anti-change forces, and the real risk of losing its hospital. During this decade, Ord sought help and began the all-important process of visioning a new future. The year 2000, in so many ways, was the year that the community pivoted from crisis and decline to a new road to development and prosperity. During the 2000s, Ord began to make critically important commitments, followed by investments, which laid the foundation for transformative change and impact. By the 2010 to 2020 period, these commitments and investments had moved Ord from decline to success.

FIGURE 1
Ord’s Progression from Crisis to Transformative Change

<table>
<thead>
<tr>
<th>1980s</th>
<th>1990s</th>
<th>2000</th>
<th>2000s</th>
<th>2010s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Crisis</td>
<td>Search for Solutions</td>
<td>Pivot Year Aiming for Success</td>
<td>Investment and Progress</td>
<td>Transformative Change</td>
</tr>
</tbody>
</table>
**Ord the Community.** To understand the power of the Ord story, you need to understand Ord. Figure 2 provides some basic information about Ord and its region.

**FIGURE 2**
Selected Population Statistics for Ord’s Various Communities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Ord</td>
<td>2,076 (2019)</td>
<td>-14.9%</td>
<td>-6.9%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Valley County</td>
<td>4,199 (2020)</td>
<td>-27.4%</td>
<td>-9.6%</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Ord’s Region²</td>
<td>9,784 (2020)</td>
<td>NA</td>
<td>-7.2%</td>
<td>-1.0%</td>
</tr>
</tbody>
</table>

**ORDS REGIONAL ECONOMY.** Ord has transitioned from a two-dimensional economy (i.e., commodity agriculture and area hub city) to a multidimensional economy that is increasingly diverse and competitive. The following key economic sectors have helped the region experience a higher value: (1) agriculture, including value-adding activities; (2) area trade, service and cultural center; (3) Valley County Health System; (4) tourism; (5) retiring boomers; (6) growth-oriented entrepreneurs; and (7) commuters and bedroom-community development. These seven major economic sectors are driving impressive diversity for a community the size of Ord. While the city continues to be overly dependent on agriculture and allied agricultural activities like inputs and processing, its diversity is creating not only a wider range of job and career opportunities that attract people and retain them, but a higher-value economy that contributes to enhanced household disposable incomes and wealth.

**Why Is This Story Important?** Over the past two decades, Ord has intentionally committed to and built a thriving entrepreneurial ecosystem that is generating transformative impacts. This small and rural community is demonstrating that entrepreneur-led development can empower a thriving, diverse and resilient economy and society. At the forefront of these
Lessons are identity, intentionality and investment. This is not simply self-promotion, but being willing to build the necessary bridges and a process of self-discovery; determining the highest intentions; recruiting whole people and families, and not simply workers and capital; finding the right economic levers to create flexibility; investing in passion; and working toward an asset- and opportunity-based attitude in the entire community. Building a vibrant region requires strong agency and committed advocates, who are able to see their self-interest embedded within the community interests. And, mostly, it requires recognizing that residents must accept responsibility for seeking support and must remain open to accepting such support by following through on what is offered.

In the case of Ord, there was a confluence of initial conditions and further actions that produced these results. This confluence will be different in different places, but some mixture is always within the grasp of a community willing to do the work to harness it. For Ord this included:

- establishing a proactive community foundation focused on using its endowment to make strategic grants focused on economic development;
- passing a local state-approved sales tax levy, which was used in part to fund a revolving loan fund, thus creating a vigorous lending capacity, and enabling gap financing and flexibility for small entrepreneurs;
- hiring an economic development director focused on empowerment rather than simply resource acquisition;
- developing progressively more positive public-private trust and partnerships;
- implementing a tailored leadership training initiative that was community-based, expansive and long-term;
- committing to mentoring among the entrepreneurial community to shepherd passion by backstopping business skills and strategic thinking; and
- accepting and implementing guidance, resources and open exchange with outside resource agencies both public and private, such as University of Nebraska Extension, Nebraska Public Power District and Heartland Center for Leadership Development.
Why Is Entrepreneurship Foundational? For most of its history, Ord and its regional economy have been two-dimensional, with production agriculture (e.g., farming, ranching and allied activities) as the foundational economic activity anchoring Ord’s role as an area hub for retail trade and services. Production agriculture, like most natural resource-based economies, undergoes periods of economic booms when weather is good, demand is high, commodity prices are strong and net farm income is elevated. But agriculture and other natural resource industries also undergo periods of economic bust, with contraction adversely impacting the area economy and society. Given the underlying trends of agricultural automation, industrialization and contraction (e.g., fewer and larger farm and ranch units, and outsourcing of purchasing), rural communities like Ord rarely return to pre-bust economic and social vitality.

Across rural North America, communities are experiencing change, and for many, this change is traumatic, as traditional industries and economies are transforming, undermining the very rationale and vitality of rural communities. For Ord and its region, the economic rationale for existence was rooted in agriculture and Ord’s role as an area trade center community. This two-dimensional economy was constantly at the mercy of the boom-and-bust cycles in production agriculture. Lacking economic diversity, Ord’s Main Street economy suffered with downturns in agriculture—never fully recovering after each bust cycle. In the rural Great Plains and communities like Ord, production agriculture, manufacturing and trade center activities continue, but they no longer can provide sufficient economic activity to support the large number of remaining rural villages, towns and cities. The need for economic diversification, both within and beyond production agriculture, is foundational if rural communities in this region are to survive and thrive.

In turn, communities with more-competitive, diverse and high-value ventures become more resilient, with greater capacity to weather shocks—whether from natural disasters or the loss of major economic activities—and recover more completely once a shock has passed. Also contributing to this dynamic is household and community wealth. Increasing resiliency fuels wealth formation both in individual households and at the community level, including assets like building stocks, amenities, and civic and social capital. Continued investments into growing entrepreneurial behavior and talent create a progressive cycle furthering community vitality.
Resilient

Ord has transitioned from a two-dimensional economy ... to a multidimensional economy that is increasingly diverse and competitive. ... Communities with more-competitive, diverse and high-value ventures become more resilient, with greater capacity to weather shocks—whether from natural disasters or the loss of major economic activities—and recover more completely once a shock has passed.

We continue to find that entrepreneurship-led economic development is not mainstream. Many people living in rural communities who would like to pursue entrepreneurship as a development strategy face serious challenges overcoming the beliefs of many traditional leaders, for whom attraction and retention of large employers still represent the only path to economic development and vitality. Still, entrepreneurship continues to be paramount for most communities. This reality is in part why the Ord story is so important: More than 20 years ago, this community committed to a more balanced development approach, including both entrepreneurship and larger-scale project development. In summary, we found two keys to Ord’s transformative success: its 20-year commitment to entrepreneur-led development and associated ecosystem-building, and its willingness to invest sufficient funds to stand up a smart and robust game plan. Both of these keys point toward the importance of entrepreneurship.

Ord’s Entrepreneurial Ecosystem. The Valley County area entrepreneurial ecosystem is opportunity-focused, with different organizations reaching out to area entrepreneurs and bringing meaningful and sophisticated business development assistance that enables more and better deal flow. Combinations of technical assistance and financing resources pragmatically identify, support and sustain a wide range of deals, from a multimillion-dollar ethanol value chain to local Main Street businesses.

Entrepreneurial Impact and Community Transformation. Conservatively, since 2000 Ord and its region have invested more than $250 million in projects fueling development. On average, this level of investment represents $12.5 million per year over this 20-year period (i.e., 2000 to 2020).
These included investments in both public and private assets. For example, there have been substantial investments in the local public schools, the city building and fire hall, as well as into parks, trails and cultural amenities like The Golden Husk performing arts center. There was also public and private investment into new and rehabilitated housing, including an aggressive program to remove dilapidated housing and support for new housing ranging from affordable to higher-end. In addition, a new ethanol plant was constructed in the early 2000s, and the local hospital expanded its services and geographical footprint with assistance, in part, from the proceeds of a local bond offering. Lastly, the region has recently built a tourist and second-home industry around the Virginia Smith Dam and Calamus Reservoir. Each of these developments helped drive new business and job opportunities in the region.

A key element in Ord’s entrepreneurial ecosystem is its Local Option Municipal Economic Development (LB840) gap financing loan program. LB840 is a tool enabled by Nebraska law that allows cities to enact, by a vote of the residents, a local option sales tax to fund economic development. One of Ord’s initial commitments was the development of an LB840 economic development plan and passage of the local options sales tax. All the proceeds from this tax are used to support economic development, including the capitalization of the LB840 gap financing loan program run by the city in collaboration with the Valley County Economic Development Board. A December 2019 report summarized the activities in the Ord area that were supported through the LB840 sales tax between 2003 and 2019. During this period, the LB840 loan program provided nearly $6 million in gap financing, leveraging nearly $14 million in additional private business investment; for a community of this size, this represents a significant amount of investment. As noted earlier, this does not include larger business developments like the ethanol plant and other business investment not supported by the LB840 fund. These kinds of smart and robust investments are foundational to growing vibrant and successful communities.

Ord Comparative Performance Analysis. There are thousands of communities in rural America. Across this vast and diverse landscape are remarkable communities like Ord, bucking the trends and demonstrating that rural communities can thrive. Central to our focus on the Ord story is
that it has sustained a smart game plan long enough to realize desired transformative change.

Based on our performance analysis, Ord and its region have moved from a community in serious crisis and decline to a community that is now progressing and becoming more entrepreneurial and prosperous. This journey has been long for those seeking quick solutions. But given the long arch of community change, the rate of turnaround has been remarkably fast. For those communities willing to learn from Ord, this transition can be accelerated.

*Increasing Jobs → Improving Income → Stabilizing Population → Rising Wealth*

The primary finding employed in this peer analysis is Valley County’s net job creation in the all-important proprietorship (both farm and non-farm) category. Between 2000 and 2018, we find a substantial net change in proprietorship-related jobs.

**FIGURE 3**

**Net Change in Proprietorship Jobs in Ord, Nebraska, vs. Comparison Communities**

<table>
<thead>
<tr>
<th>Community</th>
<th>Net Change in Proprietorship-Related Jobs: 2000-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valley County</td>
<td>8.8%</td>
</tr>
<tr>
<td>Nebraska Peer Counties</td>
<td>(9.3%)</td>
</tr>
<tr>
<td>Kansas Peer Counties</td>
<td>4.1%</td>
</tr>
<tr>
<td>South Dakota Peer Counties</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

SOURCES: e2 Entrepreneurial Ecosystems.

As Figure 3 shows, the difference between Ord and its Nebraska peers in proprietorship-related job changes over this period was more than 18%, which is transformative. It is critically important to understand that these significant cumulative differences were the result of small changes sustained over time. Just as rural communities have lost vitality in small increments over time, the same is true with turnarounds.
Lessons and Insights for Other Rural Communities. Beyond the lessons outlined above, our work with Ord and other rural communities over the years has identified the importance of several key elements to successful rural development:

- encouraging local leadership and the community to buy in and engage;
- maintaining resilience in the face of crises, including being willing to see opportunities in crisis;
- committing to, investing in and sustaining the effort over time;
- building capacity in the community, and advancing development activities on multiple fronts;
- embracing entrepreneurial behavior;
- recognizing diversity as an asset;
- pursuing regional development;
- growing an abundance culture;
- being willing to reach out for help and to learn; and
- realizing documented transformative change.

Ord illustrates what is possible with entrepreneur-led development in a small rural community. 3 The next story focuses on a statewide entrepreneurial ecosystem-building initiative called NetWork Kansas.

Kansas—An Entrepreneurial State

The Kansas Center for Entrepreneurship—doing business as NetWork Kansas 4—was created by the state in 2004 through the Kansas Economic Growth Act. In May of 2005, NetWork Kansas set forth the vision to make entrepreneurship a priority for both economic and community development. That vision recognized the critical role entrepreneurship would play in the future success of communities across Kansas. This vision, coupled with the mission of increasing the breadth and depth of resources available to entrepreneurs, helped create two of the most robust collaborative networks in the United States: the NetWork Kansas partner network and the Entrepreneurship Community (E-Community) Partnership.
Support for an Entrepreneurial Culture. NetWork Kansas laid the foundation for an entrepreneurial culture in Kansas through the following step-by-step philosophy:

1. Find local residents who are committed to building an entrepreneurial culture.

2. Build entrepreneurial assets and infrastructure focused on education, expertise and economic resources.

3. Try something different—inject change such as a new program or initiative into community, regional and statewide systems; for example, implementing a youth entrepreneurship competition or new loan program.

4. Engage and empower at the local level.

Over the past 15 years, this philosophy has led to the establishment of the NetWork Kansas Referral Center, partner network and E-Community Partnership.

Entrepreneurial Assets: Referral Center and Partner Network—An Infrastructure for Education, Expertise and Economic Resources. Kansas was among the first states to offer a statewide referral service that connects entrepreneurs with a wide array of partners. Entrepreneurs can contact NetWork Kansas referral coordinators directly through a toll-free number, email or chat. The referral coordinators connect entrepreneurs with more than 550 NetWork Kansas partners who provide technical assistance, education services, access to capital and overall expertise in all aspects of starting and growing businesses.

Collaborative

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**Economic Resources that Support Private Capital—Statewide Loan and Venture Funds.** NetWork Kansas launched its first statewide loan program in August of 2006. Since that time, NetWork Kansas has added programs ranging from large matching-loan programs and women- and minority-loan programs, to healthy food access and community development programs. All of these programs provide the “last money in” that helps make projects happen. This intentional program design generates the conditions for our partners and E-Communities to work with banks and angel investment networks in meaningful ways.

**FIGURE 4**
Map of NetWork Kansas Entrepreneurial Communities

SOURCE: NetWork Kansas.

**Sixty-Six E-Communities—Engaging and Empowering at the Local Level.** An E-Community is a town, cluster of towns or an entire county that has made a decision to proactively pursue entrepreneurship as an economic development strategy. The NetWork Kansas E-Community Partnership began in 2007 with six communities and had grown to 66 communities across Kansas by early 2021.
Each of the 66 E-Communities includes the following:

- local leadership teams that meet regularly to provide overall direction and leadership for the local E-Community,
- local financial review boards that act as the loan committee for E-Community loan applications,
- active engagement with the banking community and other capital sources, and
- access to entrepreneurship programming designed to benefit various business types.

NetWork Kansas’ E-Community coaches work with each E-Community to develop strategies based on each individual community’s needs and capacity. In addition to matching loan funds, E-Communities also have access to programs approved by the NetWork Kansas board of directors to help catalyze entrepreneurial activity. These programs address topics ranging from cultivating a startup culture and entrepreneurial problem-solving to strengthening existing businesses. NetWork Kansas also provides grant funds to make progress on growing an entrepreneurial ecosystem in unique ways, such as for a seminar to provide digital marketing training to local businesses.

**Tailored**

*NetWork Kansas’ E-Community coaches work with each E-Community to develop strategies based on each individual community’s needs and capacity.*

**Realizing the Results of a Robust Entrepreneurial Ecosystem—Historical Impact by the Numbers.** The success of NetWork Kansas’ unique infrastructure of assisting entrepreneurs and small businesses is evidenced through high-performance indicators. These numbers reflect ongoing asset-building through the Referral Center, statewide loan and venture programs, and E-Community activity.
Conclusion

Every community in the United States has the primary responsibility for its own development and vitality. Embracing entrepreneur-led economic development and entrepreneurial ecosystem-building is foundational to growing the more-relevant, competitive, diverse, high-value and resilient economies that are foundational to community vitality. The stories of Ord, Nebraska, and NetWork Kansas provide two powerful examples of transformative change empowered and energized by entrepreneurship.

References

e2 Entrepreneurial Ecosystems (website). See energizingentrepreneurs.org.

Endnotes

1 Christina Long helped to edit this chapter.
2 We define the Ord region as the city of Ord, other towns in Valley County, as well as all or parts of Custer County, Loup County, Garfield County, Wheeler County and western Greeley County. See Macke et al.
3 e2 Entrepreneurial Ecosystems and its partners are curating a large collection of Ord studies and stories. See e2 Entrepreneurial Ecosystems (website).
4 See NetWork Kansas (website).
Small-Town Tech Towns: Where Scalable Entrepreneurship Is Propelling Rural Growth

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
Introduction: The Rise of the Digital Economy

The untold story of America’s 21st-century economy is the growing gap between urban and rural places. For much of our nation’s history, these places rose and fell together, opportunity broadly distributed across geography. That changed sharply with the Great Recession and its unequal recovery. By 2019, metro employment had grown to 10% higher than its pre-recession rate, while rural employment remained 4% lower than its rate before the downturn.2

Many factors have contributed to this striking divide. One of the greatest long-term threats to rural prosperity is the continued decline in employment in traditional rural export industries—manufacturing, agriculture and natural resource extraction—due to automation. It is likely that automation will create net benefits for the nation’s economy overall; however, because the digital economy firms designing and building the technology that powers automation are concentrated in major metro areas, automation will likely contribute to increased geographic inequality. And with the COVID-19 pandemic accelerating the shift toward automation,3 traditionally rural jobs could be at risk,4 further exacerbating the urban-rural economic divide.

The digital economy, which now comprises 6.9% of the overall economy, has grown at a rate 4.3 times faster than the economy as a whole.5 Unfortunately for rural areas, 97% of computer and math jobs were created in metro areas from 2010 to 2019.6 In addition, less than 1% of all venture capital goes to rural areas,7 and the rural rate of self-employment fell by more than 20% from 1988 to 2016, leaving rural places without the entrepreneurs needed to drive new business growth after the 2008 crash.8

Reversing these trends is necessary for rural prosperity. Unless small towns can become beneficiaries of the digital economy’s expansion, they will continue to fall behind. As real estate trends9 and population surveys10 during the COVID-19 pandemic have shown, fortunately there is a real drive among many Americans to live in rural places—especially when the
resources are there to support tech-enabled work. However, rural places face barriers to creating entrepreneurship ecosystems, including the reality that low population densities can hinder the creation of “agglomeration economies”—the benefits from firms and people being clustered near one another. Still, we know that rural communities do have the power to take ownership over today’s means of production—automation and technology—to drive digital entrepreneurship and innovation. In the age of the internet, there should be no limit to where digital economy jobs and entrepreneurship can thrive.

We believe this because we’ve seen it. At the Center on Rural Innovation (CORI), we work with small towns across the country, with a multitude of diverse local assets and opportunities, as they build digital economy ecosystems. In our on-the-ground work and data analysis, we have identified scores of rural communities with the resources needed to grow strong innovation ecosystems. Many rural communities are within driving distance of institutions of higher education. Thousands are located in Opportunity Zones or New Markets Tax Credit areas that can attract investment. And many more have high-speed broadband, with our analysis finding more than 11 million rural Americans living in areas with access to fiber broadband. Many small towns also have additional assets useful for attracting and retaining the people that power innovation ecosystems, such as lower costs of living, less congestion, proximity to recreation, good public schools and tightknit communities. Moreover, many rural towns are growing, with increasingly diverse populations, often driven by immigration.

By tapping into assets such as these, as well as their unique sense of place, small towns across the country have begun to do the work needed to create regenerative wealth, open opportunities for lifelong and new residents alike, and shape the innovations that will change the world.

**What It Takes to Build Rural Entrepreneurial Ecosystems**

In 2019, CORI launched the Rural Innovation Network (the Network), which by 2020 had grown to a cohort of 18 small towns across the country, each of which had recognized the need for growing a local digital economy. We help accelerate Network communities’ journeys by building their capacity to develop digital economy jobs and businesses, including scalable
entrepreneurship ecosystems. Network members share best practices and benefit from close contact with peers engaging in similar groundbreaking digital strategies, and we facilitate their connection to national partnerships and resources.

**Collaborative**

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Through the Network, we’ve heard firsthand the local challenges that the decline in rural entrepreneurship has created—but we’ve also seen powerful examples of how rural digital economies can thrive. Each of our Network communities has different challenges and assets, but they have proven there are multiple paths to success.

Based on our data analysis and hands-on experience, we’ve identified three key components necessary to *participate* in the digital economy: local leadership capacity, coworking and entrepreneurship spaces, and broadband internet. Each of these factors is critical but on its own not sufficient to drive entrepreneurship growth. Broadband, for example, can bring a tech entrepreneur online but cannot guarantee the support for her idea to scale.

Thus, to build on this critical infrastructure and truly *compete* in the digital economy, communities need to engage what we call the *five direct drivers* of digital economy ecosystems: digital workforce development and support, access to digital jobs (remote and local), inclusive tech culture-building, access to capital, and entrepreneur support and incubation.

Each driver plays a crucial role in fostering tech entrepreneurship: Having digital jobs and skilled workers creates a talent pool to staff startups; culture-building opportunities—especially those that include people from all backgrounds within the community—bring technologists and other creatives together to generate new ideas; programs to support entrepreneurs can take ideas from concept to reality; and capital investment enables new businesses to grow and scale.
Case Studies: Successful Programs

Below are profiles of three organizations in our Rural Innovation Network that are putting these pieces together to build successful entrepreneurial ecosystems. Their shared strengths and diversity of approaches illustrate the possibility and urgency of scaling this work to other rural areas across the nation.

**Codefi: Cape Girardeau, Missouri**

In 2014, Chris Carnell, James Stapleton, Heather Holdman and Brian Holdman saw that there were no coworking spaces or technology incubators where they were in southeast Missouri. Recognizing the need for regional resilience, they started one, called Codefi. To attract startups, they created the 1ST50K Startup Competition, modeled after Arch Grants in St. Louis. Winners of the competition receive a $50,000 equity-free grant. The funding for the competition initially came via five $10,000 contributions from local investors, followed by a $325,000 grant from the Missouri Technology Corporation, $200,000 of which was specifically designated for 1ST50K awards.
1ST50K took off and now draws 100 applicants from around the world each year, culminating in six to 12 being invited to the final pitch competition. Awardees move to Cape Girardeau for at least a year, where Codefi and its partners work to help them launch and grow their companies. Winners receive dedicated coaching, mentorship and technical assistance to work through problems and connect with potential customers and investors for follow-on funding. The startups also benefit from access to the Codefi coworking space which, located downtown, is nearly 17,000 square feet of a historic building and, as of early 2021, had more than 350 members. Codefi also operates Code Labs—an adult coding “boot camp” that gives participants the necessary skills for entry-level software developer jobs and often places graduates in jobs with local tech startups. Entrepreneurs cite the energy and talent of this local ecosystem as crucial to their growth. In addition, they have noted how the low cost of living helps them stretch their funding, and the move to a smaller town frees them from the distractions and chaos that a big city may have.

Between 2014 and 2020, 1ST50K awarded a total of $550,000 to 11 startups. By a conservative count, these startups—seven of which are still operating in Cape Girardeau, while two have moved and two have wound down—have created 49 total jobs, 33 of which are still local. Additionally, Codefi has supported 50 startups housed or launched in its coworking space, which have created more than 250 jobs. Codefi’s success has led to follow-on investment in the startups, Codefi’s own space and the local ecosystem. For example, their success led to a grant to provide technical assistance in nearby Paducah, Kentucky, to develop and implement a digital ecosystem, including the launch of a seed fund for local startups.16

Local entrepreneurship in Cape Girardeau is also budding outside of Codefi, exemplified by SHO.ai, an artificial intelligence-driven branding startup that received seed investment from the CORI Innovation Fund (CIF). CIF is a seed fund that invests in growth businesses located in rural Opportunity Zones. CIF seeks attractive technology-enabled operating startups in rural geographies that are underserved by traditional venture capital institutions.
Local entrepreneurs advancing their ideas in the Codefi coworking space in Cape Girardeau, Missouri. Photo courtesy of the Center on Rural Innovation.

20Fathoms: Traverse City, Michigan

In the mid-2010s, workers in Traverse City started a monthly event, TCNewTech, to convene a new and growing community of innovators and technologists. They realized that the area’s beautiful natural amenities had organically attracted a significant number of tech and remote workers to the area, yet those people were unaware that others like them had made the same move. The group began hosting regular meetups, casual networking events and informal startup pitch nights.

Ultimately—with the help of a leader from the Northern Michigan Angels investor network, a local tech executive and a principal at local venture firm Boomerang Catapult—the group formed the technology incubator 20Fathoms, named with reference to Northern Michigan’s deep waters and untapped depth of local tech talent.

According to Executive Director Lauren Bigelow, “20Fathoms is about imbuing entrepreneurship and innovation throughout the community.” To build the local ecosystem, 20Fathoms supports entrepreneurs, builds linkages to risk capital and helps local startups scale.
While Traverse City has historically been a tourist destination, 20Fathoms aims to diversify local industry and centralize resources to spur technology growth. Since the onset of the COVID-19 pandemic, urban tech workers have flocked to the area, tightening the local housing market and increasing the demand for accessible job opportunities.

20Fathoms also operates HealthSpark, a telehealth incubator that helps early and growth-stage health care tech companies introduce their products to market. Tapping into regional assets and local expertise, HealthSpark is designed to support cohorts of Midwest companies focused on working with rural hospitals. The program is adapting the Y Combinator accelerator model to the rural context, embedding personalized networking events and connections to industry leaders.

Beyond HealthSpark, 20Fathoms is building a diverse innovation ecosystem. 20Fathoms membership offers a professional workspace with amenities that include shared space, fiber internet and conference rooms, along with access to educational workshops, professional service providers, coaches and mentors. To broaden the talent available to entrepreneurs, the organization hosts tccodes, a professional training and career development program for new and established software developers.

**Tailored**

_Tapping into regional assets and local expertise, HealthSpark is designed to support cohorts of Midwest companies focused on working with rural hospitals. The program is adapting the Y Combinator accelerator model to the rural context._

20Fathoms’ initial success was propelled by a local investment network that fostered the growing talent in the region and viewed investment as a path to giving back to the community. Its continued growth has been enabled by federal resources through an i6 Challenge award from the Economic Development Administration (EDA) within the U.S. Department of Commerce, which set the ambitious goals of creating 30 companies and 100 jobs in the region.

20Fathoms proves that rural economies aren’t predestined; Traverse City
is evolving its tourism-driven history and diversifying it with a growing digital ecosystem. Access to capital and investors has provided companies with the confidence to locate there, organizational leadership has reaffirmed the importance of entrepreneurs in the region, and the strong community spaces are providing the spark to seed solid ideas.

**Southwest Colorado Accelerator Program for Entrepreneurs: Durango, Colorado**

Durango, like Traverse City, has traditionally been reliant on tourism. Unlike Traverse City, it leans heavily on the oil and gas industry. A group of local business owners, economic developers and angel investors recognized that this reliance was a problem and convened to discuss how to create high-wage jobs in other industries. They knew it would require going beyond business attraction and retention, and instead looked to scalable entrepreneurship and growing their own companies. This group first started an angel fund for local entrepreneurs but realized that many of the entrepreneurs were not ready for investment or growth. So, they launched the Southwest Colorado Accelerator Program for Entrepreneurs (SCAPE), an intensive six-month program in Durango serving the five counties in the Region 9 Economic Development District of Southwest Colorado.

*Resilient*

Durango ... has traditionally been reliant on tourism ... [and] the oil and gas industry. A group of local business owners, economic developers and angel investors recognized that this reliance was a problem and convened to discuss how to create high-wage jobs in other industries.

Currently, SCAPE runs not only the accelerator program but a private investment fund that directly invests in SCAPE startups. When selecting local entrepreneurs for the accelerator, it focuses on ventures with strong job creation potential, a market beyond the local area and a desire to stay headquartered locally.

The companies selected benefit from intense programming, with a
structured six-month curriculum, curated mentorship relationships and exclusive access to funding. The program helps SCAPE build a relationship with the startups before deploying venture capital; the several dozen investors who make up the angel fund appreciate that the companies are vetted and trained before they receive capital. Entrepreneurs laud the personalized attention, fundraising focus and staff expertise that allow them to focus their products on what can fit the market.

SCAPE has succeeded at both incubating growth startups and helping the local economy because it sees those two missions as intertwined. SCAPE is explicitly place-based, so unlike other accelerators that just chase investment returns, SCAPE stays focused on targeted economic development—a major reason it has retained its dedicated mentorship base while achieving an impressive investment return. It has also focused on recruiting local investors into the fund—a task aided by the presence of successful executives and a founder living in Durango—helping to ensure that the people funding SCAPE’s portfolio companies care deeply about the place they are supporting.

The region’s successes have been powerful, proving that a focus on rural economic development can coincide with scalable tech startup growth. GitPrime, a software company that participated in SCAPE in 2015 and grew to employing more than 30 in Durango, was acquired for $170 million in 2019 by Pluralsight, an exit which created regenerative wealth in the community and spun off a tech talent pool that could power the next generation of local tech startups.¹⁸ Agile Space Industries, another local startup, has raised millions in venture capital and captured a unique market by recruiting talent to the low-cost, high-amenity Durango lifestyle. In addition, MUNIRevs, a startup accelerated through SCAPE, is rapidly expanding.

In seven years, SCAPE has helped rural companies raise over $24 million to create more than 150 jobs at above-average wages. SCAPE has taken advantage of the mentors and young retirees that a tourism community can provide to help the next generations of companies create jobs and succeed. By providing employment opportunities, SCAPE is helping to address regional issues and to build a local community poised for continued success.
Conclusion: How to Scale Successful Rural Ecosystems

The three communities profiled here are proof that with an intentional approach to developing a supportive environment for digital economy jobs and businesses, rural communities can support local scalable technology entrepreneurship that helps to drive future economic growth. They show that rural economies can build strength and resilience when they create good-paying jobs in industries that are less likely to be impacted by automation and other market disruptions. Initiatives such as these are necessary to close the rural opportunity gap and reverse widening geographic divides. They are especially urgent given the need to ensure equitable long-term recovery from the coronavirus-driven economic downturn. The question then for policymakers, practitioners and funders remains: How can we scale successful practices for building digital entrepreneurship ecosystems in rural places?

A core belief at CORI is that many rural communities have the necessary foundational elements, infrastructure and local assets needed for digital economy success; they just need to understand how to unlock them and gain access to the resources needed to execute.
Often, this strategy and fundraising development requires capacity that rural communities do not have. Rural America’s economic decline has led to years of budget tightening and disinvestment that have decreased the resources of already small rural economic development operations. And ongoing economic crises, including from the COVID-19 pandemic, absorb available resources for immediate aid, leaving the proactive future-focused approach without the resources needed to create digital jobs. Given that raising money requires money (via the staff and expertise needed to submit competitive grant proposals), rural communities are left out.

To address these gaps, rural communities need additional capacity-building support. This can come in the form of technical assistance from organizations with issue-area expertise that can provide local leaders with the data, tools, advice and development support needed to compete with better-endowed places vying for funding opportunities. For example, the EDA supported a pilot project that allowed our sister organization, Rural Innovation Strategies, Inc., to deliver intensive technical assistance to communities as they designed and executed digital economy ecosystem strategies and identified funding opportunities. This support provided communities with access to detailed rural data that they often cannot generate on their own, which offered insights into their digital economy building blocks. Other organizations—such as Rural LISC, Rural Community Assistance Partnership, RuralRISE, WealthWorks, Rural Community Assistance Corporation and CO.STARTERS—have also established creative and effective programs for building the capacity of rural communities in areas as diverse as water resource development, internet skills, community finance, value-chain leveraging and entrepreneurship.

Successful technical assistance efforts such as these demonstrate that with relatively small investments in capacity-building, rural communities can be put in a far stronger position to generate economic returns that are resilient in the age of automation. As funders consider strategies to jump-start small towns, similar approaches are poised to have outsized impacts.

Innovation may currently be concentrated in a narrow set of geographies, but our communities’ track record shows it does not have to be. And the major shifts caused by COVID-19—including digital economy workers’ moving (and returning) to small towns—have proven that digital economy
work can be done from rural places. With continued targeted support and renewed determination that small towns can start scalable startups, more rural places will gain the tools to take their economic destinies into their own hands through technology and entrepreneurship.

References


CORI (website). See ruralinnovation.us/rural-innovation-initiative/our-model.


Endnotes

1 Yefei Jin, Mark Rembert and Aidan Calvelli provided research support for this chapter.
3 See Lund et al.
4 See Muro et al.
5 See Jolliff and Nicholson.
7 See Jacob.
8 See Wilmoth, and for another reference point on the decline of rural entrepreneurship, see Morelix et al.
9 See Anderson.
10 See The Harris Poll.
11 See Glaeser.
12 Digital economy ecosystems combine the programs and structures needed to allow technology-based entrepreneurs, businesses and workers to thrive, generating good jobs and building wealth in the local community. A strong digital economy ecosystem requires certain pieces of foundational infrastructure, such as local broadband, coworking space and local leadership capacity, as well as direct drivers of the digital economy, such as jobs, capital and support for entrepreneurs. For a fuller definition of the digital economy ecosystem model, see CORI (website).
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Creating Sustainable Rural Communities through Collaboration

CARRIE DAVIS
President and CEO
Wealth Watchers, Inc.
History

Palatka, Florida, a town in Putnam County, was once known as the Gem of the St. Johns. It is in northeast Florida—east of Gainesville and south of Jacksonville. The name Palatka comes from the Timucuan Indian word pilo-takata, which means “crossing.” Palatka was a prosperous town with world-class hotels and was known for its timber and citrus, as well as its natural beauty. The town relied on its majestic river to be an economic catalyst for attracting manufacturing companies, like Georgia-Pacific and a furniture manufacturing company, which created thousands of jobs. However, by the early 2000s, many of those manufacturing companies had either reduced their labor forces because of advances in automation, or closed their doors completely due to a more competitive global economy. In 2003, the furniture manufacturing company closed, and about 650 employees lost their jobs.

The town of Palatka has faced challenges similar to those of many rural communities. The loss of manufacturing businesses left Palatka with vacant buildings and high unemployment rates. While companies like Georgia-Pacific remain, they have reduced their labor forces significantly. Along with unemployment, Palatka has also been impacted by high rates of poverty, diminishing economic opportunities and an opioid epidemic. An expert hired in 2013 by the Florida League of Cities identified Palatka as the state’s only “dying city,” because the town was recording more deaths than births, and because more people were leaving Palatka than moving there.

Persistent poverty is a challenge in Palatka. Since 1990, more than 20% of the population has lived in poverty, and the U.S. Census Bureau’s American Community Survey five-year estimates for 2015-19 indicated that the poverty rate was a staggering 35.7%. Historically, the unemployment rate in Palatka has been the highest in the state of Florida. Indeed, in December 2020, according to the U.S. Bureau of Labor Statistics, Palatka’s unemployment rate was 7.2%, while the unemployment rate for Florida was 6.1%. Poor-performing schools and a diminishing workforce have created the need for additional investments in workforce development.
Hope and Action for a Brighter Future

While this description of any other town would imply doom and gloom, leadership within the town sees opportunities. In 2015, Wealth Watchers was invited to a series of meetings with Palatka’s local government leaders to discuss a possible relationship and to help them identify and begin implementing promising strategies for promoting growth and opportunity in Palatka.

Wealth Watchers Inc., a NeighborWorks Chartered Member, is a comprehensive housing counseling and community development organization located in Jacksonville, Florida. Its mission is to build viable communities by expanding the education and knowledge of individuals, families and neighborhoods for the purpose of their understanding and applying essential financial strategies that lead to the accumulation of generational wealth. Wealth Watchers achieves its mission by providing education, lending, neighborhood stabilization, community revitalization strategies and small-business development.

Created in 2001, Wealth Watchers expanded its programs and services to rural areas because of the housing crisis of 2007 and the demand for Wealth Watchers’ housing preservation services. Rural communities were hit hard as a result of the economic downfall caused by the housing crisis. Companies went out of business, causing increased unemployment, foreclosures and the loss of farmland. Wealth Watchers has been able to work with towns like Palatka through its Comprehensive Rural Opportunities Program (C.R.O.P.). Through C.R.O.P., the Wealth Watchers team works with stakeholders in rural communities to develop and implement economic and community development strategies focused on improving the quality of life for residents and the economic viability of small businesses.

During the course of its initial meetings with the town, the Wealth Watchers team learned that Palatka had a redevelopment plan. In 1983, Palatka established a Community Redevelopment Agency (CRA) to manage redevelopment in the downtown area, which included crafting a redevelopment plan and overseeing three tax increment financing (TIF) districts that make up the economic and cultural core of the town. The plan had been updated several times over the years, and in 2012, the CRA was extended for 30 years.

Palatka had also started working on a housing plan, which included (1) utilizing TIF, alongside funds from the county, to provide owner-occupied
housing rehabilitation; and (2) creating nuisance and abatement legislation that would allow the town to address properties that had been neglected and abandoned by the owners.

After learning about the town’s priorities and strategies through this initial set of meetings, the Wealth Watchers team convened a meeting with representatives from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA), along with key personnel from Palatka. The representative from HUD discussed several resources that could assist Palatka with its redevelopment efforts. These resources included the Small Cities Community Development Block Grant (CDBG), funds which can be used for commercial revitalization, economic development, housing rehabilitation and neighborhood revitalization programs.

The HUD representative also discussed funding for which the Palatka Housing Authority could apply. As a result of these conversations, in 2017 Palatka applied for and was awarded $750,000 through HUD’s Small Cities CDBG program to fund its neighborhood revitalization efforts, and in 2018 Putnam County received $750,000 for its housing rehabilitation efforts.

Another positive outcome from these meetings was that representatives from the state and national USDA Rural Development offices provided information on additional programs that Palatka was eligible for, including those related to supporting housing and community facilities, businesses and utilities. As a result of having this new information, between 2018 and
early 2021, Palatka and Putnam County applied for and received almost $1,000,000 in funding for business programs, distance learning and telemedicine, community facilities and utilities.

In addition to the funding received by the town and county, in 2020 the USDA awarded Wealth Watchers a $126,000 Housing Preservation Grant to rehabilitate owner-occupied housing in Palatka. Wealth Watchers also received funding from the USDA’s Rural Microentrepreneur Assistance Program to help microenterprises—generally rural sole proprietorships with fewer than 10 employees—in towns like Palatka by starting and growing a Rural Microloan Revolving Fund. In addition to providing capital, Wealth Watchers also provides training and technical assistance to microloan borrowers and microentrepreneurs.

As the above examples illustrate, this convening became the catalyst for change that the town needed.

Beyond this partnership with these key federal partners, the town of Palatka continued to focus on developing its economic and redevelopment strategies. For example, in August of 2015, Putnam County, which includes Palatka, applied for and was selected by the Florida Department of Economic Opportunity to receive funding as a Competitive Florida Partnership community. This funding, and the support that comes with it, helps communities utilize their unique assets to advance their economic development visions through the setting of realistic goals and the restructuring of their local economic development approach and infrastructure. The Competitive Florida Partnership encourages participants to develop a plan flexible enough to be adaptable to the unexpected.

As part of the Competitive Florida Partnership grant, Putnam County initiated a strategic planning process that included creating a SWOT

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**Tailored**

*Competitive Florida Partnership community ... funding, and the support that comes with it, helps communities utilize their unique assets to advance their economic development visions through the setting of realistic goals and the restructuring of their local economic development approach and infrastructure.*
analysis, as well as an asset mapping exercise. Following are a few of the negative and positive takeaways from these analyses:

- Putnam County has a higher share of small businesses than both the state and the nation on average.
- Despite a high quality of life, Putnam County continues to have a steady decrease in population and jobs.
- An above-average number of Putnam residents own their homes; however, because of lower-than-average household incomes, many residents are struggling to meet their housing expenses.
- Natural resources, which include agriculture, represent the most concentrated industry in Putnam County.
- Manufacturing is the third-largest private-sector industry locally.

This process also included community representatives’ touring and documenting Putnam County’s assets. In Palatka, they visited the Historic District, the Municipal Airport, the Ravine Gardens State Park and the St. Johns River Center on the riverfront. The consulting firm that facilitated the process created an economic development plan that included goals, objectives and an implementation timetable. Early advocates for the plan—including the town manager, county administrator, and city and county commissioners—have aligned their activities with the goals and objectives in the plan.

The Wealth Watchers team determined it could best assist local government officials in Palatka with implementing the goals of the plan by focusing on two objectives—housing, and business climates and entrepreneurship—which included the following:

- Conduct an inventory of Palatka’s existing housing stock in underserved areas
- Develop plans to construct infill housing
- Utilize new homes as a marketing tool to recruit businesses and new talents
- Invest in resources and programs that support small businesses

Wealth Watchers began by focusing on the first of these objectives, with a particular focus on existing owner-occupied homes.
The organization held a series of educational workshops for homeowners to educate them about options available to prevent foreclosure and preserve the equity in their homes. Next, it conducted a series of roundtables with other nonprofits and county administrators to learn what current owner-occupied housing rehabilitation programs existed, what were the gaps in services, and what were the unmet owner-occupied housing needs. The overarching consensus from the group was that the cost of rehabilitating homes in Palatka was significantly more than any one agency could commit to funding because of the age and substandard conditions of the homes.

Another challenge voiced by a representative from the Northeast Florida Community Action Agency (NFCAA) was that the agency’s funds were specific to weatherization, which meant that if other repairs were needed, such as to a roof or plumbing, NFCAA could not work with that homeowner because the agency could not pay for those repairs. The final challenge echoed by every representative at the table was the lack of construction companies in Palatka or Putnam County that could do the actual work.

As a result of these conversations, the group agreed that Wealth Watchers would hold housing resource workshops and fairs for homeowners. Representatives from USDA Rural Development, Putnam County and the local community action agency were on hand during the activities to provide information on owner-occupied housing rehabilitation programs. These programs included USDA’s Section 504 program, which provides loans to very-low-income homeowners to repair, improve or modernize their homes,

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**Collaborative**

*Wealth Watchers* conducted a series of roundtables with other nonprofits and county administrators to learn what current owner-occupied housing rehabilitation programs existed, what were the gaps in services, and what were the unmet owner-occupied housing needs. ... As a result of these conversations ... Wealth Watchers [hosted] housing resource workshops and fairs for homeowners. Representatives from USDA Rural Development, Putnam County and the local community action agency were on hand during the activities to provide information on owner-occupied housing rehabilitation programs.
and grants to elderly very-low-income homeowners to abate health and safety hazards in their homes.

These workshops and housing fairs allowed the Wealth Watchers team to build trust with residents and the organizations that serve the Palatka community. This trust and coordination among housing service providers became critical after the landfall of Hurricane Irma in September 2017, which created significant damage to a housing infrastructure that was already weak. Wealth Watchers and its partners were able to assist homeowners with housing-related services during the disaster management and recovery phase of the hurricane in a collaborative manner that maximized limited resources.

In the aftermath of the hurricane, Florida’s Department of Economic Opportunity and HUD launched a rebuilding effort called Rebuild Florida, which provided funding to local communities to support their long-term recovery efforts after the 2017 hurricane season. The Rebuild Florida Housing Repair and Replacement Program launched in September 2018 to assist Florida homeowners and property owners impacted by Hurricane Irma through the repair, reconstruction or replacement of their Irma-damaged homes. Wealth Watchers helped with the rebuilding efforts by bringing together local housing-focused organizations and disaster recovery case management organizations to guide homeowners through applying for housing assistance.

In 2020, Wealth Watchers was approved by the USDA to provide owner-occupied rehabilitation in Palatka through its Section 533 Housing

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**Resilient**

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Preservation Grant program. Wealth Watchers is leveraging this grant to expand its construction training program to ensure the creation of local jobs with living wages, while addressing the need for more local construction tradespeople.

**Next Steps**

The town of Palatka is experiencing a boost to its local economy through reinvestment and the relocation of businesses to the area. This growth can be directly attributed to the time and effort the town’s leaders and their partners have put into not only creating a comprehensive community and economic development plan, but implementing it by identifying and aligning resources that can advance its goals. New businesses are relocating to Palatka, and companies like Georgia-Pacific are expanding and increasing their workforces in the town. Palatka is currently upgrading its infrastructure through funding made available through the USDA Small Cities Community Development Block Grant and the Florida Rural Infrastructure Fund, as well as the Community Development Block Grant Disaster Recovery Program.

Additionally, in September of 2020, the town was awarded a grant from the USDA’s Rural Business Development Grant program to finance a market analysis and business incubator feasibility study that will assess the business climate and identify the needs of entrepreneurs. The intent of the project is to determine the best way to assist and support small and emerging businesses.

Palatka continues to face barriers that will hinder its efforts to become a thriving rural community. It must find funding to address its aged and crumbling infrastructure. Palatka must also determine the best uses for its inventory of vacant and dilapidated commercial buildings and substandard housing. Meanwhile, minority residents continue to be negatively impacted by educational, wealth and health disparities.

Even in the face of these headwinds, however, the town’s strong local leaders are striving to remove the label of “dying city,” and, as outlined above, they are making progress. Businesses are opening and hotels are being constructed and rehabilitated. In January 2020, Mayor Terrill L. Hill was quoted in the Palatka Daily News as saying, “When you look at what’s going on in this new decade, it’s a decade of change. Hope has been restored in this community, and the gem of the St. Johns River has begun to shine again.”
A sign welcoming visitors to Palatka. Photo courtesy of Christian Reis.

The Palatka riverfront. Photo courtesy of Christian Reis
Re-Imagining Manufactured Housing in Rural Communities

STACEY EPPERSON
President and CEO
Next Step Network
In the fall of 1982, I turned 16 years old. That year, I got what I really wanted for my birthday—a pair of Calvin Klein jeans (as modeled by Brooke Shields herself). The world was in the midst of an economic crisis. Ronald Reagan was president, and he spoke to me and the rest of the country as a poised and certain leader in uncertain times. In response to inflation, interest rates skyrocketed. My father, an auctioneer by trade, had just started a new business: a cattle stockyard. We were optimistic about selling our family farm for a new home and business. I was proud of my new home, and excited for our new adventure.

When the recession came to our rural community in the Appalachian region of Kentucky, we could not absorb the escalating interest rates for my father’s new business and our home mortgage. We lost both. I remember trailing behind my father when the lender came calling to take our home.

For that reason, I’ve spent my career with vision toward sustainable homeownership. At Next Step Network, we strive not only to put homeownership within reach of everyone, but to ensure homeowners’ success. These principles guide everything we do: supporting and educating homebuyers, ensuring home quality and finding the best loans that will allow people to build wealth and preserve assets.

A new manufactured home used for infill housing in San Bernardino, California. Credit: Neighborhood Partnerships Housing Services (NPHS).
However, the opportunity for low- and middle-income Americans to achieve affordable, sustainable homeownership is disappearing.

As the current housing crisis deepens, there is an urgent need to rethink how we meet the housing needs of our fellow Americans, particularly within immigrant communities and communities of color. Embracing manufactured housing as a key part of the solution in rural housing development will create pathways to affordable, sustainable homeownership opportunities, and allow for individuals and families to build the wealth and equity needed to break entrenched cycles of poverty.

**Housing Challenges Facing Rural Communities**

Housing affordability is often an issue associated with suburban and urban communities. However, in recent years, rural America has faced an affordability reckoning of its own. The National Low Income Housing Coalition reports that a full-time minimum-wage worker cannot afford a one-bedroom rental home at fair-market rent in almost any U.S. county.\(^1\) Additionally, the Joint Center for Housing Studies of Harvard University estimates that 41% (5 million households) of rural renters are cost-burdened, paying more than 30% of their incomes for housing. Twenty-one percent of rural renters (more than 2 million households) pay more than 50% of their incomes on housing.\(^2\)

Though the rural homeownership rate remains higher than in urban communities, challenges similar to those in both suburban and urban markets also abound for the rural homebuying market: a lack of housing supply and new construction to meet housing demand. Between 1999 and 2008, the average annual production in nonmetro areas totaled 221,000 housing units. In the period 2009 to 2017, average production fell to 68,000 per year.\(^3\) The Wall Street Journal recently highlighted the need for new-home construction in rural and farming communities, where there may be jobs available but almost no available housing stock.\(^4\)

The existing single-family home stock is often in poor condition. The National Rural Housing Coalition estimates that of the 25 million units located in rural and small communities, more than 5% (or 1.5 million) of these homes are considered either moderately or severely substandard.\(^5\) This outlook is even more grim for the existing stock of older manufactured and mobile homes. In
2016, the Innovations in Manufactured Homes (I’M HOME) Network commissioned a study of existing manufactured and mobile homes in Appalachia. The results paint a picture of some of the worst housing stock in America, beyond the needs of conventional repair and rehabilitation:

*Low property values, high energy usage and high vacancy rates among older mobile and manufactured homes are all evidence of the low quality of the oldest mobile and manufactured homes in Central Appalachia and Appalachian Alabama. Many residents of these housing units experience severe financial burdens because they earn low incomes and face relatively high housing costs, with more than 70,000 households paying more than 30% of their income for utilities alone. In many cases, a new, more energy efficient home would offer these households the opportunity for financial stability and, in turn, the opportunity to provide for their children, build wealth for the future and age in place.*

Compounding the economic and supply issues is the trend of disinvesting in rural communities. Both private-sector capital and private philanthropy are much more elusive for rural than for communities, making it difficult for developers, both for-profit and nonprofit, to effectively create more housing supply and choice.

What’s desperately needed is a faster and more cost-effective way to create new, greener housing options for those living in rural America.

**A Housing Solution in Plain Sight**

People living in rural parts of the country are no strangers to manufactured housing. In fact, many folks may have memories of growing up or spending time in older mobile homes.

Homes constructed in a factory serve as the largest source of unsubsidized affordable housing in the U.S. The Housing Assistance Council estimates that there are 6.8 million occupied manufactured homes in the U.S., making up about 6% of the nation’s total housing stock (and a much higher percentage in rural communities).

So why is manufactured housing so often overlooked, or altogether ignored, as a potential scalable solution to address the tremendous housing need?
The answer may be rooted in some of those old memories of time spent in mobile homes, and in the continued existence of these homes, dotting the map from the Mississippi Delta through the Appalachian Mountains.

When most people hear the phrase “manufactured housing,” it paints a picture like the one above sourced by outdated stereotypes and stigmas that have been reinforced by popular culture over decades: old, rusted single-wides placed feet from one another in trash-littered trailer parks.

This image, however, is not reflective of today’s manufactured homes on the market. Advances in building science, construction practices, energy-efficiency standards and design trends have all contributed to units not unlike modern site-built homes. But to understand the origin of the outdated misperceptions, the industry needs some context.

The term “mobile home,” in the context of the manufactured housing of today, is primarily used to refer to units built prior to the enactment of the federal Manufactured Home Construction and Safety Standards, also known as the HUD Code, in 1976. The U.S. Department of Housing and Urban Development (HUD) created this code as a national blueprint for the design, performance and installation of manufactured homes, enforced by HUD’s Office of Manufactured Housing Programs. Pre-HUD Code mobile homes are often cited as some of the worst housing stock in America, characterized by poor construction quality, lack of insulation and crumbling foundations. These units are incredibly energy inefficient and, by most estimates, consume 53% more energy than any other type of housing stock available.

The history of financing for mobile and manufactured homes also fuels negative perceptions. In the past, these homes were financed by personal property, or “chattel,” loans, characterized by higher interest rates and shorter loan terms. According to Home Mortgage Disclosure Act data, 68% of all manufactured home loans (both chattel loans and mortgages) are considered higher-priced mortgage loans, compared to just 3% of site-built home loans.9

These factors, some perceived and others based to some degree in reality, have defined the popular image of manufactured housing for more than half a century.

Fortunately, there have been tremendous advances in the manufactured housing industry conducive to faster, more efficient development
opportunities that address the affordable housing shortage, while also allowing for families to build wealth and equity through homeownership. It’s a housing solution in plain sight, but it will require everyone to adjust their lenses.

**The State of Manufactured Housing Today**

Each year, the manufactured housing industry hosts events in various locales to showcase the newest homes. Whether in a massive event space that rivals an airport hangar in Louisville, or on a casino parking lot bordering the Gulf of Mexico, homes are shipped from manufacturing facilities far and wide and proudly displayed. In recent years, as I’ve walked alongside partners and allies from a diverse range of personal and professional backgrounds at these shows, the response is always the same: amazement.

A subdivision of manufactured, modular and site-built homes outside of Knoxville, Tennessee. Credit: Clayon Homes.

When it comes to the design and construction of today’s factory-built homes, many of the features and aesthetics, both interior and exterior, are nearly indistinguishable from those of a site-built home. Advances in the factory-built housing industry, from both a building-science and financial viewpoint, are making manufactured homes a more appealing solution to address the affordable housing crisis in rural communities and beyond.

Perhaps the starkest example of this shift is the newest manufactured
homes built to the standards that allow them to be financed with new-mortgage loan products from Fannie Mae and Freddie Mac. These homes have strict requirements, including a specified roof pitch, an attached porch, a permanent foundation, and a garage or carport. Still built to the HUD Code, these homes are meant to help support an expanding gap in housing affordability, while retaining high-performance features and aesthetics that fit existing neighborhoods and communities. In addition to the exterior features, these homes have drywall throughout and energy-efficient features—such as high-performance windows, ENERGY STAR®-rated appliances, more-effective insulation, tighter construction and superior climate-control systems. These specs not only help to improve curb appeal and appreciation value, but save homeowners on their monthly payments. In nearly every part of the country, those looking to purchase a home find themselves priced out of the market. However, constructing homes indoors (in a controlled environment) controls costs and makes these homes ultimately more affordable for buyers.

The timing of this new class of housing development coincides with the release of new financing tools for manufactured homes from Fannie Mae and Freddie Mac. The MH Advantage and CHOICEHome programs, respectively, are affordable mortgage initiatives that offer financing for HUD Code-manufactured homes. One of the key benefits for homes constructed to meet MH Advantage or CHOICEHome finance specifications is that the homes can be appraised in comparison to site-built homes in the same neighborhood. This allows for homeowners and families to build wealth through equity in their homes.

Even though these mortgage products are relatively new to the market, there is evidence of manufactured home appreciation, which can greatly help individuals and families build wealth and equity. According to the Federal Housing Finance Agency’s MH index, initial reporting indicates that the prices of manufactured homes purchased by Fannie Mae and Freddie Mac perform similarly to those of site-built properties.¹⁰ Home development using high-performance manufactured homes that are financed with more-traditional mortgage loans isn’t just theoretical; it’s been put into practice.
An example of a Next Step spec home placed in the Edgewood community in Morehead, Kentucky. Credit: Next Step Network.

In 2010, the Kentucky-based nonprofit organization Frontier Housing partnered with Clayton Homes, the largest builder of manufactured homes, and the Ford Foundation to undertake a demonstration of high-quality manufactured homes. The Community of Edgewood, a wholly new subdivision, features a collection of ENERGY STAR®-rated homes. All the homes in the neighborhood are placed on permanent Federal Housing Authority Title II foundations and financed with mortgage loans. Particular attention was paid to creating curb appeal and modern aesthetics identical to those of nearby site-built homes. These homes also include universal design features for improved accessibility, ensuring that homeowners can age in place comfortably. Over time, these homes have appreciated in value and blend into the neighborhood with site-built homes.

Collaborative

*In 2010 ... Frontier Housing partnered with Clayton Homes ... and the Ford Foundation to undertake a demonstration of high-quality manufactured homes. ... Particular attention was paid to creating curb appeal and modern aesthetics identical to those of nearby site-built homes. ... Over time, these homes have appreciated in value and blend into the neighborhood with site-built homes.*
Manufactured housing communities also present a viable option for affordable housing opportunities. Though residents living in these communities don’t own the land on which their homes are placed, innovative community ownership models are on the rise. Cooperative structures (as best illustrated by ROC USA) have created vibrant spaces in which individuals and families have an equitable share in community management and upkeep. Residents are empowered to make decisions that best serve the needs of themselves and the community at large.

To replicate successful models, like the Community of Edgewood, in more rural communities, further strides and partnerships will be needed to leap additional hurdles.

Creating a Path for the Future of Manufactured Homes

The current model for the finance and sale of manufactured homes is ripe for disruption.

Eschewing many of the popular online tools and resources available to those looking to buy a site-built home, the manufactured housing industry is still, in large part, dependent on a very traditional model: Prospective homebuyers visit a retail lot, where they are greeted by a sales representative. The rep takes them on a tour of the available homes on the lot and tries to get a better sense of their preferences and price point. Once walk-throughs are finished, the rep sits with the buyers in an office, where the rep checks the buyers’ credit to determine whether the buyers qualify for a home loan. If the numbers crunch correctly, the rep highlights available lender options (which may include higher-priced chattel loans).

It’s an enclosed process that takes place within an insular industry.

But the process and savings associated with building homes in a factory environment present tremendous opportunity. New players in the housing development space have the potential to serve several market needs, fostering multiple business channels. Individuals with ready access to owned land, or land owned by family, can place a new home faster and more affordably than using traditional site-built construction. There is also a pervasive need to replace older mobile homes with new, highly energy-efficient units. However, there is a lack of available programs that fund mobile home replacement strategies, and any new programs need to provide sufficient
subsidiaries per home to ensure successful replacement. Developers that focus on subdivision building—with a bent toward a streamlined online customer experience—could carve out a wholly untapped market for this housing stock.

A true change in the model would also require more lenders to participate in the market. As the model exists today, the small group of lenders making the majority of loans on these homes has close ties to both the manufacturing and distribution channels. The process is designed to nudge consumers toward a higher-priced home-only (chattel) loan. Expanded lender participation would mean pricing loans more competitively for prospective homebuyers and expanding the option to choose more-traditional mortgage loan products. As gatekeepers to the secondary market, the government-sponsored enterprises, like Fannie Mae and Freddie Mac, also have an important role to play in driving expanded lender participation. Under the eye of their regulator, the Federal Housing Finance Agency, both Fannie Mae and Freddie Mac have made strides with their mortgage loan products for manufactured homes. However, the current loan purchase volume requirements are too small to affect a real shift in the market. There is also a need for more concrete efforts to educate sellers/servicers about these new loan options for manufactured homes, as well as readily available tools (e.g., white papers, case studies) that show demonstrable returns on investment for lenders wanting to grow into the space.

Beyond getting folks into more-affordable homes, we have to make sure that they have the tools, resources and education needed to stay in their homes.

One way to help ensure this is by keeping the cost of homeownership as low as possible, starting with energy and utility bills. Homes built to higher energy-efficiency standards, such as ENERGY STAR®, lower monthly payments for homeowners, helping them better manage their budgets and save for health care, education, and other needs. Updating the woefully outdated construction and efficiency standards for manufactured homes should be a top priority for both incoming HUD policymakers and green housing advocates. The Biden administration inherited a mounting affordable-housing crisis, and now has the opportunity to think outside the box as to how the federal government might help address this issue. Though progress is being
made, the codes that dictate the energy efficiency of manufactured homes are not keeping pace with those governing new, site-built homes.\textsuperscript{12} With more forward-thinking code changes, building high-performance, energy-efficient homes in factories will save homebuyers money and can be part of larger climate change mitigation strategies.

\textbf{Resilient}

\textit{Beyond getting folks into more-affordable homes, we have to make sure that they have the tools, resources and education needed to stay in their homes. One way to help ensure this is by keeping the cost of homeownership as low as possible, starting with energy and utility bills. ... Updating the woefully outdated construction and efficiency standards for manufactured homes should be a top priority for both incoming HUD policymakers and green housing advocates.}

Housing counselors and homebuyer educators are a critical part of the homebuying support system. In a survey conducted by Next Step Network, 74\% of counselors who attended recent training on manufactured housing reported the need for additional training and reported spending fewer than 15 minutes on counseling for this housing option. There is a need to expand their training to help buyers navigate financing and purchase decisions. HUD should work to include manufactured housing in its core housing counseling curricula and national counselor exam; this expanded training can be provided through HUD counseling intermediaries that support the field.

By embracing manufactured housing as a key part of the affordable housing solution, rural communities can not only solve their own housing challenges, but serve as a laboratory for potential changes to the broader housing market that can scale and address the need nationwide. With leadership, focused investment and sound policy, we can build a national housing production strategy that exponentially increases housing supply and encourages healthier and more diverse communities.
References


**Endnotes**

1. See National Low Income Housing Coalition.
2. See Joint Center for Housing Studies of Harvard University.
3. See Rapoza.
4. See Raice.
5. See Rapoza.
6. See Jones et al.
7. See Anarde.
8. See George, pp. 6-10 to 6-13.
10. See Goodman et al.
11. See Resident Owned Communities (ROC) USA.
12. See *Federal Register*. 
Expanding Oklahoma’s Prosperity One Dream at a Time

SCOTT DEWALD
President and CEO
Rural Enterprises of Oklahoma
Growing Businesses, One Pumpkin at a Time

Just inside the shore of Lake Texoma, nestled along a narrow road among rows of blooming pumpkins, lies the fruit of REI Oklahoma’s labor. Platter Flats Pumpkin Patch, located in Calera, Oklahoma, is much more than a pumpkin farm. Featuring an outdoor event space, the rural small business provides the perfect place for birthday parties and private events and, of course, offers a pumpkin patch with a variety of pumpkins and gourds. The veteran- and Native American-owned company hosts outdoor movie nights and Christmas Market at the Farm, and provides several activities such as hayrides, a hay tower, pumpkin bowling and a hay maze. Inside the barn, you’ll find handmade crafts, candles and seasonal merchandise for sale.

Owners Brandi and Guy Burkhalter created Burkhalter Family Farms to provide new and fun activities for the community, while instilling in their children a desire to work hard. Starting from nothing but dirt and weeds, the family planted 20 acres of pumpkins and gourds, and built a custom facility on the property. With training and guidance from REI Oklahoma and its partners, Burkhalter Family Farms is thriving.

There Had to Be a Better Way

In an urban setting, perhaps this success story carries little weight. However, in rural Oklahoma, having overcome the hurdles, obstacles and trials faced by rural entrepreneurs, this small business has reason to celebrate. It creates much-needed jobs. It inspires additional economic growth in the region where the business is located. And most importantly, it helps ensure that rural America continues to thrive. For decades now, supporting small businesses in rural Oklahoma has been no small task; it is a heavy lift. For REI Oklahoma, it means early morning, state-crossing road trips and after-hours business coaching. It means overcoming barriers to technology access and crafting custom solutions to small-town business problems. It means fine-tuning a successful process for nearly 40 years.
So, who is REI Oklahoma, and what is its influence on Oklahoma’s rural economy? As small retail and agriculture-related businesses and industries began to exit rural areas of Oklahoma to urbanize their operations in the early 1980s, it became increasingly difficult for rural entrepreneurs to gain momentum, access funding and seek sound guidance. Fueled by the disappointment and discouragement of rural Oklahomans, the organization took form at that time with an enduring mission to expand economic opportunities for Oklahomans by providing flexible financing and development services to individuals, businesses and entrepreneurs with limited access to resources. It began with the vision of a man who understood the limitations brought on by poverty, a lack of jobs and a lack of opportunities. He understood those obstacles because he witnessed them take place among his family, friends and neighbors as he grew up in rural southern Oklahoma. Honoring those childhood roots, economic influencer and congressman Wes Watkins began garnering support for rural business owners and leveraged his position as an elected lawmaker to establish what is now known as REI Oklahoma.

Originally, the chief complaint from Oklahoma’s rural small-business community stemmed from a lack of funding. When it came to obtaining financing for well-thought-out business concepts, rural entrepreneurs garnered little support from their local financial institutions. At the time REI Oklahoma was being conceptualized, community banks were struggling with increasing federally imposed lending limits and weren’t in a position to assume the risks that were being presented by financing rural small-business startups. Therefore, that became REI Oklahoma’s first problem to solve—finding a way to deliver attainable financing to rural Oklahoma’s entrepreneurs. Since that initial challenge, the organization has continued to identify hurdles and deliver holistic solutions to aid not only the state’s rural business community but urban entrepreneurs as well.

**The Right Programs, at the Right Time, in the Right Place**

Today, the solutions offered by the mission-based nonprofit organization are relevant, yet diversified. Remaining a key offering, business loans ranging from $1,000 to more than $10 million are made available by partnering with private-sector lenders to provide U.S. Small Business Administration (SBA) Section 504 loans to Oklahoma businesses. The types of businesses currently
utilizing SBA 504 funding include health care (16%), manufacturing (12%), auto-related (7%), hotels (6%), convenience stores (5%), entertainment (2%), supermarkets (2%) and other (50%).

Direct lending and equity investments are also made available to small-business owners. The availability of direct loans is a result of 40 years of creating organizational loan pools to finance business opportunities. Maintaining a strong balance sheet has allowed REI Oklahoma to leverage its own resources to fund business ideas. Direct-loan recipients currently include service-related (53%), retail (26%), health care (6%), learning centers (6%), manufacturing (7%) and miscellaneous (2%).

REI’s New Markets Tax Credit (NMTC) program helps attract new investments into Oklahoma by providing investors a tax benefit through a 39% federal income tax credit for investments into a qualified business. This spurs job growth in underserved communities, breathes new life into sometimes long-vacant or underutilized buildings, and paves the way for new residential, retail, office and industrial space. The types of businesses currently utilizing NMTC funding include manufacturing (46%), health care (29%), service-related (12%), real estate (10%) and hospitality (3%). As the state’s leading mission-based lender, REI Oklahoma maintains a pipeline of potential development projects, including those benefiting from New Markets Tax Credits, equity investments, business startup financing and business expansion lending programs.

Funded in part through a cooperative agreement with the SBA, REI Women’s Business Center has reached more than 30,000 entrepreneurs since opening its doors, providing training workshops, business consulting and networking opportunities. Frequently working as a one- or two-person operation, small-business owners find their most valuable resource to be time. This valuable time can quickly become consumed by bookkeeping or marketing tasks that business owners lack knowledge of or simply dislike. While paying for such services may seem like an alternative, doing so can be taxing on the budget, and a business owner in a small town may not have access to subject matter experts such as accountants, tax advisers, social media managers, and the like. In response to this need, the Women’s Business Center provides versatile training for both men and women to foster efficient and effective business practices.
From one corner of the state to the other, the center trains Oklahoma entrepreneurs wanting to explore the opportunities of starting or expanding a business. The center is a place where entrepreneurs gain support, encouragement, strength and answers, and celebrate successes. It offers courses that address the current needs and interests of entrepreneurs, as well as delivers one-on-one business guidance. The Women’s Business Center team collaborates with chambers of commerce, Main Street programs and educational institutions to develop curriculum, co-host events and generate event awareness throughout the state.

**Collaborative**

*The Women’s Business Center team collaborates with chambers of commerce, Main Street programs and educational institutions to develop curriculum, co-host events and generate event awareness throughout the state.*

In response to the lack of access to professional services and resources by small-business owners who struggle with bookkeeping, REI Oklahoma leverages the expertise of its in-house accounting staff to provide hands-on guidance. Business owners cannot make well-informed decisions without well-kept books, which can also create obstacles when accessing financing. The QuickBooks-certified accountants offer assessments of current practices, recommend more-efficient processes and work to correct issues that may exist in a client’s current bookkeeping setup.

REI’s Minority Business Center provides professional business consulting services and technical assistance to Native Americans as well as other minority-owned entrepreneurs to help them manage, sustain and grow their businesses. The Minority Business Center is partially funded by the Minority Business Development Agency’s Business Center program. While government contracts are made available to specifically minority-owned businesses, the process for obtaining these contracts can be overwhelming. The Minority Business Center provides guidance to help businesses earn minority certifications, including 8(a) and HUBZone, through the SBA. It also creates opportunities for minority-owned companies to achieve new growth and pursue government-related contracting opportunities. Assistance is available for all
stages of business from startup through expansion and includes services such as marketing assistance and business plan development.

**Inclusive**

*REI’s Minority Business Center provides professional business consulting services and technical assistance to Native Americans as well as other minority-owned entrepreneurs to help them manage, sustain and grow their businesses... [and] provides guidance to help businesses earn minority certifications... and pursue government-related contracting opportunities.*

Early on, REI Oklahoma recognized the need for commercial business space suitable to accommodate many types of both startups and expanding businesses. As with most of REI Oklahoma’s programming, the commercial space offerings have evolved over time and continue to provide a safe, functional environment for entrepreneurs to put their great ideas into motion. The benefit of operating a business within the REI Oklahoma space lies with the business assistance that is included, which helps occupants reduce the risk of failure during the early stages of the business life cycle, when small enterprises are most susceptible.

Passionate about helping food-related businesses grow and succeed, REI Oklahoma helps jump-start these businesses by providing entrepreneurs with a flexible commercial kitchen space and the necessary equipment and tools at flexible prices. The commercial kitchen at REI Oklahoma strives to foster entrepreneurship, good food and community by providing a supportive environment for new and aspiring food professionals, such as caterers, bakers and personal chefs, and farm-to-market vendors, meal-prep businesses, small-scale food manufacturers/packagers and food truck vendors.

In 1998, REI Oklahoma noticed that a lack of quality housing was preventing businesses in the state from recruiting and retaining employees. To address this need, the organization began providing down payment and closing cost assistance to help working families become proud homeowners. Addressing the state’s need for access to homebuying options has, in turn, helped employers recruit and retain a quality workforce. Increasing
homeownership within the state has given stability to both rural and urban communities, and helps the local community through increased tax revenue. REI Down Payment Assistance gives low- and moderate-income individuals and families in Oklahoma down payment and/or closing cost assistance through partnerships with participating mortgage lenders. Now a NeighborWorks Chartered Member, the program has helped thousands of Oklahoma families achieve the dream of homeownership.

**What Makes It Work?**

REI Oklahoma has focused on successfully cultivating an environment conducive to economic growth and job creation for nearly four decades. So, what makes it work? Mobilizing the passion of the state’s entrepreneurs and coupling it with the organization’s team of highly talented difference-makers ensure no job is too big or too small. REI Oklahoma uses these five goals in a strategic plan as guiding principles and a road map:

- **ACHIEVE** Organizational Excellence. Ensure that the organization’s vision, mission, goals and strategies are supported by a strong, fiscally sound, diverse and economically sustainable operation.

- **BUILD** a Great Team. Recruit and retain an engaged, high-quality and diverse team of professional staff and volunteer leaders.

- **CREATE** Wealth. Support wealth-creating businesses and equity-building homeownership programs through mission-focused financing.

- **DEPLOY** Relevant, Impactful Programs. Provide high-quality programming and deliver exceptional and relevant client value.

- **EXPAND** Strategic Business Alliances. Use strong collaborations to create economic growth and jobs.

Practicing what it preaches to aspiring entrepreneurs, REI Oklahoma maintains a diversified product mix and pays close attention to economic fluctuations, ensuring both that the varying needs of small-business owners are continually met, and that the health and vitality of the organization remain strong. Depending on the current state of the economy and the goals of clients, programs come and go. Just as small businesses often experience, today’s “loss leader” program can quickly become tomorrow’s “cash cow.”
Perhaps this keen focus on delivering a variety of programs has been a chief contributor to REI Oklahoma’s enduring influence. Acknowledging that it can’t support clients if it doesn’t first take care of itself, REI Oklahoma continually seeks qualified, sustainable programming.

**Resilient**

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Operating with a small team of approximately 40 staff, REI Oklahoma finds covering all 77 counties in the state can be challenging. To better saturate the small-business community, and to more effectively gauge the interests of its target audience, the organization maintains an extensive collaboration with statewide community development partners and assists those partners in completing various development projects to create jobs and help their respective communities thrive. A recent example includes participating in the Ada Jobs Foundation’s Entrepreneurial Summit, focused on the uniqueness of building rural entrepreneurial ecosystems. In alignment with REI Oklahoma’s vision to expand the state’s prosperity, these long-standing partnerships and strategic alliances with like-minded economic and community developers within the state are key to infiltrating every rural community in need of support. With momentum from its volunteer board of directors strategically located throughout the state, REI Oklahoma is well-positioned to catalyze these relationships to identify opportunities to support rural communities across Oklahoma.
Investing in California’s San Joaquin Valley Communities

KAYING HANG
Senior Vice President of Programs and Partnerships
Sierra Health Foundation

GIL ALVARADO
Senior Vice President of Finance and Administration, and CFO
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Setting the Stage: The San Joaquin Valley

California's San Joaquin Valley is one of the most culturally diverse and economically important parts of the state. Its eight counties cover an area larger than West Virginia and are home to more than 4 million people and a strong agricultural industry that generates almost $40 billion in crops each year. The rich cultural diversity of the Valley—which includes Latinx, Southeast Asian, African American, Indigenous, refugee, and other racial and ethnic communities—brings vibrant cultural practices, strong family networks, entrepreneurship and vital workplace skills to the regional economy. Furthermore, local community-based organizations are building on the United Farm Workers' legacy of community organizing to “build the capacity of immigrants, people of color and low-income populations to advocate for policies and systems that promote equity.”

Despite these economic and social assets, more than 25% of the population lives in poverty, and more than one in four of the region's children under the age of 18 live in households with incomes below the federal poverty level. When the proportion of children under the age of 6 living in poverty is examined by race, the disparity is stark: While approximately 20% of white children are living under the poverty line, that percentage increases to 30% for Asian and multiracial children, 40% for Latinx children, and 60% for African American children. Economic inequities in the region are compounded by histories of racial and ethnic residential segregation. Over 30% of the population lives in unincorporated areas with little infrastructure to support clean drinking water, sewage treatment and other services, as well as physical resources like sidewalks. Disparities in living conditions and other social determinants of health have contributed to the region's high rates of asthma, obesity, heart disease mortality and homicide, among other health issues. In 2020, high rates of COVID-19 infection, along with some of the most intense forest fires in decades, intensified regional health and economic risks. These risks were heightened particularly among essential workers in the food system and others.
whose outdoor jobs required exposure to fire-related poor air quality.

While the need for investment in the region and its residents is great, historically the per capita support from federal agencies has been less than 75% of the national average. The region’s nonprofits also have fewer resources. According to an analysis of data from the National Center for Charitable Statistics, nonprofits in the Valley are funded at only 50% of the national average.\textsuperscript{8}

**Strategies for Investing in the San Joaquin Valley**

*The Center at Sierra Health Foundation and the San Joaquin Valley Health Fund*

The Center at Sierra Health Foundation (The Center) was incorporated as a 501(c)(3) in 2012 and operates as an independent nonprofit organization supported by the leadership, staff and infrastructure of Sierra Health Foundation. The Center’s mission is to eradicate health and racial inequities and advance racial justice throughout California. Currently, The Center serves as an intermediary or managing partner for more than 20 projects by aggregating and then dispersing funds from multiple sources, including philanthropic organizations, impact investors, and local and state governments.

The Center serves as the managing partner of the San Joaquin Valley Health Fund (SJVHF). SJVHF is a community-driven funder collaborative launched in 2014 in recognition of the historical and often institutionalized inequities, as well as the public and philanthropic underinvestment, across the region. The initial five-year vision for the SJVHF was twofold: (1) to advance health and racial equity in the San Joaquin Valley by investing at least $10 million in community-based organizations that would advocate for policy and systems changes across the region, and (2) to build and support a network of 100 funded community-based partner organizations to deepen their partnerships and build their capacity for policy and systems change. Initial funding for the SJVHF came from Sierra Health Foundation and The California Endowment. By February 2021, the SJVHF had grown to nearly $29 million in contributions from more than 30 philanthropic entities, as well as from individual donors, and with over 160 funded community-based partner organizations included within its regionwide network.

SJVHF is unique among funder collaboratives because it is community-driven, meaning that the community partner organizations, not the contributing funder partners, set the priorities and direction of SJVHF.\textsuperscript{9} As an
example, each year the SJVHF community partners—through the SJVHF policy committee—develop and adopt a policy platform that guides the year’s activities, including SJVHF grant-making, capacity-building and networking activities, and advocacy. Over the last several years, the SJVHF policy platform has been organized around the following community-identified priority areas: immigration, health, housing, education, environmental justice, and land use and planning (IHHEEL). In the annual published SJVHF policy platform, each IHHEEL priority area includes a vision, the data behind the need to pursue the vision and the pathway toward achievement of that vision. The annual SJVHF policy platform is designed to take advantage of opportunities that arise and be aspirational: a reflection of the priorities and commitment of the SJVHF’s community and organizational leaders to advancing health and racial equity and racial justice in the San Joaquin Valley. Undergirding the SJVHF policy platform is acknowledgment of the critical importance of grassroots leadership development, community organizing and power-building to the policy and systems changes needed to achieve inclusive community economic development and other opportunities.

Tailored

SJVHF ... is community-driven, meaning that the community partner organizations, not the contributing funder partners, set the priorities and direction. ... Each year the SJVHF community partners ... develop and adopt a policy platform that guides the year’s activities, including SJVHF grant-making, capacity-building and networking activities, and advocacy.

Beginning in 2019, some of the SJVHF grant-making opportunities have been organized around “clusters,” or themes, drawn from the community-driven policy platform. The cluster concept has been helpful in cultivating funder support for the SJVHF. By offering funders the opportunity to contribute to an issue-based SJVHF cluster, funders have additional assurance that their investments in the SJVHF will further their own foundations’ priorities. From the community partner and SJVHF staff perspective, there are also advantages to organizing SJVHF grant-making around clusters. Since each cluster supports a number of community partner organizations, cohorts of community partners are established with each cluster. SJVHF
Collaborative

Beginning in 2019, some of the SJVHF grant-making opportunities have been organized around “clusters,” or themes, drawn from the community-driven policy platform. ... Cohorts of community partners are established with each cluster. SJVHF staff members facilitate meetings specific to each cohort that allow cohort partners to share successes, challenges and best practices, as well as deepen relationships and establish partnerships.

Examples of current SJVHF clusters are included in the table below. The newest cluster, funded in March 2021, is the SJVHF Wildfire Resiliency Cluster, which will support four organizations representing a $500,000 philanthropic investment.

The 2019 passage of the Safe and Affordable Drinking Water Fund (SB 200) is one of the best examples of how the advocacy work supported by the SJVHF can have a lasting impact on rural communities. Under SB 200, the California legislature allocated up to $130 million per year to help water systems provide an adequate, affordable supply of safe drinking water in the near and long

<table>
<thead>
<tr>
<th>Name of SJVHF Cluster</th>
<th>Number of Funded Community Partner Organizations</th>
<th>Total Philanthropic Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>SJVHF Census Outreach Cluster</td>
<td>48</td>
<td>$3,184,330</td>
</tr>
<tr>
<td>SJVHF COVID-19 Response Cluster</td>
<td>76</td>
<td>$7,488,529</td>
</tr>
<tr>
<td>SJVHF Drinking Water Cluster</td>
<td>3*</td>
<td>$2,227,000</td>
</tr>
<tr>
<td>SJVHF Immigrant Rights and Protection Cluster</td>
<td>16</td>
<td>$1,500,000</td>
</tr>
</tbody>
</table>

* Expected to expand to 16 organizations and 50 individual community leaders.

SOURCE: The Center at Sierra Health Foundation
terms. Over several years, many variables aligned for this bill to pass. However, the work by SJVHF partners—including Leadership Council for Justice & Accountability, Community Water Center, and Self-Help Enterprises—was instrumental in raising awareness of the issue and garnering the political will. Ensuring effective implementation of SB 200\textsuperscript{11} and the Sustainable Groundwater Management Act (SGMA),\textsuperscript{12} and supporting power-building are the cornerstones of the above-referenced, multiyear SJVHF Drinking Water Cluster, which is dedicated to ensuring low-income communities of color in the San Joaquin Valley benefit from and inform the implementation of these laws.

*The San Joaquin Valley Impact Investment Fund*

Despite the fact that the SJVHF raised more than $29 million in grants from over 30 philanthropic partners between 2015 and 2021, philanthropy alone cannot address the socioeconomic and environmental inequities in the San Joaquin Valley. Similar to the historic low level of federal and philanthropic support flowing to the region, today’s impact investment capital, which seeks social and environmental benefits alongside a financial return, trails in the San Joaquin Valley compared to the flow to California’s large metropolitan areas. While there are a number of high-performing community development financial institutions (CDFIs) serving the region, the per capita flow of dollars from even these mission-driven intermediaries has trailed that of larger urban centers (Figure 1). The scale and range of needs call for significant private investment.

**FIGURE 1**

<table>
<thead>
<tr>
<th>CDFI Loan Volume Per Capita 2017 (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CDFI Loans Per Capita (Millions)</strong></td>
</tr>
<tr>
<td>$120</td>
</tr>
<tr>
<td>$100</td>
</tr>
<tr>
<td>$80</td>
</tr>
<tr>
<td>$60</td>
</tr>
<tr>
<td>$40</td>
</tr>
<tr>
<td>$20</td>
</tr>
<tr>
<td>$0</td>
</tr>
</tbody>
</table>

**SOURCE:** Opportunity Finance Network

**NOTES:** *Urban* is an aggregate of counties in California’s three largest MSAs—Bay Area, Los Angeles and San Diego. *CA* is an aggregate of all counties statewide.
In response, The Center created the San Joaquin Valley Impact Investment Fund (SJVIIF) with a goal of harnessing investment capital to sustain and scale the community-based social and environmental initiatives catalyzed by SJVHF’s grant-making and policy work.

The SJVIIF is building on the SJVHF’s vision of strengthening community-based organizations and reinforcing the agenda of community leaders to build inclusive, healthy and sustainable rural and urban economies throughout the region (Figure 2). To ensure broad-based and lasting change, the SJVIIF is implementing a three-pronged strategy:

1. Target investment capital to proven CDFI intermediaries and partners that are advancing healthy communities by investing to increase equitable access to health, housing and education, and to improve environmentally sustainable business and job growth in the region

2. Partner with regional CDFI banks and credit unions to meet the financial services needs of unbanked and underbanked businesses, organizations and households

3. Promote learning about the power of place-based impact investing among all stakeholders through an Impact Investing Learning Network that encourages long-term, inclusive investment in the region

While continuing to raise capital toward its $25 million target, the SJVIIF has also begun to deploy investments in regional organizations serving those most in need. Initial investments in the Self-Help Federal Credit Union and Self-Help Enterprises demonstrate how the SJVIIF is helping to scale mission-driven organizations that are addressing both long-term systemic barriers and emergency needs, including the COVID-19 pandemic and recent forest fires.
**Self-Help Federal Credit Union (SHFCU):** With a mission to create and protect ownership and economic opportunity for all—especially people of color, women, rural residents and low-wealth families and communities—this multistate CDFI credit union is a member-owned financial institution that serves low- to moderate-income businesses and households throughout the San Joaquin Valley. SHFCU’s six full-service branches in the region provide financial education and nonpredatory savings, financial services (including but not limited to mobile banking, bank cards, check-cashing, bill payment, money orders and wire transfers) and loans. Statewide in California, SHFCU
originated 4,208 loans totaling $232 million in 2020. Of this amount, 1,608 loans (38%) totaling $70 million (30%) were in the San Joaquin Valley.

In response to the COVID-19 pandemic, SHFCU was on the forefront of ensuring that Paycheck Protection Program (PPP) loans reached both small businesses and nonprofit organizations. Throughout its multistate footprint, the CDFI made 1,758 PPP loans totaling $183 million in 2020, 66% of which went to nonprofit organizations. Nearly 60% of SHFCU’s PPP loans were extended to businesses or nonprofit organizations led by people of color. With a median loan amount of $21,000, SHFCU was able to maintain 18,895 jobs through its PPP lending. Within the San Joaquin Valley, SHFCU’s 125 PPP loans totaled $7.3 million and preserved 1,059 jobs.

Self-Help Enterprises (SHE): Incorporated in 1965 to serve several counties around Visalia, California, SHE is the most prolific mutual self-help housing organization in the country. Mutual self-help housing engages cohorts of rural low-income families to work together in building single-family homes that the families then own, within communities formed through the building process.

SHE has dramatically expanded its scope of services and footprint over the decades, while maintaining the organization’s commitment to creating opportunities for people to build and sustain healthy homes and communities. The organization’s core activities of affordable housing and infrastructure development require investment capital; they cannot be executed through the limited amounts of capital available through either grant-funding or government subsidies. Accordingly, SJVIIF’s investment in SHE helps the organization to deliver its expanded affordable housing and infrastructure development throughout the San Joaquin Valley through the provision of flexible capital for real estate purchase and predevelopment costs. SHE’s activities include developing both self-help ownership and multifamily rental housing; managing residential properties; providing flexible mortgages to first-time homebuyers; providing technical assistance to homebuyers for self-help and traditional single-family housing (including leadership development activities for community residents); providing infrastructure development for real estate projects and disadvantaged rural communities (including ensuring access to clean water); catalyzing community-based renewable energy and transportation systems; and administering loan programs on behalf of municipalities around the San Joaquin Valley.
Between 1965 and 2020, SHE assisted 6,390 families in the construction of their own homes, developed more than 1,724 units of affordable rental housing that it owns and operates, and provided 32,868 water and sewer systems to families (Table 2).

SHE enhanced its Emergency Services program—created to respond to emergency water needs during California’s extreme drought of 2014-17—to address permanent solutions. The organization was therefore prepared to support low-income residents affected by the COVID-19 pandemic and recent forest fires, and to provide preparation outreach for earthquakes and climate-related disasters. Focused on engaging diverse and vulnerable populations in crisis response, the organization was able to quickly mount pandemic relief, while also remaining prepared for natural disasters such as fire. Together with its local partners, SHE promoted the importance of emergency preparedness and COVID-19 prevention in multilingual outreach, including through the state-funded Listos California campaign, which between August 2019 and December 2020 reached nearly 16 million Californians.

With the igniting of the Creek Fire on Sept. 4, 2020, nearly 380,000 acres burned until full containment was achieved on Dec. 24, 2020. SHE’s initial response was to safeguard staff and water delivery contractors in danger,
while hauling water or conducting inspections in or near active fires. SHE soon learned that temporarily installed resident water tanks were melting as a result of the heat produced by the fires, disrupting safe delivery of water into homes. SHE sought funds to help with fire damage caused to residences with water tanks. The Creek Fire was of particular concern to SHE’s Valley Oaks Apartments, a 24-unit complex located in Oakhurst. SHE’s Resident Services and Emergency Services teams and its property management partner mobilized necessary service providers, connected with volunteers and arrived at the property immediately. Within a few hours, residents had an evacuation plan in place. Years of building solid communication channels and relationships with other nonprofits, community-based organizations, municipalities and counties had established SHE as a trusted partner, enabling an effective emergency response to protect residents.14

**Conclusion: What Coordinated Capital Means for Rural Communities**

Although the San Joaquin Valley is home to several modestly sized cities, most of the region is considered rural, including many communities that are isolated, sparsely populated and poorly supported by infrastructure. In a region with relatively scarce local philanthropy or impact investing (compared to the state’s more densely populated urban areas), place-based intermediaries are needed to recruit capital at a scale to meet local needs. Working in tandem, the SJVHF and SJVIIF serve as vehicles to support local residents in improving their quality of life and economic well-being. The partnership between the SJVHF and SJVIIF brings a shared commitment to health, racial justice and supporting residents in forging long-term solutions to persistent inequities and environmental risks. By combining grants for advocacy to change state and local policies with investments in local businesses, nonprofit organizations and households, the two funds work together to create opportunities in both the rural and urban areas of the region. With resilient community leadership and a growing financial support infrastructure taking shape, local organizations are laying the foundation for inclusive, sustainable economies, while also developing needed protections for residents when emergencies arise.
References


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Endnotes

1 The eight counties are Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare. The San Joaquin Valley Health Fund and San Joaquin Valley Impact Investment Fund regions also include Mariposa County.

2 See Hartzog et al., October 2017.
See Abrams et al.
See Hartzog et al., January 2017.
Ibid.
See Flegal et al.
See Hartzog et al., January 2017.
See Great Valley Center.
See Braff-Guajardo et al.
See The Center at Sierra Health Foundation for the 2021 SJVHF policy platform.
See Office of Governor Gavin Newsom.
See California Department of Water Resources.
See Self-Help Credit Union.
Building Locally Rooted Wealth: Achieving Results by Leveraging Community Assets, Leadership Development and Collaboration

NATHAN OHLE
CEO
Rural Community Assistance Partnership

JOSEPH KAPP
President and Co-Founder
National Center for Resource Development
In too many places across this country, the ZIP code where you were born dictates your ability to thrive. Nowhere does this play out more severely than in America’s rural communities. For decades, rural communities have been the backbone of the United States’ economy. Rural communities provide the raw materials to build the country and the sustenance to feed ourselves, but today, they are falling behind. In fact, 85% of persistent-poverty counties in the United States—those that have experienced high levels of poverty for three or more decades—are rural.

The uneven nature of the economic recoveries in our nation has resulted in vastly different outcomes for individuals and families based merely on where they live. This is in part due to rapid changes in the industrial and employment structure of the economy, the rise of new technologies and the consolidation of the financial sector, each of which has created unique challenges for rural communities.

These challenges necessitate new and novel approaches to address them, especially in rural and tribal areas of the country. In the past, state or local governments have used incentives as a central economic development approach. More than $45 billion is spent annually by states on business incentives. As business incentives provided by states have come under greater scrutiny, research is finding little connection between incentives and economic growth. This approach serves only to widen the disparity among communities. Instead of investing in communities, this approach promotes investing in companies. For rural regions of the country to thrive, we must tailor our approaches and investments to communities and focus on building capacity, better utilizing existing assets, coordinating limited resources, and working collaboratively and inclusively with communities. Collaboration, rather than competition, is vital.

A tailored approach is necessary, one that builds from within. This approach is driven by building upon and understanding local and regional assets, capacity, resources, challenges and opportunities that require community collaboration, and is largely about building regional economies and about
new locally owned businesses’ leveraging those assets and opportunities. We must prioritize small businesses and entrepreneurs, and create the quality of life, talent and infrastructure necessary to drive prosperity regardless of place.

Local and Regional Leadership

The first, and potentially most essential, components of building strong, inclusive rural economies are strategic, confident, collaborative local leadership and local institutions that can develop the innovative approaches required to renew economic prosperity based on the strengths of each rural community. The divergence in the prosperity of place between large and small communities cuts across racial, cultural and demographic lines. This brings a set of leadership challenges to rural communities that requires innovative approaches. The unique nature of rural communities and small towns amplifies the importance of strengthening leadership and organizational infrastructure—demanding integrated planning, policies, infrastructure and investments in a new, locally led, sustainable direction—rather than just funding projects. By building leadership capacity in a community, you create the conditions that allow for economic growth, powered and strengthened by the unique needs and assets of each community. Those local and regional leaders know what makes their community special and therefore what represents its best chance for success.

Without local and regional leadership, communities cannot be proactive and intentional about directing economic development and entrepreneurial activities. Yet too few opportunities exist for leadership training. Community leaders are often unaware of best practices that can help support, advance and accelerate their plans.

This lack of leadership development in rural communities became apparent when a group of rural community leaders formed a new vision for rural prosperity called RuralRISE—a grassroots, locally driven community of leaders focused on creating supportive environments for rural entrepreneurship (often called “entrepreneurial ecosystems”) that brings together hundreds of local and regional leaders in a national network to create and share best practices. Meeting every month via Zoom and annually at in-person gatherings, RuralRISE provides opportunities for leaders focused on supporting entrepreneurship in their communities to share ideas, successes and challenges that can help other communities learn how to drive new industry and business creation.
Leadership capacity is a foundational aspect to creating a tailored, locally led economic development approach that builds capacity and expertise for communities. Leadership capacity can be built locally, regionally or through national networks like RuralRISE, connecting leaders with data, guidance and other tools, along with connections to build effective approaches that can be tailored to your community. There are many publicly available resources for rural community and economic development, but without local and regional leadership to marshal them, there is no one to tap into those resources.

Each community is different, as is every group of local leaders. It is important to tailor the approach based on the leaders in each region. Focus on building not just the leadership capacity of one individual, but that of a cohort of local leaders: building individual leadership, organizational leadership and community leadership. That may mean you are engaging the economic developer, the grocery store manager, the librarian and the small-business owner in one community, while involving the mayor, the head of a farmers market and a community college leader in another. Understand which individuals and organizations are not just critical but have the opportunity to be dynamic based on the needs of the community and the leaders that are willing to step forward. Connections, funding and leaders throughout the region together will set the table for the next steps in a tailored approach to economic development. You cannot just throw funding at a problem without building connections, and you cannot build connections without funding the work to build capacity and beyond. You must take a comprehensive approach to ensure you are building leadership capacity successfully.

Asset-Based Approaches

Once the process of building the leadership capacity of a community and region happens, it is then time to start thinking about the strengths of the region and building an approach that will embed and expand the wealth generated by local economic growth.

This “wealth-creation” approach to community development has communities build wealth from the resources and natural assets that they already possess. Rather than solely focusing on job creation as the primary measure of success, this approach focuses on generating and retaining community wealth, reinvesting that wealth for future productivity and improving quality
of life. As a result, quality-of-life measures, especially for those on the economic margins, are as important as the number of jobs created. These measures can include things like how much individuals are earning and saving, the productivity of the region, and the number of individuals who have undergone leadership training and had their before-and-after retention scores improve. Alternate measures could also include the number of stakeholders involved, whether there are consistent increases in the number of participants engaging in decision-making activities and, more broadly, increases in social media engagement numbers.

Leveraging the assets of each community, whether institutions, infrastructure or culture, leads to an effective, tailored economic development approach that not only builds wealth, but keeps that wealth local. This is exactly what we mean by tailoring your approach. You cannot put together a plan based on the assets of a community that was successful in the state next to you; you have to build upon the assets and opportunities that exist in your region and community. This approach invests in local and regional people, institutions, resources and systems as essential foundations.

**Small-Business Growth**

As communities develop asset-based approaches that are tailored to their regions, many will find that the heart of any rural strategy is a focus on small-business growth. In an era of fragmentation, isolation and divisiveness, it is easy to discount rural communities and the people who live in them, especially the innovation that exists in rural areas. However, innovation is in the DNA of all rural communities—it has to be. Innovation and entrepreneurship are embedded into everything they do. In fact, rural communities often lead the way in creating new businesses to meet local needs. From agricultural advances to Main Street stores, rural communities have always demonstrated an entrepreneurial spirit. Successful rural entrepreneurs have the ability to grow and transform towns and local communities in ways that urban entrepreneurs simply cannot. Once again, it is important to build on the small-business opportunities that exist locally. That could mean that tourism businesses are ripe opportunities, or that textiles or manufacturing businesses have the chance to thrive. It is important to understand that a tailored, community-driven approach to small-business growth is imperative.
What Makes Rural Communities Unique

With a new, tailored approach to economic development, rural areas have significant assets working in their favor. Rural places often have similar attributes, but it is important to recognize that every rural community is unique and has unique assets from which to build. Rural areas offer a pace of life and greater sense of community that many people find desirable. In addition, rural areas and small towns in the U.S. have higher rates of self-employment than their urban and suburban counterparts. The more rural the county, the higher the rate of entrepreneurship. Business generation, small-business growth and innovation are necessary for creating the employment opportunities needed to ensure a bright future for rural areas. The approach taken by each community, however, needs to be unique, and tailored to the assets, capacity and opportunities present locally. By building from the ground up, communities maximize opportunity while building regional resilience. No longer are communities at the mercy of a single employer or one main industry, because there are other businesses in the community to help keep it forging ahead.

**FIGURE 1**

Entrepreneurship per 1,000 Residents

Most people mistakenly believe that startups occur overwhelmingly in metropolitan areas. Yet it is in fact rural counties that have higher rates of self-employed business proprietors.

<table>
<thead>
<tr>
<th>Category</th>
<th>Entrepreneurship Rate (per 1,000 residents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural (pop. less than 2,500, not adjacent to metro area)</td>
<td>234</td>
</tr>
<tr>
<td>Rural (pop. less than 2,500, adjacent to metro area)</td>
<td>177</td>
</tr>
<tr>
<td>Rural (pop. 2,500 to 19,999, not adjacent to metro area)</td>
<td>160</td>
</tr>
<tr>
<td>Rural (pop. 2,500 to 19,999, adjacent to metro area)</td>
<td>140</td>
</tr>
<tr>
<td>Rural (pop. 20,000 or more, not adjacent to metro area)</td>
<td>130</td>
</tr>
<tr>
<td>Rural (pop. 20,000 or more, adjacent to metro area)</td>
<td>121</td>
</tr>
<tr>
<td>Metro (pop. less than 250,000)</td>
<td>126</td>
</tr>
<tr>
<td>Metro (pop. 250,000 to 1 million)</td>
<td>122</td>
</tr>
<tr>
<td>Metro (pop. 1 million or more)</td>
<td>131</td>
</tr>
</tbody>
</table>

*Entrepreneurship is measured here by proprietorship, a tax status indicative of at least one self-employed individual, who may also employ others. One proprietor may own multiple businesses.*

SOURCE: PBS NewsHour analysis of Bureau of Economic Analysis data.
Each rural community needs to take a holistic approach to building and embedding wealth locally. Access to health care and education, infrastructure investments, reliable transportation networks and broadband, safe drinking water, investments in community leadership skills, and funding for child care are all important pieces to this puzzle. The days of providing good health care but no transportation to get there, or safe drinking water but no economic development plan to support it, are over. All of these factors lead to a higher quality of life. These may not be considered aspects of “traditional economic development”; however, communities cannot flourish or prosper if people do not want to live there.

**Collaboration and Connectivity**

Thriving communities are finding benefits by considering assets holistically and looking for growth regionally, especially as technology fosters more interconnectivity among communities than ever before. That interconnectivity has the potential to lift communities together, promoting collaboration instead of competition. Tailoring your approach based on the infrastructure that exists regionally ensures that you will work collaboratively and build opportunities that could not exist in just one community. Most rural areas need to be willing to understand that connectivity is not just about internet access, but the interconnectedness that exists among communities.

For example, at a state level, in 2019 a small group of people from around the state of West Virginia coalesced to identify ways to collaborate on entrepreneurship activities. Guided by the National Center for Resource Development and driven by institutions like the Robert C. Byrd Institute (West Virginia’s Manufacturing Technology Center), West Virginia University, and Eastern West Virginia Community and Technical College (EWVCTC), the group created a statewide entrepreneurship ecosystem community that meets regularly to share information and resources.

While seeking to work with all state agencies, the group began working with the West Virginia secretary of state’s office. Often overlooked as a partner in entrepreneurship and economic development, the secretary of state can be a critical player in new business development since most new businesses must file corporate paperwork and annual reports with that state office. As a result, the agency has its proverbial finger on the most up-to-date
information and data about business formation.

The innovative West Virginia secretary of state was eager to be an integral part of the entrepreneurial ecosystem and help drive business development. The office, in partnership with the West Virginia Department of Commerce, has served as a catalyst in helping bring additional agencies and stakeholders to the table.

At no time was this more important than during the onset of the COVID-19 pandemic, when myriad West Virginia businesses needed to quickly transform their operations to become virtual. Many of these businesses, especially agricultural businesses, did not have the expertise to move to online platforms. The entrepreneurial ecosystem responded quickly by putting together a series of training and webinars to help educate entrepreneurs and businesses on how to migrate to digital platforms.

Over time the group has grown and now also includes representatives from the West Virginia Small Business Development Center and other federal, state and local agencies.

Collaborative

In 2019 a small group of people from around the state of West Virginia coalesced to identify ways to collaborate on entrepreneurship activities. … The group created a statewide entrepreneurship ecosystem community that meets regularly to share information and resources.

Some of the benefits of this group—which have been especially useful during the pandemic—have been:

- faster distribution and awareness of emergency resources for small businesses;
- development of joint and shared training and webinars to ensure there are not redundancies across the region;
- the bringing together of state government agencies with resource providers on a regular basis so they are more familiar with the current and changing needs of small businesses; and
- acceleration of resources to small businesses.
Interconnectivity is about connecting communities through technology and improving accessibility to services and resources. Part of this interconnectivity centers around physical infrastructure. Rural communities with stronger roads, internet access, health care, and other key infrastructure and services attract people, talent and opportunities. COVID-19 has further divided communities. Those with strong internet capabilities were able to move their citizens to online platforms to reduce disruptions in economic activity, education, health care and other services. Those without broadband have fallen further behind and have been hit harder by the devastating economic impacts of the pandemic. Technological change is exponential. Twenty years ago, parents would tell you not to get in a car with a stranger or meet someone on the internet. Today, we literally summon strangers to drive us. As technology evolves, rural communities will have a chance to use its benefits to their advantage. The key is facilitating both physical connections and less-tangible cultural connections, ensuring communities view one another as vital to their shared economic viability.

A New, Tailored Approach

As communities build local leadership, focus on asset-based approaches, build out opportunities for small-business growth, and consider the infrastructure and connectivity needs that build quality of life, a tailored, holistic approach to economic growth develops. It is a lot to consider and might sound overwhelming to communities that are just starting this approach. Communities should start small, then build incrementally. They should understand that they are not in this alone and can build partnerships that will help them build community wealth that will embed opportunities throughout their regions. It is hard work but, when done right, shows incredible results.

For example, EWVCTC, one of West Virginia’s smallest community colleges, took on the leadership role of serving as a community catalyst to help drive the development of new economic opportunities for the agricultural community. Historically, agriculture producers, farmers and growers have largely operated independently, focused primarily on day-to-day agrarian activities without taking advantage of the array of entrepreneurial resources available at the community, region, state and national levels. EWVCTC
partnered with a few farmers who met to identify challenges and what they saw as potential opportunities. As more farmers learned about the meetings and of their value, more agricultural professionals began to attend, expanding the group to include more farmers, producers and potential buyers, along with local, state and federal government agencies, including the West Virginia Department of Agriculture. Thus, the Ag Action Council (AAC) was born.

As the group continued to grow, members began to re-imagine the value of local and regional assets, and how they might reconsider existing markets as opportunities to build out new approaches and adopt an entrepreneurial mindset. The AAC exposed regional farmers and growers to new technologies by holding an agricultural tech summit. It also created a network of regional agricultural stakeholders, working collaboratively to increase knowledge of new and emerging advances in agricultural technology, like the use of drones for surveying crops and livestock, and the use of high-tunnel greenhouses to extend growing seasons.

Another outcome of the AAC is that EWVCTC has been able to hire a director of agriculture to help support the group. This hiring allows for greater ongoing support and project sustainability. The AAC was also instrumental in obtaining additional grant-funding to help with pilot projects and implementation. To create even more lasting benefit, the AAC has worked with local and regional schools to inspire the next generation of farmers and producers by exposing students to the entrepreneurial opportunities and career pathways that exist in agricultural technology.

**Resilient**

*EWVCTC has been able to hire a director of agriculture to help support the [Ag Action Council]. This hiring allows for greater ongoing support and project sustainability. The AAC was also instrumental in obtaining additional grant-funding to help with pilot projects and implementation.*

All of these activities helped to cultivate a culture of collaboration among local, regional and statewide partners, expanded access to coaching and mentoring for farmers and growers, and increased exposure to agricultural
innovations and technology. This led participants to consider other ways to engage the region, including helping connect with diverse markets and new sales opportunities in metropolitan markets, restaurants, schools, county convention and visitors bureaus, and with students.

Finally, another outcome of the AAC has been the identification of a fledgling industry called biochar. Made from carbon-based waste, biochar has many benefits including addressing climate change, reducing waste and generating energy. Biochar can also be used as a soil enhancement to help retain water and increase soil health. After further research, the AAC, with the help of the National Center for Resource Development, established the Eastern Biochar initiative to host events and in-person training to help local farmers learn more about the opportunity. As word has spread of the Eastern Biochar initiative, the number of participants and interested parties has grown significantly. In 2020, the first National Biochar Week was held, bringing together an array of stakeholders to identify markets, share best practices and help continue to develop the biochar sales and manufacturing pipeline. Since the region has a high concentration of chicken farms, this asset-based approach has helped the community re-imagine waste products as value-added business opportunities benefiting the region. It is an example of how rural communities can think creatively about driving economic growth and prosperity. Driven by volunteers, modest grant-funding and free meeting space at the community college, this collaboration shows the benefits of taking an asset-based, tailored approach to rural economic development.

**Tailored**

Another outcome of the AAC has been the identification of a fledgling industry called biochar. Made from carbon-based waste, biochar has many benefits including addressing climate change, reducing waste and generating energy. ... Since the region has a high concentration of chicken farms, this asset-based approach has helped the community re-imagine waste products as value-added business opportunities benefiting the region.
By taking a tailored, community-focused approach that builds leadership capacity, focusing on local and regional assets, intentionally applying funding and thinking regionally, rural communities can lead the charge in developing a new approach to driving economic prosperity. There is no silver bullet, but by engaging a broad set of partners, by supporting those partners through capacity and leadership development, and by building a strategy that fits the particular nuances, culture and assets of a specific community, leaders and entrepreneurs can create new opportunities to build local, long-term wealth and opportunity, regardless of geographic location. In doing so, they also create a more vibrant and robust ecosystem of rural entrepreneurs and innovators, connecting the institutions, infrastructure and culture needed to drive prosperity. Just as rural areas drove economic growth as this country began, they once again have an opportunity to lead and redefine what a successful economic development approach is for communities of all sizes.

References

Endnotes
1 See Weiler et al.
Elevating Black Business Ownership and Community Wealth in Mississippi

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Institutional Racism in Mississippi

For the most part, wealth creation has historically centered on business ownership, homeownership and land ownership. Discriminatory practices in all of these areas removed the opportunity to create wealth from Black people in the United States, especially in the area of business ownership. Even in spite of these discriminatory practices, history shows us how Black residents came together to create communities of Black businesses. For example, Mound Bayou, Mississippi—known as the Jewel of the Delta—was founded by former slaves in 1887. The town was full of thriving Black businesses, civic organizations and a hospital—all of which supported one another. Unfortunately, this progress was frequently shattered by hate and deconstructed by white supremacists who either burned down business districts—e.g., Black Wall Street in Tulsa, Oklahoma—or created intentional obstacles causing those businesses to close. For example, many banks contributed to the growing racial wealth gap by systematically denying Black residents business loans. While plenty of well-intentioned “access to capital” programs meant to address these systemic issues have come and gone—including in Mississippi, the Delta and the South overall—by and large, Black families and communities still struggle to build wealth.

Capital access programs in the South and across this country respond to a crisis that is not new. This crisis is the direct legacy of slavery and its aftermath in Jim Crow laws, segregation and a systemic lack of investment in Black communities. Sadly, this underinvestment has resulted in low-income rural communities in the South suffering profound economic harm and being left behind. Furthermore, old models of generating wealth, particularly in Mississippi and the Delta, have traditionally excluded and exploited lower-income Black residents of the region, be that through predatory rental markets, or through payday lenders and high-interest loans for the poor. The solutions often deployed to change these rural communities can reproduce the same extractive economic development structures, and so it is
no wonder that different outcomes for Black people are often not achieved. Typically, strategies in rural areas have focused on recruiting big-box retailers or manufacturers that in many cases will create numerous jobs paying hourly wages, but that come with inconsistent schedules and that do not provide adequate benefits. At the same time, these large companies may undermine the viability of existing small businesses that are owned by local people. If the big retailer is not profitable enough for the shareholders, then it may be shut down since it is solely driven by capitalism. The homegrown approach of building an ecosystem to support local businesses is a more sustainable strategy.

Enacting systemic change is difficult, especially in the South. It is difficult because each system—be it financial, educational or political—has to be changed since in various ways they work in tandem. Mississippi has often trailed behind the rest of the nation in creating programs leading to increased economic mobility. Its deeply rooted history still hovers, while the new wave of thinkers, innovators and creators pushes against the status quo. Systems change requires providing Black people something many have never had—a way to build wealth, not just individually but with a community. Wealth is not merely having a steady income or more money. It is threaded in the financial stability that only actual ownership can bring: the ability to earn—and maintain those earnings—without having them disproportionately extracted. This strategy embraces the spirit of cooperative economics using a statewide approach whereby individuals and businesses serve a need in their local communities while building a large network focused on the collective.

Black entrepreneurs often face difficulty starting their businesses because they lack existing accumulated wealth, which is necessary for capitalizing a new business or collateralizing a business loan with a bank. The limitation on the ability of Black entrepreneurs to open new businesses because of collateral requirements imposed by financial institutions and wealthy individuals can feel particularly unjust given the history of wealth-building on the backs of Black laborers in Mississippi and the South. To account for these pre-existing wealth disparities and expand capital access for Black entrepreneurs, there should be intentional efforts to establish a new standard for collateral requirements for business loans to ensure individuals who have been discriminated against receive a fair chance to succeed in business.
Unfortunately, even when a Black entrepreneur does have collateral, it is often a home or personal car that is used to collateralize the loan request. If the business then experiences challenges, the borrower is placed into a very extractive position. His or her home or car—which is not associated with the business—can be subject to repossession by the bank, which disrupts the business owner’s entire life.

The idea that most Black entrepreneurs in Mississippi cannot receive the capital they need to pursue business ownership is devastating. To address the challenges outlined above and overcome the shortfalls that exist in traditional approaches to bridging the capital gap for Black communities, Higher Purpose Co. (HPC) is working to rethink capital and how Black entrepreneurs and small-business owners access it.

**Shifting Systems**

Systems theorist Donella Meadows describes a system as “an interconnected set of elements that is coherently organized in a way that achieves something.” To shift a system, three components of that definition must be addressed: the elements (the parts that make up the system), the interconnections (the ways the elements interact), and the purpose (the “something” the system works to achieve). HPC thinks about this framework to advance its work.

Perhaps it is most prudent to start with HPC’s purpose. HPC serves as nonprofit agency focused on economic justice, with a mission to build community wealth among Black Mississippians by supporting the ownership of financial, cultural and political power. HPC’s work is not focused on creating “Black capitalism” and pinning hopes on a couple of Black billionaires who—against all odds—can make this system work for them. These Black billionaires are important to remind us what is possible, but they are still extreme outliers. It is essential to think about how we move not just a couple of highly successful individuals, but entire communities, from poverty to prosperity. HPC is tackling the individualistic wealth creation culture by building “a statewide community of Black entrepreneurs, artists, and farmers who are collectively supporting one another as a new generation of local economy practitioners,” as described by Simon Stumpf, who leads the search and selection process of new Ashoka Fellows in the U.S. HPC advances
Higher Purpose Business Fellowship graduates Jecorrey Miller (left), founder of BAM Fest, and Dorfus Young Sr., co-owner of Young Family Farm, attend the Higher Purpose Funding Network Convening. Photo courtesy of Ivory Cancer, HPC’s director of Branding, Storytelling and Advocacy.

this work by utilizing the pillars of business ownership, narrative change and advocacy, with Black entrepreneurs and capital representing the main elements of the system that HPC works to influence. Our programs are built on these three pillars, including our Funding Network, Business Fellowship and Institute for Black Entrepreneurship.

**Higher Purpose Funding Network**

Despite the abundance of capital in our country and in their communities, many Black entrepreneurs are still denied credit. Because of this, we work to change the way that Black entrepreneurs and capital interact. In Mississippi, there is no centralized effort to help Black business owners shop for the appropriate type of capital necessary to support their businesses. This is why the Higher Purpose Funding Network (HPFN) was created. The HPFN addresses the reactive, siloed and competitive nature of the current financial system by fostering a collaborative and highly tailored alternative. We coordinate with the potential borrowers and financial institutions, so it is easier for individual seekers of business funding to explore and effectively compare multiple options at once.
Application Packaging

HPC assists entrepreneurs with organizing and reviewing all documents related to the funding requests to ensure they are properly prepared, with the goal of accelerating the request for business funding. This includes the application and supporting information such as financial statements, business plans and registration forms.

Capital Matchmaking

The HPFN works with multiple financial institutions to create an integrated suite of capital assistance products, including grants, low-interest loans, guarantees and investment dollars from HPC, Kiva (a nonprofit microfinance company), community development financial institutions, traditional banks and impact investors. HPC’s Funding Network also serves as a resource for financial institutions that have to decline a capital applicant. By referring the applicant to the Funding Network, the financial institution has an opportunity to redirect the applicant to different sources of capital rather than just simply declining the capital request and moving on. Between November 2019 and May 2021, the Funding Network deployed
Higher Purpose Co. Founder and CEO Tim Lampkin (center), COO Shequite Johnson (with arms crossed) and Business Fellowship Coordinator Angela Williams talk with Christopher Lewis, owner of Part-Time Gamers, at the Higher Purpose Business Fellowship pop-up graduation in Clarksdale, Mississippi. Photo courtesy of Trent Calvin Photography, HPC business member.

**Collaborative**

The HPFN works with multiple financial institutions to create an integrated suite of capital assistance products, including grants, low-interest loans, guarantees and investment dollars from HPC, Kiva (a nonprofit microfinance company), community development financial institutions, traditional banks and impact investors.

more than $800,000 to nearly 200 Black entrepreneurs, farmers and artists. Philanthropic funders, many from outside of Mississippi, help local investors see Black business ownership as a missed opportunity, and how simplifying the process of applying for capital and cultivating a pipeline of Black businesses is a tremendous value-add.

**Business Advising**

HPC business advising is very similar to technical assistance. Entrepreneurs often connect with HPC since they have several tasks with
which they need assistance. Our business advising provides no- or low-cost support in the areas of marketing, accounting, legal services, credit repair and mental health counseling. HPC works with trusted consultants who have several years of industry experience to ensure entrepreneurs are being supported to help their businesses grow. For example, Jecorry Miller, founder of the Birthplace of American Music Festival (BAM Fest), graduated from the Higher Purpose Business Fellowship in 2019. In addition to helping Miller access more than $6,000 of business funding—including a mixture of grants and a Kiva loan—HPC hired a local Black-owned marketing agency to partner with our director of Branding, Storytelling and Advocacy to support the brand development of the festival and the creation of a customized website.

**Higher Purpose Business Fellowship**

In addition to facing barriers to accessing the right type of capital at the right time, many current or aspiring Black business owners struggle with how to effectively start and grow their businesses. Through our work, we have found that existing entrepreneur and small-business resources do not
adequately support the specific needs of Black business owners. As a result, HPC launched the Higher Purpose Business Fellowship (HPBF), the first business fellowship program in Mississippi specifically targeted to the needs of Black businesses. The HPBF is a six-month program anchored by HPC’s culturally relevant curriculum, business growth support and access to the HPFN. The HPBF focuses on businesses in the food, health, education, and arts and culture industries. The HPBF gives Black entrepreneurs in Mississippi the opportunity to learn the ins and outs of entrepreneurship by getting the tools and resources they need to expand their businesses.

One component of the HPBF is a series of immersion trips—in-person trips to various places such as Jackson, Mississippi, and Selma and Montgomery, Alabama—for program fellows. The purpose of the immersion trips is to provide the opportunity for aspiring or current Black entrepreneurs to engage with other local business owners.

In addition to receiving business support, fellows have the opportunity to pitch their businesses in front of a large audience with a chance to win $2,500. One recent participant in the HPBF was Kay’s Kute Fruit, owned by Jason and Kenesha Lewis. Kay’s Kute Fruit completed HPC’s Business Fellowship program during the 2020 pandemic and then went on to win the pitch competition. HPC also worked with the owners to obtain a $40,000 business loan from HPFN partner Communities Unlimited. Since it received the loan, Kay’s Kute Fruit has purchased a vacant building and has opened its first location in the heart of downtown Greenville, Mississippi.

Higher Purpose Institute for Black Entrepreneurship

Beyond helping individual Black business owners, HPC is dedicated to changing the narrative about what is possible for Black people in the South.

### Tailored

*Through our work, we have found that existing entrepreneur and small-business resources do not adequately support the specific needs of Black business owners. As a result, HPC launched the Higher Purpose Business Fellowship (HPBF), the first business fellowship program in Mississippi specifically targeted to the needs of Black businesses.*
To that end, HPC launched the Institute for Black Entrepreneurship (the Institute) to mobilize Black communities to realize and exercise their collective power by focusing on entrepreneur education, narrative change and advocacy.

The annual #MoneyPurposeSuccess Women’s Entrepreneurship Summit was launched in 2016 with the support of the Federal Reserve Bank of St. Louis. Black women entrepreneurs from across the country have attended this summit. Speakers and facilitators provided tangible tools and resources to help attendees grow personally and in their businesses. The summit is an example of one way that HPC has delivered on the institute’s education goals.

HPC also launched Higher Purpose Films to elevate our narrative-change strategy, which has partnered with three filmmakers to highlight thought-provoking content focused on topics deeply connected to Mississippi.

The training, town halls and community wealth chats that HPC offers its members advance the organization’s advocacy goals and have been leveraged to discuss civic engagement, policy and systemic solutions for creating equitable opportunities for Black residents in Mississippi.
Inclusive

Beyond helping individual Black business owners, HPC is dedicated to changing the narrative about what is possible for Black people in the South. To that end, HPC launched the Institute for Black Entrepreneurship to mobilize Black communities to realize and exercise their collective power.

Conclusion

HPC is working to change the system for how Black entrepreneurs connect to capital and how wealth is created for Black communities. The Higher Purpose Funding Network, Business Fellowship and Institute for Black Entrepreneurship each help us pursue this aim. In communities far and wide, capital access and business support for Black entrepreneurs must be reimagined with a radical approach and cannot just be the latest social justice trend. Creating new patterns in community and economic development for Black entrepreneurs requires deep, long-term commitment that understands that true change happens over time.

References


Endnotes

1 See Meadows.

2 See Higher Purpose Co.
Meeting Leaders Where They Are: Lessons from the Rural Community Leadership Program

HEIDI KHOKHAR
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Rural Development Initiatives
Introduction

Economic and community vitality in rural communities is a long game that requires resiliency, tenacity and innovation. During the last half-century, rural areas have been bombarded with crisis after crisis, including regulatory changes to resource-based economies, wildfires and other natural disasters, the Great Recession and the coronavirus pandemic. And in comparison to more populous areas, rural places are generally harder hit and take longer to recover, and rural people and communities often find themselves left behind once urban areas have bounced back. The events of 2020 (the pandemic, natural disasters and social unrest) have amplified the need for attention to rural community and economic recovery.

Rural areas encompass about 19% of the U.S. population, and nearly 97% of our nation’s landmass. The long trend of urbanization has extracted human, social, natural, financial, political, cultural and intellectual capitals from rural communities. People in rural places face complex social, economic and environmental challenges but do so in geographic isolation; with limited financial, political and economic resources; with fewer people to do the work; with rarer models designed to fit their situations; and with more-confusing or less-trusted information sources.

Leadership and power are defined differently in rural places. The traditional definition of a leader is unhelpful, particularly in a rural community context. “White knights” riding in from outside the community, and other people and programs claiming “silver bullet” solutions, have often left rural communities trying to rebuild and adapt to new economic realities worse off than before. However, the presence of strong, locally invested rural leadership might be the difference between why some communities thrive and others struggle.

Rural leadership is less about power and privilege and more about who steps up to move things along when there is a community need. Community needs demand attention, and rural leaders take on multiple leadership roles
and find themselves involved in project after project to keep the community working. Rural leaders are likely unpaid volunteers. They are stretched thin and most often do their community work outside of their formal jobs.

The Rural Community Leadership Program: A Case Study

The sharp declines in economic opportunity and subsequent drains of human, intellectual and financial resources in the rural Pacific Northwest during the late 1980s and 1990s created the need for rural people and communities to step up and act to try to outpace the multiple declines they were facing. The situation created a high demand for locally invested people willing to take the lead in recovery efforts. Rural Development Initiatives (RDI), a regional rural development hub organization active in facilitating federally funded rural economic recovery plans, saw the need and quickly responded by adding a state-funded leadership development program to its services. At the time, other rural-serving organizations throughout the country were also centering rural recovery work around leadership development.

In 2002, after federal and state resources had all but dried up, the Ford Institute for Community Building (the Institute), an initiative of The Ford Family Foundation (TFFF) of Roseburg, Oregon, stepped into the sphere of rural community development funding in an unprecedented way. It married its rurally focused philanthropic resources with RDI’s leadership and economic development activity in the region. TFFF also collaborated with several other organizations experienced in rural leadership development—the Heartland Center for Leadership Development in Nebraska, the Brushy Fork Leadership Institute housed at Berea College in Kentucky, and the Nonprofit Association of Oregon.

What resulted was what the Institute’s director, Tom Gallagher, called a “grand experiment.” RDI and the Institute outlined an audacious plan to deliver five years of leadership development, organizational development and capacity building in each of 88 community hubs, which would serve every rural community in Oregon and Siskiyou County, California, over a 14-year period. These delivery hubs, defined as regions with shared economic assets, typically at a county level, allowed RDI to maximize the number of community members trained with limited resources, and promoted networking in the region. The program’s curriculum matched
RDI’s community-driven approach, which is based on The Luke Center for Catalytic Leadership model, the findings from the Heartland Center’s “20 Clues to Rural Community Survival” research, and the Brushy Fork Leadership Institute’s program, which is based on a theory of change known as the Tupelo Model.

The program, which continues beyond its 14-year TFFF-funded commitment, is grounded in the beliefs that (1) leadership can be an intentional and learned skill, (2) locally led action is more sustainable and resilient than externally led action, and (3) anyone anywhere can grow into a leader. This Rural Community Leadership Program (RCLP, formerly known as the Ford Institute Leadership Program) has evolved every year since its first delivery in the fall of 2002. What has remained consistent is the emphasis on defining leadership in ways that afford opportunity for all to be involved, and the focus on skills and experiences that strengthen individual capacity to work with others to improve their communities. RDI’s outreach practices aim to recruit the diversity in the community with a special emphasis on different political affiliations, people of color, youth and other underrepresented groups. Specific activities include mobilizing diverse local teams of key connectors as recruiters and focusing intentionally on diverse communication channels.

**Inclusive**

*RDI’s outreach practices aim to recruit the diversity in the community with a special emphasis on different political affiliations, people of color, youth and other underrepresented groups. Specific activities include mobilizing diverse local teams of key connectors as recruiters and focusing intentionally on diverse communication channels. ... [RDI also] delivers programs in the Spanish language.*

The purpose of the RCLP is to build and sustain a critical mass of skilled, active and connected resident leaders to support locally driven community- and economy-building initiatives, develop community-specific solutions and sustain the leadership needed for the long haul. The program aims to provide skill building training to 100 or more community residents while connecting them to one another and to their communities in ways that promote small successes and ultimately result in social, economic and environmental
vitality. The five years of the TFFF-funded program, delivered in each community, included three separate yearlong leadership development trainings, one training series dedicated to the effectiveness of local nonprofit organizations, and one training series focused on building community-centered collaboration skills across sectors and interests.

Throughout the leadership development experience, RDI weaves in best practices from the field of rural community and economic development, and the values of diversity, equity and inclusion—all centered on community. Topics of the current RCLP curriculum include:

- Community-based leadership and the value of connections and social capital
- Asset- and values-driven community-building models
- Understanding rural diversity and working across differences: personalities, generations and cultures
- Working in groups, effective meetings, inclusion and basic facilitation
- Communication, giving presentations, and framing and advocating issues
- Group decision-making and project prioritization tools
- Project impact analysis, and involving stakeholders and volunteers
- Project planning, implementation structures and fund development basics
- Managing conflict and change
- Celebrating success and building momentum

**Tailored**

*RDI tailors its leadership development experiences to the communities it serves ... *and* trains teams of local champions in each regional hub to help adapt the curriculum to their communities’ unique needs.*

RDI delivers the RCLP in an interactive, experiential and facilitative style rather than as classroom lectures. Classes draw on the knowledge and skills of those in the room, augmented by short lessons, activities and a relatively small community project that creates the opportunity for a sustained and deep learning experience. RDI tailors its leadership development
experiences to the communities it serves and delivers programs in the Spanish language, for all-youth audiences and in virtual formats, which stretch the potential reach of the program outside of the Pacific Northwest.

The RCLP is community driven. RDI trains teams of local champions in each regional hub—called Community Ambassadors—to help adapt the curriculum to their communities’ unique needs, recruit and train participants, and obtain local funding support. Local partner organizations maintain and further cultivate the relationships built through the program, fund the class projects and foster leadership development in their regions and communities. Having local champion teams and partners decreases the financial burden of the program and builds local program sustainability. RDI plays a hands-on role during the first three years of leadership development in each region as it builds toward the 60 to 100 leaders that constitute critical mass. It then supports local teams to sustain their leadership development efforts by providing licensing, evaluation, coaching and peer learning opportunities. In La Pine, Oregon, for example, the team of local leaders trained and connected through RDI’s program subsequently turned to economic action planning, championing local events to promote community pride and increase downtown foot traffic, and took general ideas about economic development and translated those concepts into concrete, actionable projects. Over time, this group of leaders has been instrumental in the transformation of the La Pine community.

Over the organization’s 29-year life span, RDI has facilitated approximately 450 leadership classes, resulting in more than 10,000 regional graduates and 600 trained Community Ambassadors. To reach all 88 of the TFFF-supported hubs, RDI and the Institute added eight new communities every year into the five-year delivery pipeline. At the height of the project, RDI was delivering 24 classes per year. RDI also provides consultation and trainer

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**Resilient**

*RDI trains teams of local champions ... to recruit and train participants, and obtain local funding support. ... Having local champion teams and partners decreases the financial burden of the program and builds local program sustainability.*
qualification services to organizations and community groups to support the development of customized and scaled leadership programs in other regions.

Designed for a diverse mix of community members, a typical class consists of 25 to 35 individuals of different ages, interests and experience. The RCLP brings together emerging leaders and youth with existing community leaders who act as mentors and community connectors. In the TFFF-funded program, 18% of participants were teenagers and 16% were retired. Women outnumbered men in the classes, about two to one. Over 30% of participants held formal leadership positions—such as county commissioner, city councilor or organization director—but most were emerging or potential leaders. Connections and collaborations formed regionally rather than at a community level, and the sessions included modules to address increasing awareness of other groups, and to facilitate ways that groups with similar goals could collaborate to share resources, resulting in more-robust funding requests and more-sustainable programs.

Collaborative

Connections and collaborations formed regionally rather than at a community level, and the sessions included modules to address increasing awareness of other groups, and to facilitate ways that groups with similar goals could collaborate to share resources, resulting in more-robust funding requests and more-sustainable programs.

This broad base of community leaders is making a difference by developing projects and programs that increase the vitality of their communities, and by passing along their acquired leadership skills both formally and informally. They also often move into formal leadership positions that strengthen organizations and elected bodies, and give them a platform to initiate collaborative efforts. In Cornelius, Oregon, for example, RDI partnered with an existing cultural nonprofit, Centro Cultural, to include emerging Latinx leaders in community cohorts and the Community Ambassador training. These leaders subsequently strengthened and sustained both RDI’s efforts and Centro Cultural’s programs.

Community leaders also stave off extraordinary outside threats. In 2010, John Day River Territory leaders pushed back an Aryan Nations group threatening to set up headquarters in the eastern Oregon region, and in 2017
a network of rural leaders moved into action to support their neighbors as the Eagle Creek wildfire threatened the community of Cascade Locks in the Columbia River Gorge. In 2016, an armed militia group from Nevada took over the Malheur National Wildlife Refuge in a remote county in southeast Oregon. Seventy-nine Harney County leadership graduates and the established collaborative culture were integral to the peaceful resolution of that situation. The community response was a direct result of the critical mass of networked leaders, strengthened during RDI’s program, and the formation of the High Desert Partnership, an organization formed to promote collaborative approaches to complex community issues. In short, Harney County residents had built a foundation of trust, collaboration and communication that served them well during a community crisis. Today, Harney County’s leaders have returned their focus to rebuilding their downtowns, supporting local entrepreneurs and strengthening connections among the communities, the Burns Paiute Tribe and the agencies that manage 75% of their federally owned land.

When graduates were asked, most described participation in the program as a “life-changing experience.” They also reported being more optimistic about their communities’ future and more willing to step up as leaders. A formal evaluation found graduates gained significantly in leadership knowledge and skill, and that their gains did not diminish over time.6

- Participant volunteerism nearly tripled
- 92% indicated working more effectively in teams
- 90% expanded their network and resources
- 89% increased their knowledge and appreciation of their community assets
- 85% reported the training helped them create a better future for their communities
- 82% said the program increased the number of community leaders in their towns

Lessons from the Field of Rural Leadership Development

RDI is currently directing the RuraLead Learning Initiative with a collaborative of rural leadership development partners from across the country. RuraLead is a national learning initiative that aims to improve place- and
people-based approaches and increase investment and support for rural leadership development. The RuraLead practitioner inventory, designed to map the field, has collected nearly 400 unique efforts from across the country.

Rural leadership development practitioners are actively developing and delivering rural models that center community equity and values into their work, concepts that include impacting all populations and diversities, understanding neighbors better and learning what skills and systems change is needed to make a sustainable difference.

Approaches that incorporate equity principles can make a change at the community level but must be tailored to rural culture and values. Ultimately, rural leadership can serve to create bridges of understanding where there are seemingly unsurmountable cultural and political divides. RDI has observed a significant increase in program participants’ bravely wading into group discussions around civil discourse and justice, diversity, equity and inclusion. In one region, the cohort coalesced around a class project to provide tools to local small businesses to be more welcoming to culturally diverse people in their retail stores.

Rural leadership programs face challenges in staffing and capacity, and in overcoming the burdens of travel and the isolation inherent in rural places. However, by far the biggest challenge reported by rural leadership developers is funding for the efforts and support to keep the organizations who do the work in existence. RuraLead participants reported funding from many sources, including foundations (59%), government agencies (45%), private donations (45%), fees and tuition (33%), and fundraising events (29%).

Conclusions

If rural communities are to achieve their vision of community vitality, leadership development is foundational to that effort, and government programs and philanthropic organizations need to acknowledge and increase funding to leadership programs. It is important to understand that foundation giving and other public and private financial resources allocated to rural areas in the United States are disproportionately low. In addition, existing funding practices do not work as well in rural places. Rural organizations have minimal staff capacity to write complicated grants and track required outcomes. They struggle to accumulate matching funds and to compete when there are short turnaround times or population-based measures of success.
RDI has learned countless lessons in its experiences in rural leadership development, but a few stand out in its potential to help rural places thrive. First, regardless of unproductive stereotypes, rural people are neither culturally nor politically homogeneous. Helping rural communities identify, embrace and build from the strength of their diversity is important to the internal and external working relationships of communities. There is creative tension between the inherent rural values of neighborliness and community, and their rugged individualism. Rural community leaders can feel that tension and are stepping up to lead creatively designed solutions to help support their communities’ capacity to work better across their differences and with more inclusivity.

Rural development hub organizations such as RDI play an essential role in bringing in outside ideas and resources, and creating networks of rural leaders to share information across communities and give voice to rural needs. RDI’s original mission focused on economic recovery, but over time, the organization has evolved to use a three-pronged approach—which includes economy-building, leadership development and public policy—to increase rural community vitality.

Rural community leaders need approaches that address their issues and are designed with their rural culture and scale in mind. All too often, under-resourced communities are forced by funders to continually innovate their own solutions, or retrofit an urban-based model, because there are not enough programs designed specifically for rural places. When one rural community successfully adapts and implements a strategy, its experience provides invaluable clues to others, but only if there is a mechanism through which to share that information. Rural development hub organizations not only bring in models but serve a networking function, and can aggregate the needs of multiple communities to create more-compelling funding opportunities and policy ideas.

Evidence of good rural leadership shows up in countless small ways, with innumerable small and important successes, but it takes a very long time to prove that developing skills, strengthening networks and increasing local involvement are vital components to rebuilding community vitality. It helps to have partners that invest resources in evaluation, and to measure short-term outcomes using what RDI considers the foundational capitals—social,
intellectual and human—from the “Community Capitals” framework. It is also important to couple leadership development programs, from the beginning, with community planning and action-oriented approaches that build momentum from the learning. Strategies are needed to support the leaders to take on larger, more impactful community initiatives beyond the initial leadership development investment.

It has never been an option for RDI to do economic recovery work without simultaneously developing the skills and capacities of local people to lead and sustain the work. The mission to revitalize rural places is too big, and each community is in a unique situation. RDI knew from the beginning of the 14-year project with TFFF that the partnership and the opportunity to do sustained and well-funded work to help rural places were incredibly rare gifts to the organization and to rural communities in the Pacific Northwest. When asked “What would you do if you could do just one thing?” RDI staff and board responded, “Develop rural leaders!” It is not enough, but it provides the foundation for every other rural strategy.

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Endnotes

1 See Rural Development Initiatives.
3 See Heartland Center for Leadership Development.
4 See Berea College, “The Brushy Fork Community Leadership Curriculum.”
5 See Berea College, “The Tupelo Model of Community Development.”
6 See Sektnan et al.
7 See RuraLead Learning Initiative.
8 See Flora et al.
Section 4

Charting a Course to the Future with Rural Communities
Geographic Equity Belongs in Federal Policymaking

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Introduction

From the nation’s founding and westward expansion, through eras of urbanization and suburbanization, federal policy has incentivized people to move. It has pushed and pulled us around America with offers of land, education, wealth and comfort. Scholarship on community and economic development has shown this, with clear evidence linking specific policies to settlement patterns. Waves of migration have been explained as the intentional, and unintentional, consequences of public programs. Policymakers in pursuit of a more just, free and perfect union need to know if their decisions are driving prosperity in some regions while leaving others behind. Simply put, geographic equity belongs in federal policymaking.

Investing in Rural Prosperity is intended to shed light on forces that have shaped America’s rural communities and to offer suggestions on how the most persistently poor rural areas can share in the nation’s prosperity. Contributors argue that a healthy rural economy is vital to a healthy national economy. This chapter focuses on federal housing policy to illustrate how the intended and unintended impacts of federal programs have widened the inequities between regions of the U.S. and have led to a separate and unequal geography.

Before we dive into the discussion of federal housing policy, four points about rural America are worth raising. First, the focus here is on rural places of persistent poverty. Wealthy rural places also face challenges posed by federal policy but have other assets that amply compensate. Meanwhile, places of persistent poverty lack the political, social and financial capital to mitigate external influences. More than 80% of the nation’s most persistently poor places are in rural America.

Second, poverty anywhere is tragic, but compared to those living in pockets of poverty within affluent regions, people living in rural regions of persistent poverty have the least access to health care, healthy and affordable food, safe and affordable housing, banking and financial services, broadband, adequate emergency and protective services, and public transportation
systems, to name just a few. A set of challenges this wide helps explain how over 20% of the people in these places have had to endure life below the poverty line for more than 30 years.

Third, persistent rural poverty is inextricably linked to systemic racism, xenophobia, enslavement and subjugation. It is clearly represented in the rural Southeast, among the least upwardly mobile places in the developed world.¹ The systems of oppression and anti-immigrant policies impacting Hispanic people are at their most virulent in migrant labor and farmworker communities and along the Southern border in the unincorporated settlements known as colonias. And the displacement, exclusion and segregation of Native peoples on tribal lands have created an economic landscape bereft of financial services, quality housing and jobs. The effort to achieve geographic equity in federal policy is firmly rooted in the effort to right historic wrongs and drive a more equitable future for rural Blacks, Indigenous peoples and other people of color.

Fourth, this chapter should be read as a plea to all those with influence over federal programs to scrutinize their work for disparate and inequitable impacts across geography. Governing is an inexact science that requires us all to be intentional and aware that policy designed for one place or population will almost certainly impact others. If you are working to alleviate poverty or generate prosperity, map the location of program beneficiaries and layer it with a map of persistent poverty counties. If program benefits do not reach the poorest places, you may be inadvertently contributing to our inequitable system. The goal is not to change every federal program so that every American gets exactly the same benefits. Instead, the goal is to identify and mitigate unintended negative impacts on people living in persistently poor places.

Lessons Learned from America’s Least Rural Places

Federal programs for community and economic development have rarely been designed with rural markets in mind. Federal programs designed to work perfectly in St. Francis, Arkansas, but require San Francisco, California, to bend over backward for a marginal benefit, for example, are few and far between. In part, this systemic bias is driven by persistent myths that poverty is centered in cities, and that major metropolitan areas
do not receive their fair share of federal spending. Small towns are neither uniformly wealthy nor oversubsidized. As with many myths, there is ample evidence to the contrary. A meager 14% of persistent poverty counties are urban, while 86% are rural. And federal data show spending on “community resources” was $593 (64%) more per person in urban places than in rural places.³

By many accounts, 1970s’ New York City was fighting a wave of disorder and decline, with a fading value to the nation’s economy and default on its debts looming. The city asked for a federal bailout, but President Gerald Ford promised to veto any such help. The front page of the Daily News famously read: “FORD TO CITY: DROP DEAD.”

The nation’s largest city was not alone. In the four decades following World War II, large cities across the country were nearing bankruptcy.⁴ Scholars of the modern American landscape make a compelling case that urban poverty and wealthy suburbs were the direct result of federal policy. Researchers analyzing disparities in opportunity across geography often come back to the following to prove this point:

- The 1949 Housing Act established a sweeping policy of urban renewal to replace “slums” with modern housing that concentrated Black poverty and substituted social cohesion in neighborhoods with the “monotony, sterility, and vulgarity” of modernist urban structure.⁵
- The Federal-Aid Highway Act of 1956 refocused federal infrastructure spending on a new interstate highway system, with the promise of whisking families to greener fields, away from urban grime and gridlock.⁶
- The GI Bill and the Federal Housing Administration’s 30-year mortgage helped a generation to own homes, with built-in preferences for newly built, single-family housing on the urban fringe.⁷

What gives me hope is that several generations of policymakers learned this lesson and responded with a full sweep of programs and policies to reverse the disparate impacts of federal policy on the urban poor and mitigate the economic and ecological damage of suburban sprawl.⁸ A similar push can and must be made to address the plight of persistently poor rural places, reduce geographic inequality and pursue a more perfect union.
Housing Policy in Rural America

Rural America comprises approximately 20% of the U.S. population and covers more than 90% of the U.S. landmass. Defining rural is a never-ending quest. Most research and federal policies have been reduced to using nonmetropolitan as a proxy. It is the leftovers outside sprawling metropolitan areas. This is also made more complicated by the constant ebb and flow of the population over time. The federal Office of Management and Budget must change the areas labeled urban or rural following each decennial census. Most recently, the 2010 census was used to reclassify 113 of the fastest-growing rural counties as urban counties, as of Oct. 1, 2013, thus moving the identity of 4.8 million Americans overnight. Meanwhile, 36 shrinking metropolitan counties were declared rural.

The impact of reclassification on the definition of rural makes it important to maintain a focus on places of persistent poverty. Reclassification replaces areas experiencing growth with those that are declining. It locks “economic malaise and population decline” into the definition of rural. Actual population loss was seen in the rural Midwest, central Appalachia, the South, and the Midwestern and Northeastern Rust Belt. This is driven mainly by an out-migration of young adults. Immigrant in-migration has offset a portion of the loss, but not enough to sustain total population growth or overall economic viability. Meanwhile, the places removed from the rural classification since the 1950 census have grown exponentially and are now home to more people than all other urban places combined.

Looking at housing conditions in rural places can provide a window into the overall rural condition and the disparate impact of federal policy on small towns. Rural communities are often plagued by an aging housing stock that is often unaffordable due to deeply depressed wages, a prevalence of substandard and overcrowded housing conditions, and a lack of access to mortgage capital. Forty percent of renters in places with populations under 10,000 pay more than 30% of their income for housing. This chapter will consider three major components of federal housing policy: tax incentives, financial services and housing programs at the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA).
Federal Tax Code Incentives

Taxes influence behavior. Tax gasoline, and people drive fewer vehicle miles.\(^{13}\) Give tax credits for earning income, and unemployed people join the work force.\(^{14}\) It is a simple principle with profound power. In housing, the federal tax code impacts market conditions and individual outcomes as much as, if not more than, the system of federal affordable housing programs. Two of the most impactful market interventions in housing tax law are the mortgage interest deduction (MID) and the low-income housing tax credit (LIHTC).

The combined cost of federal housing programs at HUD and USDA hovers between $30 billion and $40 billion annually.\(^ {15}\) Meanwhile, the MID costs more than $60 billion annually, and it went as high as $98.7 billion in 2011.\(^ {16}\) Unfortunately for persistently poor rural counties, nearly all of this subsidy has gone to wealthy homeowners in high-cost suburban and urban areas. In nearly every rural persistent poverty county, and 45% of all rural counties, nine out of 10 homeowners do not bother to take the MID because it is worth less to them than the standard deduction.\(^ {17}\) The MID acts as a multibillion-dollar annual advantage for nonrural areas that has been accumulating since 1913. There may be no better example than the MID of a federal policy that leaves rural homeowners out of our systems for generating wealth and passing it to the next generation.

On the rental housing side, the LIHTC has been the most important resource for creating and maintaining affordable rental housing in the United States for more than 30 years. The program distributes tax credits to developers in exchange for building and renting apartments to lower-income families at prices the families can afford. The LIHTC has produced an extraordinary 3.2 million units since its inception in 1986. While the program has made unparalleled contributions to the supply of affordable housing, it has produced relatively few of those units in poor rural places. Of the roughly 2.5 million active LIHTC units, only 60,833 are in persistently poor rural counties. There are several elements designed into the LIHTC that prevent it from having a bigger impact in small towns and poor regions.

First, the LIHTC’s complex and competitive application process is designed for sophisticated high-volume developers that can take advantage of economies of scale. Smaller applicants with fewer projects rarely have the
expertise or risk capital to apply. This is particularly true for the LIHTC’s more valuable 9% credit, which is generally reserved for new construction and intended to deliver up to a 70% subsidy. Rural applicants with smaller projects find it particularly difficult because they are less likely to have a bank or financial partner in their communities that has experience with the program and substantial capital to finance project costs not covered by the credit.

Second, the cost to win and manage an LIHTC award is generally fixed. A developer must earn enough in fees and rent to cover the costs of syndicating the credits, constructing the project and managing the property once built. Except labor, these expenses are roughly the same for projects regardless of location or size. Large projects in high-rent areas can generate adequate revenue to cover expenses. Small projects in lower-cost markets often cannot. There is simply not enough value in an LIHTC award to make many small rural projects financially feasible.

Third, the value of the LIHTC is ultimately determined by investors competing to buy the credit. The higher the price an investor pays, the more capital the project will have for construction. The competition is largely driven by the Community Reinvestment Act (CRA). Banks with CRA requirements account for about 85% of LIHTC equity investments. Because CRA assessment areas are almost exclusively suburban and urban, the appetite for rural projects is low among investors. This drives down the price investors are willing to pay for the tax credits, ultimately resulting in lower proceeds available for rural LIHTC development.18 For example, in 2012 the median price paid per credit in the largest and most expensive metropolitan markets hovered around $1.00. Meanwhile, in smaller metropolitan areas, the median price was $0.68. In micropolitan and rural areas, the median price for credits was as low as $0.60, turning financially feasible projects into deals that simply did not “pencil out.”19

After decades of devaluing small-town development, the LIHTC appears to be losing ground in rural markets. In 1987, more than 35% of LIHTC units were in rural areas. By 2015, rural areas were home to less than 19% of the low-income units developed using tax credit funding allocations.20 Despite these limitations, the LIHTC has been an essential tool for preserving rental housing in rural persistent poverty counties. In 2020, 40% of rental housing units in these counties had an LIHTC owner, a rate that is more than three times greater than the national average.21
Federal Financial Services Regulation

Over the last several decades, deindustrialization, globalization and agglomeration economies have widened inequality between regions of the country. Federal policy has played a critical role as well, with financial services regulation and the home mortgage system generating trillions in wealth in some regions but not others. The resulting geographic inequality has left broad swaths of the country impoverished and unable to access the capital needed to develop and maintain prosperous places.

Rural places in particular have been stripped of their economic engines, financial establishments and anchor institutions. For example, the banking industry has undergone considerable consolidation over the last several decades, with the number of small-town lenders insured by the Federal Deposit Insurance Corporation (FDIC) dropping from approximately 15,000 in 1990 to just over 5,000 in 2019. There are around 150 rural counties with one bank branch or none to serve their residents. Without access to financial services and capital, individuals cannot access safe credit and financial literacy resources, businesses cannot grow and serve the needs of their communities, and ultimately the communities’ economies cannot thrive.

Federal financial services regulations have steered an extraordinary amount of capital for affordable housing development into underserved communities, though few in the housing industry are satisfied with the current regulatory regime. One of the most significant laws in this area is the aforementioned CRA. Adopted in 1977 to reverse the impacts of redlining, the CRA requires federally insured depository institutions to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods.

The CRA has been at the center of efforts to create a more equitable economy. Evidence shows that the CRA has successfully improved access to capital in low-income areas. It is less clear what the impact of that capital has been. The CRA requires three federal entities to periodically evaluate the lending, community development and financial services provided by a financial institution. While there is a broad array of methods used by these three regulators to evaluate financial institutions’ activity, CRA exams generally result in a rating of Outstanding, Satisfactory, Needs to Improve and Substantial Noncompliance. The ratings are used to determine
future oversight, corrective actions and allowable actions like opening new branches, merging with another bank or acquiring a bank.

It is possible to unequivocally support CRA and what it stands for, while also pointing out that it is designed to concentrate affordable lending and community investments far from persistently poor rural communities. It does so by limiting CRA-eligible lending and community development activity to the area surrounding a bank’s physical location. This is referred to as the financial institution’s assessment area.

Regardless where the bank is making loans or collecting deposits, it will meet its CRA requirements and earn a high rating only by serving its immediate assessment area. This is problematic for persistently poor rural communities because it is a disincentive to maintain branches or place ATMs in small towns and rural places. As banks consolidate their physical branches and move financial services online, their presence in rural places has decreased. Thus, CRA responsibility to serve rural places has similarly diminished. Between 2000 and 2010, the number of depository institutions based in rural areas declined by 21%. Most of the banks that remain in rural places fall under the small-bank CRA examination rules, which are less detailed and less demanding than the rules governing CRA examinations for larger banks.

Beyond CRA, several federal programs in the home mortgage industry contribute to a relative dearth of investable capital in rural markets. Consumers are directly impacted by fewer banks and less capital for lending. The FDIC has found that one in four rural households has never accessed a mainstream credit program, and those that have borrowed pay an average of 14 basis points more than urban borrowers for their mortgages.

While harder for the average consumer to see, geographic inequality is also driven by the practices of government-sponsored enterprises (GSEs) in the “secondary mortgage” segment of the financial services industry. This is where investors buy and sell mortgages and their servicing rights from banks, thus providing banks with cash to make more loans. The secondary mortgage market is dominated by two GSEs that have grown to be two of the nation’s largest corporations: Fannie Mae and Freddie Mac. Together the GSEs annually acquire or guarantee well over 100 million U.S. mortgages, earn more than $200 billion in revenue and hold over $5 trillion in assets.
The GSEs are instrumental in reducing the risk banks acquire when originating mortgages. They also help provide the public with secure, long-term loans at attractive rates. It is hard to imagine the 30-year mortgage and its role in generating immense wealth for homeowners without the liquidity Fannie Mae and Freddie Mac brought to the market. The GSEs are at their best in markets with high housing prices and a large volume of mortgages. They are able to keep the market moving and profitably package mortgage-backed securities for sale. While this works well for a handful of high-cost, sprawling metro areas, the business model begins to break down with the low volumes and smaller loans typical to rural regions, micropolitan areas and low-cost markets. The harder it is for the GSEs to meet their profit expectations, the less likely they are to meet their statutory duty to serve underserved markets.

For example, the average home price in a persistently poor town might be $70,000 or less. These “small dollar” mortgages are cost-prohibitive for lenders to originate and service. Fixed fees on these small-dollar mortgages make the loan appear “high cost” or predatory for the buyer. Accurate appraisals might also be difficult to find when an area has not seen recent sales of similar units. This depresses appraisal values, making lending for new construction or home repair unworkable for even the most charitable of lenders. Together, these reasons keep rural mortgages out of the box that dictates which loans the GSEs purchase. Small and rural financial institutions are left holding mortgages on portfolio, thus limiting liquidity and the capital needed to continue serving their communities.

The bottom line for the nation’s financial services industry is that capital and liquidity often flow to where wealth and capital already reside. In community reinvestment and the secondary mortgage market, that path leads away from rural America.

**Affordable Housing Programs**

The U.S. Department of Housing and Urban Development is the dominant source of federal funding for low- and moderate-income housing and community development, regardless of geography. Yet HUD’s programs have evolved with the urban context in mind. Large cities and population areas receive direct, automatic funding through grant programs, such as the
HOME Investment Partnerships program and the Community Development Block Grant program, which support critical, affordable housing and community development investments. Conversely, rural places receive these funds episodically via state agencies, often by competing against other rural communities. The lack of consistent funding received year over year makes it nearly impossible to sustain local community development. Requiring places with the least capacity to compete for the least consistent aid seems incompatible with the concept of a block grant.

HUD's oldest and, until recently, largest affordable housing program is public housing. Launched in the 1930s as a jobs program and tool for clearing slums, the program expanded significantly after passage of the Housing Act of 1949. The program operates 1.1 million units through more than 3,000 local Public Housing Authorities (PHAs) in a heavily regulated and woefully underfunded environment. More than half of the units are managed by a handful of large urban PHAs. Rural Public Housing Authorities, with small portfolios and limited staff, often struggle under the burden of running HUD programs designed for large-scale developments. The answer to this issue under Republican and Democratic administrations has been to reduce regulatory burdens. While this may ease operations, deregulation can take you only so far when your job is to maintain below-market housing. It is a complex undertaking that requires a high-capacity local organization with access to adequate financial resources.

With geographic inequity built into the very structure of HUD programs, the programs of the USDA Rural Housing Service (RHS) are expected to pick up the challenge for small towns. RHS serves more than 5 million households, offering rental and homeownership opportunities for low-income rural Americans. For many rural families, the only home loans available are through the USDA's Section 502 program that both originates loans and guarantees private lending. The only affordable rental option in their communities may have been built using USDA support through the Section 515 public-private partnership program. Section 515 apartment buildings are owned and operated by private and nonprofit landlords, with below-market mortgages originated and held by RHS. In exchange, the owner provides 30 or more years of use as housing affordable to low- and very low-income renters. In terms of homeownership, when potential homebuyers in a rural place can show there is no “credit elsewhere” available from banks or
commercial lenders to purchase modestly priced homes, they are eligible for the USDA’s Section 502 mortgage programs. In 2020, the USDA originated around 6,194 direct loans and guaranteed another 99,322 loans.

Yet, the USDA’s programs have never been funded or supported to meet their gap-filling potential. In the second half of the last century, half a million Section 515 properties were built. Since its peak in 1982, the Section 515 Rural Rental Housing Loans program has seen its funding cut by more than 97%. The program has now dwindled to 380,000 units. No new multifamily construction has been supported through a direct USDA loan in a decade, and the existing portfolio has more than $14,000 per unit in needed repairs coming due. Efforts have shifted entirely to preserving the existing portfolio—a scarcity mentality, which does not invoke an inspiring vision for the future of rural rental opportunities.

Similarly, the support has all but dried up for the USDA’s direct mortgage loans for low-income rural residents who would otherwise be unable to achieve homeownership. The programs operate at an incredibly low cost to the federal government and have helped 2.2 million homebuyers. Since its peak in 1976 at 133,000 homes, the program has shrunk to helping fewer than 6,500 homebuyers per year. As a whole, USDA Rural Development has a suite of solid, though woefully underfunded, housing programs to address rural challenges.

**The Path Ahead: Transformative Policy for Rural Resiliency and Prosperity**

Much work lies ahead for rural places and the advocates who bring their voices to a federal stage. We should acknowledge the impacts of history while also reframing the narrative away from tired tropes and us-vs.-them rhetoric. In doing this work, we need to highlight the connection between the future of rural America and the future of the United States as a whole. Rural America is full of opportunity and innovation, and is worthy of federal investment, not just pity and “aid.” Together, the authors of this book, and the practitioners with whom we work across the country, know what it takes to generate vibrant, prosperous communities. We need to identify and amend federal policies to achieve that outcome for rural places too. We need to bring awareness and balance to future decisions. We need to
draw rural sectors together, while finding common ground with nonrural interests. We need to build and join coalitions able to root out inequity in all its forms.

The first order of business is to identify federal programs that contribute to geographic inequality. From there, our work is to reshape those programs, so they no longer create or exacerbate disparities across geography. For this work to be lasting, we need to build the connections within rural sectors and across to nonrural actors. The goal is to improve policymaking so that the default is to decisions that drive equity and opportunity for Americans regardless of the ZIP code, or region, in which they are born.

**Identify**

To identify the extent to which federal programs drive geographic inequality is, to say the least, a massive undertaking. It will require individuals dedicated to the task and a requirement embedded in the federal policy-making process that reviews policy and programmatic decisions through a geographic lens. It should be noted that this will require significant improvements in data quality.

A Task Force on the Geography of Federal Programs would center the work. The task force could be the principal forum for the federal government to end geographic inequity in community and economic development policy. Its leadership could include the secretaries of the Treasury, USDA, HUD and Commerce. It would coordinate closely with other agencies and other White House offices, such as the Domestic Policy Council and National Economic Council. The task force would need broad access to data collected or maintained by government agencies and a charge to examine the broader statutory and regulatory context for federal investments—including the geographic implications of transportation, telecommunications, international trade and antitrust policy—to help understand national and regional patterns of economic convergence and divergence, with attendant implications for geographic inequity. The work of the task force would conclude once a process is embedded across the federal policymaking process that prompts such analysis.

The permanent home for this work could be in the Office of Management and Budget’s Office of Information and Regulatory Affairs (OIRA). This office deep in the administrative processes of the federal government has
among its duties the extraordinary responsibility to review drafts of proposed and final regulations, coordinate retrospective reviews of existing regulations, and oversee the implementation of federal government-wide statistical policy. Where appropriate and permitted by law, OIRA could be directed to consider geographic equity and distributive effects, and potentially adopt a “rural impact analysis.”

Many of the data sets on which policymakers rely fall short in representing rural realities. To ensure valid and reliable analysis, the task force, OIRA or any other office tasked with such analysis would need additional sources and increased sample sizes, including access to administrative record data.

**Reshape**

Housing policy was used to illustrate the impact federal policy can have on geographic equity, thus a few ideas for addressing the inequity with housing are included in this section on solutions. As discussed, federal housing policy is a collection of tax incentives, financial service regulations and specific programs.

The disparate impact of tax incentives across regions of the U.S. could be addressed with changes to the MID and the LIHTC. For example, changing the MID from a deduction to a credit for lower-income homeowners would immediately flip the bias from concentrating subsidy in the highest priced markets to a fairer distribution of the benefit. On the rental housing side, applying the Difficult to Develop designation to all rural markets based on the scarcity of capital and limited supply of goods and services would provide a basis boost for the value of the LIHTC. This would attract more private capital to underserved markets and increase the value of this subsidy to address disproportionately high transaction costs and scarcity of supplies and labor.

The scarcity of capital and financial services in rural markets could be addressed with changes to the CRA. For example, ending limited-scope reviews, expanding use of large-bank exams and providing credit to banks for community development activity outside of their assessment areas when they are in persistent poverty counties would help. This is especially important if that activity is done in partnership with minority depository institutions. Financial services for rural housing could also benefit from a permanent and more robust Duty to Serve (DTS) requirement in the secondary
mortgage industry. Loan purchase goals could be more ambitious for Fannie Mae and Freddie Mac. In part, this could be accomplished with authority from the government-sponsored enterprises to provide equity to community financial development institutions active in DTS communities.

The role of housing programs in driving interregional equity could be addressed with a broader application of the 10-20-30 formula. This provision—which has been included in several anti-poverty bills and emergency stimulus funding in 2009 and 2020—requires at least 10% of a program’s appropriated programmatic funds be invested in communities where 20% or more of the population has lived below the poverty line for 30 years or more. Rural rental housing could benefit from access to the Federal Financing Bank Risk-Sharing program (FFB Risk Share) for addressing the Section 515 program’s $5.6 billion gap in repair and replacement funding.\(^35\) This would require allowing a modest increase in funding per property to cover the debt service. Meanwhile, rural single-family housing could benefit from a return to previous production levels of the USDA’s Section 502 Direct Loan program and HUD’s Self-Help Homeownership Opportunity Program.

Collaborate

Within the community of rural policymakers, sector-specific solutions dominate. Rural health, rural water, rural housing, rural broadband and agriculture actively and independently pursue different agendas. It is rare to see the needs of rural communities considered in an integrated and holistic way. It is also rare to hear rural voices in the national discourse. To build and sustain a rural focus could take the form of a Cabinet-level department or independent federal agency focused squarely on rural development.

If the goal is to bring policy sectors together and bridge geographic divides to address persistent poverty, then President Lyndon Johnson’s War on Poverty provides an example. In 1968, Johnson founded the Urban Institute to “help solve the problem that weighs heavily on the hearts and minds of all of us—the problem of the American city and its people.” The federal government could make a similar investment in an institution for policy development and research that addresses the severe polarization of today, continues the work of dismantling racism and inequity, and gains an “understanding of whether new policies are working—or for whom.”\(^36\)
One thing that all these policy prescriptions will need to succeed is community-based organizations able to maintain the specialized skills and knowledge needed for successful development. Rural places have been starved of that capacity. The federal government could significantly increase funding for programs like the Rural Capacity Building program at HUD and the Rural Community Development Initiative at the USDA. It would also help to reestablish a national intermediary dedicated to rural capacity-building and technical assistance through the USDA and funded at a scale similar to HUD's Capacity Building for Affordable Housing and Community Development (Section 4) program.

Conclusion

The 1860s’ Homestead Acts sent millions west to occupy and farm the land. In the decades around 1900, urbanization was fueled by federal investments in electric grids, transportation networks and communications infrastructure, combined with mass immigration. Post-World War II suburbanization relied on federal highways and subsidized mortgages. A common thread through these eras is the impact federal policies had on the distribution of people and wealth across America. If rural areas are to gain increased attention in public policy and popular discourse, then questions of geographic inequity need to be addressed in federal policy development.

The crisis facing persistently poor communities has been more than 100 years in the making. It will take us decades to undo. But it must be undone if we want to envision a better future for all corners of our country.
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**Endnotes**

1 See Chetty et al.
2 See U.S. Census Bureau’s Consolidated Federal Funds Reports.
3 See Bishop. Note: Statistics were last compiled in 2010.
4 See Bradbury et al.
5 See Jacobs.
6 See Rusk, p. 91.
7 See Keightley.
Despite 2017 tax reforms’ cutting the cost of MID to roughly $40 billion, an increase in the standard deduction and other factors appear to have mitigated the geographic bias of the tax code’s housing subsidy. See Gale.

Redlining was a practice that evolved after the Great Depression whereby the federal government drew red lines on maps to illustrate neighborhoods with lower incomes—generally based on racial makeup—indicating areas for high-risk mortgages.

Just prior to the publication of this chapter, the White House published a Fact Sheet that pledged to relaunch the FFB Risk Share program. See The White House.
Rethinking Fiscal Policy for Inclusive Rural Development

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
Introduction

The role of state and local government fiscal policy in driving geographic inequality is underappreciated in academic and policy discussions. Our work with rural communities experiencing economic restructuring suggests that fiscal policy—specifically the failure to capture and retain public revenue from resource extraction and the decoupling of public revenue from the underlying economy—remains a substantial barrier to rural prosperity in America. With this chapter’s focus on fiscal policy failures and possible reforms, we engage in a growing dialogue about fiscal drivers of regional inequality.¹

Fiscal policy is the primary pathway linking today’s economic activity to the cultivation and maintenance of place-based assets, including good schools, access to health care, parks and libraries—and functioning infrastructure—essential to resilient economic futures.² Public revenue management is especially critical in peripheral rural economies with little influence on the commodity and recreation/amenity markets upon which they depend.³ A survey of rural America, however, documents how current fiscal policy hinders the development and maintenance of place-based assets in some locations. After decades of generating wealth for national and regional economies in the form of low-cost commodities such as cattle, timber, coal and oil, small towns face recurring fiscal crises and the erosion of local institutions and infrastructure.⁴ Similarly, an outdated tax structure and policies constraining local autonomy make it impossible to translate recreation- and amenity-based economic growth into resources for local public services.⁵ Revenue structures are so limiting that in rural economies seemingly as different as coastal Oregon and central Wyoming, new jobs created outside natural resource sectors fail to generate revenue sufficient to maintain local budgets, causing otherwise beneficial economic diversification to actually deepen fiscal crises.⁶

The economic challenges facing rural areas cannot be solved without serious efforts to generate new conceptual and practical approaches to fiscal
policy. In this chapter, we reprise the principles informing current fiscal policy and then use several examples to demonstrate how the resulting institutional forms fail rural communities. We finally highlight existing and proposed policy solutions to illustrate how updated principles, put into action, would better serve rural America.

Fiscal Policy

Fiscal policy comprises the ways that governments generate revenue from economic activity—from taxes, fees for services and royalties on resource extraction—and how governments use these revenues to pay for services such as roads, schools, police and hospitals. This chapter focuses on state and local government revenue, including the fiscal relationship between federal public lands and state and local government revenue.

The dominant theory shaping local government fiscal policy is the “Tiebout model” of public policy, which imposes market theory of competition on government taxation.8 The Tiebout model assumes that consumers move freely from community to community to sort themselves based on desired tax rates and levels of services. According to this model, optimal tax policies are natural outcomes of market competition and the revealed preferences of consumers, in this case residents and businesses. Even as regional science has developed a more nuanced understanding of drivers of growth, the Tiebout model remains a powerful driver of local government policy and action.9

As evidence of the dominant logic about the role of public revenue in the economy, consider New Mexico’s 2003 tax cuts that reduced top income tax rates and cut the capital gains tax in half. In adopting the cuts, the governor declared New Mexico “open for business.”10 The tax cuts were largely financed by spending oil and gas revenue—including federal royalties returned to the state—to fund the state’s annual operations, substituting one-time taxes on the depletion of public resources for other less popular, but recurring, taxes. New Mexico’s income and capital gains tax cuts resulted in revenue dependence on fossil fuels, dependence that increases revenue volatility and risk of revenue loss if markets or policy reduces oil production or prices in the future.11

Ample research now undermines such comparative-advantage approaches to local fiscal policy, not only by complicating ideas about
drivers of growth, but by demonstrating connections between tax structures and the growing wealth disparities of the contemporary U.S. economy. In addition, scholars have reintroduced a theory of the state that positions government as a market-forming and value-creating institution, whereby government investments are central to an equitable and productive economy (e.g., early childhood education, gray and green infrastructure, and planning and economic development).

Rural communities across the U.S. that have lost population since the global financial crisis and are now acutely affected by the global COVID-19 pandemic need a new model for public revenue and investment. The idea that competition results in efficient provision of public goods without political or policy direction does not serve these places. In the following sections, we demonstrate two categories of state and local fiscal policy failures in rural economies: first, the failure to collect and manage natural resource revenue effectively; and second, the barriers to generating public revenue from emerging economic sectors embedded in tax and expenditure limits.

**Failure of Natural Resource Revenue**

The difficulties of capturing and effectively managing a potential windfall from natural resource taxes are a familiar motif in the literature on the resource curse, and one that is well-represented in the United States. While many natural resources are often owned by the American public, their extraction is left to private markets. Because natural resource fiscal policy is informed by market theories about comparative advantage, states vie for the attention of resource developers by lowering tax rates and offering tax incentives. Elected officials, incentivized by a politics of austerity, frequently engage in tax shifting. Officials use natural resource revenues to fund annual budgets and to cut other less-popular sources of revenue, including income and property taxes. The result is the liquidation of public wealth and the erosion of institutional capacity during successive periods of boom and bust. Consider the following two examples.

For the last several decades, Big Horn County, Montana, home to the Crow Reservation, has depended on royalties and taxes from its four coal mines to fund local government. As U.S. coal-fired power plants have closed in recent years, demand for Big Horn County’s coal has declined.
The county’s mines helped fuel regional and national growth and a state permanent fund worth $1 billion. However, the local government has little to show for the massive wealth extracted and exported. As mines announce cutbacks and closures, Big Horn County’s commissioners have been forced to cut services and staff. With one out of three local jobs in the public sector, cutting government jobs and services has profound effects. Moreover, without a healthy public sector and functioning public infrastructure, the county struggles to respond to the COVID-19 pandemic and to transition to a recreation-based economy.

Josephine County, Oregon, used windfall revenue from timber harvests on federal public lands to fund government services and avoid local property taxation throughout the 1960s, ’70s and ’80s. Across rural Oregon, county governments that received the highest federal timber payments maintained the lowest property tax rates. Federal timber sales were so lucrative to Josephine County and its peers that other forms of economic development were not pursued, creating a specialized revenue system dependent on federal timber receipts. Dependence on timber revenue exposed local government budgets to fiscal crisis when timber harvests declined due to changes in federal land management. Structural changes in the timber industry and incentives offered to the industry that affected state timber severance taxes also had substantial fiscal and employment impacts in rural Oregon. In socioeconomic monitoring of the effects of the Northwest Forest Plan, U.S. Forest Service economists and social scientists came to the surprising conclusion that a county’s dependence on timber played virtually no role in its economic trajectory after the 1990s. Counties already diversifying continued to do so despite the loss of a major employer (these counties tended to be connected to major urban markets). Peripheral counties lacking access to cities struggled when timber declined, and many have failed to recover from the loss of a mill or timber harvest jobs. In other words, natural resource development (timber extraction) generally failed to provide durable and lasting prosperity for rural counties remote from cities.

In rural America, there are additional, compounding fiscal policy failures that sit outside of conventional resource curse framings—including the failure of policy to adapt to economic restructuring and the legacy of the nation’s 1990s-era “tax revolt.” We turn to these policies next.
Failures and Obstacles in Modernizing Fiscal Policy

In most rural areas, the key sources of public revenue include property and sales taxes, revenue from resource extraction, and charges and fees on services. However, the value and composition of these revenue sources have changed as the economy has restructured. Several issues demonstrate how fiscal policy needs to adapt to the changing economy. Sales tax policies tend to exclude many services. Structural shifts in the economy from goods to services result in sales taxes’ covering a declining share of total economic activity. Property tax regimes designed to protect farming/agricultural land use forgo potential revenue from rising land values driven by recreation and amenity migration in rural communities. Finally, an overreliance on tax incentives and deductions to achieve economic and policy goals can undermine the revenue benefits of growth, including from the development of renewable energy generation and transmission infrastructure.

The inability to pursue tax reform is often attributed to a lack of political will. In rural America, tax reform is blocked by a number of legal and structural barriers imposed at the state level that actively prevent the realignment of local taxation even where the political will exists to raise taxes. Policy deterrents include caps on property tax rates, property assessments or total revenue collected by local governments. While the histories of taxation and expenditure limits vary state to state, these limits often connect to the national property tax revolt that followed the success of Proposition 13 in California in 1978. For example, in the 1990s, Oregon voters passed Measures 5 and 50, which froze property tax rates and property assessments. These constitutional measures limit the property tax revenue benefits that local governments can derive from new development. Studying a new industrial manufacturing project in one rural Oregon county, economists concluded it would generate property tax revenue amounting to just 3% of the public revenue that a medium-sized sawmill sourcing 60 million board feet of federal timber per year could. Oregon’s tax revolt made it virtually impossible for counties that had relied on timber revenue for decades to “grow themselves into solvency.”

In Colorado, two statutes impede coal-dependent communities’ ability to replace lost resource revenue. The Gallagher Amendment (1982) imposes a statewide limit on residential property tax levies, and the Taxpayer Bill of
Rights (1992) places constraints on revenue growth. Communities facing economic decline are forced to lower property tax rates and often cannot retain revenue from new economic development. These barriers together hampered the ability of some Western Slope communities to thrive during the natural gas shale boom between 2000 and 2008\textsuperscript{25} and stand in the way of a socially just energy transition in others going forward.\textsuperscript{26}

In another example, property tax revenue limits interact with renewable energy incentives to produce startling revenue outcomes. Our analysis showed how a renewable energy transmission project would generate windfall revenue for counties in some states and relatively little revenue for counties in other states. In Montana, renewable energy incentives mean counties would receive nine times less local revenue from a transmission line carrying wind and solar compared to an equivalent line carrying power from coal or natural gas. In Utah, property tax law requires local governments to use property tax revenue from renewable energy projects to lower tax levies for all taxpayers rather than capture and retain new revenue to fund schools, roads, libraries and other public services.\textsuperscript{27}

The theory that government has no role or value in creating and shaping markets has allowed industry to impose limits on the state’s capacity and the authority to tax economic activity. The outcome for rural communities is an inability to benefit from economic development, deeper dependence on declining resource sectors, and political opposition to policy objectives popular with urban votes, such as public lands conservation and the energy transition.

Tax policy can be remade to benefit rural America. Reforms should reflect the emergence of new conceptual frameworks about both natural resource revenue and the role of public investment.

**Solutions**

This section highlights ongoing efforts to put forth alternative policy frameworks to rework the fiscal relationship between federal and state governments and public lands, with examples from New Mexico and proposed federal policy.

The New Mexico State Land Office offers an alternative framework for managing oil and natural gas royalties. The State Land Office has a fiduciary
responsibility to manage state trust lands to benefit public institutions, such as public schools and state universities. The State Land Office also has a unique mandate to permanently protect the value of the original endowment. All revenue from the depletion of a resource—through land sales or extraction of nonrenewable resources—is saved in the Land Grant Permanent Fund. By investing 100% of the royalties generated from oil extracted on trust lands in the Permian Basin, the State Land Office had built New Mexico’s Land Grant Permanent Fund to nearly $20 billion by the end of 2020. The Permanent Fund is invested to continue to produce revenue for current and future beneficiaries, generating $785 million in fiscal year 2020.

As of early 2021, the federal government compensates local governments for the nontaxable status of public lands through several payment programs. Historically, payments were tied to commodity production on public lands, whereby counties and schools received a share of commercial receipts. Annual revenue from natural resource extraction financed ongoing road and education expenses. When public land policy and resource markets shifted, receipts available to share with communities declined. Congress has historically intervened to bail out county governments by passing appropriations that have also failed to provide certainty for rural communities.

The existing fiscal policy framework for counties with federal public lands—revenue sharing or discretionary appropriations—is failing to provide equitable and predictable compensation, to protect and invest public value from natural resources, and to link public value generated by conservation and recreation on public lands to local prosperity. Proposals modeled on the example of the state trust lands would create a federal endowment financed from activities on public lands to stabilize payments to counties, protect public value, and extend to communities the capacity to build local economies around multiple values of public lands freed from the need to maximize revenues on an annual basis.

**Conclusion: Road Map to New Fiscal Principles for Rural America**

This chapter establishes the importance of fiscal policy failures in understanding barriers facing economic development in rural America. Solutions
based in market theory—including tax competition, business relocation incentives and place-based initiatives focused on bringing urban capital to rural areas—have fallen short. Solutions that require massive and continued appropriations to solve rural problems are unsustainable and ultimately fail to address underlying structural dynamics.

We argue that what’s needed, at least in part, is a new fiscal system built around principles of public value, reinvestment and local autonomy. Communities need tools to protect and reinvest resource wealth into permanent assets that will continue to generate wealth after the resource endowment is depleted. In addition, local governments must be agile and resilient to futures not yet imagined. Failed fiscal policies can be fixed. Doing so is a necessary condition to resolving today’s concurrent crises of inequality, climate change, public health and growing political resentment.

**Acknowledgments**

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20 The property tax revolt was a political movement that imposed legal and constitutional limits on tax rates, property assessments and total revenue collections. Although the property tax revolt is often understood as an ideological movement intended to shrink the size of government by cutting off its ability to generate revenue, it is more aptly aligned with efforts to protect the wealth and privilege of homeowners against rising property values and assessments. (See Martin.)
21 Preferential assessments for agricultural and rural land value these lands for property tax purposes based on their use-value—typically defined by agricultural receipts or the productive classification of agricultural lands—rather than on their market value in real estate markets. (See England.)
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Building Local Capacity in Rural People, Places and Systems

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What Is Capacity, and Why Is It Important?

With their close social bonds, cooperative spirit and civic pride, rural communities can be remarkable places to call home. They can also face significant challenges unique to rural landscapes, like geographic isolation and pockets of persistent poverty. Some rural communities struggle to regain prosperity as industries and jobs leave town. Others find themselves booming as their natural resources and recreational opportunities are discovered by the wider world. Rural communities today are discovering that vitality looks different than it used to, particularly in light of the COVID-19 pandemic and the resulting economic downturn. Local capacity is critical to their ability to address challenges successfully.

“Capacity” describes the inherent knowledge, skills and resources that enable communities to meet their immediate needs and prepare for their future needs. Building strong local capacity is deeply important in rural communities, where self-reliance is both prized and necessary. Urban areas typically have significant resources and many public, private and nonprofit sector players focused on development. The pool of such resources is much more limited in rural communities, so they need to cultivate the local ability to meet their own needs. There is often no one else to do so.

Local capacity is a key element of resiliency—the ability of people and communities to weather economic ups and downs, the effects of our changing climate and unforeseen events like disasters and public health crises. Places with high capacity are better positioned for resiliency, able to manage adverse events from a position of strength rather than inventing responses in the aftermath of a crisis.

NeighborWorks America supports a Rural Initiative that includes 116 rural-focused community organizations, working at the intersection of people, places and systems to build vibrant local communities that provide equitable opportunities for people to thrive. Figure 1 shows how capacity in each of these overlapping elements helps build strong communities.
NeighborWorks helps these organizations build their own capacity and the capacity of their communities to undertake initiatives that are:

- locally led: guided by residents and community members through inclusive, rather than top-down, approaches;
- place-based and comprehensive: responding to the unique needs and opportunities in each local place and employing a holistic approach to revitalization that addresses different aspects of community vibrancy; and
- collaborative: building connections between sectors and helping people and organizations work together for a common purpose.

**What Does Capacity Look Like in Rural Communities?**

It is not difficult to conjure a vision of what a successful community looks like. As illustrated in Figure 1 above, it has a strong economy, low unemployment, plentiful housing and amenities, strong social connections and
pleasant surroundings. But what kind of local capacity do communities need to achieve that vision? They need residents who are healthy and financially stable, engaged with their community and enfranchised to make their voices heard about decisions that affect them. They need local systems—like utilities, health care and governance—that are functional and responsive to changing conditions and that feature strong cross-sector collaboration, inclusive decision-making and public policies that support vibrant communities.

They also need place-based organizations that are strong, capable and well-resourced. For most national funders and change-makers, the most direct avenue to building rural community capacity is through local nonprofit organizations, such as community development corporations (CDCs) and community action agencies. High-capacity CDCs are the backbones of rural communities. They are place-based, are people-focused and, especially in rural areas, can serve to bridge gaps in local government staffing and resource capacity. Because they are often the only community-serving organization in town, rural CDCs take on many roles in a comprehensive development approach, such as housing, economic development and social services. They know the community well and can wield comparatively larger influence than comparable urban organizations can, helping to set and drive the local agenda by continually gauging the needs in their communities and innovating solutions. They are also experienced in collaborating across sectors; aggregating public, philanthropic and corporate capital for rural development initiatives; and convening stakeholders to address issues. Strong CDCs in turn build the capacity of residents and local systems.

Effective Approaches to Building Rural Capacity

There are six key strategies found throughout the NeighborWorks rural network that build local capacity for a community development approach that is locally led, place-based, comprehensive and collaborative. For each strategy, we include real-world examples from organizations in the NeighborWorks network, as well as suggest ways that government, funders and technical assistance providers can help advance capacity-building approaches in rural communities.
1. Build local organizational capacity

CDCs and other community-focused nonprofits are vital to how rural communities create resiliency. Therefore, creating capacity within CDCs themselves is particularly important for rural communities. CDCs must overcome the challenges of geographic isolation and scarce financial resources by creating sustainable business models and attracting diverse funding streams. They need access to capital for development projects and funding to support their operations in environments that are not as funder-rich as urban areas. CDCs also must be able to partner effectively across sectors to move initiatives forward and engage community members in planning and implementation. They require the knowledge and skills to execute different types of initiatives such as those related to housing, economic development, health, youth engagement and safety. Many rural community organizations are sparsely staffed and reliant on volunteers, making access to professional development and peer interaction critically important.

NeighborWorks network member Fahe serves a network of more than 50 community-focused organizations across southern Appalachia, providing financing, technical assistance and collaboration opportunities. By increasing the capacity of its member organizations to plan initiatives, manage strong operations and access development capital, Fahe grows the capacity in its local communities. The results of this capacity are apparent in places like Millersburg, Kentucky, where Fahe member Community Ventures supports small-business development that is bringing visitors and vitality back to the town.

Resources to develop and strengthen local capacity:

- Operating support for rural community-based organizations.
- Increased availability and accessibility of project capital.
- Financial and technical support for organizational planning—both large-scale resiliency and business planning, and small-scale planning—to create working partnerships and develop effective, evidence-based programs.
- Training and technical assistance to expand staff knowledge on different development topics.
2. Foster robust local engagement and leadership

A small minority of decision-makers has often guided local agendas in rural communities. As in many communities, influence in rural places tends to reside with those who have wealth, privilege and connections. For truly inclusive development that serves community members, more voices need to be at the table, particularly the voices of the people who will be affected by decisions. Strong, locally rooted organizations are best equipped to lead the work of engaging residents, connecting them with decision-makers and ensuring all voices are heard.

NeighborWorks Alaska believes the recipients of its resources are best positioned to make their own spending and allocation decisions. The organization asks those it supports to identify and prioritize their own needs in a cooperative model. In keeping with that viewpoint, NeighborWorks Alaska's Youth Homelessness Demonstration Project leadership development program trains formerly homeless youth from Alaska communities to connect with currently homeless youth, advocate for their needs, and influence programming and resource allocation decisions.

Resources to develop and strengthen local capacity:

- Support for CDCs to perform local engagement. NeighborWorks offers training to CDCs on engagement as well as resident leadership training through the Community Leadership Institute, which trains teams of resident leaders to make positive change in their communities.
- Financial support for engagement efforts. Funding for community events or surveys can yield important results, even with modest investments.
- Training and modeling for local governments in what authentic community involvement looks like. The Institute for Local Government and ICMA websites both offer tips.

3. Advance community planning

Community planning gives rural communities a strong foundation to build on, provided it is done well. Planning should be asset-based, responding to not only challenges but on what the town can build. It should be inclusive, so all residents have the chance to be involved in framing the
local context and creating future strategies. Planning must also be forward-thinking, anticipating demographic, economic and climatic shifts and identifying mitigation strategies. Finally, plans should be tailored and responsive to unique local conditions and needs. Figure 2 illustrates the steps of a robust, community-involved planning process.

Pathfinder Services\(^9\) worked with the city of Huntington, Indiana, on inclusive community planning to ground its new multipurpose center within a wider, community-based plan for the arts. Using surveys and listening sessions, Pathfinder’s leadership helped ensure residents’ voices and priorities were included in their arts plan, elements of which the city adopted into its overall plan.

**Resources to develop and strengthen local capacity:**
- Funding to undertake community planning processes and support backbone organizations to coordinate implementation.
• Assistance to identify and access resources, like the Community Heart & Soul planning process—a toolkit for inclusive, asset-based community planning.

• Training on how to do inclusive and equitable planning.

4. Leverage partnerships and collaboration

Rural CDCs and local governments alike are often under-resourced, lacking both adequate staffing and capital, and facing limited access to resources and opportunities in their communities. By collaborating, they can complement one another’s capacity and knowledge, bringing isolated assets together across sectors and geographies. Broader geographic partnerships can leverage capacity that may be present in the region but not in a particular locality, and connect isolated local places to regional economic systems.

Hope Enterprise Corporation (HOPE) works in five states in the Mississippi River Delta region. Through its Community Partnership model, HOPE works with small towns that lack local staff or capacity for community and economic development. By providing training and lending its technical development expertise, HOPE helps rural Delta communities tackle projects identified as high priorities, such as affordable housing, commercial development and redevelopment of cornerstone community facilities like health centers.

Resources to develop and strengthen local capacity:

• Connecting and convening scattered rural organizations and governments to form mutually beneficial partnerships.

• Access to peer networks like NeighborWorks’ cohorts of organizations with similar challenges or markets that allow CDCs to learn from one another, even if they are not in proximity.

• Philanthropic and government support for collaborations, allowing partners to access more resources than they could alone and be more strategic and coordinated.
5. Promote wealth-building, financial capability and homeownership

Initiatives that build opportunities for individual and community wealth increase local capacity. These may include workforce development efforts that help people obtain and keep well-paying jobs, or financial capability and asset-building programs for families. Housing is also a critical component of financial stability. Initiatives that increase affordable housing and homeownership equip residents—and by extension their communities—to weather periods of financial hardship.

Shared equity and ownership models offer another effective way to build financial capacity. While condos and co-ops are common in urban and suburban areas, there are fewer opportunities for shared equity in rural areas. NeighborWorks Montana\textsuperscript{12} works with people living in manufactured housing communities—in which residents typically own their homes on leased land—to convert to shared resident ownership of the land. The organization provides technical assistance to help residents form ownership groups, negotiate land purchases and manage their shared asset effectively. Such models increase financial security for owners by eliminating the threat of land sales and foster resident leadership through shared ownership structures.

Larger-scale approaches include building the ability of a rural place to support more commercial activity or a specific industry. Facing the decline of the fishing industry that had supported the town of Roseburg, Oregon, for decades, NeighborWorks Umpqua\textsuperscript{13} created a plan for a sustainable fisheries industry that would preserve jobs in the region. The plan included investing in local processing and incentivizing a market for less-popular fish that were plentiful in the area. The effort preserved jobs, contributed to food security by ensuring local food would end up on local plates, and made the market for the local industry’s product less vulnerable to global events.

Resources to develop and strengthen local capacity:

- Financial and technical support for local and regional economic planning.
- Federal support for rural communities to expand access to broadband and technology so rural areas can meet residents’ needs and attract new businesses and industries.
- Longer-term cash assistance for unemployed individuals.
• Committed funding to incentivize and maintain partnerships among community-based organizations, financial institutions and service providers for financial capability programs.

• Small-business working capital, and business planning and development resources that help build the individual financial capacity for entrepreneurs and strengthen Main Streets.

• Capital for cooperative financing of resident ownership groups.

• Technical guidance to help prospective resident purchasers navigate the purchase process and set up necessary governance structures.

• Knowledge-building resources like guides from Prosperity Now,\textsuperscript{14} with advice for residents and policymakers.

6. Strengthen community and individual resiliency

Resiliency to natural disasters, health crises and the effects of climate change is an important component of rural community capacity. Capacity plays the dual role of making lives better in the present while also anticipating and moving to mitigate future challenges. This includes strengthening homes and buildings to withstand the effects of wind and water in hurricane-prone places, and planning for potential scarcity of resources in areas affected by drought. It also includes making land use decisions that account for potential disaster and climate impacts, and ensuring local infrastructure has adequate capacity to meet demand.

Centro Campesino\textsuperscript{15} in Florida City, Florida, assists families with home weatherization, rehabilitation and repair, particularly in the wake of recent devastating hurricane seasons. Their Wind Mitigation Retrofit Program makes homes better able to withstand the impacts of hurricanes, limiting destruction in the community and reducing the level of needed repairs following storms.

The nonprofit cdcb | come dream. come build.,\textsuperscript{16} in Brownsville, Texas, teamed with other nonprofits to develop a local disaster response system centered around housing in hurricane-impacted \textit{colonias}, which are unincorporated settlements along the Texas-Mexico border. The partnership developed a simple but high-quality model home that could be easily produced to rapidly rehouse families affected by disaster. The new homes
are healthier and more disaster-resilient than the dwellings they are replacing. Because they appreciate in value, they also provide a wealth-building opportunity to the families. With its partners, cdcb is training local activists to advocate for their communities. These new leaders have already helped bring needed infrastructure, such as streetlights and better sewage systems, to the underserved colonias.

**Resources to develop and strengthen local capacity:**

- Financial resources and technical assistance for resilience planning and capital for mitigation measures. Funders and assistance providers can support these measures now, rather than waiting until after disaster strikes. The more prepared a community is, the faster recovery can proceed.

- Toolkits explaining how to prepare for disasters and approach recovery afterward, such as the U.S. Department of Housing and Urban Development (HUD) toolkits on disaster recovery\(^\text{17}\) and community resilience,\(^\text{18}\) and the Federal Emergency Management Agency (FEMA) National Disaster Recovery Framework\(^\text{19}\) and National Mitigation Framework.\(^\text{20}\)

**Looking Ahead**

The future of rural communities looks different than it did before the COVID-19 pandemic. The long-standing challenges of building resiliency—including reduced budgets, climate change impacts, infrastructure gaps, social divisions and the complexities of cross-sector collaboration—have grown more acute since 2020. Opportunities, on the other hand, are new in many sectors. The pandemic and resulting economic fallout require rural communities to develop a new degree of ingenuity and creativity to address their challenges.

Rural communities can meet these challenges as they have done for generations: with locally driven, comprehensive and collaborative solutions. Such solutions are possible when residents and organizational leaders are equipped to work together toward the common goals and priorities envisioned in their communities.

To help them do so, NeighborWorks remains focused on building resident and local leadership, supporting programs to comprehensively transform places and fostering collaboration and connections. The rural
development sector must continue to elevate these strategies. Federal agencies, philanthropic partners and technical assistance providers must cultivate a deeper understanding of the unique assets and needs of rural places, and coordinate with the local entities serving their communities. Strong and sustained focus on building local capacity will help rural places realize their potential to provide prosperity and resiliency for all.

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Developing Climatic Capacity in Rural Places

CAITLIN CAIN
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LISC
A rural reckoning is underway, hastened by global climate change. Many rural communities, particularly Southern coastal communities, find themselves at the forefront of the climate battle but often lack the attention and resources given to more-urbanized areas. According to the Center for American Progress, approximately one-fifth of Americans live in rural areas, which make up 97% of America’s landmass and account for a large portion of the country’s vital natural resources, including crucial sources of water, food, energy and recreation. In addition, 10% of the country’s gross domestic product (GDP) is generated in nonmetropolitan counties.\(^1\) Rural America is thus incredibly important to the overall productivity of the nation, and the ability of these communities to remain productive and adaptive is essential. Though rural areas act as an economic breadbasket for a sizable percentage of America’s GDP, rural communities are more vulnerable to both economic and natural disasters than more-urbanized areas. Because of this greater vulnerability, rural areas require unique capacity supports to adapt and react to climate change.\(^2\)

**The Cost of Climate Change**

Climate change remains a long-term challenge that requires thoughtful reflection and creative approaches to solve, because it creates a multiplicity of socioeconomic and ecological challenges that affect rural and coastal communities. Climate change, particularly rising seas, is too expensive to ignore, and doing so will cost the U.S. dearly. According to a 2019 United Nations report, globally, sea levels rose by about 6 inches during the last century and continue to accelerate, rising twice as fast this century.\(^3\) *Yale Climate Connections* estimates that the damage from climate change and rising seas is expected to result in 910 million lost labor hours per year by 2090—costing $75 billion per year.\(^4\) The impact is highest in the Southeastern states, where destruction due to lost labor and property is anticipated to exceed $50 billion annually toward the end of the century.\(^5\)
Climate Change in Rural Communities: Vulnerability

Rural communities, particularly rural coastal regions, face a greater threat from climate change than more-urbanized areas because they often lack the resources, infrastructure and adaptive capacity of city centers. Rural communities are poorly equipped to handle the challenges of climate change because of an already highly stressed social, economic and environmental system. Rural communities are remote and isolated, and tend to have higher levels of disinvestment, unemployment, persistent poverty and health disparities, rendering them more vulnerable to extreme climatic events. Rural residents must travel long distances to access employment opportunities and critical services, such as health care and other essential services. During and after natural disasters, these long distances become even more problematic, heightening rural areas’ vulnerability to climate-related events. Human assets, such as organizational leaders, are also often in short supply and perform many different functions with fewer resources than those in more-urbanized areas. These, often part-time, community leaders, who are already stretched thin, have little bandwidth to expand their activities to encompass resiliency planning or disaster response and recovery without abandoning critical ways they are already serving their communities.

Understanding the degree of vulnerability in a community is important, as vulnerability is correlated with a region’s ability to absorb the magnitude, character and rate of extreme climatic activity—otherwise known as a region’s adaptive capacity. The higher a community’s adaptive capacity, the lower its vulnerability to climate change. Rural regions tend to have lower levels of adaptive capacity because they have fewer major employers and workforce opportunities; they are often asset- and opportunity-constrained and thus have more difficulty adapting to the economic challenges caused by extreme climatic activity. If a hurricane hits a remote coastal community, where the industries are predominantly fishing and agriculture, the community will have greater difficulty rebounding than a more-urbanized area because of a lack of workforce options and transferable skills. The workforce in many rural areas (especially those that are highly remote) often does not possess the specialized skill sets that are required to gain employment beyond regional employers, which are often characterized by resource extraction, more-localized health care, social assistance, retail and
food-based manufacturing services. Since many rural communities, particularly those not located adjacent to a more-urbanized metropolitan area, are economically dependent on localized employers and natural resources (such as agriculture and fishing), impacts from climate change (e.g., flooding and drought due to extreme heat) become compounded at both the individual and community levels.9

Given the rate at which extreme climatic activity is accelerating, rural communities must hasten efforts to lower their vulnerability and strengthen their adaptive capacity. As governments scramble to implement responses to address climate change, the way in which we approach capacity-building and development at the community level must also evolve to include more resilience-based thinking, including a new approach to the way in which traditional capacity development supports are provided.

Developing Rural Climatic Resilience: Adaptability

Accelerating climatic activity (storm intensity) and extreme weather events (hurricanes and droughts) result in major economic hardships for rural residents that often linger and compound over the long term. Because of this, rural communities have little choice but to become more resilient. Rural communities must develop new skills to better adjust to evolving climatic realities. An essential skill that must be honed is economic/community visioning—the ability to reimagine a future in light of the changing climate, and to reposition and pivot to take advantage of emerging opportunities that this new future may present.10 Some rural communities are better at reinvention than others are and thus possess greater levels of adaptive capacity. Adaptive capacity is characterized by a wide range of factors, including: the condition and investment of public infrastructure within a community; the local jurisdiction’s fiscal means and administrative capacity; and the community’s ability to design, plan, implement, execute and manage tangible adaptation investments, including new policies and programs.11

Climatic adaptation at the community level requires the development and transfer of new skills related to disaster relief and response, including developing fiscal management supports to oversee and administer both public disaster funds and relief dollars from private sources. As such, rural organizations, including nonprofits and municipalities, will have to hone their
abilities to think long term, develop complex project management expertise, develop and execute community-based economic recovery plans, and become more knowledgeable about federal recovery funds, federal policies (such as the Stafford Act) and the corresponding regulatory and compliance environment. Small businesses and rural governments alike also need to consider developing longer-term resilience plans that incorporate the development of new skills and training targeted toward creating a more resilient workforce and infrastructure. Resilience planning will require additional capacity supports and technical assistance to nonprofits and public agencies to develop public-private partnerships that can quickly deploy upskilling and workforce training outside traditional employment sectors.

When disaster strikes, rural populations need to be able to take advantage of employment opportunities outside a region. This requires investing in climatic capacity-building supports (such as comprehensive planning) that aid communities in strengthening their economic and corresponding workforce development vision, particularly identifying and growing opportunities in nontraditional investment sectors (e.g., beyond resource extraction). Such an approach will allow rural communities that often depend on climate-sensitive livelihoods to become less vulnerable to climate change events and thus become more adaptive.12

**Capacity-Building in the Age of Climate Change**

Rural communities are unique and diverse, and as such, climate-based capacity-building efforts must be flexible and structured in a way that best meets the needs of the community. Adaptive capacity requires new skills-based support systems that focus on and solve both micro and macro community challenges. Traditional capacity-building in rural communities usually tackles ways in which technical assistance providers can better provision an organization to address such things as coordinating internal organizational management, developing and implementing programs, leveraging an external network and identifying resources. Though all of these internal capacity tools are important, more work is needed to help organizations identify and respond to evolving, external individual and community realities resulting from climate activity, such as lost jobs and wages from employment shutdowns caused by regional flooding.
Adaptation to climate change is enhanced when individuals have more economic assets and empowerment within localized decision-making. If a community has rising income levels, solid job opportunities and equitable homeownership rates, then community residents will be better prepared for economic stress caused by climate change.\textsuperscript{13} Climate response in rural areas requires a two-pronged (micro and macro) approach. A macro (community-wide) approach at the organizational/governmental level encourages broader re-visioning of knowledge systems, fiscal management and governance structures. Capacity support at the micro (individual) level is needed to address and strengthen the socioeconomic condition (wealth generation) of individuals. Though there is much dialogue on resilience planning, current public policies, programs and funding streams do not adequately address or invest in the economic asset and capacity supports needed to empower an individual to pivot in response to climate change.

As funders consider climate-based capacity-building responses, they should prioritize strengthening economic empowerment by solving for both unique individual and community-wide wealth-creation opportunities. Individual capacity supports—for instance, financial stability and skills-based training, offered through entities such as the Financial Opportunity Centers (FOCs) of the Local Initiatives Support Corporation (LISC)—are critical. These supports can include activities such as providing financial literacy training; helping workers upskill and connect to career pathways in emerging sectors or within existing, regional employers; and growing and strengthening investment in entrepreneurship.\textsuperscript{14} Particular focus on upskilling and providing workforce opportunities—especially for mature adults, seniors, veterans, and Blacks, Indigenous peoples and people of color (BIPOC)—is needed, because these individuals constitute a large population base in rural communities but are often overlooked in employment-based programming. Whatever the pathway, capacity supports for individual wealth creation and re-skilling are required to help rural communities transition from resource-dependent economies to more-diverse economic sectors that can sustain the impacts of a changing climate.
Key Climatic-Adaptive Capacity-Building Tenets

• Capacity-building needs to be dynamic and responsive to the adaptive needs of a region, which include the social, economic and environmental context of a rural community.

• Capacity development must be cognizant of rural community vulnerabilities and be focused on solving for specific outcomes/objectives that drive resilience-thinking and that foster individual and communal adaptability.

• Capacity-building must adjust and solve for a specific community context at the micro (individual) and macro (community) levels. This will require investment, collaboration and knowledge transfer across sectors and partner organizations, especially among scientists, community residents and political leaders.

• Capacity-building must focus on advocacy, wealth creation and empowerment of local voices through employment-based skills, entrepreneurship and financial literacy training. Stronger socioeconomic conditions and enhanced knowledge alter the status quo and inform better public policy, resilience-thinking and adaptation.

• Funders, interested in fostering more-resilient communities, must expand and prioritize capacity-building investments in rural areas.

Impact of Climate Change on Southeastern States

The Southeast region of the United States is highly vulnerable to climate change-related events (e.g., sea level rise, heat waves, hurricanes and drought) because of its high levels of poverty and rurality. According to the 2010 U.S. Census, nine of the 10 states with the highest rural and small-town poverty rates are located in the Southeast.15

The vulnerability of the Southeast is reflected in recent work from Solomon Hsiang, a climate economist at the University of California, Berkeley. Hsiang estimates that the cost of climate change-related damages could soon equal more than a third of the Southeast region’s gross domestic product.16 Rural, climatic disparity is perhaps most pronounced in the state of Louisiana. According to the Pontchartrain Conservancy, Louisiana loses 29 square miles of land annually to sea level rise. In fact, Louisiana is disappearing at a rate of one American football field every 100 minutes—the
equivalent of 14.4 football fields per day. This land loss directly impacts the livelihood of the most vulnerable populations, including tribal communities, anglers, farmers, and many others whose incomes and culture have traditionally been derived from the health of the coast.

Given this high rate of vulnerability and the accelerating rate at which the country is losing both land and culture, a new “climatic” lens needs to be applied to how we think about delivering capacity supports in rural communities. The severity of climate change on rural communities means that capacity development must become a higher-level priority, especially within corporate philanthropy. Funders must view investments that strengthen economic position and prosperity (through various capacity supports) as part of a larger call to action to help solve for ongoing environmental justice challenges in rural and BIPOC communities.

**Conclusion**

Rural adaptation faces many challenges, many of which require more intentional intervention in the form of wealth-generating capacity supports that drive community adaptation. Vulnerable populations and communities require ongoing, targeted investment in the form of technical assistance, skills development and economic investment that strengthen individual livelihoods. Capacity-building has an important role to play in battling climate change; the status quo is simply not enough. U.S. rural and coastal communities deserve more protection and investment from rising seas and a changing climate. The solution is to augment the way we have traditionally provided technical assistance; supports should more fully focus on investments in socioeconomic programming, innovation, knowledge-sharing and policy tweaks that strengthen investment in rural areas. Philanthropies, U.S. policymakers and various public and private organizations now have an opportunity to consider changes to traditional outreach supports, so that more rural regions can benefit from adaptive and income- and wealth-producing solutions that will protect rural and coastal communities from the ravages of climate change for generations to come.
References


Local Initiatives Support Corporation (LISC) (website). See lisc.org.


Pontchartrain Conservancy (website). See scienceforourcoast.org.

Endnotes

1. See Ajilore and Willingham.
2. See Mueller et al.
3. If emissions and temperatures continue to rise at their current rates, seas are estimated to rise 2 to 3.6 feet by 2100, impacting many coastal cities. (See Schlanger.)
4. See Nuccitelli.
5. Ibid.
6. See Murphy et al.
7. See Hales et al.
8. See Alig.
9. Ibid.
10. See Ambrosio and Kim.
11. Ibid.
12. See Alig.
13. See Murphy et al.
14. Financial Opportunity Centers are transformative capacity supports for rural communities. FOCs provide employment and career counseling, one-on-one financial coaching and education, and low-cost financial products that help build credit, savings and assets. They also connect clients with income supports such as food stamps, utilities assistance and affordable health insurance. The cornerstone of the FOC model is providing these services in an integrated way—rather than as stand-alone services. (See Local Initiatives Support Corporation.)
15. See Gutierrez and LePrevost.
16. See Lustgarten.
17. See Pontchartrain Conservancy.
A Swiss Army Knife for Rural Development

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
In thinking about this chapter on banking in rural America, ironically, my thoughts turned to Europe. Bern, Switzerland, was the site of the February 2020 annual conference of the Global Alliance for Banking on Values (GABV)—more about the GABV and its role in rural development later—which I attended. As it turned out, this would be the last flight I would take prior to the impact of the coronavirus on the world’s economy. The one souvenir I bought was a Victorinox Swiss Army knife, the ultimate multi-functional pocketknife that includes about a dozen tools in one—a large and small blade, scissors, corkscrew, nail file, bottle opener, Phillips and flathead screwdrivers, tweezers, reamer and a wire stripper.

So, what does a Swiss Army knife have to do with rural development? Much like the knife, a rural banker must be multifunctional—a lender, economic developer, public policy advocate, small-business adviser, rural housing developer and financial counselor, not to mention serving in various community roles from elected official to unofficial ambassador.

The challenges of profitably providing traditional financial services in rural America are well-documented and mirror many of the issues facing rural economies: out-migration, persistent poverty, high unemployment, lack of access to quality jobs, low educational attainment rates, and the list goes on. To meet all of these needs, you need a banker—or bank—with multiple tools at the ready.

According to the National Community Reinvestment Coalition, between 2008 and 2020, 13,000 bank branches closed, with a disproportionate number of them being in rural and low-income communities. National banks long ago left many rural and low-wealth communities, opting for densely populated, more profitable urban and suburban markets. Now with the rise of regional bank mergers of equals, this trend of rural bank closures is only expected to continue.

Further, with increased customer adoption of online, mobile and a variety of fintech banking platforms, coupled with the social distancing lessons learned during the COVID-19 pandemic, the financial case for maintaining
bank branches in thinly populated, low-wealth, rural towns has become difficult to make. But how can we revitalize rural economies if banks—the engines of economic development and the primary providers of capital—continue to abandon rural communities? It will undoubtedly be difficult, but Southern Bancorp and other community development financial institutions (CDFIs) appreciate how rural communities have contributed to the historical development of America’s economy, and they are committed to being the Swiss Army knives needed to ensure that rural communities are key contributors to America’s future prosperity.

**A Unique Solution to a Not So Unique Problem**

CDFIs are financial institutions operating under a Department of the Treasury designation that identifies them as being focused on serving underserved populations. They are the result of some forward-thinking leaders who, several decades ago, recognized that there were many populations in this country being ignored by traditional financial institutions. Out of the era of redlining and other nefarious activities came CDFIs, and along with them the idea of “mission-focused” banking.

Southern Bancorp was one of the earliest CDFIs established, and in fact, one of our founders, then-Arkansas Governor Bill Clinton, would as president go on to successfully push Congress to recognize the entire industry through the creation of the CDFI Fund at Treasury. In early 2021, there were more than 1,100 banks, credit unions, loan funds and venture funds certified as CDFIs.

Having led Southern Bancorp’s three certified CDFIs—a bank holding company, a $1.7 billion asset community bank, and a nonprofit financial development and loan fund organization—for nearly eight years, I have become deeply aware of the differences between our type of organization and the traditional bank. I see opportunities to share our approach in the hope that some of what makes us unique can be adopted by non-CDFIs to better serve struggling Americans and increase the support that is desperately needed in rural America and beyond.

So, what makes CDFIs unique? At their core, CDFIs are driven to ensure that underserved communities—be they African American or Latinx neighborhoods, Native American populations or rural communities across
the country—have an array of tools at their disposal to help create economic opportunities. CDFIs do this by adopting an approach that broadens their motivating factors beyond profits and allows for greater inclusion of other stakeholder perspectives.

**CDFIs: The Ultimate Stakeholder Capitalist**

Stakeholder capitalism is the idea that corporations should orient themselves to serve all of their shareholders, prioritizing both mission and margin. Though the origin of this approach to business dates back to the early 1930s, it gained significant traction in the corporate lexicon in 2020 as corporations sought to redefine their responsibilities in light of the increased attention on racial and economic inequities. Some have argued that it is nothing more than a public relations stunt meant to combat negative feelings toward corporate America. While that may be true for some, we have seen many companies begin to move past the spin and put their money on the line in pursuit of real change—more on that later. However, I argue that CDFIs and the global, values-focused banking movement are some of the best examples of successful stakeholder capitalism at work today. Our secret sauce is a long-term and expanded view of shareholder value, prioritizing the needs of all stakeholders and balancing profits and purpose. This is an approach that other financial institutions may embrace to help address the challenges facing rural America and other struggling populations.

Rethinking the meaning of shareholder value and other related concepts sounds great in theory, but a secret sauce doesn’t do much good without the other ingredients that make up a successful recipe. For Southern Bancorp, that means putting our mission-driven approach to banking into practice throughout all aspects of our work, from our organizational structure to the various tools we use to create economic opportunities in the rural communities we serve.

We are organized as a public benefit corporation and are certified as a B Corp to make it clear to ourselves, to our investors and to other stakeholders that our purpose for existing is much broader than simply maximizing shareholder profit—it’s also about positive societal returns. We also joined the GABV, a worldwide network of bank leaders committed to using finance to deliver sustainable economic, social and environmental development,
with a focus on helping individuals fulfill their potential and build stronger communities. GABV leaders believe we can finance the change we want to see in the world, but we also believe we must take responsibility for the things we finance that may harm individuals and the environment. Our B Corp and GABV participations provide us with learned experiences from our colleagues that are beneficial in serving rural communities.

**Making Capitalism Work in Rural America—The Southern Bancorp Approach: One Southern, One Mission**

Southern Bancorp has chosen building individual net worth as a proxy for creating economic opportunity. Poverty is often multigenerational. If your parents lived in poverty, you are more likely to live in poverty. However, poverty-strapped individuals that amass even small amounts of net worth—equity in a home, ownership of a small business—are statistically more likely to rise from generational poverty. That is why our work focuses on proven strategies to build net worth—supporting homeownership, entrepreneurship and job creation, and saving and accumulating assets. As I mentioned earlier, Southern Bancorp consists of three certified CDFIs working together to fulfill our mission to be wealth builders for everyone, and this multi-entity structure provides the type of flexibility needed to meet the unique needs of capital-starved rural communities.

For example, a budding entrepreneur seeking capital to purchase real estate and launch a business may lack in a traditional area of loan qualification, such as sufficient collateral, thus precluding him or her from qualifying for as large a loan as desired. However, because we are in the community and know that this person meets all the other loan qualifications, our bank often partners with our loan fund to make this loan. In this instance, the bank might provide financing to purchase the commercial real estate, while the loan fund, with greater lending flexibility, might provide a working capital loan. This type of collaborative lending allows for a structure that will promote success for the borrower, as well as help to de-risk both loans. Having multiple lenders has proven to be a useful tool for Southern Bancorp in serving our rural communities.

We also provide financial education and development services and products to further support our borrowers, such as credit counseling, homebuyer
counseling, credit builder certificates of deposit and matched savings accounts. The “One Southern, One Mission” approach for our customers often means we do everything we can to tell a customer “Not yet” instead of “No.”

Another way we put into practice our mission-driven approach to increasing access to capital is by broadening the definition of capital itself beyond the “financial” definition with which most of us are familiar.

Let’s start with social capital. For many bankers, this will be the type that often comes to mind when thinking about relationship banking, though I’d argue that the declining number of bank branches in America is redefining this—and not in a good way. Banking in America was founded on relationships—local lenders living in a community, attending church in a community, joining civic clubs, and even coaching the local baseball team, all to build long-term relationships that better inform their lending decisions.

Yet as banks consolidate and leave smaller communities, so do those relationships. A large part of Southern Bancorp’s commitment is simply being there, and it’s not something easily replicated by a roaming lender hundreds of miles away. As banks leave rural communities, it’s not just the relationships that disappear, it’s also the bankers who play such important roles in the community. We call this the human capital.

Our team members are intimately involved in their communities, from serving on boards and commissions to volunteering countless hours. Recognizing that our company’s and employees’ fates are directly impacted by government decisions, we encourage our team members to advocate for issues that impact their customers and communities. Southern Bancorp also has a dedicated public policy team, an uncommon feature of many community banks that often rely on state banking associations for government relations support. We actively engage with our elected officials around policy initiatives that benefit rural America. We believe it is critically important for policymakers to hear firsthand from those most impacted by their decisions. Therefore, we deem it part of our duty as stakeholder capitalists to be vocal advocates for the changes we want to see.

Not only is this human capital lost when banks leave rural communities, but intellectual capital is as well. It is often the bankers, acting as economic developers, who have knowledge of government programs and resources that are frequently critical to putting a deal together in many rural
communities. For example, the lack of safe, decent, affordable housing in rural America is rising to epidemic levels. Almost every affordable rural housing project that we have financed recently had some form of government support, such as low-income housing tax credits, and our bankers’ knowledge of these programs was crucial to getting the deal done.

Another development strategy in which we have successfully participated has been to support downtown revitalization. This geographically concentrated development has given rebirth to restaurants, hotels, retail stores, loft condominiums and charter schools, attracting people back downtown to live, shop and spend money, while also building community pride. Often this downtown revitalization has been spurred by the injection of capital from state Historic Tax Credit programs, as well as mission-aligned philanthropic capital raised by our loan fund.

Most recently we have secured allocations of federal and state New Markets Tax Credits, and we are excited to have these job creation tools, along with government business loan guarantee programs, to support our rural revitalization work. Understanding and utilizing these programs can be key in turning a deal from a nonstarter into a game changer. It is the rural bank and banker that are often the driving forces behind the utilization of these programs.

And finally, another key element that is lost when banks leave rural communities is an understanding of natural capital and how it can be critical to the revitalization of rural America. Whether it is the millions of acres of farmland driving rural economies or the cultural and recreational opportunities transforming rural towns into vacation destinations for urban dwellers, rural community bankers know how to leverage these assets to support rural development.

At Southern Bancorp, we leverage the unique natural and cultural assets of a community through agricultural lending and financing tourism initiatives that build on the culture and history of a community, as well as by sponsoring events and festivals that attract visitors. These assets can be powerful economic draws, but yet again, an awareness of why they exist is key, and that all comes back to being there and being engaged.
Being Intentional

Throughout this chapter, I have attempted to illustrate some of what makes CDFIs like Southern Bancorp different, and why our approach—along with the approach of many other mission-driven financial institutions—is so important to rural America’s future. Yet, if I were asked to summarize it into one word, I would have to say “intentionality.”

I can talk about CDFIs and stakeholder capitalism and balancing mission with margin all day long, but the reason our work is successful comes down to being intentional about helping a community. If we are going to build more-resilient rural communities in pursuit of a better America, it is going to take more than CDFIs’ doing what we do. It is going to take intentional action on the part of financial institutions across this country—big and small—that are willing to step in and do the work, or support those who can.

I have been an avid proponent of CDFIs’ and minority depository institutions’ (MDIs’) raising equity capital in past years, but 2020’s attention on addressing structural racism cast these efforts into an intense spotlight, as several corporations began looking for ways to do more than offer public relations platitudes. This heightened attention around social and economic justice has launched an unprecedented effort by these companies to identify ways to support the economic first responders serving minority communities, including those in rural America, such as through technical assistance offerings and placing deposits with our institutions. However, equity investments hold the greatest potential for achieving large-scale impact.

Members of the Business Roundtable (BR), some of America’s largest employers, have made commitments to addressing the opportunity gap, including racial disparities in accessing financial resources. Among the variety of tangible commitments that BR members have made is a pledge to make $600 million in equity investments and deposits into MDIs and Black-led CDFIs by 2025. Southern Bancorp itself is a recipient of an equity investment by Bank of America, which helped fuel our acquisition of a small bank in a rural, underserved community. Other BR member banks have made similar equity investments in other MDIs and Black-led CDFIs. These initiatives have created a road map for other corporations, philanthropic organizations and government entities to follow that will transition their efforts from platitudes to true partnerships.
I have been encouraged by the attention of so many, and more importantly the actions of a few, to begin investing in CDFIs and MDIs as a way of supporting underserved communities. I also know that for every underserved community that one of us serves, there are thousands that go without access to capital, which is why equity investments in our organizations are such an important way to make an impact. CDFIs, MDIs and the access to capital they provide are not the only answers to problems facing rural economies, but they are certainly key components of the answers. My hope is that through our approach, other institutions can learn, adopt or become part of our efforts to chart a brighter future for rural America.
Native CDFIs: Strengthening the Fabric of Rural America

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Introduction

Rural America is a diverse patchwork of communities composed of Black, Latinx, Appalachian, Native American, white and other populations. Their homes, cultures, languages, businesses, and even the foods they eat may look different, but their economies share an unfortunate commonality: Remoteness, historic disinvestment and systemic racism have impeded economic growth in each of these places.

A more welcome common thread that ties these communities together is a network of committed organizations called community development financial institutions, or CDFIs. These entities discover budding entrepreneurs, promising businesses and aspiring homeowners, and launch them on their journeys toward self-sufficiency and economic success in ways that help to mend the rips and tears of history.

Some of the deepest slashes in the fabric of rural America have been in Native communities. Thirty-five states are home to American Indian, Alaska Native and Native Hawaiian people, and CDFIs have played a critical role in supporting them. Many carry a special designation as “Native CDFI,” a U.S. Department of the Treasury charter specifically for institutions with at least 50% of their activities in Native communities.

By examining how members of the Oglala Sioux Tribe on the Pine Ridge Indian Reservation in South Dakota have been impacted by the work of three Native CDFIs, this chapter explores how these institutions are uniquely positioned to deliver customized financial products and services that advance economic viability in underserved Native communities and reverse the trends of historic disinvestment. The chapter also shares four key takeaways that would help to expand the impact of Native CDFIs.

Understanding the Federal Trust Responsibility to Indian Tribes

History has not been kind to many rural populations in America, especially to Native Americans. The federal policies of genocide, colonization
and relocation are not widely discussed in classrooms, where lessons about Indigenous people are more likely to cover Thanksgiving folklore. To understand the economic development landscape for tribes, a more realistic and relevant history lesson is necessary.

In the 1800s, the United States, in a series of three Supreme Court decisions known as the “Marshall Trilogy,” recognized the sovereignty of Indian tribes and their right to self-govern, and established a “guardian-ward relationship” between the federal government and tribes. This fiduciary duty, along with the 370 mostly unfulfilled treaties entered with tribes throughout the 19th century, resulted in a trust responsibility between the federal government and tribes. This is a key doctrine that has had many far-reaching implications for the economic conditions in Native communities.

In its simplest form, the federal trust responsibility means that because the federal government took Indian land, it has a responsibility to protect and provide for Indian people. This federal policy is what sets Native people apart from other U.S. citizens when it comes to federal programs. Federal resources allocated for the benefit of Indian tribes and their members are not based solely on need or any of the other typical indicators of government interventions. They fulfill a federal trust responsibility.

The federal government’s trust responsibility to tribes also affects the land status of Indian reservations. Most land within the boundaries of a reservation is held in trust for the benefit of an Indian tribe or an individual Native American. This policy has protected Indian land from leaving tribal control, but it has also made doing business in Native communities different than in other rural communities, sometimes requiring complicated and lengthy approval processes to use land as collateral for financial transactions.

Despite the systemic challenges created by American history and these federal policies, Indigenous communities have persevered and prospered.

An Introduction to CDFIs

CDFIs are financial entities that focus on the economic health of the markets they serve by providing access to financial products and services for community members and businesses. A CDFI can be a bank, a credit union or a loan fund, but what distinguishes these lenders from traditional profit-driven banks is their community development mission that complements a desire for generating revenue to achieve organizational sustainability.
What does that mean in practice? CDFIs develop deeper relationships with their clients and have more flexibility to design loan products suited to their clients’ financial situations, which might include lower incomes, fewer assets, and limited or poor credit histories. This approach to lending has been successful in times of both economic crisis and growth.

According to the Opportunity Finance Network (OFN), a national network of CDFIs, as of February 2021, more than 1,200 CDFIs are certified by the U.S. Department of the Treasury’s CDFI Fund, with about $222 billion in assets. OFN reports that from 1999 to 2017, CDFIs outperformed insured depository institutions with lower loan-loss rates. This track record is a true indication of the effectiveness of local, community-based connections and the credit worthiness of these often-overlooked communities.

**Native CDFIs**

When Congress created the CDFI Fund in 1994, several tribes and Native organizations advocated for a set-aside specifically for Native communities. At the time, policymakers were reluctant to carve out dedicated funding for one population over another, so they directed the CDFI Fund to conduct a study about the capital and credit needs of American Indian, Alaska Native and Native Hawaiian people. The resulting 2001 Native American Lending Study identified 17 major barriers to capital access, relating to legal infrastructure; government operations; economic, financial and physical infrastructure; and educational and cultural issues.

This recognition of the challenges associated with accessing credit in Native communities, combined with the federal government’s trust responsibility to Indian tribes and the political status of Indigenous people, led to the creation of the CDFI Fund’s Native American Initiative, which included a separate charter for CDFIs serving Native populations, as well as a dedicated funding stream.

When the initiative started in 2003, there were only 14 Native CDFIs certified by the CDFI Fund. As of June 2021, there were 69 and nearly as many emerging entities. These organizations collaborate with other stakeholders in their target markets to build the financial capability of their clients and prepare them to access affordable consumer loans, microfinancing, mortgages, small-business startup loans, agriculture loans and other commercial
financing. A recent study indicates that communities with Native CDFIs show significant increases in credit scores compared to communities with only non-Native CDFIs.²

Native CDFIs also serve as an impetus in their communities to break down many of the barriers identified in the 2001 study, e.g., prompting the enactment and refinement of tribal codes that provide legal remedies in their tribal jurisdictions, the development of physical infrastructure, and the recruitment of private-sector providers, including appraisers, contractors and insurance providers.

**Native CDFIs on the Pine Ridge Indian Reservation**

Like many rural places, the Pine Ridge Indian Reservation faces the hardships of remoteness. It is nestled in the prairies of the Great Plains and spans 2.1 million acres, more than twice the size of Rhode Island. The reservation is home to 20,000 enrolled members of the Oglala Sioux Tribe, one of nine tribes located in the state of South Dakota. Nearly 40% of families live below the poverty level, and unemployment rates can soar up to 80%. There are few businesses or even places to buy food on the reservation, so tribal members must travel to border towns to purchase necessities.

Housing stock is limited, and much of what exists is in poor condition and in need of repair. Overcrowding is a constant challenge, with multiple generations residing under one roof. Physical infrastructure, including roads, water and sewer, electrical utilities and broadband, are not adequate to support the expanding local economy that the community desires.

Amid these harsh conditions, prosperity is emerging. Thanks to the quiet work of a small group of community development practitioners, tribal members have turned to CDFIs as trusted advisers who understand their circumstances and can help them achieve their dreams for the future. Over the past four decades, three Native CDFIs have contributed to the economic growth of the tribal members of the Oglala Sioux Tribe through business, mortgage and consumer lending.

**Lakota Funds**

Some of the earliest development efforts began in the late 1980s, when a group of organizers gathered to explore strategies to seed local businesses on
the reservation. At the time, there were no tribal member-owned businesses, and 75% of the respondents to a community survey had never had a loan or even a checking or savings account. The organizers knew this would be a high-risk market, but they also knew they had to start somewhere. Thus, they established Lakota Funds in 1986.

Hindsight has revealed many mistakes to the organizers. Their funders were pressuring them to deploy capital quickly, and they did so before borrowers were ready to take on this financial responsibility. One of the most important lessons learned was the realization that expanding personal financial capacity was a critical first step to ensuring the success of business development. Also, in a community reliant on public assistance and grants, building a relationship with new borrowers to create an expectation of repayment was key, and strengthening collection efforts was a dreaded but necessary undertaking. Another part of Lakota Funds’ financial education program was helping borrowers to understand that repaying their loans made it possible for the organization to relend that capital to other businesses.

Over the years, the borrowers and their businesses matured. One of Lakota Funds’ first clients was Dale McGaa, who acquired a loan for a belly dump trailer in 1986 and went on to operate Crazy Horse Construction as a successful contractor in business for more than 30 years before he retired. Lakota Funds’ founders attribute much of the impact they had on the reservation to their focus on lending to construction companies owned by tribal members who supported economic growth in the community.

Lakota Funds matured along with its market. After a period of experimentation, Lakota Funds incorporated in 1993 and was certified by the CDFI Fund as a Native CDFI in 2000. Along with its business loans, it began offering extensive services designed to expand financial capability, including credit coaching, matched savings accounts and basic financial skills courses. Today, Lakota Funds is still designing business loans to meet the unique demand from its market, most recently adding agriculture loans for Native ranchers to its list of loan products.

By remaining close to the community, Lakota Funds has tailored its loan underwriting criteria to its market risk—something that is harder for banks to do. Lakota Funds’ knowledge and experience in its target market helped its loan committee to understand that the usual predictors of repayment
don’t apply here. For example, low credit scores and income levels have not resulted in poor loan performance, but the length of a borrower’s employment in a job, no matter the type of job, makes a difference. This understanding of the market risk has helped Lakota Funds to become a successful and profitable lender in a market considered by others to be too risky.

As of December 2020, Lakota Funds had loaned more than $16.3 million through 1,225 total loans, aiding 823 businesses and creating over 2,000 jobs—an impressive contribution to the economy of the Pine Ridge Indian Reservation and the surrounding communities.

**Mazaska Owecaso Otipi Financial**

As tribal members began to accumulate more assets in the early 2000s, another movement began. The Oglala Sioux Tribe Partnership for Housing, a new housing nonprofit, began seeking potential lending partners to meet the rising demand for homeownership on the reservation. In 2004, it helped to launch a second Native CDFI serving the reservation. Mazaska Owecaso Otipi Financial set out with a mission to create safe and affordable housing opportunities on the Pine Ridge Indian Reservation by providing loans, training and financial insight to empower Native people to build assets and create wealth.

Mazaska partnered with other mortgage lenders but also began designing its own portfolio loan products, customized to the distinct needs of its borrowers. Its mortgage products offer flexible underwriting criteria and accept a leasehold interest in the land, rather than the land itself, as collateral. In addition to providing intensive financial and homebuyer education, Mazaska provides technical assistance to help its clients obtain all the necessary tribal and federal clearances for encumbering trust land with a mortgage—a complicated process with many steps that has the potential to delay the transaction.

The Native CDFI also developed a credit-builder loan to help prospective homebuyers improve their credit worthiness before qualifying for mortgage financing. In addition, it provides a range of down payment assistance options to help make homeownership more affordable for its clients.

Nearly 17 years later, Mazaska is still a key financing partner on the reservation, collaborating frequently with Lakota Funds to serve their mutual clients. Clients in need of improving basic financial management skills may attend Lakota Funds’ courses first and then start working with Mazaska on
the homebuying process. The two CDFIs have also worked together to offer participation loans. For example, one borrower whose business location included residential space accessed a joint loan, with Mazaska providing the mortgage financing and Lakota Funds financing the business purchase.

The two Native CDFIs also share a commitment to serving Native veterans in their community. Lakota Funds provides technical assistance to help veterans prepare for the homeownership process and offers a matched savings account designed specifically for veterans. Mazaska provides loan packaging services for the U.S. Department of Veterans Affairs’ Native American Direct Loan program, as well as other financing services.

**Lakota Federal Credit Union**

In January 2009, community organizers once again gathered to discuss options for bringing a depository institution onto the Pine Ridge Indian Reservation. Lakota Funds anxiously agreed to sponsor the proposed Lakota Federal Credit Union. A steering committee began the nearly three-year process of establishing the first and only federally insured financial institution on the reservation.

In August 2012, the Lakota Federal Credit Union received its charter from the National Credit Union Administration. Located in the Lakota Trade Center in Kyle, South Dakota, it offers savings accounts, checking accounts, check cashing, direct deposit and consumer loans, both secured and unsecured, to members who live, work, worship, attend school or volunteer on the Pine Ridge Indian Reservation. In 2013, the CDFI Fund certified the credit union as a Native CDFI.

Before the Lakota Federal Credit Union started providing financial services, the reservation population was 60% unbanked. Now all community members have access to basic savings accounts to plan for their financial futures. Since opening its doors in September 2012, the Lakota Federal Credit Union has accumulated $7.1 million in assets, attracted 3,000 members and deployed 450 loans, for a total of $2.4 million. The credit union’s rapid growth is attributed to the fact that all of its employees are tribal members who can relate to the financial needs of their customer base.

In a community where hopelessness and poor economic and health conditions have fueled high suicide rates and limited length of life, Lakota
Federal Credit Union sees itself playing an important role in the community’s vibrancy. The credit union is helping its members to have a sense of hope for their futures while providing financial tools to help them get there. One of its brightest beacons of light is seeing young children visit the credit union with their parents or grandparents to make deposits into their savings accounts. This young generation of savers is poised to bring about even bigger economic impacts to the community going forward.

In their own ways, Lakota Funds, Mazaska and Lakota Federal Credit Union have each proven they have the expertise to operate in persistent poverty areas to support economic, social and racial justice. By providing basic financial management skills and customized loan products, they are preparing their borrowers to overcome systemic barriers to accessing credit by acting as conduits to mainstream financial institutions.
Key Takeaways

This historical review of the Native CDFIs serving the Pine Ridge Indian Reservation reveals four key takeaways that could help expand their impact and the impact of similar Native organizations across rural America:

1. **Native CDFIs are ripe for private-sector investment.** Private-sector funders, including foundations and individual donors, should invest directly into established Native CDFIs with a proven track record of meeting the financing needs of their communities while achieving organizational sustainability. Possible investments could include low-cost, long-term loans or grants to support lending and operating capital. In addition, funders interested in building the capacity of startup Native CDFIs could invest in regional or national intermediary organizations that support emerging entities.
2. **Collaborations between mainstream financial institutions and Native CDFIs offer market expansion and systemic change opportunities.**

Native CDFIs are valuable partners for mainstream financial institutions exploring market opportunities in underestimated Native communities. Therefore, lenders seeking to expand their products and services with an eye toward achieving both growth and racial equity should explore opportunities to collaborate with Native CDFIs.

3. **Positive Community Reinvestment Act (CRA) consideration could provide additional incentives for regulated financial institutions to partner with Native CDFIs.** Federal banking regulators could increase the likelihood of regulated entities’ engaging in lending and investment activities with Native CDFIs by giving them credit for such activities under their CRA obligations, even if the CDFI loan recipients are not located in the lenders’ assessment areas.

4. **The federal government should allocate more resources to Native CDFIs.** Native CDFIs have proven themselves to be good stewards of federal resources, yet substantial needs remain in the Native communities they serve. Allocating federal dollars to Native CDFIs would reverse the historic trend of disinvestment in areas of high need and persistent poverty, and would provide an effective mechanism for the federal government to fulfill its trust responsibility to Native nations. Specifically, Congress should increase appropriations to the CDFI Fund’s Native American Initiative and expand the use of Native set-asides for federal programs that stimulate economic development, like the New Markets Tax Credit program. Congress should also identify opportunities to improve the deployment of federal direct loans—for example, the U.S. Department of Agriculture’s Single Family Housing (Section 502) Direct Home Loan and U.S. Department of Veterans Affairs’ Native American Direct Loan—by allowing Native CDFIs to serve as intermediary lenders to relend to eligible borrowers in Native communities.

Increased engagement from private-sector funders, mainstream financial institutions and the federal government can only bolster the promise of Native CDFIs to respond to the historical and economic issues experienced by Native communities. As we have seen on the Pine Ridge Indian
Reservation, Native CDFIs are critical agents of systemic change. As community and industry leaders across the country rise to weave together their strategies of hope and economic resiliency, Native CDFIs will continue to strengthen the fabric of rural America by helping Indigenous populations overcome historical trauma, repair systemic injustice and stimulate economic opportunity.

References
Kokodoko, Michou; Grajzl, Peter; Dimitrova-Grajzl, Valentina; and Guse, Joseph. “Native CDFIs Improve Credit Outcomes for Indian Country Residents.” Federal Reserve Bank of Minneapolis, April 28, 2021. See minneapolisfed.org/article/2021/native-cdfis-improve-credit-outcomes-for-indian-country-residents.


Endnotes
1 “The Marshall Trilogy is a set of three Supreme Court decisions in the early nineteenth century affirming the legal and political standing of Indian nations: Johnson v. M’Intosh (1823), holding that private citizens could not purchase lands from Native Americans; Cherokee Nation v. Georgia (1831), holding the Cherokee nation dependent, with a relationship to the United States like that of a ‘ward to its guardian’; and Worcester v. Georgia (1832), which laid out the relationship between tribes and the state and federal governments, stating that the federal government was the sole authority to deal with Indian nations.” (See Wikipedia.)

2 See Kokodoko et al.
The Role of Philanthropy in Rural Community Development

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BACKGROUND

Less than 7% of philanthropic funding supports rural areas, and only a small number of foundations claim rural development as their mission. Our foundation is one of them. We work in rural Oregon and Northern California, where the economy remains largely natural resource-based—timber, farming, ranching and fishing. In a few areas, natural amenities are fueling new economies based on renewable energy, tourism, retirement and internet-based work. The geography is vast and sparsely populated. Demographically, our territory is about 85% white, 13% Latinx and home to 11 federally recognized tribes. Fifty years ago, this region was known for its thriving small towns, boasting some of the highest rural wages in the nation. That is no longer the case.

INTRODUCTION

Rural regions are a dichotomy, with awe-inspiring assets and painful deficits. This chapter posits that rural philanthropy can have the greatest impact by moving beyond traditional grant-making to emphasizing two priorities:

1. building local capacity by enhancing and leveraging existing assets, and
2. increasing the quantity and effectiveness of public and private investments in rural areas.

Our rural residents have a deep love for their communities—their levels of volunteerism, civic engagement and social capital would impress any urban visitor. Microenterprises (businesses with fewer than 10 employees) dominate the economy. A growing Latinx population is bringing new workers, eager entrepreneurs and global connections. The physical beauty of the area is inspirational, and rural residents are committed stewards of natural resources.

At the same time, rural is its own inequity. Historic disparities in investment in rural transportation; communication; and economic, social and educational infrastructure manifest themselves today in poorer outcomes
at the child, family and community levels. With the exception of a few high-amenity areas, the inequities compared to those in urban and suburban regions are growing. In southwestern Oregon, for example, the timber industry, which provided family-wage jobs for almost half the population through the 1980s, now accounts for about 10% of jobs, and no economic driver has taken its place. Thirty years ago, the child poverty rate stood at 20%; that statistic now hovers closer to 30%. The disparity in college-going rates between rural and urban students has grown since 2005, primarily due to a decline in postsecondary enrollment by rural high school graduates.\(^2\)

These trends have led to multigenerational poverty, along with poor physical and mental health, substance abuse, low labor force participation, and political apathy or extremism.

Best practices in rural philanthropy parallel best practices in any kind of philanthropy: We make investments that enhance assets and offset deficits. The key difference is that prioritizing partnerships, capacity-building and leveraging for long-term impact are not optional in the rural setting—they are mission-critical. This chapter explores how the philanthropic sector can address the issues raised throughout this volume by taking an inclusive and collaborative approach to rural development.

1. BUILD LOCAL CAPACITY

Meet communities where they are. Build civic capacity. Enhance organizational infrastructure.

Meet Communities Where They Are

Rural philanthropy is so much more than grant-making; it is community-building. The concept of “meeting communities where they are” is both literal and figurative. Rural funders must travel to communities and get to know the residents. Funders need to learn about local priorities, challenges and resources; take their cue from listening to local residents; and design grant-making to meet the communities’ needs. In pre-COVID times, our foundation’s fleet of five vehicles was in constant use and traveled more than 100,000 miles annually.

Rural philanthropy succeeds if it honors community culture and wisdom; foundations must build relationships and become genuine partners. If a
Our field staff members are connectors, capacity-builders and champions. They are hired from the region and are active in community events, such as this fair sponsored by Euvalcree, a Latinx-focused organization in eastern Oregon. Photo courtesy of Euvalcree.

Our foundation commits to building on the priorities of the rural community, the likelihood of any initiative's being sustained by the community increases, even after grant-funding ends. If, however, foundations enter with their own agendas, they might find a local partner willing to accept a grant to carry out the foundation's plan, but it is unlikely to last beyond the grant term.

Our foundation has an entire department devoted to community-building. Our staff members are connectors, capacity-builders and champions. They are hired from the communities and follow the motto to “be visible in the community and the community will be visible in you.” We show up at celebrations, funerals, meetings and graduations. We enter with the belief that the answers already lie in the community. We set the table for focused conversations that draw out collective wisdom, develop a vision for the community’s future and facilitate the creation of plans to move forward. To avoid taking the lead, we start by asking questions—usually over a meal, a coffee or a beer.
Build Civic Capacity: The “Four C” Framework

We organize our work according to our “Four C” framework, and we track growth on each of these fronts:

- **Connections.** We build relationships, convene people and set the table for collaboration. This approach is key for communities to build their own futures. Often, in rural areas, our first question is: “Who is not at this table?” It is very easy to tap the same community leaders repeatedly, most of whom are already overstretched. The future of rural communities will depend on engaging those who are harder to reach: youth, low-income families, new immigrants and people of color. This approach is not easy and requires a new type of bridge-building skills. For example, we have built collaborations between city council members and new Latinx immigrants, and between county leaders and mobile home park residents.

- **Capacity.** We aim to build and support local talent, knowledge and resources, so the community can shape its own future. Again, this approach requires going beyond the usual suspects and creating new public- and private-sector engagement. Ultimately, organizational infrastructure and capacity are key to implementing change, and most rural organizations are strained beyond their capacity.

- **Community-Led Action.** Our experience tells us that rural philanthropy requires supporting community-led action over the long haul—or when an emergency hits, such as a wildfire. Rural communities have a great deal of experience figuring out how to “get ’er done.” They have long relied on their own financial and in-kind resources to carry out projects, such as building fire stations, fairgrounds and health clinics.

- **Culture.** Ultimately, the future of our rural communities will depend on preserving their traditional strengths, while adapting to new realities. One is the restructuring of the economy: Technological efficiencies and the knowledge economy are replacing high-paying agricultural and manufacturing jobs. Another is the demographic realities of rural areas where the population is aging, and new immigrants—often people of color—are the source of renewed vitality.
In Glide, Oregon, residents have been building community capacity for several years. During the devastating wildfires in 2020, the town organized quickly to support a response. Community members helped fight flames on their neighbors’ properties. Photo courtesy of Glide Strong.

COMMUNITY-BUILDING LEADS TO QUICKER RESPONSES TO EMERGENCIES

We are working with almost 100 communities across our region. In 70 of them, our field-based community-building staff and foundation-supported local community builders provide on-the-ground supports for helping those communities. In a few, there are backbone organizations that adopt a comprehensive perspective, and we seek them out, provide resources and bring them into the network of rural development practitioners.

Assessments reveal a strong relationship between investments in community-building and improvements in community conditions. One foundation-sponsored study showed that communities that had been building civic capacity for several years were able to organize much quicker to meet local needs when they were hit with two emergencies in 2020: the COVID-19 pandemic and the most devastating wildfire season in Oregon’s history. Another study showed that community-building investments of $306,635 in three communities leveraged more than $15 million in public-sector investments.
Enhance Organizational Infrastructure

The most straightforward grant-making function of rural philanthropy is to compensate for the widespread underinvestment in the basic social and economic infrastructure. Low population density in rural communities means resources in every sector are spread thin. Very quickly, foundations working in rural areas will realize the need to build the capacity of organizations and communities to carry out work. Often, the problem is not weaker support systems—but the absence of any system at all. Many communities have no health care providers, college counselors, lending institutions or broadband services.

Rural residents, by necessity, wear many hats—they volunteer as coaches, court-appointed special advocates for foster children, rodeo staff and emergency responders. One of our local school superintendents recently repaired a leaking gym ceiling himself, and another used his personal funds to stock the emergency food closet. Similarly, nonprofit leaders are multitaskers because they have scant funding for administrative, IT and other infrastructure problems. While it is tempting for philanthropy to seek flashy, new investment opportunities, rural communities tend to prefer and need something more basic, and philanthropy is often the only place they can turn.

To respond, our foundation supports capacity-building for nonprofits. We also support intermediary organizations that, in turn, build capacity for local nonprofits around management, fundraising and governance. In addition, we offer technical assistance grants, whereby organizations can apply for up to $5,000 to develop leadership expertise, create strategic plans or hire time-limited experts to help with infrastructure issues.

Foundations certainly bring important assets from the outside: funding, technical expertise and access to other resources. Communities have critical assets, too—local expertise and commitment to sustain community-building efforts. Blending the two can create enormous opportunities for rural regions.
A mom in Drain, Oregon, joins her son in an after-school play program. The foundation supports a wide range of child care models in rural communities. Photo courtesy of Michael Sullivan.

THE FORD FAMILY FOUNDATION IS TAKING A COMPREHENSIVE APPROACH TO BUILDING CHILD CARE SOLUTIONS

All communities in rural Oregon are officially designated as child care deserts: Only 18% of all rural children aged 5 and under have access to a child care slot. There is no silver-bullet solution. A wide range of child care models exists in rural areas, and we must support all of them—from family-based providers to preschools. Our foundation is addressing this issue from multiple entry points:

- funding startup costs for rural child care centers;
- increasing training of the child care workforce, especially around high-quality care;
- offering business supports for child care providers, such as technical assistance, access to capital and a shared services alliance to centralize business functions;
- supporting small capital improvement projects for providers to improve facilities; and
- conducting studies highlighting policy and regulatory changes that would benefit rural providers. For example, our research found that state subsidies for rural providers were as much as 76% lower than for urban providers, even though the cost of providing the service is similar.⁵
2. INCREASE PUBLIC AND PRIVATE INVESTMENTS IN RURAL AREAS

Leverage the big dollars. Champion rural. Recognize sociopolitical context.

Leverage the Big Dollars; Make Sure Public Program Designs Meet Rural Needs

The long game for rural philanthropy is to help rural communities become more attractive for public- and private-sector funders. There is often a mismatch between what the granting agencies provide and the needs—sometimes the funds require local matches that rural communities cannot meet; sometimes there are assumptions about infrastructure that rural communities do not have (notably broadband and transportation); sometimes public-sector grants are too large to align with rural community needs.

More investments are better, but that is not the only challenge. Program regulations and designs need to account for rural contexts. Take the matter of distance: Professional development opportunities that are a subway ride in urban areas are a 200-mile drive from rural communities. Another example: Our foundation is funding an early child development model program in the rural community of Yoncalla, Oregon (population 1,300) to match a similar pilot in Portland (population 662,000), with the aim of providing rural-specific information about best practices. And finally, the tailored, holistic wraparound support services that we provide to our 1,000 scholarship recipients—the majority of whom are rural and first-generation college students who need extra support to navigate postsecondary life—are critical to their 92% college completion rate.

Champion Rural

As a rural funder, we believe one of our most powerful roles is that of rural champion. We aim to shift the narratives about rural communities, focus on the positive, and help our urban neighbors understand rural realities and opportunities. We raise up the stories of rural success in ways that help alter power dynamics and identify common cause.
COMMUNITY-DRIVEN PROCESS IDENTIFIES OPPORTUNITIES AND GAPS

Rural economic development must be a community-driven process whereby citizens initiate their own solutions to local issues. Foundations are in a position to partner with communities, enable access to impartial research and encourage broad resident engagement to achieve local goals.

In Oregon, more than 99% of all businesses are small businesses, as defined by the U.S. Small Business Administration. However, state systems gravitate to urban areas where there is a concentration of traded-sector companies.

Our foundation is supporting the development of a rural entrepreneurial ecosystem-building program called Growing Rural Oregon, or GRO. It will help communities map the key roles and services available to support rural businesses, as well as the gaps. We want to make sure that they have the tools and resources to create entrepreneurial ecosystems that grow the local economy. The data also will enable philanthropists, nonprofits and government agencies to identify investment and collaboration opportunities.

We support the development of tools that make high-quality data available to everyone, because we want leaders at every level to have access to the same trusted information. We advocate for systems that serve rural constituents as well as their urban counterparts.

Recognize Sociopolitical Context

Finally, we must recognize the sociopolitical context in which we operate. It is critical to understand the growing diversity of rural communities. Oregon has nine federally recognized tribes, and our Northern California footprint includes two additional tribes. Our region has a growing Latinx population. Current demographic trends show that the growth in the rural labor force will come through net immigration. Our future depends on attracting and providing opportunity for new arrivals—many of whom will be people of color—and helping our tribal partners improve their community outcomes.

In addition, rural-urban political tensions are at an all-time high. Our region tracks along red-blue, conservative-liberal lines that map closely to
OREGON BY THE NUMBERS REPORT PROVIDES ACCESS TO TRUSTED DATA, HIGHLIGHTS COMMON CAUSES

In 2018, we began producing an annual data report called Oregon by the Numbers. In a state where the rural population percentage continues to shrink, a primary goal is to help all of Oregon see all of Oregon. The report features profiles for each of Oregon’s 36 counties, along with measure summaries ranking the counties for each indicator. The production team also carefully selected indicators, like mobile housing, that would shine a light on how life in rural and urban communities can be different. The report encourages readers to use the data as a vehicle for finding common cause with other communities.

the geography of our rural and urban communities. It is our strong belief that we all succeed only when we embrace the shared fate between rural and urban communities. Our foundation has sponsored many bridge-building projects including:

- a rural-urban “ambassador” exchange program for college students,
- a rural-urban statewide leadership development program, and
- many other more informal groups that aim to promote discussion.

Our local, state and regional imperative is to bridge the rural-urban divide in our corner of the Pacific Northwest.

IN CLOSING

We work in a vast region where many residents tell us they feel left behind in the transition to a new economy, where policies often fail to address rural needs. However, we also operate in a region with pristine lakes, ancient forests and rugged coastlines, where longtime residents step up time and again, and where an influx of immigrants brings energy and new opportunities.

We aim to be more than a rural grant-maker. We aim to be a good neighbor working in partnership with our communities—increasing capacity,
promoting community-building and leveraging our work for greater investments by others.

We are here for the long haul.

References
The Ford Family Foundation (website). See tff.org.


Endnotes
1 The Ford Family Foundation is a private, nonprofit foundation with headquarters in Roseburg, Oregon. The foundation makes grants to public charities and agencies predominantly benefiting communities in rural Oregon and Siskiyou County, California. See The Ford Family Foundation (website).

2 See The Ford Family Foundation and Education Northwest.

3 See Ford Institute for Community Building.


6 See The Ford Family Foundation and Oregon State University Extension Service.
Core Intermediaries and Collaborations: Increasing Scale, Adaptability and Access to Resources in Rural Communities

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
The Claude Worthington Benedum Foundation (Benedum) was founded in 1944 with a specific directive to serve the state of West Virginia and four counties in southwestern Pennsylvania. Benedum is a place-based funder with an overwhelmingly rural geography in central Appalachia. The ability to bring catalytic dollars into communities that are underserved in almost every regard is an exciting proposition that the Benedum Foundation has been committed to for more than 75 years.

Appalachia is a region that mystifies America, and West Virginia sits in the heart of it. Adored for its rugged beauty and unabashed sense of place, Appalachia is nevertheless stigmatized for its generational poverty and other vexing conditions. In states like West Virginia, creating a social and economic transition that advances opportunity for rural people takes many forms of capital. As one of the leading private family foundations granting dollars in West Virginia, Benedum has senior program staff embedded in the state working closely with grantees and institutional partners to catalyze change.

The Importance of Density and Scale

Building a brighter future in rural communities is partially about overcoming barriers. As a basic barrier, rural communities lack a density of resources. Philanthropic, institutional, governmental, private and non-profit resources tend to cluster in places with higher population density to offer the greatest economy of scale, but this density preference isolates rural communities from resources. As a result, rural communities are forced to be self-reliant and focused on efficiency above all else. This chronic scarcity of resources reinforces the view by those outside the community that rural organizations and communities are not competitive, lack capacity or are unable to serve enough people or leverage enough matching dollars to win large state and federal grants. This further deprives them of resources, perpetuating the negative cycle.

In addition to the negative effect that density has on resource availability, the remoteness and lack of density in rural communities also make it
challenging to scale successful programs across regions. Starting and maintaining programs in a state like West Virginia—which has only 77 people per square mile, compared to New York City, which has more than 27,000 people per square mile—create obvious challenges. Gaps inevitably exist in some of the most critical and necessary infrastructure, including rural education, health care and community support systems, thus perpetuating the challenges around capacity and scaling successful programs. As such, new organizations sometimes need to be formed to support community efforts or to act as the connective tissue to the many underfunded organizations working toward similar ends.

Enter philanthropy. Foundations are the unique players that bring investment dollars to rural communities to help enable innovation and support tailored approaches. The Benedum Foundation has evolved, along with its many grantees, to design strategies to offset the relative scarcity of resources in rural communities, and to support the critical gaps that undermine the issue of building scale. The primary approach at Benedum has been to convene thoughtful players on an issue, fund intermediaries that fill gaps and scale services, fund system-building collaboratives in the region, and attract other leveraged dollars (particularly federal) into rural communities.

Grantees of the Benedum Foundation can be classified into three types: (1) core intermediaries that offer system-building programs, (2) nascent initiatives that are growing and will likely scale up over time, and (3) catalytic new concepts that are compelling and innovative, and could either take off like a rocket or fail within a year or two. These three types of Benedum grantees—core, nascent and catalytic—create a framework for advancing systems-building work in rural communities. This chapter is dedicated to discussing the first type, core intermediaries, but it is important to note that sometimes new concepts succeed and grow into core intermediaries. Other times, core intermediaries spin off new ideas that get funded as nascent initiatives. Grantees come to Benedum with programs ranging in scope. Here are examples of how this approach can create sustainable outcomes and build a brighter future in rural communities.
The Role of Core Intermediaries in Rural Health, Education and Community Development

Rural communities need high-capacity, highly adaptive organizations to fill leadership gaps, collect data, serve as advocates and coordinate statewide efforts in dynamic, supportive ways. It is tempting for national leaders to simply classify the work of these core intermediaries as “capacity building”—a poorly defined term that rarely comes with ideas or reliable funding. At Benedum, core intermediaries are squarely about staying adaptable, creating opportunities to scale programs and attracting more resources. They are desirable and essential to the rural strategy.

For example, consider rural health care and the difficulties in delivering high-quality care to rural residents, many of whom live in poverty. The West Virginia Primary Care Association (WVPCA) is an important core intermediary in a state that needs scale and access. WVPCA is a nonprofit association that represents safety-net health care providers throughout the state of West Virginia. It is the largest organized primary care network in the state, and its mission is to ensure accessible, high-quality and cost-effective health services for all West Virginians, regardless of economic or social status. Rural residents are more likely to access care at a community health center (CHC), also commonly referred to as a federally qualified health center. One in four West Virginians gets health care services at a CHC in more than 360 locations across the state. Core intermediaries like the WVPCA develop working partnerships to better link services and build capacity among nonprofit organizations. WVPCA’s peer collaborations, for example, include organizations dedicated to oral health, elder living, child care and threat preparedness, which may appear unconnected but share affinities in working with populations that need cost-effective health care services. As a membership-based organization, WVPCA is sustainable and supported by organizations that gain value from its services. It gets a boost from philanthropy to help start and run new programs, react to opportunities or expand critical statewide work. Philanthropy can be a long-term partner to support and maximize the potential of organizations like the WVPCA, fill gaps and create scale. During the COVID-19 pandemic, because WVPCA is a stable intermediary, it has been resilient and responsive to supporting health centers across the state in testing, telehealth and vaccination.
Similarly, consider rural education systems. Rural educators are stretched for resources, schools are spread out in low-population counties, and families—who are just trying to meet basic needs like food and shelter—lack access to broadband and other tools of 21st-century learning. While philanthropy cannot fill all the resource gaps in rural education, it can leverage dollars around specific initiatives, and it can help fund innovation in schools faced with ever-tightening budgets. A core intermediary in education is the West Virginia Public Education Collaborative (WVPEC). WVPEC is a consortium of education partners across two states that includes private and public universities, rural nonprofit organizations and the Benedum Foundation. Public education is guided by state and federal requirements around teaching and testing, but there is still a healthy appetite for schools to incorporate other innovative and evidence-based programs that foundations can fund. The WVPEC fills some of the gaps left by bureaucracy by hosting legislative programs that inform elected officials on education-related topics and research, leading statewide initiatives and managing pilot projects in education. WVPEC is currently the lead grantee on a Benedum-funded project designed around early literacy in West Virginia. A collaborative and nimble partner, such as WVPEC, opens opportunities to work on difficult statewide issues, while engaging community projects and grassroots efforts.

Scaling ideas and resources to improve education can also work across the urban-rural divide. Remake Learning offers grants to support learning projects and practices throughout southwestern Pennsylvania and northern West Virginia. The Benedum Foundation has been a continuous supporter of the Remake Learning network, which formed in Pittsburgh and spread outward into rural communities. A robust network of educators, institutions and individual members, Remake Learning has grown to more than 500 institutions and 5,000 individual subscribers, and has been recognized internationally for innovation in the classroom and partnerships across sectors. Its Moonshot Grants were created to support big, bold ideas and include a special emphasis on rural outreach so rural educators can connect with more resource-rich communities.

Lastly, consider community development that works across vast regions with small rural communities. The West Virginia Community Development
Hub (The Hub) was started in 2009 with funding from Benedum to fill a critical gap in assisting communities. The Hub evolved as a core intermediary with the skills and mission to serve as an essential partner for rural communities that wanted to solve their own problems. The Hub filled a natural gap and became a trusted partner in developing local food systems, enhancing community sustainability, securing funding for community facilities and restoring historic downtowns. Over time, The Hub has developed policy expertise and the skills to apply for and successfully receive more federal dollars for West Virginia communities. Flexible funding from foundations helps organizations like The Hub support tailored, resilient, inclusive and collaborative approaches.

**Can Foundations Play a Catalyzing Role in a Multistate Region?**

In addition to funding great work individually, foundations can work (and are working) together to form effective strategies across multistate regions. A successful example is taking place in central Appalachia. The Appalachia Funders Network (AFN) began in 2010 as a meeting of various foundations serving central Appalachia. Central Appalachia, as defined by the Appalachian Regional Commission (ARC), includes West Virginia, along with portions of Virginia, North Carolina, Tennessee, Ohio and Kentucky. Historically, this central region of Appalachia has experienced higher poverty rates than elsewhere in Appalachia. At the first convening of the AFN, local and regional funders met to accelerate an equitable Appalachian transition by connecting funders for learning, analysis and collaboration. A philanthropic collective was born. The shared goal: a positive economic transition, with social and economic justice at the forefront, for the rural communities left behind by decades of job loss, disinvestment and out-migration. The AFN started in Benedum’s “catalytic new concept” grant category because there were no guarantees of what might come of it. In the early years, Benedum, Ford Foundation, Mary Reynolds Babcock Foundation and the ARC supported nearly all the startup costs, but once the idea took hold, the AFN developed into a sustainable membership organization, boosted each year by added investments from key funders.

The AFN evolved into a collective impact model for the region managed by a core intermediary, Rural Support Partners, that provided the backbone
organizing for various work groups, projects and convenings. Members of AFN participated in a continuously building, multistate strategy that understood that one of the biggest gaps that needed to be filled was attracting outside investment. The resource scarcity bias could be overcome by having a collective voice for central Appalachia. Over time, the case for more federal dollars dedicated to the region led to the 2015 birth of the Appalachian Regional Commission’s Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) program. Congress appropriates $50 million per year to coal-impacted communities through the POWER program. Between 2015 and 2020, ARC invested more than $238 million in 293 projects through POWER. In addition, AFN work groups have spun off several new entrepreneurial concepts that are extraordinary in their own right, including the Just Transition Fund and Invest Appalachia. Lastly, the AFN, through outreach and customized visits to the region, is showing national foundations how to expand their grant-making into Appalachia and coinvest with local funders. Examples of foundations that have expanded into the region include the West Coast-based Marguerite Casey Foundation and the Chan Zuckerberg Initiative.

**What Are the Outcomes of Investing in Rural Intermediaries?**

The organizations mentioned here have been decade-long grantees of the Benedum Foundation. They are not isolated examples. While core intermediaries receive millions of dollars in Benedum grants over time, they are most grateful for the close partnerships they develop with Benedum’s senior program directors, who help advance larger policy and systems-building outcomes and share a network of contacts. Their partnership with Benedum is a future-focused endeavor. Investing in core intermediaries is one of the fundamental ways Benedum targets its grant-making to advance better outcomes for people and to ensure resiliency. It cannot be a flash-in-the-pan approach; it needs to be a long-term strategy to reach the desired community change.

What are the outcomes of this strategy? As core intermediaries in rural communities advance their missions, they naturally take on larger challenges. High-performing core intermediaries sprint into action when existing systems fail. One in particular, West Virginia Voluntary Organizations
Active in Disaster (WV VOAD), emerged as one of the most vital nonprofit intermediaries to mobilize in West Virginia during the 2020 COVID-19 pandemic. WV VOAD, normally dedicated to volunteer work recovering from natural disasters like floods, shifted its efforts to mobilize teams that distributed protective gear and cleaning supplies, distributed food to pantries, set up COVID-19 testing and eventually assisted with vaccinations. WV VOAD was critical to both the health care response and the human services response in West Virginia, working alongside the Federal Emergency Management Agency, the National Guard and state agencies that needed more manpower.

Summary

The Benedum Foundation refers to high-performing intermediaries as core intermediaries and funds them as one of three categories of grant-making, because they can fill gaps and advance access to better services in health, education and community development.

Core intermediaries help scale services, while also attracting more resources. In many ways, what brings about change in rural communities is overcoming the scarcity of resources. With core intermediaries, Benedum's grant dollars are highly leveraged, with grant dollars generally matched 10:1. When the Benedum Foundation grants $10 million to worthy projects, $100 million in overall project budgets is often present, catalyzing greater outcomes. This is not a requirement of Benedum's grant-making; it is a natural outcome. The core intermediaries in the Benedum Foundation's portfolio have accessed millions of additional grant dollars from federal agencies, including the U.S. departments of Agriculture, Labor and Energy; U.S. Economic Development Administration; U.S. Health Resources & Services Administration; and the Appalachian Regional Commission. Core intermediaries win awards for innovation. They spin off enterprises. They also attract philanthropic dollars from national foundations that are not normally active in West Virginia. Philanthropic dollars that attract other philanthropic or government dollars are most likely to lead to long-term sustainability for the grantees and their efforts.

Foundations can boost exciting work in some of America's most-difficult-to-serve communities by supporting efforts that lift systems and create scale.
Sometimes advancing difficult work means taking a risk on a new concept and identifying gaps. Philanthropic dollars can be delivered faster and with more flexibility than other sources, which allows nonprofit intermediaries to drive tailored, resilient, inclusive and collaborative approaches. This is how we build a brighter future in rural America.
Rural Rebound Redux

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
I was born in a small Missouri town, and my “wonder years” were during the ’60s. Our main street had two shoe stores, two jewelry stores, two men’s clothing stores, two “dime stores” and three hardware stores. Finding birthday and Christmas gifts was quite easy if you had a bicycle and some allowance to spend. The only complaint I ever heard about our main street was the lack of parking places.

My father was a community banker, served on city council and attended Rotary Club diligently, as did most of the other grown men I knew. If they missed too many meetings in a row, they had to take home a goat—a real live goat. Mr. Anderson across the street suffered that humiliation more than once. For the neighborhood kids, it was such a treat to have a goat to feed or pester. “Why can’t you miss more meetings, Dad?” I remember asking.

Many of my friends’ parents worked in the local shoe factory. In a town of fewer than 5,000, it employed around 1,500 at its peak. They worked hard, made a good living and mostly owned their own homes, and their progeny were my schoolmates. The biggest house in my town wasn’t very large, now that I’ve viewed it with more seasoned eyes. My dad was bank president, and we had a one-bathroom house. “Class” was something we attended, not something we were born into.

That seemingly idyllic childhood at a high point in the life of a small town led me into banking. I wanted to be like my father. People called him at home at night to talk about borrowing money, and he obliged to engage. I wanted that kind of respect, so off to college I went to learn all about finance, and how to be a banker. My conclusion #1: Small towns are wonderful, and everyone can thrive.

After a training program, one of my first jobs in the early 1980s was at a regional bank—in a larger community—in the correspondent department. I drove around to our approximately 90 banks that we helped with multiple services. After traveling the Ozarks’ hills and “hollers,” I knew where the best cafés were and which Dairy Freeze/Twist/Queen/King had the best soft-serve ice cream. I observed then that the best-run and most successful
Small town Alton, Mo., deep in the rugged Ozark Mountains of Oregon County, is supported by the Alton Community Foundation. This regional affiliate of the Community Foundation of the Ozarks brings a host of charitable resources to the rural county. Photo by Aaron Scott, courtesy of the Community Foundation of the Ozarks.

banks I called on were in more-vibrant communities. I was never sure which caused what, but there was a definite linkage. Conclusion #2: Banks are only as successful as their communities, and vice versa.

Later in my career, I moved from commercial lending into community development. As a correspondent banker, I attended bank conventions for years. When I attended my first community development convention, I knew this was where I was meant to be. Attendees didn't shake hands; they hugged. We didn't talk about risk or asset liability management; we talked about how to make our world better. Communities needed capital to develop or redevelop. We had capital.

The regional bank I worked for was purchased by a very large, nationwide bank, as the consolidation wave crested in the 1990s. I began running our rural community development program for the national initiatives team in our then-22-state footprint. We invested in Appalachia, in tribal lands and in
small places from ocean to ocean. As part of my work, I was able to tour the Mississippi River Delta to explore the community development opportuni-
ties in that very underserved region of our country.

In a small Mississippi town, I met with two bank presidents—who were white—and the head of a local credit union—who was Black. All three had grown up in this small community and knew one another well. The two presidents talked about the “good old days” of the 1960s in their town, with their main street filled with commerce and activity, and the population growing. They contrasted it to “now,” when storefronts were closed, and people were moving away. “Those weren’t the good old days for me and my friends,” the credit union president reminded us. Conclusion #3: The “good old days” of my childhood didn’t allow for participation for everyone.

And finally, through friends’ seeing me in a different light than I did, I serendipitously ended up at a community foundation that covers 58 counties in southern Missouri, most of them rural. I’m back traveling the same hills and hollers I did three decades ago, and much has changed, just as my own hometown has since I left. The garment and shoe factories are long gone, main streets are struggling. There is not a hardware store, shoe store or men’s clothing store left on my hometown main street. Many of the community banks are now branches of larger banks, and others have closed. The largest employers in many of our small Missouri towns are the school systems. Many of our Ozark communities have been losing population for a few decades now.

This is not isolated to my region though. Rural America has faced challenges for a half-century. The “rural rebound” of the 1990s has largely faded in the majority of rural counties. Many books have been authored in the last several years, from “Hillbilly Elegy,” to “The Left Behind” to “The Forgotten Americans,” discussing the issue. Rural America certainly received new attention after the 2016 presidential election, and “Make America Great Again” resonated with many residents in our smaller communities. One author wrote about how rural areas are the defender of “traditional values,” and how America has changed “without our permission.”

Reading those books, or even my words, one could get a very pessimistic view of rural America. Yet, every day I have the privilege of working with caring, passionate people who see only promise and potential in their communities. Far from giving up, they are spending countless hours on efforts to
build up. It is hard work, requiring patience, persistence and assistance, but I see an unfailing hope in their future. As I work across the southern tier of our state, through our 52 community foundation affiliates, I see small and large wins nearly every week. If the past is the prologue, I would suggest the following actions, both local and national, to help our smaller communities reach their potential:

- **Let go of the past.** If I’ve heard it once, I’ve heard it ten times over: “If only our mayor/school board/city council/garment factory owner would have …” Anecdotes can become an anchor to a community. Our small towns will never look or be like they were in the 1950s or 1960s for various reasons. However, they can become vibrant again, suited for the 21st century, if they focus on the future instead of the past.

Monett, Mo., is a good example of a town that embraced the future. Fifty years ago, the town’s dominant industry was shoe manufacturing. The town leaders saw the need to diversify and started recruiting other businesses. Those shoe factories have long since closed, but today the town is home to a large banking software firm, a playground equipment manufacturer, and several other large employers. The town’s biggest challenge today is recruiting enough workers to fill the jobs.

- **Keep local schools strong.** In smaller communities, the local school system is often the lifeblood of the community. It is typically the largest employer and serves as the community hub and sense of pride. A decade ago, we launched the Rural Schools Partnership (RSP) to help communities strengthen their schools. We have focused on three areas: First, we have created local school foundations to provide private funds to augment the public funds, because there are always additional needs beyond what the local tax base can provide.

Second, we have furnished place-based grants to support local districts to seek innovative solutions to their needs. We provided grants to help renovate and start a student-run coffeehouse in St. James and a student-run, communitywide recycling program in Purdy.

Third, we have helped attract and retain good teachers. Through our Ozarks Teacher Corps, we have provided scholarships totaling more than $800,000 to students who have agreed to teach in rural areas as part of
Members of the early cohorts of the Ozarks Teacher Corps, pictured at an annual convening in Thomasville, Mo. Many have since gone on to become school administrators and community leaders beyond their initial three-year commitments to teach in a rural district in exchange for a two-year scholarship. Photo courtesy of the Community Foundation of the Ozarks.

their requirements for financial support. We have placed over 60 students in rural schools from that effort, and have a 90% retention rate so far. Through our RSP, we now have more than 550 separate funds totaling over $30 million benefiting rural school districts. Education is the currency for success today.

• Create pathways for educational attainment, and build return ramps. Overall, educational attainment in rural America has fallen behind that of urban America. Many of our communities are successfully focusing on that gap through local scholarship funds and have provided a pathway to college and opportunity. However, we have often failed to remind departing students that there are opportunities in their own hometowns, and we have not done enough to encourage them to return. We need to build better pathways back.

One of our affiliate communities, Salem, started an intern program for students to work in local businesses to learn about opportunities in their neighborhoods. Community leaders keep connected when the students go to college, offering them frequent pep talks, and even sending them
treats during finals week. They also remind the students that they will be welcomed and are needed back in their hometown. Each high school graduate in Brookfield and Marceline receives a mailbox with the student’s name on the side, and a DVD including pictures and testimony from previous graduates who have come back to their hometowns to grow careers and families. They are reminders of where they come from, and where they will always be welcomed back. Who knows, maybe one of those students will come back to his or her community to start a new business that will provide hundreds of jobs, or even be the one to find a cure for cancer.

- “Grow your own.” In my correspondent banking days, I fielded several loan requests to build “spec” buildings to attract manufacturers to the small communities. That seemed to be the economic development model du jour: “Build it and they will come.” Maybe some did, but I wonder today how many of those buildings either sit empty or serve simply as storage. I read an article years later that “call centers” proved to be the next shiny object, and many communities provided tax incentives to bring those centers to their towns, only to have them pull up stakes and move again when those incentives expired. More recently, the term “economic gardening” has reflected a more sustainable way of building economic opportunity for rural areas. Rather than entice outside companies who have no attachment to a town, communities are learning to invest in their own businesses. If you can assist smaller businesses through job training and financial and technical assistance, you can create an entrepreneurial society that calls your community “home.”

Our foundation launched a rural economic development initiative several years ago, and the “Start Here” offshoot of that has proven effective. For example, in Cleveland, Mo., with a population of fewer than 1,000 people, Iveth Jalinsky started Green Resources Consulting 12 years ago to use a renewable resource—bamboo imported from China—to create more environmentally sensitive products. As the pandemic struck, she pivoted to use bamboo to create face masks that are being sold in a regional grocery store chain, as well as online. She has mentioned how proud she is that her company is improving the local rural economy while saving lives throughout the world.
The Growth in the Rural Ozarks (GRO) grant-funded initiative focuses on rural economic development in communities that do not have full-time chambers of commerce for that role. The original GRO communities—Marshfield, Salem and Sarcoxie, Mo.—gathered as a cohort to exchange ideas. Photo by Aaron Scott, courtesy of the Community Foundation of the Ozarks.

• “There’s gold in them hills!” We are currently in the midst of the largest transfer of wealth in the history of mankind. In the coming decade, we will continue to see wealth from our most senior generation—the “greatest generation”—pass to its heirs. A report published in 2019 estimated that nearly $9 trillion in wealth will pass to heirs in North America by the year 2030.¹

When we would talk to our rural affiliates about planned giving, we consistently heard: “But we have no wealth in our county.” In 2012, we collaborated with other community foundations in the state to hire a firm to do a county-by-county transfer of wealth study for Missouri. The results were eye-opening to most of our rural constituents. More often than not, rural wealth is not visible or ostentatious. A lot of the wealth in southern Missouri is in land. We launched a campaign under our “Leave a Legacy” banner about “the 5% solution.” We challenged donors to leave just 5% of their estates to their favorite charities; or better yet, to leave it to their local community foundations as unrestricted funds, which can then be used to address local needs now and in the future. In 2020 alone, we
received estate gifts worth more than $10 million in our rural communities. When these estates are settled, the legacy funds will provide for transformational scholarships and grant-making in some very rural places.

- **“Put on your mask first.”** We’ve all heard and probably ignored the pre-flight instructions about exit rows, flotation devices and oxygen mask drop-downs. The one thing that always sticks with me is “Put your mask on first, so you can help others.” We need to do a better job of that in our smaller places. We are not building our internal capacities before chasing whatever dream we have for our towns. Most of our rural communities do not have planners, grant-writers or economic development professionals. Even if resources are available, we often do not have the tools to access them.

It is difficult for small rural communities to maintain the extent of capacity needed to plan strategically and holistically, and to then pursue the resources needed to turn those plans into reality. Therefore, we need to think differently—dare I bring up this word—regionally. If we can pool the limited resources we each have to create the civic and professional infrastructure we all need, we all win. Because our rural areas have lost so much over the past half-century, they are very protective of what is left. Consequently, that scarcity mentality might cause us to miss opportunities because we are keeping a firm grip on our resources. We need to develop an abundance mentality and learn that by sharing those resources with others, we might all achieve more prosperity.

- **“I’m from the federal government, and I’m here to help.”** Finally, I would suggest that we need to restructure our federal approach to rural places. Currently, the U.S. Department of Agriculture (USDA) has primary influence and directive for rural America. However, most of the USDA’s budget basically goes for food and nutrition and commodity crop support, which I would argue provide little in the way of true “rural development.” With so many of its resources tied to these programs, the USDA unsurprisingly does not focus primarily on community and economic development. Therefore, if we want to truly promote holistic rural community vitality, we need to rethink how we deliver public resources to our rural areas, perhaps by consolidating the federal government’s support for rural communities into a new department with a sole focus on promoting rural
community and economic development. A recent Brookings Institute study identified more than 400 programs open to rural communities for economic and community development, spanning 13 departments, 10 independent agencies and over 50 offices and subagencies. A total of 14 committees have jurisdiction over the authorizing legislation for rural-eligible development programs. The paper went on to make some compelling recommendations on how that reorganization might take place.\(^2\)

As part of the effort to deliver public resources to rural areas, we need to make a more serious commitment to ensuring broadband coverage reaches every corner of the country. The recent pandemic demonstrated just how important it is to have access to high-speed internet, and how lacking it is in our more remote areas. Just like the Rural Electrification Act of 1936 brought the industrial boom to rural America, we need a similar effort to bring access in this information age.

As I write some final words, I do so having returned from a whirlwind trip (by car) to Washington, D.C., and back. The trip took me through southern Illinois, Indiana, Ohio and West Virginia. Even in a pandemic, the contrast was stark between the visible growth in our nation's capital and the conspicuous struggle along the rural highways. Both images, though, are still America, and both represent a land of opportunity. We will never realize that potential, however, until those who are at the center of the universe in our capital—working on public policy or the infrastructure influencing that policy—learn the problems, promise and potential of our rural areas. Only then can we meet the potential set forth by our founders, who knew only rural, and never could have conceived of the nation that we've become.

**References**


Endnotes

1. See Wealth-X.
2. See Pipa and Geismar.
Collaboration: A Condition for Advancing Federal and State Rural Development Research

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To bolster the evidence base underlying U.S. rural development policy and practice, this chapter shares ideas about how to reorient and better support rural development research work underway within the U.S. Department of Agriculture (USDA) and the Cooperative Extension System (CES). In a 2020 essay, I reflected on rural development research and policy given my own experiences. The ideas posited in this chapter are an outgrowth of those insights and the discussions they generated.

I start with ways that federal researchers who are engaged in rural development problem-solving might better serve U.S. rural development stakeholders. Then, I turn to the CES and propose that a more centralized and better-coordinated approach to rural development applied research and outreach education could ensure more equitable access to CES resources, and generate more relevant and timely research-based insights. Finally, I make a call for a systematic way to increase communication and collaboration that could enhance the U.S. rural development evidence base and practice.

The Federal Government’s Work Building the Rural Development Evidence Base

The Rural Economy Branch (REB) of the USDA’s Economic Research Service (ERS) and the Data Analytics Division (DAD) of the USDA’s Rural Development mission area are two federal groups working to develop the evidence base for U.S. rural development policy and practice (see Figure 1). In this section, I offer some thoughts on how ERS and then DAD could better serve rural development policymakers and practitioners. Both of these groups are currently expanding, so an incredible opportunity exists to shape rural development research at the national level.

ERS is a tremendous asset for the U.S. rural development community. It has access to several pricey proprietary data sets, confidential administrative records and a multidisciplinary research team devoted to rural development. However, opportunities exist to better leverage these assets. In short, it is difficult for ERS researchers to be as nimble (timely) and connected (available, responsive) as their extension or academic colleagues.
Figure 1: Organization of USDA Groups Working on U.S. Rural Development Research and Policy

Source: USDA and author’s personal communication.

**Timeliness**

ERS researchers are most rewarded for producing journal articles and technical reports—outputs that generally take years to complete and reach the end user. ERS’s review and approval process makes it difficult for staff to offer timely research to public policymakers and practitioners. Analysis or research accessible to the general public is subject to months, if not years, of peer review and managerial scrutiny. These delays are attributed in part to ERS’s status as a federal statistical agency—a designation that comes with statutes that guide the relevance, accuracy and objectivity of federal statistical products. Although it is important to ensure that the analyses and conclusions published by ERS are based on sound evidence, it is equally important to ensure ERS’s work is timely enough to be relevant. Further, the federal research promotion system, as interpreted by ERS, disincentivizes the type of timely and responsive topical work that could benefit rural development practitioners most.
ERS Researchers Face Challenges and Opportunities

The USDA’s Economic Research Service conducts objective, high-quality research to enhance private and public decision-making on various topics pertinent to rural America. In 1983, ERS had an Economic Development Division that was devoted to economic and social conditions in rural America, with 90 employees—10% of ERS at the time. Today, ERS has a Rural Economy Branch with just 13 employees—less than 5% of ERS today; most of these staff members were hired after the ERS headquarters relocated to Kansas City, Missouri, in 2019. REB produces data products and reports that are familiar to those working in rural development. This work includes “State Fact Sheets,” “County Typology Codes,” the “Atlas of Rural and Small-Town America” and defining a variety of commonly used rural terms. Similarly, ERS’s annual Rural America at a Glance publication and its periodic reports on rural development issues, such as education, health, poverty and business resilience, are widely used by practitioners, policymakers and researchers.

The rural development research base would be stronger if ERS more regularly produced, published and promoted timely, short, digestible analyses with recent data. Its recent “The COVID-19 Pandemic and Rural America” webpage provides a nice example. A better balance could be struck between the need for review and the need for timeliness.

Connectedness

The ERS is hindered from producing useful and insightful rural development research by its seclusion from policymakers and practitioners. Unlike extension professors, ERS economists do not have county extension agents keeping them abreast of what is happening in the field. Field visit opportunities, particularly nonfarm visits, have been limited in the past.

In mid-2019, ERS headquarters relocated to Kansas City, Missouri. Although some ERS economists were allowed to continue working from Washington, D.C., most were asked to relocate to Missouri, and most of them left the agency. An almost 80% reduction in staff occurred when only
ERS employees made the move. Although the stated intention of the relocation was to position ERS closer to its key stakeholders, the move arguably made ERS employees more disconnected from national leaders of key stakeholder groups (e.g., National Association of Counties).

Congress and the executive branch can best ensure a close connection between REB researchers and rural development stakeholders by providing adequate funding for travel and meeting expenses, and placing greater emphasis on regular interactions and consultations. To further augment stakeholder connections, REB could have its own stakeholder advisory group; members could provide periodic input from the field and foster collaboration and communication. The group could serve as a clear avenue for decision-makers to suggest research topics to ERS.

This section has focused on timeliness and connectedness as inputs to ERS research. With the help of communication professionals, ERS research outputs are already transformed into relatively simple, accessible products. For example, ERS research reports are routinely translated into Amber Waves (ERS e-magazine) articles, Charts of Note articles distributed daily via email to subscribers, webinars and social media posts. For these outputs, perhaps the next step involves extension professionals’ showing their local clientele how they can use ERS research to benefit their communities or businesses—a final translational step that is beyond ERS’s current purview.

**USDA Rural Development: Building Its Own Evidence and Evaluation Base**

In late 2017, the USDA’s Rural Development (RD) mission area launched the Rural Development Innovation Center to create efficiencies and provide innovative products and services across RD’s three agencies: the Rural Utilities Service, Rural Housing Service and Rural Business-Cooperative Service. One of the Innovation Center’s three divisions is the Data Analytics Division, which analyzes and evaluates program performance to support strategic investment of RD programs. Interestingly, the italicized text above was the DAD’s total web presence at the time this chapter was written in early 2021. The division has no published personnel directory, for example. It also does not yet share any information about what programs it is evaluating or the results of those evaluations.
As of the writing of this chapter, DAD had more personnel than REB (22 versus 13), but DAD had fewer trained economists (six versus 13) and was more internal facing. According to conversations with internal USDA staff, the majority of the division is part of an internal-facing performance dashboard team. DAD’s second major component is the Economic Impact Branch, which will focus on evaluating RD program effectiveness. The Economic Impact Branch is currently in its startup phase, but it may eventually disseminate reports to external stakeholders. Unfortunately, DAD’s largely internal-facing posture is a missed opportunity. DAD’s work could significantly expand the evidence base for rural development policy and practice, but it will reach its full potential only if its work is available more widely to the rural development research ecosystem.

Cooperative Extension System’s Role in Evidence Creation and Dissemination

Nationally, the CES includes many state specialists, who generally hold doctorates and are often professors who do extension work and conduct research that benefits rural development policy and practice. Federal support for CES in real dollars has generally declined since 1980, while state and local funding varies tremendously. Given this, fewer land-grant universities may be able to afford retaining and hiring state specialists who focus on

Cooperative Extension System’s Role in Rural Development Varies by State

The Cooperative Extension System typically uses land-grant university-based faculty, known as state specialists, as disciplinary experts to conduct practical research and translate that research into educational products and programs aimed at people, businesses and communities. Area educators or county agents—the terminology varies by state—also help solve local problems. Additionally, they provide input to prioritize campus faculty research and inform educational products and programs. Due in part to CES’s traditional focus on production agriculture, rural development funding varies widely from state to state. Rural development extension is often but not always encompassed in CES Community Economic Development programs. Nationally, no figures for extension spending on rural development exist.
rural development. Rural development-related research and extension could become more efficient, effective and equitable if leaders pursued formal cooperation between land-grant universities and the USDA research units discussed previously. Such formal cooperation would require major changes to CES’s current structure and funding model, however.

Formal extension coordination across states is very difficult due to heterogeneity in funding, priorities, structure and expectations. For example, extension evaluates professors differently in each state. Some are evaluated on number of publications, but for others, the number of workshops conducted or media citations are performance metrics. The four Regional Rural Development Centers (RRDCs), with National Institute of Food and Agriculture (NIFA) support, do a great job of coordinating extension specialists who work in Community Economic Development (CED) and rural development. Located at one university per region, these RRDCs are also subject to heterogeneous state extension director and experiment station (research) director preferences, however. The host institution has stronger influence than the member institutions on center personnel and often the center’s board of directors.

Rural development extension work could greatly benefit from centralized data, research and curriculum design. Although centralization can stifle creativity and flexibility, and create additional layers of bureaucracy, the net benefits of centralizing rural development extension specialists may be worthwhile. Centralizing resources could offset state extension budget cuts, which often involve implementing long-term solutions (e.g., layoffs) to address short-term fiscal problems. Centralization could also greatly streamline expectations—something that should generate efficiencies. A nationwide, centralized rural development extension service, funded by NIFA with extension dollars, could include investments such as the following:

- A rural development “brain trust” could focus on better anticipating challenges and opportunities facing rural areas. It could then create and share knowledge related to those trends—and provide potential solutions for dealing with them—with extension area specialists across the country. This centralized group would be a resource for area specialists, but local stakeholders would ultimately make decisions about what priorities to address and what solutions to implement locally.
Curriculum design professionals could help the centralized group translate its in-depth knowledge into curricula and conduct effective train-the-trainer workshops for area specialists, who would bring the fruits of their labor to every interested rural stakeholder, not just those located in states that can afford such resources.

One professionally maintained, centralized database for U.S. rural development research and analysis could create economies of scale for researchers, extension professionals and practitioner-analysts across the country.

A professionally maintained online research hub could foster collaboration, increase research accessibility and provide curricula and evaluations for educational programs and policies.

These proposed assets are not unlike two assets of the U.S. Department of Health and Human Services: the Federal Office of Rural Health Policy’s Rural Health Research Gateway and Rural Health Information Hub (RHIhub). The Federal Office of Rural Health Policy provides leadership and funding for the gateway and hub. The office is somewhat akin to the USDA ERS, though it relies on external research capacity with cooperative agreements. The RHIhub, billed as a first stop for rural health information, and the Rural Health Research Gateway, which makes research searchable, connect related content and ensure valuable resources are not lost between administrations. They are professionally managed. This model could be adopted for rural development.

The Extension Foundation, a nonprofit membership organization affiliated with the CES, created a website in 2015 to be a one-stop shop for stakeholders who want to tap CES resources. The goals of the website are similar to those of the RHIhub, but it has some key differences. Other than offering a very popular local foods webpage, the website has largely not worked for rural development stakeholders or researchers for multiple reasons, not just funding. An online hub with dedicated, centralized funding and professional staff who have technical expertise in rural development research, policy and extension would likely look very different from the current website.

An example of a successful centralized extension hub is that of the Crop Protection Network (CPN). The CPN—composed of land-grant university members—aims to produce unbiased and collaborative outputs on issues affecting field crops. Participating universities (the CPN website lists 29)
share materials designed to help producers of those crops make decisions.

As I mentioned earlier, putting these ideas into practice would require revamping how we fund the CES and reward extension professionals. It would also require greater agreement on the roles of state Community Economic Development specialists and area specialists.

John Lawrence and others wrote, in 2019, that effective extension education is built on trust and relationships. Importantly, they note that those who have trust (i.e., extension area educators) can serve as a bridge between stakeholders (e.g., practitioners with a problem to solve) and those with the needed expertise (e.g., specialists and researchers). Centralized extension specialists could reduce demand for those holding doctorates at land-grant universities and increase demand for specialists holding master’s degrees in science who have the knowledge to speak intelligently on a variety of CED topics and who know when and whom to call when outside expertise is needed. Of course, this is just my assessment of how such a change would affect demand for different types of expertise. More work is necessary to determine how the centralized rural development brain trust would affect extension staffing in different states.

In Summary: Possible Collaboration and Communication Improvements

Better collaboration among university, government and private-sector resources could enhance rural America’s knowledge base. It could ensure that the necessary analysis is ready to go when policy questions or emergencies, such as a derecho or civil unrest, arise. Nurturing relationships and fostering a systematic way to connect could allow researchers and policymakers to better anticipate future questions and solutions, and those actions could enable on-the-ground professionals to share percolating issues. Of course, local-specific questions and needs would be more difficult to address in a centralized system and could increase reliance on area specialists.

Better collaboration and communication among rural development researchers and their key stakeholders could be achieved with the following investments:

- Form a centralized, evidence-producing body as part of the Cooperative Extension System—a so-called brain trust. Accomplishing this would
require significant changes to extension funding allocation and evaluation. It could, however, greatly benefit extension educators and rural development practitioners in states without the resources for rural development specialists, and particularly 1890 land-grant extension services. Free and widely available resources could make rural development more inclusive and equitable. Consistent and formalized forums for stakeholders to inform the research process (e.g., advisory councils) could also enhance equity.

- Create a centralized hub for distributing evidence produced by rural development researchers in academia, nonprofits, CES and the federal government. This should include a distillation of research into something extension professionals, state and local government stakeholders, and economic development professionals can use. The hub could be responsible for disseminating the user-friendly materials via webinars, conference sessions, social media, videos and written products.
  
  » This hub could also be a resource for connecting researchers to one another; linking researchers and practitioners; and sharing best practices to increase education, assessment and evaluation. A discussion forum can facilitate asking questions and sharing resources, and a professional hub manager could archive important topics, resources and discussions to make them accessible in the future.

  » Hub-based rural development curriculum design specialists could work with researchers to translate their in-depth knowledge into curricula and conduct effective train-the-trainer workshops for area specialists.

  » Evidence-based evaluation and support for evaluating policies and programs could also be part of the hub and augment work being done within DAD on RD program evaluation.

- Make DAD products, including all evidence-based program evaluations, available to interested stakeholders. Also, make DAD economists accessible to the greater rural development research community by listing their contact information and focus areas online through a public web directory.

- Increase travel funding for USDA rural development groups, and allocate more resources to cooperative agreements to enhance collaboration.

In a similar vein, pre-1984, the USDA ERS had researchers stationed
at land-grant universities\textsuperscript{21}—just as some USDA Agricultural Research Service researchers currently work from land-grant universities.

- At USDA ERS:
  - Incentivize stakeholder collaboration and communication, and create timely and topical research-based insights by re-envisioning the promotion system—within Office of Personnel Management parameters.
  - Evaluate peer-review coordination council parameters, managerial reviews and policy reviews to gain efficiencies, and release products more quickly without compromising quality.
  - Ensure REB economists are not secluded from those in Washington, D.C., or rural stakeholders by fostering collaboration and conversation.
  - REB could have its own stakeholder advisory group to foster collaboration, coordination and discussion on future rural development research topics and results dissemination. Already, one ERS economist sits on each RRDC’s board, which is a valuable mechanism for two-way communication between extension/universities and ERS on rural development topics. REB having its own stakeholder advisory group would bolster this.

A convening of evidence-based rural development partners would be a productive next step. The RRDCs are well-positioned to initiate that convening, though support would be necessary. Finally, we rural development researchers need to better engage internationally with our Organization for Economic Cooperation and Development peers to discuss best practices for creating inclusive, resilient and vibrant rural regions.

**References**


Coppess, Jonathan; Zulauf, Carl; Paulson, Nick; and Schnitkey, Gary. “Farm Bill Food for Thought: Research and Extension.” farmdoc daily, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, Aug. 23, 2018, Vol. 8, No. 158. See farmdocdaily.illinois.edu/2018/08/farm-bill-food-for-thought-research-and-extension.html.

Crop Protection Network (website). See cropprotectionnetwork.org.

Extension Foundation (website). See extension.org.


Endnotes

1 I am indebted to Andrew Dumont, Steven Deller, Catherine Isley, Maria Kuhns, Alice Roach, Anne Effland and others at the USDA for their assistance with this chapter.

2 See Low.

3 These are my own reflections, not those of my employer. This chapter draws on my professional and personal experiences. I spent 10 years at the USDA Economic Research Service as an economist and also served a detail to the secretary of agriculture’s office, 2017-18. I spent two and a half years at the Center for the Study of Rural America, which was part of economic research at the Federal Reserve Bank of Kansas City until the center closed in 2006. I’m currently a professor at the University of Missouri, with a research and extension appointment in regional economics. I grew up in rural Iowa and rural southwest Scotland villages; my upbringing fostered my desire to improve the lives of disadvantaged people in rural areas.

4 See National Academies of Sciences, Engineering, and Medicine for an excellent summary of the federal statistical system, which includes information on the 13 federal statistical agencies.

5 Like most federal government scientists, ERS employees have a promotion and pay grade system based on the Research Grade Evaluation Guide. See U.S. Office of Personnel Management.

6 See General Accounting Office.

7 See USDA, ERS Staff Directory.

8 See USDA, ERS Publications for a list of publications in reverse chronological order.

9 See USDA, “The COVID-19 Pandemic and Rural America.”

10 See Guarino.

11 See USDA, Rural Development Innovation Center.

12 Extension provides practical education to people, businesses and communities via a partnership between the USDA and land-grant universities. Funding originates from federal and state governments and other sources, including local governments, fee-for-service projects and grants from groups such as philanthropies. See Association of Public and Land-Grant Universities.

13 See Coppess et al., and Wang.

14 See Association of Public and Land-Grant Universities.

15 With annual funding from NIFA—currently just shy of $500,000 per year—and additional funds, the four RRDCs link the Cooperative Extension System and research station leaders, researchers and educators to build rural development capacity throughout the land-grant university system. For example, the centers facilitate regular CED program leader meetings in each region. Enabling legislation requires each center to have a board of directors with representatives from the region; one ERS researcher serves as an ex officio member on each RRDC board. These are the four centers: Northeast Regional Center for Rural Development hosted at The Pennsylvania State University, North Central Regional Center for Rural Development hosted at Purdue University, Southern Rural Development Center hosted at Mississippi State University and Western Rural Development Center hosted at Utah State University.
See Lawrence et al.

Dave King wrote that his 1990s work on what would become eXtension began with a simple question: How does information gain value in a digital world? I suspect eXtension, now the Extension Foundation, hasn’t been as fruitful as some had hoped. See King.

See Extension Foundation.

See Crop Protection Network.

For example, my MU Extension colleagues and I created a “Connect Strategy” tool for our county-based CED educators. The tool allows educators to engage with CED stakeholders and submit monthly issue statements to campus that contain percolating issues and research needs. In a similar vein, we send educators biweekly tidbits from the national and state level to ensure that information gets to the counties. The process has enhanced the timely flow of information between campus and the field.

See Effland.
Beyond GDP: Measuring Rural Assets, and Why It Matters

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Introduction

Governments and development organizations broadly recognize that measuring and tracking the well-being (or wealth) of places needs to move beyond gross domestic product (GDP) and other purely financial indicators.\textsuperscript{1} One challenge with using only measures of market activity (such as GDP, which measures the total quantity of goods and services produced in an economy during a certain period) is that governments are incentivized to measure and maximize their performance in this space, and not in other areas that may actually better reflect the societal welfare of their citizens. “What we measure affects what we do”;\textsuperscript{2} if measurements are flawed, then actions are distorted, limiting the effectiveness of policy. To illustrate, economist John Pender and others, in 2014, pointed out that a natural disaster may increase GDP because of the increase in spending to rebuild the devastated area, but nobody would argue that a community is better off as a result. Despite this widespread agreement of the limitations of purely economic measures, GDP continues to be almost universally used to assess how well a society is doing.\textsuperscript{3}

Over the past two decades, many researchers, international development organizations and others have proposed alternative measures for wealth, well-being and human flourishing that incorporate nonfinancial metrics. As a few examples, philosopher Martha Nussbaum developed the “capabilities approach” to human progress, which argues that well-being is related to people’s capability and functioning. Accordingly, the measurement focus of this approach is not on the means of people and society but on the ends (what they can do with the means). The Economist Intelligence Unit created *The Global Liveability Index*,\textsuperscript{4} which ranks places according to qualitative and quantitative measures across five areas: stability, health care, culture and environment, education and infrastructure. The Sustainable Development Solutions Network—using data from the Gallup World Poll and supported by many large foundations, private corporations and universities—created
the *World Happiness Report*. It relies on residents’ self-reports of how they evaluate their quality of life, incorporating questions of the impact of social and natural environments. And the Organization for Economic Cooperation and Development (OECD) Better Life Initiative includes a “dashboard” of indicators by country to provide information about society and economy, and thus helps steer policymakers toward a more accurate assessment of how their countries are doing.

There are a few particular challenges, however, with many of these approaches. First, many of these indexes include too many indicators to be helpful in directing policy. Economist Joseph Stiglitz, in 2020, noted that though countries should share five to 10 common indicators (one of which should be GDP), many of the measurement and indicator recommendations are too numerous to be helpful when comparing countries and to support governmental decision-making. By way of example, he points to the United Nations’ 17 Sustainable Development Goals, which are measured by 232 indicators.

Second, though these reports and indexes have helped to move countries further in a dialogue about how to measure progress, most comprehensive measures are still only available at the national level, and thus are not particularly helpful to governments at the subnational level. This can be particularly problematic when trying to understand well-being in rural areas, where important differences and trends can be hidden by aggregation and a use of absolute rather than relative values. As a recent example (though it has subsequently been corrected), Tim Marema, editor of *The Daily Yonder* (an online news platform focused on rural America), pointed out that, during the early months of the COVID-19 pandemic, The New York Times mapping system for COVID-19 infections distorted infection-rate data in rural counties, making it appear that rural areas had far fewer cases. He notes that giving the impression that lightly populated areas do not have COVID-19 can lead to dangerous perceptions, including that people living in those places do not need to protect themselves. What we measure has important impacts for policy. In this case, it could have influenced what policy restrictions and protections were put in place, under an incorrect assumption that there was no need to increase pandemic-related health resources in rural places.

This chapter proposes two priorities for improving national data on rural people and places, to promote appropriate rural development investments
and to track their outcomes and impacts over time. First, the focus must shift to measuring assets and not just needs. Second, data should reflect diverse rural realities. In the rest of this chapter, we first discuss why an asset-based approach is important. Next, we highlight the importance of data’s reflecting diverse rural realities. We conclude with recommendations and implications for U.S. rural policy.

**Defining and Measuring Assets**

Within the U.S., there has been some recent, preliminary work to develop indicators specifically associated with rural wealth, defined as the stock of capital assets (net of liabilities) that contributes to people's well-being. This conception of wealth builds on the popular “community capitals” paradigm, and stocks of wealth are characterized as financial, human, cultural, social, built, natural and political.

Collectively, this body of work on U.S. rural wealth has some shared principles. First, measurement of rural wealth distinguishes between flows and stocks. A flow is a quantity that is measured with reference to a specific period of time. GDP is a flow measure; it is the total value of goods produced and services provided in a country during one year. A stock is a quantity that is measurable at a particular point in time. Wealth is a stock because it is measured at a single point in time; for example, the quantity of prime farmland. Flows to and from these stocks of assets, and the ownership of these assets, provide the conceptual basis for measuring changes in net wealth of regions, or the people living in those regions.

Second, measurement of rural wealth distinguishes between people- and place-based wealth. Natural capital assets, for example, may not be owned by people who live where the assets are located. Pender and researcher Shanna Ratner write about the importance of ownership, treating only assets that are owned or controlled by local actors as endogenous. Distinguishing between people and place wealth is also particularly important in that only owners of an asset can leverage it to create more wealth.

Third, rural wealth considers differences between private- and public-sector wealth. For example, built capital owned by the public sector, such as highways or broadband, may contribute in more meaningful ways to sustainable community development than housing stock if it is owned by a few private individuals for personal benefit.
These principles highlight the need to take an asset-based approach to rural development. Assets are resources or advantages within a community. Through a focus on assets rather than deficits, communities focus on building on positive aspects, which is purported to have a snowball effect—positively influencing other areas within a community. Unfortunately, many national rural development policies are created based on deficiencies, including low incomes, food insecurity, low educational attainment and lacking access to important modern-day amenities like broadband services.

Despite the progress made in measuring and theorizing wealth, one shortcoming is the implicit assumption that the more capital the better. This notion has been rightly critiqued, for example, in Robert Putnam’s *Bowling Alone*, in which the political scientist devotes a chapter to the “dark side of social capital.” Social capital can conflict, for example, with values of diversity. Some types of social capital can promote bonding capital over bridging capital, often exacerbating exclusion. That being said, it remains difficult to identify indicators of negative capital.

**Reflecting Diverse Rural Realities**

To continue the rural wealth creation approach described above, we need more creativity in documenting and describing rural community assets. This means leveraging unique data sets, testing new methods for making data available for small populations while maintaining privacy, and exploring new data collection strategies to accurately capture the diversity of rural people.

To more creatively identify rural community assets, we should use untapped data sources, including unique public and proprietary data sets, to help fill gaps in understanding the strengths and needs of rural people and places, and to measure change over time. For example, a variety of public data sets compiled and maintained by the federal government through its Homeland Infrastructure Foundation-Level Data help pinpoint:

- built environment characteristics, from transportation infrastructure to the presence of child care centers and hospitals that rural residents can access;
- natural resources for recreation—including national forests and rivers—and energy resources including oil, natural gas and coal; and
- community facilities and gathering places, such as schools and places of worship.
Also public and free to use, the National Center for Charitable Statistics compiles Internal Revenue Service data on nonprofit organizations by sector—from arts and culture to social and educational—to help identify these community assets.

Many private-sector stakeholders also collect data that can be valuable for understanding the economic activities of rural residents and businesses. This includes consumption patterns identified by product barcodes at a store that links purchase types to a place, or through credit card purchases that link to an individual. Real estate transactions—including property types, and sales dates and prices—are also compiled and tracked by multiple data sources as useful indicators for economic health. Based on the number and nature of the transactions, however, there is a chance that data may be of poor quality for rural areas or withheld for privacy reasons.

We must also narrow data to the rural base. Regardless of the data source, quality rural data are often available only at the county level because of small populations and measurement errors at smaller geographies. But county-level data may not be fine-grained enough to point to community-level assets and rural development solutions. Privacy concerns keep data from being released, which makes sense to protect people and businesses, but that can hurt rural places that could use those data to target community and economic development solutions. For example, the Bureau of Labor Statistics collects data on business establishments, employees and wages by industry through its Quarterly Census of Employment and Wages. These data provide standardized longitudinal information helpful for measuring current levels and changes over time in the number of businesses or employees in a particular occupation, as well as local wage levels for comparative analysis. But these data are released only at the county level and, even then, not released for every county if privacy standards are not met.

To overcome these data limitations, new types of data privacy methods are being tested. Differential privacy is a newer privacy definition that methods can satisfy to help generate more geographically granular data while preserving privacy. This type of approach quantifies the privacy loss of each statistic with a “privacy budget” that cannot be “overspent.” The addition of some noise into the data guarantees that individual or organizational information prepared for release remains private. Small populations can
make this difficult to implement, although some initial tests of the Quarterly Census of Employment and Wages show promise in synthesizing data at the census-tract level on numbers of rural business establishments and employees by industry.\textsuperscript{16}

A final rural data challenge is ensuring that available data adequately reflect the diversity of rural America across multiple subpopulations, including those of different races and ethnicities, veteran status, disability status, LGBTQ+ identities, and more. Right now, subpopulations can be so small in some places that they don't get reported at all, or the reports are extremely imprecise. To advance equity and inclusion of diverse populations in rural development processes and outcomes means we must do better by capturing the data on a larger number of people who fall within these diverse groups. Approaches might include more-robust validation of self-reported data and improved survey data collection methods. For example, collecting data on rural populations or subpopulations might require oversampling in surveys, as well as boosting response rates, through building community trust (e.g., discussing how the community benefits from the data collected), engaging the community directly in the data collection (e.g., providing training for volunteer surveyors) and leveraging local champions.

Conclusion

When rural development policies and practices emphasize problems, those who care about and want to invest in rural people and places may not see a clear path toward action and solutions. Embracing an asset-based framework and a set of broad principles for defining rural wealth beyond GDP can set a foundation for changing deficit-based narratives around rural people and places and for ensuring that data show a clearer, comprehensive story. Improving existing data and leveraging innovative data sources can reflect rural realities—including the diversity of rural residents—more accurately. Most importantly, advancing comprehensive measurement of rural assets can lead to more rural-conscious policies and investments to create, expand and sustain rural wealth across its multiple dimensions.

We offer the following recommendations for pursuing data collection and release that reflect the diversity of assets of rural places—not just data that define rural from a deficit framework:
• Move beyond GDP in defining and measuring the unique assets that could help to lift rural places, rather than focusing on filling deficits. The decline of rural populations is often the focus of discussion. Yet, as columnist David Brooks points out, rural areas may have higher levels of civic mindset. Many data sets miss this, because most existing definitions of social capital focus on formalized nonprofit organizations, whereas rural communities may be more likely to have larger informal networks. Accordingly, we recommend that definitions be expanded to include more intangible or informal measures.

• Partner with researchers who understand the nuances of existing rural data, including disclosure issues, and emergent data sets—including from nontraditional sources—to provide the strongest evidence needed for informed programming, policies and initiatives. Seek innovative ways of collecting, linking and analyzing data for rural places, including leveraging administrative data and tapping into new data sources. For example, the Homeland Infrastructure Foundation-Level Data described above may be useful in understanding unique rural assets, relative to data sets with more disclosure issues.17

• Ensure that efforts to prioritize, collect and report data reflect diverse rural realities. This includes working with rural practitioners and rural communities, ensuring that rural research is done “with” communities instead of “on” them, especially where there is a history of misuse and well-placed mistrust.

Ultimately, what is measured in rural places should focus on what is valued by rural people, so that measurement promotes agency, self-efficacy and action.

References


Endnotes

1 See International Integrated Reporting Council; Stiglitz; Stiglitz et al., 2009, 2018; and World Bank, 2006, 2011.

2 See Stiglitz et al., 2009.

3 See Stiglitz.

4 See The Economist Intelligence Unit.

5 See Sustainable Development Solutions Network.

6 See OECD.

7 See United Nations; and Stiglitz et al., 2018.

8 See Marema.
See Pender et al., January 2012.
See Emery and Flora.
See McGowan.
See Pender et al., 2014.
See Green and Haines.
See Scally et al.
See Bowen et al.
Adapted from Scally et al.
Community Development across Borders: How International Development Policy and Practice Can Inform U.S. Rural Policy

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The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.
Introduction

Applying the precepts associated with international development to the challenges experienced by rural communities in the U.S. may appear, at first glance, to have limited utility. U.S. rural communities exist within a country that by itself comprises almost one quarter of global gross domestic product (GDP)—the same share as the lowest 178 countries combined. Even in the most distressed communities, residents generally maintain a higher level of well-being than the deprivation experienced by the world’s extremely poor. Local leaders and practitioners who work to advance rural development often feel misunderstood or unheeded by policymakers and put up with disadvantageous eligibility requirements and low levels of philanthropic support. Using the tenets of international development as inspiration for improving outcomes in rural America runs the risk of being perceived as adding insult to injury.

Yet the principles, approaches and lessons that undergird international development theory and practice are relevant in many aspects. The discipline is inherently place-based and malleable to a wide array of historical, political and cultural contexts. Its attentiveness to understanding power dynamics, strengthening local governance and leadership, and elevating the dignity of communities and people has been a catalyst for modernizing development strategies and program design. And its focus on achieving measurable results and calculating its return on investment has helped build a bipartisan consensus of the importance of federal leadership and investment.

This chapter scans the state of the art of international development, exploring where the basics of the discipline may offer valuable insights for improving policy and practice to accelerate community and economic development in U.S. rural communities. It then lays out several key issues whereby lessons from the international experience may prove fruitful for provoking new thinking, suggesting a research agenda on which development experts from the domestic and international arenas can collaborate.
International Development Principles and Practice

Modern-day development cooperation has its roots in the Marshall Plan, the package of economic and humanitarian assistance provided by the United States to Europe in the aftermath of World War II. This means that the basis for international development practice stems from an effort to help former high-income economies renew themselves after the devastation of war.

The Marshall Plan emphasized the importance of local leadership and ownership as the bedrocks of renewal. The receiving European countries were required to negotiate a mutually agreed-upon financial proposal, then formulate a plan and create a new institution to channel and manage the funds. The scale of the financing was substantial: The United States provided $13.3 billion over four years, or about $140 billion in 2017 dollars. Technical assistance was a major component, and it is generally acknowledged that its effect was significant.

Subsequent to their recovery, the countries that benefited from the Marshall Plan transitioned to become donors. These countries now comprise the core group that provide economic and humanitarian assistance in low-income countries. This piece of history is meaningful to a discussion exploring the relevance of international development to rural development in the U.S. because it highlights how current global practice has its roots in the renewal of economies and societies that were part of highly developed countries. As a collective, these countries—now members of a club of donors under the auspices of the Organization for Economic Cooperation and Development (OCED) Development Assistance Committee—work together to refine the practice of providing financial assistance to reduce poverty, generate economic growth and lift the well-being of countries, communities and individuals.

The objectives, methods and impact of this development assistance have evolved significantly over the past two decades. These changes have been motivated by an imperative to reform paternalistic frameworks and improve the effectiveness of the money invested in order to set a course for receiving countries and communities to transition to a level of growth and self-sufficiency that makes obsolete the necessity for aid.

This evolution has been the product of an international discourse, which has political dimensions but is also grounded in scientific inquiry and
sociological and economic theory. Initiatives like the World Bank’s Voices of the Poor campaign built momentum to recognize the importance of self-determination for communities. Ultimately “The Paris Declaration on Aid Effectiveness” (2005), negotiated among investing and receiving countries, resulted in a set of principles that puts recipients in the lead of defining priorities and proposed solutions, echoing the approach so successful during the Marshall Plan. An emphasis on maximizing and measuring results has been instrumental in adapting science- and data-based methodologies from other disciplines, increasing the focus on quantifying the impact of investments and using evidence to inform proposed interventions.

These principles provide an internationally accepted basis for shaping development policy and practice, setting a common vision for how development occurs and elevating rigor and accountability. They have also led to ambitious, quantifiable goals to mobilize action and assess progress. In 2000, the United Nations’ Millennium Development Goals (MDGs) set specific global targets for reducing poverty, hunger and the incidence of mortality and disease, helping standardize metrics and priorities to achieve progress by 2015.

While not all the MDG targets—which were primarily directed toward developing countries—were achieved, they were generally seen as important and influential in accelerating progress on many fronts. Upon the expiration of the MDGs in 2015, a report launched by U.N. Secretary-General Ban Ki-moon called them the “most successful anti-poverty movement in

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### The Paris Declaration on Aid Effectiveness: Five Principles for Smart Aid

**Ownership**
- Developing countries set their own development strategies, improve their institutions and tackle corruption.

**Alignment**
- Donor countries and organizations bring their support in line with these strategies and use local systems.

**Harmonization**
- Donor countries and organizations coordinate their actions, simplify procedures and share information to avoid duplication.

**Managing for Results**
- Developing countries and donors focus on producing—and measuring—results.

**Mutual Accountability**
- Donors and developing countries are accountable for development results.

SOURCE: OECD.
history.” They have since given way to a more holistic vision of sustainable development applicable to all countries (the U.S. included), reflected in the Sustainable Development Goals (SDGs). The SDGs retain the use of time-bound, measurable outcomes, but emphasize the interconnectedness of issues across social, economic and environmental considerations, and encourage system-level interventions to solve multiple problems at once.

The evolution in the field—from agreement on core principles of development effectiveness, to a focus on results, to the use of goals and public metrics of progress—is reflected in a series of reforms and new initiatives by the U.S. government over the past two decades. For example, high-profile Presidential Initiatives—such as the President's Emergency Plan for AIDS Relief (PEPFAR), launched by the George W. Bush administration to respond to the HIV/AIDS crisis, and Feed the Future, launched by the Obama administration to reduce food insecurity, both of which are ongoing—set quantifiable targets, collect data to evaluate the effectiveness of programs and transparently publish measures of progress.

Today the public can visit PEPFAR’s data dashboard to see program results by the numbers, compare outcomes to targets and access five years of individual program evaluations. United States Agency for International Development (USAID) requires evaluations of each of its investments, all captured in a public online library (Development Experience Clearinghouse). Nothing similar exists for domestic programs and policies.

The emphasis on targets and metrics has enabled U.S. agencies to mobilize with powerful nimbleness and adaptability. In 2012, when it became clear that the MDG target for reducing preventable child deaths would not be met, the U.S. government analyzed the underlying data to identify the major burden. As a result, the U.S. collaborated with India and Ethiopia, two of the countries with the most severe burden, to launch a Child Survival Call to Action. The initiative brings together more than 100 partners from the private sector, civil society and faith-based organizations to accelerate progress on this important issue. The U.S. shifted its own strategy to double down on investments in 24 countries that, together, accounted for 80% of the deaths of children under 5 years old, scaling up access to assistance for underserved populations and addressing priority causes that accounted for nearly 60% of deaths. Over the next two years, these changes saved an additional 500,000 lives.
Relevance to Community and Economic Development Policy in the U.S.

The intellectual and policy energy that undergirds the science of global development, with its emphasis on agreed-upon principles, methodologies and quantifiable benchmarks and metrics, may seem abstract. Community and economic development practitioners in the U.S. have certainly sought to design and refine models to be successful in the context of the communities they seek to benefit, from asset-based community development, to comprehensive neighborhood-based initiatives, to collective impact. Different stakeholders have defined their own sets of principles to reflect what works, based on their experiences; one example is the principles that are the basis of “America’s Rural Opportunity,” published by the Rural Development Innovation Group, a network of influential practitioners working in rural communities across the U.S.

Yet the shifts in the global development field have wide acceptance and applicability because of their co-creation by governments, philanthropies, practitioners and communities alike, and their direct influence on policy. There is not an analogous theory of change that enjoys such a widespread embrace when it comes to deploying financial and intellectual resources for U.S. community and economic development.

Imagine using a similar mindset to address the rural broadband gap in the U.S., in which 22.3% of Americans in rural areas and 27.7% of those on tribal lands lack access to high-speed internet, compared to 1.5% of those in urban areas. It might take the form of a public “moon shot”—a goal and subsequent call to action by the president and U.S. government—to close the gap within five years. Setting such a goal could accelerate the necessary improvements in accuracy of federal data, to better identify where and why access is limited; could provide the basis for a whole-of-government strategy that breaks downs silos among different agencies working on this issue, clarifying who is in charge and who should address regulatory and other barriers; and could develop public-private alliances and alternative ownership models that prioritize development outcomes over market considerations.

Microsoft has made such a five-year goal the centerpiece of its Airband Initiative, part of its corporate social responsibility commitments. Yet the federal government has significantly more reach and power to mobilize
effective action, especially given the importance of federal government policy to this issue. An easily accessible and verifiable map of U.S. broadband coverage, regularly updated to show progress—or lack thereof—toward this five-year goal, would serve as both an accountability and motivational tool for progress.

Indeed, it would be a major step for the U.S. government to put forward a national strategy that lays out a coherent vision for rural development. Our recent analysis found more than 400 programs available to rural communities for their development across 13 departments, 10 independent agencies, and over 50 offices and subagencies. A rural strategy could provide guidance to improve coherence and impact—by setting clear direction on the principles that are fundamental to rural development; prioritizing top national policies; establishing clear, time-bound targets on expected community-level outcomes; and detailing associated milestones and metrics—while strengthening interagency coordination and facilitating alignment with state and local authorities.

**Local Ownership**

One of the key tenets of modern international development theory and practice is supporting locally led solutions to development problems. The principles of development effectiveness in the Paris Declaration (and affirmed by follow-up summits in Accra, Ghana, and Busan, South Korea) reinforce the importance of ownership of development priorities by recipients. U.S. policy embraced this principle to such an extent that in 2010 USAID made a public commitment that within five years, it would triple the amount of funds going directly to local governments and civil society organizations.

The drive to strengthen local systems and local ownership also grew from the recognition that exporting U.S. approaches to foreign contexts, and attempting to implement top-down approaches without local participation, was both ineffective and problematic. A baseline for international development policy is to invest in local institutions and local leadership, to build their capacity and support the priorities and solutions that they define.

Given the demographic and economic diversity of rural America, and the capacity needs in many of its distressed places, this strikes us as a particularly useful principle around which to build U.S. rural development policy.
Places in rural America have a rich sense of community and identity. They are often wary of federal government approaches to development; a recent survey of more than 7,000 rural Americans revealed that two-thirds felt that the U.S. Department of Agriculture (USDA) programs often benefit big corporations and farms rather than rural communities. Policies that aim to assemble a constellation of resources that allow rural communities to leverage and retain control of the benefits generated by their assets will build trust and momentum.

Attention to local power dynamics and context is critical, especially in rural Native American communities that retain sovereignty and place a high value on cultural preservation.

A Robust Agenda

The importance of place, the attentiveness to supporting local leadership, the sensitivity to power dynamics, the emphasis on measuring results, and increasing transparency and accountability: these commonalities showcase how the processes that define the field of international development may be usefully applied to improve rural development policy and practice in the U.S. Simply acknowledging that the experience and expertise of those working in international development could help advance the field domestically would be a major step forward, and could lead to many useful lines of substantive inquiry. We point to several that seem underexplored but suggest real relevance to today’s rural realities:

- **The “resource curse”:** A key strain of development economics focuses on the unintended financial, social, environmental and economic consequences that can lead countries rich in mineral and energy resources to perform worse developmentally and economically than their counterparts. Both macroeconomic and governance issues can play a role in this phenomenon. While natural resource booms often bring an influx of wealth and opportunity to U.S. rural communities, they can also negatively affect local government budgets, infrastructure and services, as codifying dependence on these resources into local laws can lead to fiscal austerity. Wealth from extractive industries often becomes concentrated among government and nonlocal stakeholders rather than returning to communities; even when it does return, it can be offset by significant
social, health and environmental consequences. The similarities between the international and domestic contexts may offer an opportunity for relevant insights.

- **Business dynamism**: Small and medium-sized enterprises (SMEs) are a crucial part of nearly all global economies, accounting for approximately 90% of businesses and over 50% of employment worldwide. Formal SMEs comprise up to 40% of the GDP in emerging economies, yet large, informal economies make this share much more significant. They are particularly important for small and rural communities and emerging markets. Small business comprises approximately 90% of the businesses in the rural U.S. as well. Though rural Americans are more entrepreneurial and see higher five-year survival rates, small-business starts have been declining in rural areas since the Great Recession; 33% fewer entrepreneurs operated businesses there in 2018 than in 2008. Several interventions in global development offer promising areas in which the overlap with similar issues in rural America may produce new ideas, including those that seek to unlock access to right-sized financing through the use of public instruments, facilitate market opportunities through connectivity of local value and supply chains, understand the impact of informal economic activities and ensure the orderly transition of family-owned businesses.

- **Human capital**: The advent of the service and knowledge economies has challenged the orthodoxy of using industrialization and the transition from agriculture as the bridge to development in low-income countries, producing new thinking on catalyzing “development without smokestacks.” Development professionals have also focused on strategies to promote education and leverage the talents of skilled professionals and entrepreneurs in their places of origin. Rural areas face similar dynamics: They are home to 13% of all U.S. employment and 19% of manufacturing employment, but only 6% of jobs in the information and professional, scientific and technical services sectors. There are likely applicable lessons from the international experience of seeking to improve local systems for developing human capital, recapturing talent that sought training elsewhere and leveraging in-migration.
These are but a sample. There are many areas in which lessons, analysis and experience may offer insights, from rollout of digital technology, to successful health and educational interventions, to access to capital and infrastructure, to energy shifts and conservation. But key among these is a shift in mindset: that development anywhere depends upon strong local leadership, governance, a focus on results backed by evidence and analysis, and a shared common vision among policymakers, practitioners and residents on how policy and public investments can maximize the human, natural and entrepreneurial capital that exists in rural America today.

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Effective and Ethical Rural Development

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dressing rural poverty, health, infrastructure and economic development has never been more pressing. Already lagging the nation after most places had recovered from the Great Recession, rural America is now facing significant threats on multiple fronts, from the coronavirus pandemic to the climate crisis. The current approach to federal rural economic policy is ill-equipped and under-resourced to effectively face challenges of this gravity. Rural investment policy is outdated and lacks an overarching structure and mission. The climate crisis and the coronavirus pandemic have exposed existing systemic failures and inequities—and imbue the task of rural investment with a new urgency. To build a prosperous future for all rural Americans, federal policymakers must construct an organized, cohesive rural development strategy that adapts to the modern realities of rural America while addressing its reliance on extractive industries and the history of structural racism. A successful strategy must account for the diversity of rural communities, plan for the climate crisis, address and dismantle structural racism, and engage directly with communities. In this chapter, we lay out the biggest challenges rural America faces and outline a recovery agenda that empowers communities to build brighter futures.

Rural Communities in Crisis

By some economic indicators, rural America never truly recovered from the Great Recession. While the country as a whole enjoyed a sustained recovery, rural counties saw nearly no employment growth between 2008 and 2019.\(^1\) Even before the pandemic devastated the economy, the gap between the median income of rural families and urban families had been widening steadily over the past decade.\(^2\) In 2018, 16.1% of rural Americans lived below the poverty line—a rate 3.5 percentage points higher than in urban areas.\(^3\)

The economic circumstances of rural communities of color are even more dire. The likelihood that someone growing up in predominantly African American communities in the rural South will move from the
25th percentile of household income to the top quintile is 5.7%, just over half of the rate for all rural community types. Native Americans and African Americans surveyed by National Public Radio, in partnership with the Robert Wood Johnson Foundation and Harvard’s T.H. Chan School of Public Health, rated their quality of life lower on average than rural Americans as a whole rated their experiences. Latinx, Native American and African American rural residents all have poverty rates at least 10 points above that of their white peers.

Already mired in economic hardship, rural America was hit particularly hard by the pandemic. By late summer of 2020, both rural infection and death rates surpassed those in urban areas and continued to outpace them for the rest of the year. Existing disparities in access to health care—already a matter of life and death—were thrown into stark relief as rural hospitals quickly ran out of ICU beds, if they had any at all. The lack of accessible, affordable health care, coupled with high rates of uninsured citizens in rural America, is more than a public policy problem—it is a public health
The coronavirus risks are especially high for rural farmworkers and meatpacking workers, who have been deemed essential by state and federal policymakers, but who have not been afforded even basic safety measures. The coronavirus pandemic has called unprecedented attention to several structural shortcomings of our economy, from the lack of paid sick leave and affordable child care to racial disparities in the labor market. As policymakers reimagine the United States economy in a post-pandemic future, they should reexamine the current approach to rural economic development—a strategy that failed to bring the economic growth of the past decade to rural communities. Furthermore, a rural development paradigm for the 21st century must anticipate the threat posed by climate change to rural America, particularly communities of color, which have been subject to decades of environmental racism. The key to promoting equitable, sustainable and enduring economic growth in rural America is to partner with communities, giving them the resources and technical support they need to define their own futures.

Toward a Resilient Rural America

Tailored

Rural communities are significantly different from each other economically and demographically, demanding an economic agenda that recognizes this complexity and has an inclusive vision for progress. As it stands now, however, the structure of rural economic development policy takes a somewhat reductive view of rural America.

On paper, the U.S. Department of Agriculture (USDA) is the lead agency on rural development, in charge of coordinating efforts across agencies and administering a large portfolio of programs. Rural Development is just one of eight mission areas—the others devoted primarily to agriculture, natural resources and conservation, and food safety and production. The marriage between the USDA and rural policy is intuitive. However, though historically the economy of rural America has generally been centered around agriculture, just 1 in 5 rural counties today is defined as “agriculture dependent” by the USDA. In fact, rural job markets closely resemble urban ones in terms of industrial makeup. While 20% of rural counties are farming-dependent,
30% of rural counties have diversified economies, not reliant on any one industry for a large portion of employment. A modern rural policy paradigm should recognize the importance of all economic sectors as potential engines of economic growth for rural areas by expanding the nonagricultural programs at the USDA, and collaborating closely with programs at other federal agencies to adopt a holistic approach to economic opportunity. The USDA should begin by formulating a strategic plan that identifies the modern needs of rural communities, establishes priorities in accordance with them and sets measurable goals. Congress must, in turn, ensure that USDA Rural Development is fully resourced, so it can expand its services and meet its objectives.

Lastly, an inclusive economic recovery requires that rural issues be elevated within the White House and every major agency. Each should have at least one expert stakeholder to represent rural areas and coordinate policy with the USDA. In the absence of expertise on rural issues, agencies and other federal policymaking bodies risk missing opportunities to solve problems, or worse—leave communities behind.

Resilient

Rural America has just as much at stake in the battle with climate change as do urban communities. The climate crisis poses a serious threat to all communities but has grave consequences for those that rely on agriculture or outdoor recreation and tourism to drive their economies. But through innovative technologies and thoughtful transition policies, rural communities can lead the nation in the climate battle and benefit economically from doing so. In addition to their abundant agricultural land and natural resources, their contribution to the climate fight can stretch far beyond those assets. Rural communities have an opportunity to create entirely new revenue streams and diversify their economies by investing in clean energy, conservation and carbon sequestration, in addition to outdoor recreation and natural resources.

A meaningful rural agenda must account for the threats posed by the coming climate crisis. This requires regulatory actions to curb greenhouse gas emissions and strengthen institutions, as well as federal investment in sustainable economic activity and climate-resilient infrastructure. Because
of environmental racism—a form of systemic racism whereby policy shifts environmental hazards onto communities of color—Black and Brown rural communities will be among the hardest hit by the climate crisis. In addition to remedying decades of environmental harms to rural communities of color, policymakers must ensure that these same communities are prioritized for climate-smart investments. For example, federal regulators should update the Community Reinvestment Act by incorporating green investment requirements to increase the supply of capital to climate-conscious economic development in communities suffering because of environmental racism.\(^{13}\)

In addition to being essential to the survival of rural places, investing in sustainable industry and curbing greenhouse gas emissions can drive true economic prosperity for communities that make the transition to a sustainable economy. A report by the Center for American Progress found that a plan to conserve natural land, invest in renewable energy, and promote soil conservation and carbon capture could bring $8 billion in annual economic growth to rural communities.\(^{14}\) Some places have already recognized the opportunities presented by the transition to a green economy. Take the example of the North Fork Valley in Colorado. A former coal-mining community, the area has found new life as the home to Solar Energy International, which trains solar technicians, in addition to operating a pilot program for methane capture at the valley’s abandoned mines.\(^{15}\)

Thus, climate change poses an existential threat to rural communities but also contains promising opportunities for economic growth. A modernized approach to rural development must integrate climate action into its strategy to be effective and meaningful.

**Inclusive**

Perhaps nowhere else in the country does structural racism cut as deep as it does in rural communities. The popular depiction of rural communities as universally white obscures the racial inequality that pervades the rural economy. For example, as the pandemic began to shift from cities into more sparsely populated areas in the summer of 2020, coronavirus deaths were highest in rural Native American, Hispanic and Black communities.\(^{16}\) Despite the vulnerability of farmworkers and meatpacking workers, who
are overwhelmingly Latinx and keep food on our tables, warnings about the safety of these workers went largely unheeded. The struggles of rural communities of color during the pandemic reflect a long history of structural racism that has manifested itself in a variety of ways. For example, the New Deal programs and USDA practices throughout the 20th century systematically dispossessed Black Americans and Native Americans of their land by excluding them from federal farm relief. Similarly, coverage of federal labor laws, though expanded throughout the years, still leaves rural workers of color—namely farmworkers—unprotected. The lack of intentional policy to address and account for racial equity throughout the USDA and federal policy broadly has allowed these inequities to persist over time.

One particularly egregious example is the differential treatment and level of service that Black farmers have historically received from the USDA. Despite decades of documented discrimination against Black farmers, the USDA has not to date demonstrated a meaningful commitment to address these harms and reform its practices. Just a year after a 1982 Civil Rights Commission report concluded that the USDA was “a catalyst in the decline of the black farmer,” the Reagan administration completely eliminated the Office of Civil Rights at the Department of Agriculture. Its modern iteration, the Office of the Assistant Secretary for Civil Rights (OASCR), at the USDA has been the center of numerous controversies since its inception in 2002. The office has been roundly criticized for its unreliable data collection and opaque, backlogged complaint system. The failure to address this form of structural racism is emblematic of the need for rural policy to incorporate racial equity into every aspect of its strategy.

Rural Development should imbue its mission with a racial equity lens and must conduct comprehensive analyses of its policies to ensure that they have equitable results. Having racial justice built into the mission of Rural Development, and USDA as a whole, would help ensure that it will not continue to repeat the sins of the past.

Collaborative

The current approach to rural development is defined by narrowly designed grants and loans with prescriptive requirements, resulting in a strategy that ultimately functions from the top down. Many programs take the form of competitive awards to fill specific needs in communities.
Unfortunately, some of the communities that most desperately need investment face insurmountable barriers to applying. For example, matching-fund requirements disqualify communities that are not able to raise sufficient capital from other sources. On a more fundamental level, many places lack the technical expertise necessary to identify federal funding opportunities, apply for them and meet the reporting requirements. This mode of federal investment shifts much of the programmatic burden onto rural communities, leaving many communities out. Thus, the federal government has room to grow in its role of building community capacity. This means providing support and resources for communities in grant-making, planning and other activities that will increase their capacity to take advantage of the many programs in Rural Development.

We propose a more collaborative approach to rural development that enables communities to leverage their unique assets and solve local problems using the knowledge they have of their towns. One of the most radical ways to practice this ideal is through a participatory grant program. This program, which the Center for American Progress outlines in its report “The Path to Rural Resilience in America,” would provide every rural community with a consistent amount of funds via block grant and would set up a formal process for community members to determine how to invest it. The grant would be a significant annual sum disbursed over several years to establish a program or initiative that serves the community, with the goal that the program would become self-sustaining at the end of the term. With technical assistance and the expertise and analysis of USDA staff, communities will be able to discuss and vote on collaboratively designed proposals that could fill any number of local needs, from workforce training to broadband access.

Some communities have already demonstrated the power of participatory spending. Durham, North Carolina, a midsized city in the Piedmont region, has allocated $800,000 to each of its three wards to invest in local projects such as art installations and bus stop improvements, as well as to fund community services such as mental health care. The power of local engagement cannot be understated. In North Fork Valley, Colorado, the three towns in the area banded together to build consensus on a shared future. With input from 1,300 residents, local leaders coalesced around a shared “Vision 2020” that prioritized sustainability and the preservation of their natural lands as
guiding objectives. This community is now renowned for being home to one of the leading solar panel technical schools and a thriving tourism sector.23

More generally, rural communities would benefit greatly from the establishment of additional USDA field offices that can serve as important resource centers for nonprofits and small businesses that wish to avail themselves of federal programs for the benefit of their communities. While there are field offices staffed with loan officers and other technical staff, these additional offices will have staff with expertise in capacity-building and would assist communities that have not previously received loans or grants from Rural Development. Any qualifying local government, nonprofit or small business should have the ability to connect with a local USDA office to explore funding opportunities and receive technical assistance for applying for and complying with them.

Adopting a partnership approach to rural development opens the door to innovation and lasting change sustained by an engaged community.

Conclusion

Rural America is in urgent need of sustained investment and support from federal policymakers as it faces a deadly pandemic, economic devastation and the imminent threat of the climate crisis. These grave threats require policymakers to rethink their approach to rural investment. We propose redesigning rural development policy by loosening its historical ties with agriculture to reflect the modern rural economy; investing in green and climate-resilient projects to realize opportunities for economic growth; providing accountability for the structural racism present within institutions; and adopting a partnership approach to funding local development projects. With a meaningful commitment from federal policymakers and a willingness to reexamine previous practices, rural America can realize a bright future.
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