Rural Economies: Left Behind or Poised for Resurgence

National Conference of State Legislators
August 6, 2019

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About 46 million Americans (1 in 7) live outside metro areas.

These communities represent 72 Percent of US land area.
Since 2010

Over 1,300 nonmetro counties have 907,000 fewer people.

- 995 nonmetro counties recorded more deaths than births.

Over 600 nonmetro counties have 684,000 more people.
Population Change – ‘Adjacency’ Matters

Isolated communities – largest pop declines

Rural counties near metros or large towns – stable population

Exurban decline – home mortgage crisis

Note: Categories are based on 2013 metro definitions. Metro central counties contain urbanized areas of 50,000 people or more. Metro outlying counties are tied to central counties through high commuting levels (25% and higher). Nonmetro adjacent counties are both physically adjacent to a metro area and have 2-25 percent commuting to the central counties. Nonadjacent counties are divided into those with and without urban populations. Source: USDA, Economic Research Service using data from the U.S. Census Bureau.
Economic recovery in nonmetro communities has not matched that in urban areas.

Nonmetro areas:
- Lower average incomes
- Higher rates of unemployment
- Declining population
Disruption: Another Threat to Rural Areas

Economic Resilience for U.S. Counties

Resilient counties have:
- A proportionately younger (age 25-44) workforce
- Greater ethnic diversity
- More in- and less outmigration
- More in-commuting
- Ready access to urban centers
- A larger share of college graduates

- **Strengthening Economic Resilience in Appalachia: Technical Report, 2018.**
Rural economies depend on industries that declined before the Great Recession and have seen only moderate growth since.

Nonmetro areas:
- Rely on a single industry (or company)

The 20-something Brain Drain: Can we slow it down?

High rural out-migration among 20-30 year olds is partially offset by in-migration among older adults and young children.

Median percent county population change due to net migration, 2000-2010

- Metropolitan counties
- Nonmetropolitan counties

Five-year age groups, 2010
As job growth lags, skilled rural talent look elsewhere for work.

With a smaller and declining pool of talent, business looks elsewhere to invest.
Rural areas consistently have 3-4 percent higher rates of poverty.
Common Rural Economic Pain Points

- Dependence on a few industries
- Distance to markets and suppliers
- Isolation from world-class innovation
- Infrastructure gaps (rail, highways, water, broadband)
- Limited competitive advantage for regional/national companies
- Small and tight labor markets
- Outmigration of young talent
- Limited access to community amenities
- Limited capacity and resources to identify and act on opportunities
Economic Development in Rural Areas: 

*Swimming Upstream*

STATES
Growing Rural Economies with Declining Populations
Define and address the problems that matter.

What will break the vicious cycle?
It’s time to rethink our approaches to rural economic development, drawing on broader learning about the sources of competitiveness in the global economy.

- Michael Porter, Harvard Business School Institute For Strategy & Competitiveness

Key Steps for Boosting Rural Economies

1. Rural economic development should focus on the unique strengths of each area, rather than concentrating on ameliorating generic weaknesses.

2. The appropriate economic unit for strategy purposes must include not only rural areas but also adjacent urban centers.

3. Rural economic development should address and harness the efficient spatial distribution of economic activity rather than attempt to replicate urban economies.

4. A single national rural policy is unlikely to be meaningful and successful.

5. Each community should bear responsibility for its economic success, not the federal government.

6. Federal and state governments need to provide rural regions with the necessary tools and financing mechanisms to develop and execute an effective strategy.

Most pressing rural issues
(Rank order based on survey of State Economic Development Executives)

1. Broadband Deficiency
2. Workforce Skill Gaps
3. Poor Infrastructure/Transportation Gaps (roads, sewer, etc.)
4. ‘Brain Drain’ - Natives Leave for Better Opportunity
5. Place Deterioration/Lack of Community Investment (schools, parks, etc.)
6. Population Decline/Lack of Diversity
7. Overreliance on a Few Industries
8. Housing Stock/Affordable Housing Decline
9. Innovation Isolation/Lack of Entrepreneurship
10. Lack of Community Leadership Training
State Rural Development Efforts

Proportion of states providing distinctive programs to meet rural needs

Source: CREC Survey of State Economic Development Executives, January 2019
1. Slow the Outmigration of Talent
2. Help Businesses Compete
3. Create an Environment that Attracts People to Rural America
Principles in executing rural development strategies

1. Build strong and committed community leadership
2. Develop a solid plan guiding those leaders
3. Collaborate with local business, industries, workforce system, community college and schools to execute the plan
4. Leverage natural assets and resources
5. Access external resources to leverage local support for strategic priorities
6. Encourage long-term community input and engagement from local industry, civic, and nonprofit partners
7. Develop customized responses tailored to each community based on local values
4 Fundamental Rural ED Strategies

1. Create communities where people want to live
2. Leverage assets to develop a strong business climate
3. Enhance the talent pool in rural areas
4. Help rural businesses succeed
Creating communities where people want to live

1. Invest in the fundamentals such as:
   a. Attractive town centers
   b. Broadband access
   c. Affordable housing for workers
   d. Quality education, from pre-K to post-secondary opportunities
Broadband: The Urban-Rural Divide

- Research by the FCC, which defines home broadband as 25 Mbps download and 3 Mbps upstream, indicates:
  - 39% of rural Americans, compared to 4% of urban Americans lack access
  - 34% of non-metro healthcare facilities lack adequate speeds
    - Cannot upload electronic medical records and exchange health information
  - 42% of public libraries have speeds less than 10Mbps.
    - 75% of rural libraries have lower download speeds than their urban counterparts
  - 23% of schools do not meet the FCC’s 100 Kbps per student standard.
    - Rural schools lack access to high-speed fiber and pay more than twice as much for bandwidth

Source: National Telecommunications and Information Administration, U.S. Dept. of Commerce, 2019
Creating livable communities: Approaches

**Broadband**

- Iowa Broadband Grants
  - $6.3 million; 7 grants with first $1.3 million; second round of funding

- Cumberland Plateau Company, a not-for-profit arm of the Cumberland Plateau Planning District Commission (SW Virginia)
  - Deployed high-speed fiber optic backbone and middle-mile network in 4-county area
  - nearly $50 million invested
  - 50% ownership stake
  - Recently received $3 million return from sale of company

**Rural Housing**

- Nevada Rural Housing Authority
  - Mortgage down-payment assistance
  - Rental assistance
  - Weatherization

- Nebraska Rural Workforce Housing Fund
  - $5 million to match community grants for building new homes (not receiving other Federal or state support)
  - Nonprofits can receive up to $2 million over two years to build market-rate housing
2. Use existing economic activity and natural amenities as foundations for future growth
   a. To attract money into the community
   b. To identify potential new business opportunities

*Asset-based economic development*
leverages existing natural, environmental, sociocultural, and economic advantages to sustain local economic growth
Leveraging local assets: Approaches

Attracting investment

• Identify and prepare (certified) industrial sites (NC, OH)
• Reuse rural buildings (NC)
• Use tourism to attract residents
  – Vermont vacation packages “Stay to Stay” Weekends targeted to outdoor enthusiasts

Developing business opportunities

Unique assets can be found most anywhere in rural areas
3. Invest in improving the skills of people through
   a. Training incumbent worker for next gen jobs
   b. Addressing challenges facing low-income workers
   c. Growing youth engagement
   d. Welcoming new in-migrants
Enhancing the local talent pool: Approaches

Developing Existing Talent

- **Ohio mobile training units:**
  - Provides on-site training
  - Reimburses employers up to $4,000 or 50% of eligible training costs

Attracting New Talent

- **Generation West Virginia**
  - Impact Fellowship with participating local companies; 820 applicants worldwide for 33 slots
  - **NewForce** tech training for non-college bound students

New Hampshire

- Lakes Region Internship & Job Shadow Database

CREC Center for Regional Economic Competitiveness
Help local businesses succeed

4. Promote business opportunities in rural areas
   
   a. Link existing firms to global supply chains
   
   b. Cultivate entrepreneurs and develop resources for business start-ups
   
   c. Build area business networks that collaborate and seem “bigger” to outside markets (e.g., learn from farm coops and joint venture partnerships, etc.)
Help local businesses succeed: Approaches

Promoting entrepreneurs

- **Energizing Entrepreneurs (NC Rural Center)**
  - Assess opportunity and prioritizing community goals
  - **Teach town leaders about Entrepreneurship Framework**
  - **Provide $100,000 seed capital for local small business loan fund**

Supporting local businesses

- **North Dakota Rural Incentive Growth Program**
  - Loans to communities that re-loan to local businesses

- **Utah Business Expansion and Retention (BEAR)**
  - Funds local efforts to provide continuous outreach to rural businesses
How Do We Know We Are Making A Difference?

Select metrics that clearly align with your goals

<table>
<thead>
<tr>
<th>Employment &amp; Income Growth Metrics</th>
<th>Business Climate &amp; Economic Condition Metrics</th>
<th>Community Improvement Metrics</th>
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<tbody>
<tr>
<td>Job growth</td>
<td>Change in economic output</td>
<td>Population growth/stability</td>
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<tr>
<td>New jobs</td>
<td>Tax base increases</td>
<td>School population increasing</td>
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<tr>
<td>Workforce growth</td>
<td>Change in # of employers</td>
<td>Graduation rates</td>
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<tr>
<td>Wage growth</td>
<td>Total # of expanding employers</td>
<td>Poverty decline</td>
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<tr>
<td>Per capita income growth</td>
<td># of active entrepreneurs</td>
<td>Vibrant downtown</td>
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<td>Median family Income levels</td>
<td>Growth of specific industries</td>
<td>Home sales strength</td>
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<tr>
<td>Unemployment rate</td>
<td>Availability of infrastructure, including</td>
<td>Level of economic distress</td>
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<tr>
<td></td>
<td>broadband</td>
<td>improvement</td>
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<td></td>
<td># of skilled workers in key occupations</td>
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• Population growth/stability
• School population increasing
• Graduation rates
• Poverty decline
• Vibrant downtown
• Home sales strength
• Level of economic distress improvement
Thank you

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HELPING COMMUNITIES SHINE

Whether researching and implementing ways to shape a community’s economic development plan or partnering to create ways to put people to work, CREC connects researchers and policymakers with:

• Data training
• Custom portfolios that aid regional competitiveness