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AUTHOR Drabenstott, Mark; Sheaff, Katharine
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ABSTRACT

In the past, rural America often relied on Washington for policy responses to its challenges, but federal policy has been slow to adapt to the broad changes taking place in so many rural communities. New approaches to rural policy have taken root in some states. Georgia's OneGeorgia Authority will oversee a series of economic development programs aimed at the lagging parts of the state, most of which are rural, using tobacco settlement money. Economic development grants will provide funds for public infrastructure, land acquisition, and site development. Equity grants will help build economic infrastructure, train workers, and promote tourism. Both programs target the poorest performing counties. Minnesota's Big Plan identifies 29 initiatives to ensure healthy, vital communities; help the state's people be self-sufficient; refocus state government on public service; develop the best K-12 education in the nation; and help Minnesota be competitive in global markets. Although not wholly aimed at rural issues, the plan includes many rural initiatives, such as extending Internet access to all communities, enabling Minnesota agriculture to be globally competitive, and educating and training the workforce in rural and urban areas. Illinois' Rural Affairs Council has identified seven priorities for policy development: improving access to technology and public transportation, increasing housing, strengthening economic development programs, bolstering rural health care infrastructure, increasing outlets for agricultural products, and building leadership capacity in local governments. New approaches like these show that many rural places are taking the initiative to seize their own economic opportunities. (TD)

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The Main Street --- Economist

Commentary on the rural economy



Looking to the States for New Rural Policies

Mark Drabenscott
Vice President & Director

Katharine Sheaff
Research Associate
Center for the Study of Rural America

Rural economic policy will be a huge factor shaping rural America's outlook in the years ahead. Few other factors will have greater influence on how quickly and fully rural communities can seize their economic opportunities. Yet while interest is growing in new policy approaches, as discussed in last December's *Main Street Economist*, the course rural policy will take is much less clear. Few signals currently point to where rural policy may go. One of the most telling indicators may be coming from state capitols, where policymakers are completing a first round of new rural policy initiatives.

Looking to the states for rural policy innovation is a new development. In the past, rural America often relied on Washington for policy responses to its challenges—the Rural Electrification Administration and USDA programs are prime examples. But federal policy has been slow to adapt to the broad changes taking place in so many rural communities.

State policy, with its ability to respond more quickly, combined with its greater interest in local issues, can offer a new approach. More and more states have been exploring their own policy responses to rural economic weakness, creating in effect a new laboratory of rural policy innovation.

A widening economic divide

States are launching new rural policy initiatives for two main reasons. They sense that broad rural federal policy changes are far off. But more to the point, they recognize that many rural areas in their state have been left behind in the nation's long-running economic expansion. Many states find their major metro areas booming, creating new problems of congestion, lack of skilled workers, and infrastructure that strains to keep up with surging demands. At the same time, many rural places are suffering torpid job growth, low and stagnant incomes, and continued outmigration. Three states in particular—Georgia, Minnesota, and Illinois—illustrate the range of new policy initiatives designed to close this economic divide.

Georgia is a prime example of a “dual” economy. Atlanta was one of the nation's hottest growth centers of the past decade, with job growth in the 1990s booming at 3.4 percent a year (Figure 1).¹ This boom lifted average earnings in 1998 to \$38,000, well above the U.S. average. Swept up in Atlanta's tide of growth has been a large 20-county area that is now considered greater Atlanta. An outer ring of 15 additional counties has also experienced a big spillover of Atlanta's success, with job gains in the 1990s averaging 2.4 percent a year. Meanwhile, job growth in Georgia's remote rural counties was slightly slower, and incomes have stayed considerably lower (\$23,674 in 1998 compared to Atlanta's \$37,983). The state's other metro areas, including Macon and Savannah, posted the slowest job growth in the state, although they have enjoyed somewhat better incomes.

Minnesota presents a similar picture of a dual economy (Figure 2). The 11-

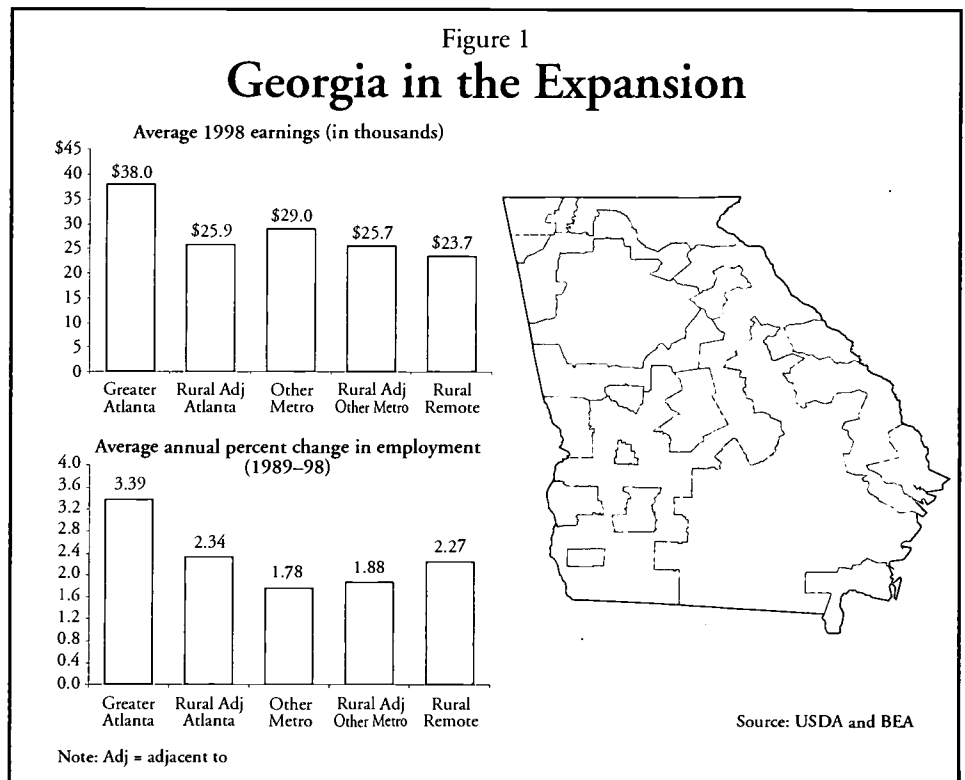
county Twin Cities economic area has posted solid gains. While job growth was slower than Atlanta's in the 1990s, incomes were high. Twin Cities growth has spilled out to the neighboring ring of nine rural counties, where job rolls grew even faster than in the metro area. Rural Minnesota proved remarkably resilient in creating jobs in the 1990s, averaging 2.5 percent growth a year. But the real economic divide in Minnesota is income. Rural incomes in 1998 fell about 40 percent below Twin Cities levels.

Illinois' economic situation is more complex due to its mix of cities and rural areas. Still, in Illinois, as elsewhere in the nation, rural areas are struggling to keep up (Figure 3). Chicago was a solid economic engine in the 1990s, though growth was a bit faster in the outlying counties. Job growth in the state's several other metro areas nearly kept pace with Chicago. In rural areas of Illinois, gains in the 1990s were somewhat slower. But, once again, the biggest divide in Illinois is income. Rural incomes in 1998 were 44 percent below incomes in metropolitan Chicago.

OneGeorgia

Among the three states examined here, Georgia's new rural policy initiative is perhaps the most clearly formed and implemented. This bold new program is founded on a consensus among Georgians that the state's future cannot be defined by Atlanta's prosperity alone. This widely shared feeling was strengthened in January 2000 with the release of a report by the Georgia Rural Development Council. The report revealed that per capita incomes in 77 of the state's 159 counties fell below the average for counties in the poorest performing state in the nation. In addition, the poverty rate in 61 counties was higher than the average for counties in the poorest state. These figures sparked a new quest to bolster economic opportunities for all of Georgia's communities.

Created in October 2000, the OneGeorgia Authority will oversee a series of economic development programs aimed at the lagging parts of the state, most of which are rural. The programs will have significant funds at their disposal, representing a third of Georgia's settlement with

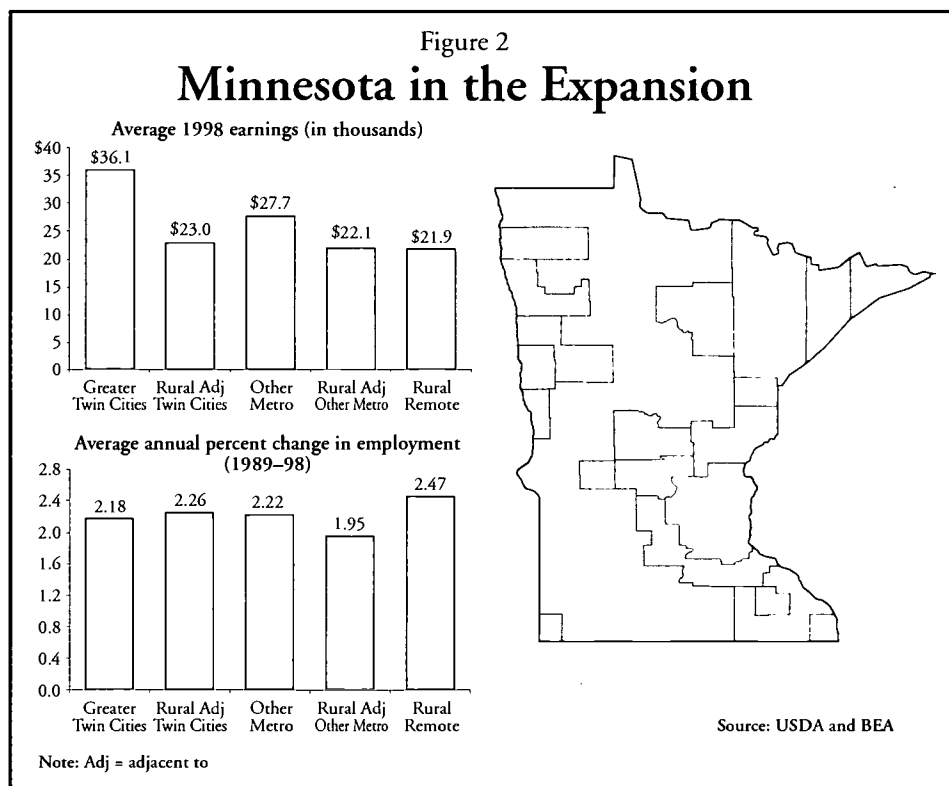


the tobacco companies. Over the next 25 years, the OneGeorgia portion of the settlement is expected to reach \$1.6 billion, about \$62 million in the first year.

OneGeorgia will distribute funds for a variety of development purposes, but two programs will anchor state efforts. *EDGE grants* (economic development, growth, and expansion) will be aimed at helping Georgia communities compete for new business in other states by providing funds for public infrastructure, land acquisition, and site development. The funds can also be used to help develop new businesses and retain existing businesses. *Equity grants* are aimed broadly at the weakest counties in the state to help build up necessary economic infrastructure for economic development—projects such as water and sewer lines, transportation improvements, industrial parks, and communications and information technology systems. The grants will also help train workers and promote tourism.

OneGeorgia programs will have a strong geographic focus. To ensure that funds flow to the counties with the biggest economic challenges, all counties were divided into four tiers, with the poorest performing counties being Tier 1 (71 counties) and Tier 2 (35 counties), and the strongest being Tier 3 (35 counties) and Tier 4 (18 counties, many of which are in and around Atlanta). EDGE and Equity funds will be targeted at Tiers 1 and 2. In addition, the OneGeorgia programs will try to encourage a regional approach to economic development. Special consideration will be given to grant proposals that benefit multiple counties or communities.

The OneGeorgia initiative is too new for results to be evaluated. The first round of Equity funds were awarded on March 30, and only one EDGE grant has been awarded thus far, though several others are being reviewed. Still, many rural communities in the state have shown a keen interest in the new approach, and officials expect grant applications to blossom in the coming year.



Minnesota's Big Plan

Minnesota has taken a more hybrid approach to rural policy, blending new programs with refocused existing programs. The framework for bringing both efforts into concerted action is Governor Ventura's *Big Plan*, an effort to grow Minnesota's economy in all corners of the state. While the plan does not take aim specifically at rural issues, many of its planks support new and existing rural development programs. The plan designates lead departments in state government to spearhead specific initiatives.

The plan outlines four major goals: (1) ensuring healthy, vital communities; (2) helping the state's people to be self-sufficient people; (3) reforming state government to focus on public service; and (4) helping Minnesota businesses to be competitive in global markets. The plan identifies 29 initiatives for achieving these goals. Legislation has been introduced in the state legislature to advance some of the initiatives. Others are still on the drawing board.

Among the 29 initiatives, some are clearly targeted at bolstering growth prospects in the state's many rural commu-

nities. Examples of the rural focused initiatives include: *Improving the competitive position of rural Minnesota* and *Ensuring an information highway that leaves no community excluded*, which fall under the first main goal. *Agriculture: competitive anywhere in the world* falls under the fourth goal. Finally, *The best K-12 public education in the nation* and *Developing the workforce for tomorrow* will educate and train people in both rural and urban parts of the state.

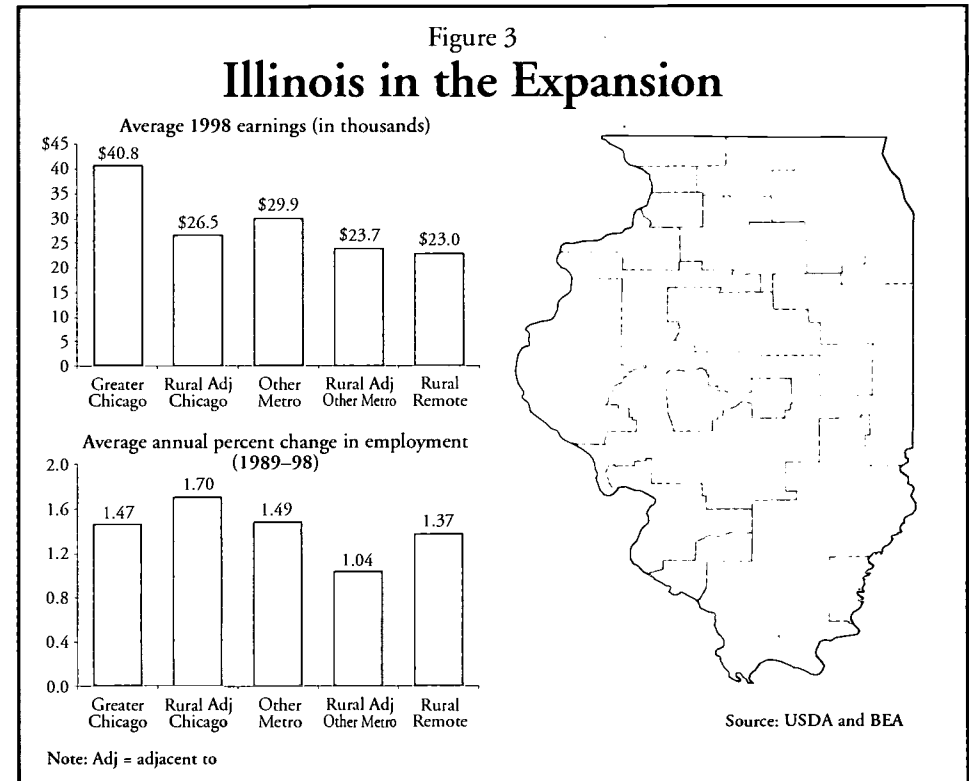
The Big Plan's strategy to close the digital divide encompasses an existing program, Connecting Minnesota. Recognizing the need for all of the state's communities to have quick, reliable access to the Internet, Minnesota offered private companies limited access to interstate and state highway rights-of-way to build a fiber optic network. Bids were solicited from utility companies, and the winning bidder (the utility developer ICS/UCN) is spending \$240 million to install fiber optic cable along 950 miles of interstate and 1,250 miles of state highway in rural and remote areas of the state. Construction is scheduled to be completed in 2003.

Charting a New Course in Rural Illinois

Signs of concrete changes in Illinois' rural policy are harder to find, but a new sense of direction is clear. The state's new approach was heavily influenced by the release of a major report in 1998 by the state's rural development council, Rural Partners, which chronicled the lagging economic performance of many of the state's 74 rural counties. More important, the report identified three main areas for potential rural development: leadership development, economic vitality, and quality of life. The report also helped reinvigorate the Governor's Rural Affairs Council, which is chaired by the lieutenant governor. After gathering input from many Illinois rural stakeholders, the Council developed a new vision for rural policy in Illinois.²

The work of the Council should become a key to future policy developments. Representing all state government agencies, as well as universities and the extension service, the Council plays an important role in bringing a rural focus to existing state programs and proposing new initiatives. Many of these initiatives will be demonstration projects aimed at highlighting rural programs that may promise solid results. In concept, the Council is similar to Canada's new rural ministry, which attempts to ensure that government programs recognize their unique impact on rural places.

The Council has identified seven main priorities for policy development in 2001. Topping the list is improving access to technology, including broadband. Improving access to public transportation is also important, as rural workers need better access to job opportunities and better access to health care facilities. Increasing and repairing housing is a major focus, given the state's aging housing stock. Another priority is strengthening economic development programs to broaden economic opportunities for rural communities. Rounding out the list of seven are bolstering the state's rural



health care infrastructure (including the addition of telemedicine), increasing outlets for agricultural products (including increasing opportunities for creating higher value agricultural products), and finding ways to involve local leaders in rural policy while also building leadership capacity in the state's many local government units. This last priority is crucial, given that Illinois has more local governments than any other state in the nation.

Conclusions

In the past, rural areas have often regarded Washington as their economic safety net. But today, many rural leaders are finding that a "one-size-fits-all" approach to rural policy no longer works. To be effective, rural policies must adapt and target specific new challenges.

New approaches to rural policy have taken root in some states. Programs in Georgia, Minnesota, and Illinois give us a glimpse of how state and local governments can work together to take control of their rural economic future. One Georgia's EDGE and Equity grants are helping fund

infrastructure and community buildings. Minnesota's Big Plan is striving to create healthy people in healthy communities. Illinois is seeking to improve life for rural workers through better housing and greater access to jobs and healthcare.

Innovations like these in rural policy may not prove to be the final answer to meeting rural America's challenges in the new century. But new approaches like these show that many rural places are taking the initiative to seize their own economic opportunities.

¹ Income and job growth figures in this article represent an average for each of the five groups of counties shown on the maps for Georgia, Minnesota, and Illinois.

² *Rural Illinois: Charting a Course for the New Millennium*, Springfield, 2000.



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