REGIONAL RESOURCE

CSG SOUTH

The Council of State Governments ■ 3355 Lenox Road, N.E., Suite 1050 ■ Atlanta, Georgia 30326 ■ 404/266-1271

A Rural Policy for the 21st Century

Report from the Proceedings of the 2003 Southern Legislative Conference Rural Forum

Jonathan Watts Hull
Regional Representative

On November 7 and 8, 2003, legislators and policymakers from across the South met in Point Clear, Alabama, for the 2003 SLC Rural Forum, an open discussion on the status and future of the rural South. Through the two days of discussion, participants were asked to identify the most critical concerns for rural areas, the potential partners for addressing these concerns, and the appropriate role for state government in improving the condition of the rural South.

That rural America is facing considerable challenges is beyond question. The economic, demographic and physical conditions of rural places in America present myriad problems for rural development. Rural incomes are, in general, well below the national average, with many rural counties presenting high rates of poverty over long periods. While rural schools perform exceptionally well, rural areas have fewer college graduates and more people with only a high school education than other parts of the country. Students are, in a sense, rural areas' top export. Rural areas also face serious deficiencies in the condition of the infrastructure that drives the economy, including roads, highways, bridges, airports, rail service, water and sewage service, high-speed Internet access, and electricity.

Rural America continues to provide considerable opportunities for development, including a host of amenities highly sought by vacationers, retirees and sports enthusiasts, and vast natural resources that still constitute the economic engine of America. Rural schools have many of the qualities and characteristics that lead to top performance, and the comparative performance of rural students is remarkable given the demographic composition of the areas.

What is Rural?

For decades, rural has been defined largely by what it is not: metropolitan. Federal agencies and most states have designated any place that was not a metropolitan area as rural (or the even less descriptive non-metro). The U.S. Census Bureau, the White House Office of Management and Budget (OMB), and the U.S. Department of Agriculture (USDA) all use differing definitions of metropolitan. These are based on either population density (Census); population size (50,000 people) within a city or metropolitan statistical area defined by the Census (OMB); or by county population along a continuum (USDA). Only the Department of Agriculture defines rural areas in any degree of differentiation, and the variety of definitions for "non-metro" leads to varying conclusions about the size of the rural population in the United States.

In response to calls from a range of groups, the OMB created a new place category definition—micropolitan—defined as a non-metro county with an urban cluster of at least 10,000 persons or more, which becomes a central county of a micro area, with any county with 25 percent or more commuters to the core county considered part of the micro area. This change will help to paint a more complete picture of conditions outside metropolitan areas, and help policymakers to refine programs serving rural areas.

The USDA has, not surprisingly, the most sophisticated means for categorizing places that lie outside metropolitan areas in the United States. The USDA's rural-urban continuum codes differentiate urban counties by size and non-metropolitan counties by their degree of urbanization or proximity to metropolitan areas. This allows for subtle distinctions, such as counties with small populations near to urban areas or small towns completely outside metropolitan areas. When possible, this report uses the USDA definition of "rural" in order to focus most directly on those areas which are most rural.

Snapshot of Rural America

The 2003 Rural Forum took place against a backdrop of rising worries over the viability of rural places, particularly those most rural parts of the country, and a sense that the time for a comprehensive, coordinated rural policy may be nigh. Political leadership in Washington, D.C. and state capitals is heavily invested in rural areas, and rural issues are being heard on a broader stage than in the past decade. The challenges facing rural America also are increasingly daunting, but the agencies and organizations working on the problems facing rural communities and citizens are showing renewed vigor for integrative solutions.

While the issues facing rural America are interrelated and complex, there are several key areas that stood out to participants of the 2003 SLC Rural Forum. What follows is a brief overview of these areas.

Demographics

In many ways, rural areas are defined by their demographics. Rural population loss has been a major contributing factor to the decline in rural political clout over the past few decades. It also has made providing services more costly, limited the opportunities for private investment, and depleted the capacity of rural areas to drive their own development forward. The rural population is aging as well, with the percent of rural Americans 60 years of age and older growing from 17.7 percent in 1980 to 19.7 percent in 2001. The percent of residents of metropolitan areas this age remained relatively unchanged over this same time period.[1] Part of this growth can be attributed to the rise in non-metro counties as retirement destinations. Another contributing factor is the continuing drain of young people from rural areas to metropolitan centers to find employment. This growth in the rural elderly has significant consequences for rural policy. Even as retiree immigrants bring with them new tax revenue and family income and sustain local businesses and institutions, the rising elderly population adds to strains on an already overburdened service infrastructure in parts of the country where transportation challenges, a paucity of service providers, and low population density contribute to higher costs and lower availability.

Rural America is not just getting older, it is diversifying at a remarkable rate. The growth rate in the non-metro population for whites was a modest 8.5 percent between 1990 and 2000, roughly equivalent to the rate for metro areas. All non-metro minority groups increased over the same period, both in terms of absolute numbers and as a proportion of the population. Hispanic population growth for the same period was at 70.4 percent, 10 points higher than in metro areas, with black population growth registering at 12.2 percent, 7.5 points below metro areas. The median age of minorities in rural areas is also far lower than for whites, meaning that not only is the white population not growing as quickly and aging more, but whites are being replaced by minorities, primarily African Americans and Hispanics. Rural minority families also have higher percentages of young people than white rural families.[2] The impact these shifts will have is considerable. Because minorities often have lower incomes than whites, the shifting balance in population points to increased challenges for overcoming poverty and a continuation of the drain of capital, held primarily by whites, from rural areas. This also points to a rise in demand for bilingual services as the number of residents for whom English is not their first language increases. Schools will face a greater number of students with parents with lower educational attainment rates than in the past and, in most cases, lower functional English skills.

Employment is an uneven demographic indicator for rural areas. Employment in rural areas has been under a long-term transition from industries such as agriculture, mining, and manufacturing to services, construction, and social and government services. Professional and managerial employment also has risen, albeit more slowly, for rural residents over time. In general, occupational attainment improved during the 1990s, although these gains began to erode by the decade's end. Importantly, while unemployment in rural areas was uneven on a regional basis, rates for much of the rural South score consistently above the national average.

As the economies of rural areas have restructured and created more low-wage, low-skill jobs in the service sector, an influx of outside labor—predominantly Hispanic immigrants—generally provided the necessary workers to fill these jobs, a trend that is likely to continue. This fact does not make the economic picture for long-standing rural residents particularly encouraging, although it does mean that rural employers, agricultural and otherwise, will not likely lack the kind of labor they currently demand. If the rural economy shifts toward higher-skill work, however, the pattern of attracting low-skill, low-wage workers could exacerbate employment problems in these areas. Workers attracted to low-skill positions in rural areas easily could become stranded there without employment options. Rural places with a wealth of low-skill workers will be hard pressed to fill more demanding positions from within their existing workforce.

Infrastructure

Economic development often depends, at least in part, upon the presence of adequate infrastructure to support new, existing, or expanding businesses and new workers. Taken broadly, infrastructure includes transportation (including, but not limited to roads, bridges, railways, ports, and airports) and water, sewer, electric, and telecommunications systems. Infrastructure investment is a key element to most state economic development plans regardless of place. As the economy becomes increasingly information-based, up-to-date telecommunications networks are now vital components. Highway and rail transportation systems remain key components, and are under strain in several parts of the country, including much of the South, because of rapid growth. Within the broad category of infrastructure, there are several areas of particular note, including broadband Internet access; water and sewer service; roads, highways and railways; utilities; and statewide strategic planning.

Rural areas often are at a decided disadvantage with respect to infrastructure because of the sparseness of population. Infrastructure investments in densely populated areas can be paid for across a variety of users. In rural areas, the higher cost of building and maintaining the necessary infrastructure is unlikely to be borne by the relatively fewer people subscribing to the services. For this reason, state and federal support for rural infrastructure is particularly important.

Broadband Internet access—Universal access revolutionized life in rural areas in many ways. The goal of providing equivalent telephone services to all Americans regardless of where they lived pushed telephones into rural areas, with the costs subsidized by lower-cost urban residents and businesses. In the 21st century, access to the Internet is being widely equated to access to a telephone in the 20th century. And while most American's could, in theory, connect to the Internet thanks to the universal access activities of the past century, the reality is that low-speed dial up services and limited Internet service providers in rural areas, as well as the slower penetration of computer technology to rural areas, have created a digital divide between the haves and have-nots. Nearly 60 percent of American households have Internet access overall, with rural households lagging behind urban households by about 10 percentage points.[3] High-speed, broadband access to the Internet remains far more limited in rural areas, however, a fact that has implications for business site selection as well as the opportunity for rural entrepreneurs to take full advantage of the opportunities the Internet affords. As of 2002, just over half of all rural residents were online, with fewer than 10 percent having access to high-speed connections.[4] This is not surprising given the costs of bringing these services even to densely settled urban areas. The cost of extending this service to areas of low population density and more difficult geography is going to be much higher per customer. Furthermore, demand for high-speed Internet services may not be as high as in metropolitan areas.

The federal government, largely through the U.S. Department of Agriculture, has programs to extend low-interest loans to companies to establish broadband Internet connectivity. The downturn in the technology sector and the hurdles to providing service to these areas have slowed action on this front. Several states, including Virginia and North Carolina, also have moved on this issue. From an economic development standpoint, particularly as the economy shifts toward service and information, high-speed Internet access can make the distances that separate rural communities irrelevant to their potential for economic growth. Among the approaches states have taken are to allow local government to offer the service if there are no private providers available, and to provide low-cost loans for the creation of the infrastructure necessary to provide high-speed access in rural communities.

Getting high-speed Internet to rural areas is unlikely to happen quickly or consistently without the involvement of state and federal governments. The costs of installing the cable and telecommunications equipment for the low population densities of rural areas mean that passing on the costs to rural residents would be exorbitantly high. At the same time, the diversified structure of the telecommunications industry in the United States today makes any government action in this area extremely difficult. The 2002 Farm Bill authorized $2 billion (with $100 million appropriated in 2003) in loans and guarantees for rural broadband access over a six-year period. This money is available according to a formula, allocating funds proportionately to states' rural populations. States and local communities are stepping in as well, providing residents with access to high-speed Internet off existing "service spines" where no private provider is available.

Water, sewer and utility service—Distance and sparse population also raise the costs of providing water and sewer service to rural communities. Furthermore, the limited tax bases for most of rural America make raising the revenue to conduct regular maintenance and to upgrade out-of-date systems extremely difficult. In recent years, the condition of water and sewer systems in rural places has raised concerns at the local, state and federal level. In the 2002 Farm Bill, an unprecedented amount of money was authorized for the building and maintenance of wastewater treatment facilities and other sewer and water projects. Key among the shifts in policy included in the Farm Bill was a lifting of the $590 million cap on grants to communities for water projects, a move intended to allow much needed additional funding to flow to rural communities immediately. Even as the federal budget has grown tighter, rural water grants and loans have continued to be offered, reflecting the priority this particular aspect of rural infrastructure has among lawmakers. States also often use Community Development Block Grant funds to pay for improvements and expansions to water and sewer service in rural areas, although this program has been eliminated in the Bush Administration's 2005 budget proposal.

Costs for rural water systems go beyond the expenses of laying and maintaining water and sewer lines. Meeting safe drinking water standards in rural areas often means upgrading aging water treatment equipment. Small systems (those serving fewer than 10,000 customers) are eligible for waivers from federal requirements if compliance is determined by the U.S. Environmental Protection Agency to be not affordable for small systems. To date, however, the EPA's review of current and new regulations has generated no waivers. These reviews assess costs at a national level and therefore do not take into account regional and local variations in cost.[5] The costs of treating sewage before discharging it to surface waters are high for rural areas. Inevitably, passing on the costs to customers is less practical for rural areas' water systems, both because the costs are higher per user and because the lower incomes found in rural areas often allow for little accommodation of higher utility fees.

Rural America enjoys reliable, economic electrical service, but as the demands on the electrical grid have grown, the infrastructure often has not expanded accordingly. As became extremely clear on August 14, 2003, the electrical system in the United States is fragile. While this blackout affected urban and rural areas alike, rural residents face unique challenges in ensuring the continued high-quality provision of electrical services. Among these is a threat that a restructured electricity market will not reflect the nature of the rural market. Many rural residents get their electricity through an electric cooperative that serves a small number of mostly residential and small business customers over a large area. The customer makeup of these cooperatives results in variable demand, which in turn requires either generation capacity sufficient to meet peak demand that results in superfluous capacity for much of the time, or heavy dependence on the "spot" market. As the electricity industry has consolidated, the potential for market power to distort the spot market has grown, as California witnessed in 2001.[6]

Roads and highways—Roads and highways remain the principal means by which goods produced in rural areas find their way to market. Even with federal investment in establishing infrastructure, particularly roads, states and localities bear significant costs in their construction and the lion's share of their maintenance. County and municipal governments are responsible for 73 percent of all maintenance on rural roads, with states being responsible for an additional 22 percent.[7]

Over the past several decades, changes in the trucking and rail industries, as well as changes in driving patterns for average citizens and the growth of metropolitan areas, have placed considerable strain on the roads and highways that service rural areas. Deregulation in the rail and trucking industries helped create numerous new small trucking companies and consolidate the rail industry. The result of these actions was closed rail lines and increased truck traffic, particularly in rural areas, which in turn led to increased congestion and higher road maintenance costs for state and county governments, which bear the bulk of highway upkeep costs. It is significant that even as total spending on roads has increased, the share of this money that is from state and local sources has increased from 55 percent in 1980 to over 70 percent today.[8]

Rail—The rail system helped to settle much of rural America over a century ago and remains a vital economic link for many rural communities. As the railroad industry consolidated in the wake of deregulation, the number of places served by rail lines has dropped. This has been in some ways compensated for by the aforementioned rise in small trucking companies, although this form of transit is inefficient for some of the principal agricultural commodities, especially grains, of rural producers. A principal reason for the drop in rail service is the costs of maintaining and servicing these lines. As rail lines age in rural areas, their maintenance costs rise, placing these communities even more at risk of losing their rail service.

Statewide strategic planning—Across the board on infrastructure needs, there often is a lack of strategic planning at the state level to provide for current and projected needs, particularly with respect to rural areas. Forging links at the state and regional level to guarantee adequate thought is given to how infrastructure funds are allocated, and that projects reflect the state's overall development priorities, is key to well-coordinated infrastructure development. Without this planning, rural development only can happen on an ad hoc basis, when capital and other resources are specifically made available or when the necessary conditions serendipitously occur.

Economics/Poverty

The economic reality of rural America often is one of higher poverty than in the rest of the nation and a weak job market. Rural America, and the rural South in particular, has long lagged behind urban areas in most measures of socio-economic progress. Beginning with the New Deal in the 1930s, and accelerating in the 1950s and 1960s, however, poverty reduction and economic development programs have steadily improved conditions in rural areas. In 1960, the U.S. Census identified 2,083 rural counties as having poverty rates of 20 percent of their total population. By 2000, the number of all counties with poverty rates at this level had dropped to 382, of which 363 were rural. The great preponderance of persistent poverty counties—roughly 340—are in the South. Persistent poverty during this 40-year span has been concentrated in the Black Belt, the Mississippi Delta, Appalachia and southwest Texas.

Overall rural poverty rates reached record low levels in the 2000 Census, increasing slightly in 2001. Nationally the gap between rural and urban poverty rates remained low (2.6 percentage points in 2000, up to 3.1 percentage points in 2001). Unfortunately for the South, this is mostly due to gains in the Northeast and Midwest, where the poverty rates are almost the same in metro and non-metro areas. In the South, the gap between metro and non-metro populations is much larger, up from 4 percentage points in 2000 to 5.4 percentage points the South in 2001. Non-metro poverty in the South was 17.6 percent in 2001 across the region.[9]

While poverty continues to be an issue for urban areas, the degree of poverty and its persistence over time has been most pronounced in rural areas.[10] In the South, with rural employment still heavily invested in manufacturing and mining, the global marketplace has pushed the displacement of these jobs through technology and relocation to lower-cost labor markets. Recent data suggests that the overall job picture in rural America may be slightly better than in metro areas, and that the recent recession was less severe in rural areas than elsewhere.[11] Add to this better earnings growth for non-metro residents (1.4 percent during 2000-2001) than for metro residents (.9 percent), and rural America seems to be faring better in comparison. Also mitigating the real impact of lower income in rural areas is the lower costs of living in these areas, calculated in a 2000 report as about 16 percent below the cost of living in metro areas. This implies that the poverty rate overstates the impact of rural poverty to a degree.[12] But all this good news is tempered for the South, especially by the vaporization of manufacturing, particularly textiles, jobs, and the overall poor job mix found in many rural areas. Furthermore, over the past decade, rural real income has consistently lagged behind metro income, actually falling behind inflation.[13] In many ways, the impact of U.S. trade policy can be felt most directly in rural communities dependent on manufacturing, textiles and apparel, as these industries have relocated to lower-cost production areas overseas, and those dependent on agriculture, as the global food market puts an economic squeeze on U.S. producers.

Employment growth in rural areas has tended to follow a pattern established in the 1950s and earlier, with companies turning to rural America for inexpensive land and low-wage (and low-skill) workers. While this pattern was initially the case for manufacturing and textiles, as these sectors have declined in recent years, the job growth has often been made up for, at least partially, by service sector jobs. In particular, the employment options afforded rural residents are more likely to be low-wage, low-skill, entry-level positions with limited opportunities for professional or economic advancement.

Perhaps more worrisome than the statistics on overall poverty are the figures on child poverty. Twenty percent of children in rural areas live in poverty, compared to 16 percent of metro children. In the South, child poverty statistics are even more discouraging. Throughout the region, rural areas have higher incidences of child poverty than non-rural areas. In most rural places in the region, the level of child poverty is seldom below 25 percent. Of the 100 rural counties in the country with the highest rates of child poverty, 80 are in the South.[14] While it should be acknowledged that Southern states have many more counties than states in other parts of the country, the great concentration of child poverty in the region and the population these counties represent is very significant.

Child poverty creates numerous complications for rural areas. Poor children are less likely to receive a quality education, complete high school, receive regular medical care, and have quality day care available to them. As these children grow up, the opportunities afforded them are fewer and fewer, further exacerbating the problem of a rural population with limited ability or opportunities to develop the skills necessary for high-earning jobs.

Education

It is unmistakable that the quality of the rural workforce and the quality of rural schools are related. Rural areas that neglect education are less likely to have a well-developed workforce, and thus be less attractive to businesses looking to relocate. Rural schools in general perform remarkably well, scoring close to schools on the urban fringe and in large towns, and above schools located in urban centers both in national assessments and in terms of school graduation rates.[15] Considering the degree of poverty in rural schools (as measured by the number of students eligible for free and reduced-price lunch), which is typically above the state average and is at times equal to that found in city center schools, the performance of rural schools seems remarkable. As a number of observers have noted, the small size of rural schools and the strong community ties often compensate for the obstacles poverty and limited resources impose on student achievement.[16]

Rural schools face serious challenges, however, in maintaining their standard of quality. Decaying infrastructure, stagnant or contracting tax bases, growing teacher shortages, increased federal mandates and more all are weighing upon rural schools. In a number of states, the funding disparities between metro and rural districts have given rise to lawsuits over inequitable and inadequate financing. Rural districts, with limited tax bases, are more dependent on state formula aid for increasing per pupil expenditures. They also are more limited in their bonding capacity for capital improvements to rural schools.

Roughly half of all schools in the United States are in rural areas, educating nearly 40 percent of all students. Rural students in general enjoy slightly lower student teacher ratios and far smaller school sizes. The average school in an urban or urban fringe area has more than 600 students. In rural areas, this figure is 400 students. Rural students are less likely to have limited proficiency in English and more likely to have the opportunity to take remedial courses than their metropolitan peers. Rural schools also are far less likely to offer English as a second language or bilingual programs to their students, a fact that in part reflects the scarcity of teachers with these skills in rural areas and in part demonstrates the uneven distribution of the students who require language services among rural areas. Rural schools also are only half as likely to offer extended day programs as urban schools and are less likely to offer kindergarten.[17]

Flat or declining tax bases and limited revenue capacity contribute to a further worry for states: funding equity and adequacy for rural schools. While urban schools have long been parties to litigation against states' school funding structures, rural districts are becoming lead plaintiffs in equity and adequacy lawsuits in a number of states, claiming that state formula funding discriminates against property-poor rural areas. A lawsuit of this sort brought by a rural district in Arkansas has forced the state to entirely reconstruct its funding formula, increasing the costs of public education to the state by several hundred million dollars and triggering the longest special session in Arkansas history.

The inadequacies and inequities rural schools face also can be found in their facilities, which are often older and have serious maintenance shortcomings. Rural districts, with their limited bonding capacity and tax rolls, have much more difficulty raising the necessary funds to provide adequate maintenance to aging facilities, much less provide for major repairs or new construction. In the end, the students in rural areas attend schools with greater incidence of insufficiencies than their metropolitan peers.

A further problem for rural schools is the difficulty they face in attracting and retaining staff. Teachers entering the profession from college tend to cluster in schools near where they graduate and in major metropolitan areas, which offer higher salaries. Rural areas, isolated by distance and often at a significant pay disadvantage, are hard-pressed to compete for new teachers. Rural districts also may be the employer of last resort for some teacher-candidates, providing jobs to teachers who are unable to secure employment in their primary preference districts. After developing their skills and experience in the rural district, these teachers are likely to move on, turning rural schools into the training ground for a cadre of qualified, experienced teachers working in metropolitan schools.

Given all of the challenges rural schools face, they nevertheless continue to provide strong educational opportunities to rural children. Graduation rates, assessment scores and measures of school environment all point to the excellent job many rural schools do. But after rural children graduate from high school, proportionally fewer continue to college as their peers in metropolitan areas.[18] There are obviously a number of factors which come into play in this regard, including the limited opportunities for college graduates to find appropriate employment in rural areas, the range of jobs for non-college graduates in rural areas, and the lower number of children of parents with college degrees in rural areas. Rural students who do go to college, moreover, often move to metropolitan areas where their degrees will bring wider opportunities, further exacerbating the "brain drain" from rural America.

The federal *No Child Left Behind Act*, which sets federal education policy for eight years, included increased flexibility for rural schools. Unfortunately, the direct grant program that accompanied this increased flexibility was eliminated after only one year, leaving rural schools to compete for discretionary funds with much larger schools to complement their per-pupil formula funding. The Act also has numerous accountability measures, including annual testing in grades 3-8 to measure student learning and progressive sanctions for schools in which each identifiable subgroup did not make sufficient progress toward state-established performance benchmarks. For rural schools, with smaller cohorts of students, the impact of each individual test-taker is greater. One student's good or poor performance thus could be responsible for placing the entire grade, and hence the school, into or out of compliance with the federal law. Falling out of compliance with the federal law triggers a host of remedial actions for the school, including required academic services and inter- and intradistrict transfers, with the costs related to these activities being borne by the schools. Given the limited, and often non-existent nature of tutoring services, and the vast distances between some rural schools, providing these opportunities to students may not be possible or practical.

Workforce Development

Rural workers have lower levels of formal education and training, and receive less in return for their investments in their skills. Rural areas also offer fewer employment opportunities for skilled workers, a fact that contributes to lower wages for more highly skilled workers in these areas. Furthermore, should a community succeed in attracting a high-skill employer, the workforce may not be able to be filled from local rolls.[19] To remedy this situation many communities in rural areas have some form of training for local workers to improve and expand their job skills.

These programs, generally called workforce development or investment, offer a variety of services to the unemployed, underemployed, and discouraged workers, as well as opportunities for those who are employed to expand their skills. Activities that fall under this umbrella can run the gamut from job listings and information on training, financial aid and the employment market to career counseling, GED courses, and on-the-job training. These programs often are run out of regional development centers and receive a mix of local, state and federal funds to fulfill their mission.

Employers and local technical and community colleges are principal partners for local development officials in creating successful workforce development networks. These networks have several key strengths. Among them are easing the transition from school to employment for recent graduates through work-based learning, lower turnover costs through better training and aptitude matches between employers and employers, and more efficient mechanisms for matching employers with workers that fit their needs. Because employers are hesitant to bear the expense of providing all the training necessary for their workers, community colleges and training centers often are asked to offer supplemental assistance to local residents, at times in conjunction with major employers. This allows these institutions to be responsive to the needs of the major employers in the area and to deliver the necessary skills for jobs workers might be able to fill.[20] Rural communities in many parts of the South have especially strong community college systems, providing exceptional opportunities for well-articulated programs to invigorate the rural workforce. The challenge rural areas currently face is keeping the students trained in these facilities from migrating to metropolitan areas in search of employment.

As many rural Southern communities have learned in particular, the skills a workforce needs for jobs today are very likely to change quickly. The textile and agricultural support economies of many rural Southern towns have eroded as jobs shift overseas and are replaced by technology. This has created a serious hardship among displaced workers in rural areas who not only are more likely to have only a high school education, but also are less likely to have developed transferable skills on the job. For this group, workforce development programs are a life raft to the new economy.

Making this transition is exceptionally hard for some, it should be acknowledged, and the offerings of rural training providers very often reflect the varying skills of the participants. Delivering the needed courses and programs to such a diverse group is a difficult and costly activity, and recent budget constraints have placed some of these programs in jeopardy.

Business and Entrepreneurial Support

Encouraging business and economic development in rural areas requires special attention and consideration. An educated, well-developed, well-trained, and well-prepared workforce will have little reason to remain in rural areas if employment opportunities are not available. Indeed, rural workers encountering low-wage jobs with little hope of advancement have departed for metropolitan areas for decades. An important aspect of the rural employment environment is the enormous contribution small employers play. This creates business and entrepreneurial support priorities particular to rural areas.

A significant hurdle small businesses in rural areas face is the adequacy of capital and financing. Rural enterprises, especially those associated with value-added agriculture and other relatively new fields, pose uncertain risks for lenders given the limited history of these endeavors. For rural financial institutions, the uncertainty may be unacceptable. Furthermore, the decline in small and regional banks has created a credit vacuum in small communities, compounded by larger lenders having little room in their portfolios for unfamiliar activities in rural areas.

Furthermore, small businesses in rural areas often lack access to the kinds of technical support services and assistance that are common to their urban and suburban counterparts. Businesses located in metropolitan areas often can locate accountants, computer technicians, shipping companies, packaging suppliers, printers, and the host of other ancillary services that support businesses, and often have choices among competing providers. In rural areas, fewer of these services operate locally, with far less competition among them. In the most rural places, there may not be many of the types of support services available, or associated costs or distance may make them prohibitively expensive. Solving this problem at the state or local level may require little more than connecting available providers of services and entrepreneurs, or more complex incentive arrangements for services to be extended or made available to rural entrepreneurs. Identifying areas with service gaps and targeting rural funds, either Community Development Block Grants, Rural Development funds, or other state or federal aid, to close these insufficiencies would improve the situation of existing rural entrepreneurs and expand opportunities for rural citizens to develop their own businesses.

Rural entrepreneurs also face numerous legal, regulatory and zoning hurdles in establishing new enterprises or expanding existing ones. This is particularly true with agriculture-related operations, which may require entirely new zoning categories and permits for a very minor modification in operation. Given the paucity of assistance to rural entrepreneurs in general, and the challenges of navigating the complicated regulatory processes, opening a new enterprise in a rural area is all too often a daunting and excessively costly task. This does not need to be the case, however, and a number of state's experiences with regulatory streamlining point to a solution. Furthermore, providing "one-stop services" for businesses looking to open or expand within either rural development councils or through state chambers of commerce or in other sensible points would greatly ease the process of business development and lower the barriers to entrepreneurship which are specific to rural areas.

A final point of concern for participants in the SLC Rural Forum was the mindset of state economic development offices to worry most about the "big fish," chasing after large business relocations and expansions, with very limited resources devoted to smaller enterprises that are more well-suited to a rural setting. Changing this predisposition requires subtle shifts in both programmatic focus and more flexibility in how grants, loans and assistance are distributed to allow for lower job-creation cut-off points to be applied.

Business Relocation

Rural development is, in many places, synonymous with business incentive programs. Encouraging businesses to locate, expand, or merely remain, has long been the mainstay of economic development offices' work in rural areas. Rural areas promote their amenities; their low land costs; their proximity to rail, ports, highways, and air links; their low-cost or high-skill workforce; or a variety of other factors to businesses in the hopes of creating jobs, and tax revenue, for their communities. Businesses often are offered tax incentives, grants and low-cost capital improvement loans, technical assistance, workforce training, and infrastructure improvements to entice them to relocate, expand, or remain.

Many states offer significant incentive plans to businesses offering to open or expand plants, regardless of their locale. Some rural development advocates often seek to include "rural riders" on these plans, requiring certain percentages of a business' activities to take place in, or benefit, rural parts of the state. In many instances, particularly in the South, this is unnecessary as one of the prime incentives major industry relocations find is inexpensive land. Smaller deals are less likely to involve rural requirements because of the scope of the activity involved. Nonetheless, rural development councils are very active in leveraging every dollar for economic development for rural areas.

On the federal level, Rural Empowerment Zones and Enterprise Zones have been established to provide special economic stimulus programs to persistently high poverty counties. These communities are eligible for special assistance, including social service block grants, new tax-exempt facility bonds, tax incentives for employment and other special consideration for existing federal programs.

While the full gamut of these incentives is beyond the scope of this work to review or assess, it should be noted that there are both supporters and skeptics of almost every strategy employed. A major worry for critics is that communities go to great lengths and make major concessions to industries only to not have the jobs materialize, or to have jobs created that do little to diversify the existing local employment mix. Proponents argue that without such programs, however, most industries would have few reasons to locate in rural areas, and employment opportunities would be even scarcer.

Healthcare

Rural America faces a daunting list of challenges with respect to health and healthcare. Rural Americans are more likely to be elderly, tend to be in poorer health, have fewer doctors, hospitals and other health resources, and often are further from the point of delivery for healthcare.[21] Among the lists of concerns are access to care; insufficient numbers of physicians, nurses and other healthcare providers in rural areas; health promotion and education for disease prevention; availability of insurance coverage for rural residents; and the provision of necessary services to special needs population, such as those with HIV/AIDS or suffering from mental illness.

Access to healthcare in rural areas is more limited and less comprehensive than in metropolitan areas. The disparities between metropolitan and non-metropolitan areas in healthcare are well illustrated by the gap in medical professionals between the two types of places. For every 100,000 persons in a metropolitan area, there are 267 doctors. In non-metro areas, there are only 122 physicians for this number.[22] Rural residents are less likely to have access to diagnostic services, home healthcare and specialists for referrals. Rural hospital service areas are considerably larger than hospitals in metropolitan areas, and the hospitals themselves are much smaller and not as well-equipped. While this is not surprising, the fact is that many living in rural areas are miles from a hospital of any kind, with facilities for serious illnesses and injuries available only in distant regional hospitals or in urban centers. In part, this has always been the case, although it has been exacerbated in recent years with the closure of rural hospitals and clinics due to financial stress.

In response to this situation, the federal government created the category of Medically Underserved Areas (MUAs) to identify those parts of the United States where the health resources, either with respect to staff and healthcare professionals or facilities, are insufficient to meet the medical needs of the population. The federal government also identifies areas as Health Professional Shortage Areas (HPSAs) for primary care, dental health and mental healthcare, where there is an insufficiency of medical staff to serve a geographic area's needs. These areas generally are designated based on a rational distance—most commonly a 30-minute trip time—between the county or other geographic center and the medical staff or facility, although other factors, such as availability in contiguous areas or unusually high infant mortality or high poverty rates, also may be considered.

It is unsurprising that MUAs and HPSAs cover most rural areas. Designation as such makes areas eligible for a number of federal grants and flexibility under Medicaid and Medicare rules. While a combination of factors, most notably high poverty, places much of the South, rural and urban, under MUA designation, HPSAs are a predominantly rural phenomenon. Rural areas identified under either category have the opportunity to designate medical facilities as either critical access hospitals or rural health clinics, which allow for special Medicaid and Medicare reimbursements and waivers on certain requirements. The outcome of these designations is to allow more rural facilities to remain open serving their geographic area, and in part serves to slow the trend toward rural hospital and clinic closures.

While most attention is focused on providing critical and acute care for rural areas, rural Americans lack the mental, dental and continuing care that is available to urban residents. While rural areas face shortages in both primary care and dental providers, there is a veritable absence of mental health professionals in many parts of rural America, a shortage which affects much of the rural South with the exception of parts of Georgia, North Carolina and Virginia, and most of Louisiana.[23] Dental providers, while more common in rural areas, are still in short supply, with dwindling numbers as few new dentists enter the field in general, and in rural places in particular.

In addition to these needs is a growing concern for the treatment of individuals in rural areas with HIV/AIDS. This has become a particular worry for the South as HIV/AIDS cases rise in the region, which now accounts for 40 percent of the current HIV-positive population, 46 percent of new cases in the United States and 56 percent of the rural HIV-positive population.[24] The disease is particularly prevalent among populations without access to medical care, with cases among heterosexual minority women, many from rural areas, representing the largest proportion of new cases. Services for screening and treating HIV-positive individuals are very limited in the rural South, and social stigmas further complicate the treatment situation for this group. Seeking screening and help for HIV infections often is so difficult in the poorest parts of the South as to be practically impossible. The result of this in time could be a rural AIDS epidemic of catastrophic proportions.

Tied into the loss of rural healthcare providers is limited access to health insurance for rural residents. A significant cause given for rural hospital closures is a shortage of individuals able to pay for services. While Medicare and Medicaid represent a higher proportion of rural residents than metro residents, the lower reimbursement rates for these programs relative to private insurance makes matters more difficult for rural health facilities and providers. Because most contemporary health insurance takes the form of group plans, the sparseness of the rural landscape and the smaller scale of many rural enterprises makes health insurance less practical and less financially viable. This is compounded by the higher incidence of poverty and older populations in rural areas, which in turn correlate, if indirectly, to high morbidity and mortality among the population. In short, rural residents are more expensive to insure and have a smaller pool over which to spread the risk. This makes insurers hesitant to enter into rural areas aggressively and leaves consumers with few options.

For rural businesses that have offered health insurance to their employees, the recent economic downturn may have caused reductions or elimination of these plans, further limiting the number of rural residents with private health insurance. While nearly 70 percent of urban employers offer their workers company-sponsored health insurance, fewer than 60 percent of rural employers do, although the rate of participation among employees, when insurance is offered, varies little. Furthermore, rural workers are less likely to have their insurance costs covered by their employer than urban workers, by a percentage spread of nearly 10 points.[25]

Of the roughly 44 million Americans who lack health insurance, one in five lives in a rural area. Rural residents—older, poorer and in poorer health than metro residents—also have greater healthcare needs. Because of the budgetary problems facing most states, Medicare and Medicaid eligibility has been restricted in many places, the impact of which will be felt strongly in rural areas.[26] Health insurance coverage varies not just between rural and metro areas, but among rural areas. In many ways, rural areas adjacent to urban areas have very similar health coverage mixes, with just over 70 percent of the nonelderly population insured by private providers, more than 10 percent insured by Medicaid and other public programs, and just under 20 percent uninsured. But in rural areas that are not adjacent to urban areas, only 60 percent of the nonelderly population have private health coverage, with 16 percent insured by public programs and 24 percent uninsured.[27]

Limited access to healthcare, due to fewer practitioners and facilities, limited public transportation, higher degrees of uninsurance and other factors have very real negative outcomes for rural areas. Individuals in rural areas also are less likely to have preventative medical visits or routine screenings, leading to illnesses being caught at far more advanced stages and to the higher incidence of hospitalizations and death from preventable diseases. A review of health indicators in South Carolina is fairly typical. Rural residents in the state were 26 percent more likely than urban residents to be hospitalized for a condition that should have been treated on an outpatient basis. For rural children five years of age and under, the rate for these hospitalizations is 39 percent higher than for urban children. Rural residents in South Carolina are 20 percent more likely to die from cancer, 37 percent more likely to die from heart problems or stroke, and 35 percent more likely to die from an accident than urban residents. Rural emergency room use is higher than in urban areas as well, highlighting the absence of primary care and preventative services.[28]

Housing and Homelessness

An important issue for the rural poor is access to affordable housing. Rural residents are far more likely than urban residents to live in mobile homes, an inexpensive housing option which provides a housing "safety valve" in many rural areas. But inadequate housing is much more prevalent in rural areas than in urban areas, with 23 percent of poor homeowners and 27 percent of poor renters living in inadequate housing, compared to 17 percent of poor homeowners and 22 percent of poor renters in urban areas.[29] Rental properties are less abundant in rural areas than in urban areas, accounting for 37 percent of urban housing stock but only 27 percent of rural housing.[30] While this in part reflects the higher than average rate of home ownership in rural areas, it also reveals limited low-cost housing available for low-wage workers and new residents. This shortage may negatively affect the ability of rural areas to attract businesses, since housing for workers might be in short supply.

The lack of low cost housing in rural areas exacerbates the problem of the lower wages paid by many jobs there. One in 10 rural households spends over half of their income on housing, and one in four rural households spends over 30 percent of their income on housing. Among the rural poor, the percentage spending above the 30 percent threshold on housing rises to 70 percent.[31] As rural areas become settled as retirement or vacation destinations, and as the rural economy adjusts to these changes, the housing market often is transformed as well. Retirement and vacation communities and resorts push to eliminate low-quality, low-cost housing near them, and drive up the value of land and housing nearby. This situation also is complicated by a sluggishness in the replacement of lost housing stock in rural areas with new, affordable housing.

Given this situation, it is not surprising that some rural residents become homeless. Often perceived as an urban problem, the invisibility of the rural homeless is due in part because of the nature of homelessness in rural areas. With few shelters, rural people who lose their housing are most often forced to move in with relatives or friends or to move into a car or camper. In this sense, rural homelessness looks different from the homelessness that plagues cities, and because of this it is far harder to assess the scope of the problem in rural areas. As the *Christian Science Monitor* observed, "the rural homeless are practically invisible."[32]

Rural homelessness is distinctly different from homelessness in urban areas in a variety of ways. In what testifies to both the strength of social and familial ties and the paucity of social services in rural areas, 41 percent of homeless families in rural areas move in temporarily with family or friends rather than rely on social agencies, compared to only 11 percent in urban areas. Homelessness in rural areas is more likely to involve domestic violence than in urban areas. A small survey of homeless families in the South indicated that 42 percent of the adult rural homeless were employed, and 28 percent had never received public assistance.[33]

According to the USDA, the homeless in rural areas are more likely to be "white, female, married, currently working, homeless for the first time, and homeless for a shorter period of time" than the homeless in urban areas.[34] Among the rural homeless also are a number of migrant workers, and a higher proportion of children than in urban areas. Rural residents may become homeless due to a structural or physical problem with their residence that forces them to relocate. As has been noted, rural areas have few affordable housing options, an issue complicated by the greater distances between work and home in these areas. Further complicating this issue is a scarcity of service organizations to aid the homeless—shelters, temporary/emergency housing facilities and counseling agencies in particular—in rural areas.

Community Capacity

An intangible aspect of rural development is the status of a rural community's human capital—the skills and abilities of the individuals and organizations found in the area. The combined talents of an area and the strengths of regional organizations can make a tremendous difference in how an area, be it a town, a county or a larger region, develops or fails to develop. Some aspects of this capacity are obvious: literacy and numeracy; community ties; long-standing community institutions; and high levels of participation by community members in school associations, civic and county meetings and the like. Other important components of this are more difficult to grasp and measure. Trust, leadership, and connectedness also are central to moving economic development forward.

This second set of components, most often referred to as social capital, has gained considerable attention in recent years, particularly following the publication of *Bowling Alone* by Robert Putnam of Harvard University. In it the author documents the decline of civic life and how it affects American social and civic institutions. Part of a growing body of work, social capital theorists insist that social networks have value and are key components in the way a community and an economy operate. These networks are usually understood to be the web of associations among and between people and organizations. These relationships can be formal and informal and include components of government, faith-based institutions, the courts, private industry and non-governmental organizations and associations. The importance of these associations is well-accepted. In a much quoted passage, Alexis de Toqueville, the 19th century chronicler of American democracy, commented on Americans' propensity to form associations for various purposes and its relationship to the strength of the democracy in the then-fledgling United States.

Fostering the community capacity that encompasses both human and social capital in both contexts is a difficult process. Associations among people in rural areas often are hindered by distance, history, and cultural differences. Improving the skills and capabilities of rural people and organizations involves investment in needs assessment, training, education and follow-up. The resources for such activities often are scarce, and the understanding of how they benefit communities is not always universal.

In many communities regardless of location, individuals with low educational attainment are marginalized and set off from many of the formal and informal networks that offer the services they need to develop their own skills. Furthermore, rural organizations often are ill-equipped or ill-staffed to navigate the complex bureaucracies that manage much of the assistance offered by the federal government, and are equally at sea among the confusing array of nonprofit and foundation organizations that offer help to rural communities.

Rural areas, given their geographic isolation and sparseness, have greater challenges to creating institutional and personal relationships. Historically, however, this has been a challenge to which rural communities have risen, through strong church communities, grange and agricultural associations and fraternal orders, and other informal networks. The task for today's rural residents is complicated by the need to establish bridges between these parochial organizations in order to establish a sufficient network.

Networks of civic engagement—be they church groups, fraternal and sororal organizations, volunteer fire departments, book clubs or PTAs—create and reinforce expectations of reciprocity and trust; facilitate coordination and communication; create patterns for success and lessons for improvement in actions on issues; and increase the risks for those who act opportunistically that they will not share future benefits.[35] These networks can operate to share resources, such as skills, tools, machinery, transportation, capital (including revolving credit), and information. In this way, the total "capital" of the community, when measured both as the financial wherewithal and the capacity to put it to work is both expanded and made more readily applicable to problems facing an area.

For rural areas, the implications are immense. As participants in the Forum noted, rural areas often abound in the kinds of informal and formal organizations and associations that are at the heart of social capital networks. As with most of the other issues affecting rural areas, there often is a lack of the bridges that tie organizations together across demographic or other social lines. For example, members of different religious denominations may not socialize in parts of the rural south, or black and white social groups may not coordinate activities and resources. The lack of horizontal connections between these groups is a key weakness in turning the strong, but often very isolated and vertical, social networks in rural areas into engines for community and regional rural progress. In applying the benefits of these networks, rural areas are engaging in a form of "self-help," often finding much of the necessary human capital, and perhaps some of the needed financial capital, within the area benefiting from action.

An example of how government can serve as facilitator or catalyst for developing social capital can be found in agricultural extension agents. County agents move throughout a community (or several communities), officially to provide assistance to farmers and ranchers. In many cases, the county agent often is one of the few individuals in a community who moves across multiple socio-economic and demographic boundaries on a regular basis. This provides the agents with a unique opportunity to identify needs and resources and bring them together to resolve issues that would otherwise seem intractable.

While in many ways local institutions and organizations in rural areas seem ill-equipped to resolve thorny roadblocks to their advancement, the skills and capabilities they must develop often are within their grasp. Assessment, training, and skills development are, however, often very difficult for individuals within an organization to do well without outside assistance. Some states, through the community and technical colleges or state economic development offices, offer support and staff to provide programs to rural community groups to develop such skills as financial planning and accountability, long-range planning, needs assessments, and feasibility studies. Also contributing to these activities are numerous foundations, and philanthropic and nonprofit organizations which have, in the past decade in particular, invested heavily in improving the capacity of small nonprofits.

There are numerous examples of organizations that work with rural communities to develop their internal capacity, including several rural development councils and nonprofit organizations. Conducted by many rural development councils, rural areas can often draw upon the expertise and experience of specialists in a variety of fields, including planning, finance, marketing and assessment. The Appalachian Regional Commission encourages some of this work through the Development District Association of Appalachia (DDAA). The DDAA conducts a best practices exchange program which covers some logistical costs related to technical or administrative personnel exchange aimed at replicating another Local Development District's (LDD) activity. The DDAA also provides a limited number of scholarships to pay for training of LDD staff or executives and management. Another model, used by several state rural development authorities, is to bring specialists to host communities or organizations at subsidized costs to provide assessment and technical support. An advantage to this method is the built in capacity-building component that such processes include through the activities or internal assessment and information sharing.

The Appalachian Regional Commission is an impressive resource for community capacity building in and of itself. The Commission provides considerable information and resources for strategic planning and implementation. Communities in the 13-state region are able to tap into the technical and financial resources of the federally-chartered commission directly or through their LDD.

In addition, there are a number of nonprofit entities that specialize in training and planning for rural communities, applying the experiences of the past century to contemporary problems. By engaging communities in a collaborative strategic planning process, these organizations serve as a catalyst for community capacity development and information exchange beyond the scope of their planning activities.

Welfare Reform

The persistent poverty and poor employment opportunities in rural areas make state and federal welfare programs disproportionately important for rural residents. Federal transfer payments—funds that are sent directly to individuals—constitute a higher-than-average proportion of the total payments to these areas. Nearly 70 percent of federal funds sent to rural areas come in the form of transfer payments—social security, welfare, pensions and the like. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 changed the landscape of welfare for America, introducing more flexibility for states and increased restrictions on payments, including lifetime payment caps and work requirements. With the 1996 legislation, the focus of the welfare system shifted from one of alleviating poverty and hardship to one of encouraging, and in some instances enforcing, employment.

According to the U.S. Census Bureau, the poverty rate for metropolitan areas was 11.6 percent in 2002, compared to 14.2 percent for non-metro areas.[36] The prevalence and depth of rural poverty makes issues related to welfare and welfare reform particularly important for rural policy. Importantly, the rural poor are more likely to be employed, albeit often underemployed, than the urban poor. They live in a job market that is generally less diversified and slower to respond to growth indicators than the general economy. As has been noted, the rural poor also are concentrated in the South, a region which also has some of the lowest benefits and most restrictive welfare policies in the country.[37]

The effort to move welfare recipients into the workforce faces several significant hurdles in rural areas, including the availability of suitable jobs, transportation, and childcare. Rural residents are less likely to have pursued post-secondary education and have a greater likelihood of not having completed high school than their metro peers. Furthermore, as has been noted, the more highly educated rural residents also are the most likely to leave for metropolitan areas, creating a general brain drain for rural areas. The result of all of this is a pool of welfare recipients who are less likely to be prepared for high-skill employment, less attractive to employers, harder to place in long-term, stable employment, and require greater investment in job training.

For the most part, this profile of a low-skill worker matches in some part the jobs being created in rural areas, primarily in the service and manufacturing sectors. The result of this is a job market that depresses wages for all workers and provides few opportunities for rural welfare recipients to earn a living above the poverty line. Furthermore, the job market in rural areas offers fewer opportunities for advancement than in urban areas, with low-wage, entry-level jobs dominating the employment landscape. For rural families dependent on welfare, the entry into the workforce does not offer the same opportunities for self-sufficiency and advancement that metropolitan welfare recipients have. The shift of focus in welfare policy may also leave rural areas, where employment growth can be perennially sluggish, with increased employment problems, as increasing numbers of low-skill workers forced from welfare rolls compete for a limited pool of low-wage jobs.

Further complicating efforts to shift rural welfare recipients from the welfare rolls is a lack of childcare options in rural areas, and the distances between home, work and childcare which may be considerable. For single mothers, who compose a significant portion of the rural welfare caseload, the limited availability of childcare can be a major factor related to the ability of the parent to find and keep a job. Also complicating the lives of the rural poor is the absence, for most practical purposes, of a public transportation system. Because of this, vehicle ownership often is a vital necessity for rural residents. Urban residents are almost certain to have public transportation systems available, a service that both increases the employment opportunities they can take advantage of and reduces the amount of capital they require to enter the workforce. And while a vehicle often is a near necessity for life in rural areas, more than half of the rural poor do not own one.[38]

Welfare rolls have declined since 1996 regardless of locale, although there is some unevenness in this reduction. Poverty, which had been on the decline throughout the 1990s, due in no small part to a booming economy nationally, recently began to increase. The most recent economic downturn has placed serious stress on the ability of the welfare system to achieve its objective of moving welfare recipients into the workforce, particularly in rural areas. As lifetime limits on benefits begin to affect a wider population, it is likely that new stresses will begin to be felt, particularly in persistent poverty areas.

Agriculture and Rural Development

The diverse range of rural areas have historically shared one unifying element: a natural resource-based economy. For much of the South, this has meant agriculture and forestry. The place of agriculture within the rural economy, and within rural development, has become less and less central. Economists often point out the relative unimportance of farm income for rural residents, with only a limited number of rural counties considered agriculture-dependent. In general, the rural economy and rural families have become decreasingly focused on food and fiber activities as a primary source of income. A casual review of statistics related to this shift in the rural economy could lead to the conclusion that the United States now has a post-agricultural rural belt.

To draw such a conclusion would be a mistake, however. While rural communities have become less dependent on farming, this is in many ways the outcome of an agricultural economy that has made massive advances in productivity over the past 60 years, increasing the amount of acreage any individual farmer can manage. But farming continues to be a significant part of the fabric and identity of rural places, and the contributions to both the rural and national economy of smallholder agriculture and part-time farmers are large. Agriculture continues to provide a context for rural life and, in many ways, for the kinds of economic activities that take place in rural areas. Rural development paradigms that ignore the agricultural component of rural places and communities face very uncertain futures.

It is difficult to discuss rural policy without also noting the impacts, positive and negative, that federal agriculture programs have on rural communities. Federal program payments dating back to the Great Depression had the initial outcome of establishing a financial safety net for farmers, insuring that farming would be a viable way to make a living, and in small ways ameliorating the poverty that so starkly defined rural life in the 1930s. Over time, as technology advanced and offered farmers new tools, farm programs have become available to a decreasing number of producers who are responsible for an ever-increasing share of our agricultural output. These programs have been, in part, responsible for this shift, altering planting patterns and production methods toward more capital- and land-intensive systems. This has in turn shrunk the profit margin for all producers, making it more difficult for small and mid-sized farms to survive economically. The decline of independent small farmers has resulted in a reduced demand for agriculture-related services in rural areas as well. While these are "facts on the ground," the impact of federal farm policy on rural areas has a major impact on the possibilities that exist in rural areas for economic development.

In a handful of states, agriculture has benefited from the infusion of new cash from funds from the tobacco settlement. North Carolina, Virginia, and perhaps most notably Kentucky, have all made significant new investments in agriculture using this unexpected and predictable source of money. This money has been particularly beneficial in extending assistance in finding viable alternatives for tobacco farmers whose livelihoods have been whittled away over the past decade of cuts to tobacco quota. These benefits extend to all of agriculture, however, providing small farmers with new resources and information on which to build a variety of enterprises.

Rural Crime and Homeland Security

While crime rates fell across the board during the 1990s, rural areas experienced less of a decrease, particularly in violent and property crime, although violent crime rates in rural areas are still lower than in metropolitan areas. When violent crime does strike in a rural area, it is three times more likely to have been perpetrated by someone familiar to the victim than by a stranger. Homicides, which are a rarity in most rural communities, did not decrease in the past decade as they did in metropolitan areas.[39] Rural crime also may be more underreported than in urban areas because a significant percentage of police in rural jurisdictions do not consistently participate in the uniform crime reporting program. In a study of Mississippi police departments, between 30 percent and 40 percent of counties reported no incidents to the FBI, which collects national crime statistics.[40] Some rural communities facing swift economic transition or urbanization are experiencing higher crime rates than urban areas, in part due to the anonymity the flush of new residents affords criminals and the decline in community cohesion due to rapid transformation.[41]

Rural life often is perceived as a refuge from the crime and violence of America's cities, and in many ways, this is indeed true. This picture is complicated by the fact that crime has been increasing in rural areas over time. Statistics on rural crime are few and far between, but those that exist show several interesting trends. Per capita rural crime rates have been on the increase since the 1980s, with violent crime rising faster than property crimes. And while rural crime rates are lower than urban crime rates, the rural rate today stands roughly where the urban crime rate was 20 years ago.[42] While there are many factors that can explain the growth in rural crime, including persistent poverty, increasing urbanization and mobility, rapid change in rural areas, and the presence of organized crime and gangs. In the mid 1990s, drug production, particularly methamphetamine labs, began to be a persistent problem in many rural parts of the country, including a number of Southern states where the problem had been virtually unheard of.

The growth of this latter type of crime has caught many rural sheriffs and police departments relatively unaware. The nature of the manufacturing of methamphetamines makes it very well suited to rural areas. Many of the raw materials are most available in farm communities. The laboratories where this drug is made can be very small and rudimentary, but often are located far from other dwellings because of the strong odor produced. As production has moved eastward across the country, so has related property and violent crime, at times overwhelming small rural police forces with little experience in addressing this kind of crime.

In addition to increased burdens due to rising crime rates, rural areas face additional burdens related to homeland security. While high profile targets may seem to be an urban phenomenon, rural areas are abundant in high-risk facilities, including nuclear and conventional power plants, food handling and distribution centers, dams and reservoirs, and military installations. In the wake of heightened concerns for homeland security, rural police and sheriffs must increase their monitoring and patrol activities around the sights of concern in their jurisdiction, and all first responders must undertake new training to learn the skills demanded of their new roles and the new possibilities for attack. This poses serious budgetary stresses on small rural police, fire and sheriff's departments. Capturing federal funds for homeland security at the local level would provide welcome relief for cash strapped rural areas. Minimizing the training and equipment costs associated with new homeland security expectations through state-sponsored training and bulk purchases at the state or regional level would also alleviate some of the burdens of facing these new threats.

Summary of the Priority Rankings

Rural America faces challenges on many fronts; some interrelated, some in isolation. The scope of the gap between rural and metropolitan areas can at times seem daunting. In approaching rural development, the participants in the SLC Rural Forum acknowledged both the interconnectedness of so many of the issues facing rural areas and the need to establish priorities in order to move rural prosperity forward. While it must be acknowledged that it will be impossible to resolve many of the challenges facing rural places in isolation, there also was a sense that making progress on key issues would improve the status of other concerns.

Three sets of participants in the Forum were asked to prioritize the rural issues laid out in the early part of their discussions. The rankings, listed below, point to a few general priorities. Chief among these is the need to undergird rural areas with adequate infrastructure to meet the challenges of the new economy, particularly with respect to high-speed Internet access for rural communities. Also important for the participants was support for businesses and entrepreneurs. Another key area for improving prospects in rural areas was education and workforce development, particularly in the area of building on the strengths and demonstrated successes of the existing systems. Notable also were the need to nurture and develop leadership and capacity among rural people and to reinforce the structures that underpin homeland security in rural places.

The priorities for each group, in order, are listed below:

Priorities for Rural Development

Group 1	Group 2	Group 3
Leadership/Education	Infrastructure	Homeland Security
Infrastructure/ Demographics	Education/Workforce Development	Infrastructure (broadband; rural and regional airports; rails to trails)
Healthcare	Business Support Development	Economic/Business Development (state entity to identify resources and opportunities)
Economics/Business/ Workforce		Agriculture should be a part of state economic development plans
Housing		Leadership/Community capacity (focus on local leadership training on planning and resource identification)
Rural crime (especially related to drugs)		
Welfare Reform		

Assets and Partners for Rural Development

If rural development is highly interconnected, it also does not take place in a vacuum. Rural areas abound in partners for "doing the work that must be done." Understanding the full range of these and identifying the resources they offer is a key part of creating the networks that are most likely to offer a boost to rural areas. The partners rural places have to draw upon include a range of organizations from the private sector, government entities, and faith-based institutions. There also are myriad talented individuals and institutions that are unique to each place that complement and amplify the formal structures for providing connections in each community. Each of these amounts to an asset and a resource that can contribute to rural development. Identifying the appropriate partners and creating coalitions to address specific problems often is one of the most challenging aspects of any rural development project or effort.

What follows is a brief list of partners identified by participants in the Rural Forum. By no means exhaustive, it provides a starting point for thinking about who in rural areas can lend a hand in promoting economic development.

Assests and Partners for Rural Development

- Philanthropy and foundations
- Universities and community colleges
- Education system
- Cooperative extension/experiment station
- Agriculture commissioners/departments
- Councils of government/regional planning commissions
- Land-grant universities
- Farm Bureau/Farmers Union
- 4H
- Agriculture and commodity associations
- Granges
- State agencies
- FSA offices
- Nursing homes
- Nonprofit research organizations (MDC, SRDC and state-supported think tanks)
- State public interest groups (rural and otherwise)
- Chambers of commerce
- Fraternal and business organizations
- Regional organizations
- Departments of tourism and historical commissions
- Boards of education
- League of Cities/National Association of Counties
- Appalachian Regional Commission/Delta Regional Authority
- Farm implement dealers and farm suppliers
- Tennessee Valley Authority
- Utility cooperatives/National Rural Electric Cooperative Association
- Power companies/public utilities
- Federally Qualified Health Centers
- USDA Rural Development/state offices
- Urban/central cities
- NRCS
- Hospitals and hospital boards
- Departments of corrections
- State departments of economic development
- Local and regional banks
- Federal Reserve Bank System
- Faith-based groups/minister alliances/churches
- Departments of transportation
- County governments
- Congress
- Professional associations
- Regional associations (SLC, SGA, SGPB, SREB, SSEB, SRDC)
- Local nonprofits
- Environmental communities
- Water and fire districts
- Media and educational television

The Role of State Government in Rural Development

Judith Hackett, then the director of the Rural Center of The Council of State Governments, in an article written in the late 1980s, outlined three general types of activities government can undertake in rural areas related to rural development: crisis intervention, innovation, and prevention.[43] Crisis intervention, be it for disasters of a natural or man-made variety, is expensive and infrequently used. In general, state governments do not take on this type of action, although the federal government, with its greater resources and capabilities, will. Crisis intervention calls for the timely mustering of financial, human, and material resources to address a specific, urgent problem, such as a rash of farm foreclosures, floods, or collapses in commodity markets.

Prevention activities including long-term investment in what may (or may not) be viewed as a persistent or pressing issue. Prevention activities are intended to keep problems from becoming severe. Because prevention activities often require long-range planning and focus, and take longer to realize gains, they are most often undertaken by local governments and regional authorities. State government often plays a role in providing technical and financial support for long-range planning and prevention activities, but local leaders who are close to the problem and have immediate responsibility for implementation most often are on the "front lines" of rural development activities.

What may be the primary state role in rural development is innovation, that is, crafting and charting changes in rural policy and providing the resources needed to get these changes moving. State government may effect this policy in several ways, by providing seed money for new agricultural or other rural businesses; coordinating state agencies; publicizing and organizing available services; providing incentives for rural business development; experimenting with new technologies; underwriting infrastructure development; and providing essential training for rural residents.

In the quest for an integrative approach to rural development that seeks solutions to the interrelated problems facing rural America, state government and its leaders have a vital role to play. State government is "closer to the ground" for rural policy than the federal government, and thus is better able to respond to rural needs in a manner tailored to local conditions. State government is also, as noted above, more able to press for, and develop, innovation in rural policy than at either the federal or local level. State government is also uniquely positioned to foster cooperation among communities both within a state as well as on a regional basis including communities in neighboring states. Local governments and institutions often have a very difficult time reaching beyond the orbit of their particular jurisdictions.

As increasing attention has become focused on the need to address rural concerns on a regional level, the role of state government in facilitating this has increased. Some observers note that as the economy has become more global in nature, regions have replaced states in importance, as more issues and problems occur across areas with regional affinity. Thus the geographic structure for development policy moves out of a national-state-local hierarchy to one patterned on international-regional-neighborhood affiliations.

The economic boon of the 1990s largely bypassed rural America, but the economic contraction of the early part of the 21st century was strongly felt in the rural economy, particularly as manufacturing and textile jobs continued to be exported to lower labor-cost economies. The tight economic times also have created fiscal woes in state capitals and in Congress. Following upon the relative victories in both policy and approved levels of funding for rural areas in the 2002 Farm Bill, appropriations at the federal level have declined. This is unfortunate, for several reasons. The fact that rural areas did not create capital or jobs in the same way that metro areas did during the economic boom of the 1990s means that rural communities have no cushion on which to fall. Furthermore, rural areas have less capacity to generate capital internally than metro areas, either through public or private mechanisms, which translates into an exaggerated impact of any reduction in state and federal aid. Finally, federal and state funds often make essential services affordable for rural communities, with the loss of aid causing incremental declines to the quality of life for rural residents.

This is not to say that all rural development is a matter of cash transfers. As has been noted, the need to develop and nurture community capacity is quickly becoming a major focus of rural development. But funding is a vital component in most economic development activities, regardless of their location. As the available funding for economic development shrinks, the share available for rural areas often is disproportionately affected. Rural areas and programs often lack advocates and interested parties to lobby on their behalf, and are therefore far less capable of protecting their interests during fiscally difficult times. As rural economies decline, this process accelerates as fewer rural residents elect fewer rural representatives at the state and federal level, and fewer rural county commissioners and mayors participate with state and national associations.

At the conclusion of the SLC Rural Forum, it was clear that the advancement of rural concerns depended on the presence of someone at the state and regional level looking at rural areas, making connections, identifying problems and bringing resources to bear. As illustration of this, the Texas experience with the Rural Caucus and the Office of Rural Community Affairs (ORCA) was noted. Created by the Legislature out of existing components of state agencies, ORCA consolidates under one roof the rural offices of several state agencies along with the assets associated with those programs. This created a rural office with a budget of $90 million (primarily from transferred Community Development Block Grant funds) and an exclusive purview of looking after the interests of rural Texas and rural Texans. Along with this new agency was a mandate that those components of state government not brought under ORCA were obligated to meet once a year with the Office to discuss and, when possible, coordinate their activities in rural Texas. The result has been a need for diverse agencies having to think actively about their role in rural Texas.

The Office would not have come about without the active interest of the members of the Texas House of Representatives who belong to the Rural Caucus. The Caucus includes members of the House from rural, suburban and urban districts alike. By creating a forum for legislators to raise and review legislation and concerns from a rural perspective, the Caucus educated rural and non-rural lawmakers on rural issues and created a constituency for rural legislation beyond the members who hail from rural districts. The Rural Caucus in Texas meets regularly during legislative sessions to hear from members and non-members alike on legislation and issues related to rural Texas. The size of the Caucus (85 members when the ORCA legislation was considered) increased the likelihood that any legislative initiative supported by the Caucus would be passed by the Legislature.

Rural Forum participants noted that legislators are in a unique position to bring together the stakeholders on rural issues to seek solutions. State government can and should support community innovators and development of community capacity to aid the economic development of rural places but, in the end, rural communities must be responsible for the planning and activities that affect their futures.

Finally, the question must be asked: is it worth it to save rural areas? The answer, participants agreed, was that everyone is better off—urban, suburban and rural—with healthy rural communities. Rural advocates often forget this critical concept. The economic contributions of rural areas and the economic costs of rural community failure often are only clear to those who are connected to rural places. State legislators have a unique opportunity to spread this message to a broader audience, both within the legislature and the general public.

Endnotes

[1] "Age distribution of the older population by metro-non-metro residence, 1991, 1996, and 2001," United States Department of Agriculture Economic Research Service (ERS), Washington, D.C., from the Internet site http://www.ers.usda.gov/briefing/Population/elderly/table1.htm, accessed on January 13, 2004.

[2] From the ERS Briefing Room on Race and Ethnicity in Rural America, http://www.ers.usda.gov/Briefing/raceandethnic/, accessed on December 14, 2003.

[3]Peter L. Stenberg, "Communications and the Internet in Rural America," *Agricultural Outlook*, United States Department of Agriculture, June-July 2002.

[4] *A Nation Online—Who's Not Online and Why It Matters*, The Children's Partnership, Washington, D.C. February 2002.

[5] John Regnier, "Can Small Systems and Their Customers Afford Their Drinking Water?" *Rural Water Magazine*, Duncan, Oklahoma, 2nd Quarter, 2003.

[6] *Infrastrtucture and Rural Development Policy: Energy Infrastructure*, United States Department of Agriculture, from the Internet site www.ers.usda.gov/Briefing/Infrastructure/InfrastructureEnergy.htm, accessed on October 14, 2003.

[7] Eileen S. Stommes and Dennis M. Brown, "Transportation in Rural America: Issues for the 21st Century," *Rural America*, Washington, D.C.: United States Department of Agriculture, Volume 16, Issue 4, Winter 2002.

[8] Ibid.

[9] Dean Jolliffe, "Rural Poverty at Record Low in 2000," *Rural America*, United States Department of Agriculture, Washington, D.C., Volume 17, Issue 4, Winter 2002 and USDA briefing room on rural income, poverty, and welfare, from the Internet site www.ers.usda.gov/Briefing/IncomePoverty/Welfare/ruralpoverty/, accessed September 22, 2003.

[10] USDA , *Understanding Rural America: County Types*, from the Internet site www.ers.usda.gov/publications/aib710/aib7101.html, accessed on September 22, 2003; Kathleen K. Miller, Mindy S. Crandall and Bruce A. Weber, "Persistent Poverty and Place," presentation from the Rural Poverty Research Center, from the Internet site www.rprconline.org, accessed on September 20, 2003.

[11] Karen Hamrick, editor, *Rural America at a Glance*, Rural Development Research Report No. RDRR97-1, United States Department of Agriculture, Washington, D.C., September 2003.

[12] Mark Nord, "Does It Cost Less to Live in Rural Areas? Evidence from New Data on Food Security and Hunger," *Rural Sociology*, Bellingham, Washington, Volume 65, Number 1, March 2000.

[13] USDA ERS Briefing Room, *Rural Income, Poverty, and Welfare: Nonfarm Earnings*, from the Internet site www.ers.usda.gov/Briefing/IncomePovertyWelfare/nonfarmearnings/, accessed on December 16, 2003.

[14] Population Reference Bureau analysis of data from 2000 U.S. Census Bureau Demographic Profiles.

[15] Jonathan Watts Hull, *Status of Rural Education in the South*, Southern Legislative Conference, Atlanta, Georgia, October 2003.

[16] Jaekyung Lee and Walter G. McIntire, *Understanding Rural Student Achievement: Identifying Instructional and Organizational Differences Between Rural and Nonrural Schools*, The University of Maine, Orono, May 2000.

[17] National Education Association, "Status of Public Education in Rural Areas and Small Towns—A Comparative Analysis," from the Internet site *www.nea.org/rural/companal-rural.html*, accessed October 10, 2003.

[18] Robert Gibbs, editor, *Rural Education at a Glance*, Rural Development Research Report No. RDRR98, United States Department of Agriculture, Washington, D.C., January 2004.

[19] Gary Paul Green, *Workforce Development Networks in Rural America*, University of Wisconsin-Madison, 2000.

[20] *Ibid.*

[21] *Improving Health Care for Rural Populations,* Research in Action Fact Sheet, Agency for Health Care Policy and Research, from the Internet site www.ahcpr.gov/research/rural.htm, accessed October 14, 2003.

[22] *Physician Supply Increased in Metropolitan and Non-metropolitan Areas, but Geographic*

Disparities Persisted, Government Accounting Office, Washington, D.C., October 2003.

[23] Analysis based on maps provided by the Community Informatics Resource Center, 2002.

[24] "Pfizer Foundation Announces Grant Program to Reduce HIV/AIDS in Southern Multicultural Communities," press release from the Rural Assistance Center, from the Internet site www.raconline.org, news/news_details.php?news_id=205, May 23, 2003; Centers for Disease Control and Prevention, "Risks for HIV Infection Among Persons Residing in Rural Areas and Small Cities," *Morbity and Mortality Weekly Report*,November 20, 1998.

[25] *The Uninsured in Rural America*, Kaiser Commission on Medicaid and the Uninsured, Washington, D.C., April 2003.

[26] Catherine Hoffman, remarks at the National Rural Health Association "Health Insurance Access in Rural America" Briefing, Washington, D.C., October 6, 2003.

[27] *The Uninsured in Rural America*.

[28] *South Carolina Rural Health Report*, Office of Research and Statistics, South Carolina State Budget and Control Board, from the Internet site www.ors2state.sc.us/rural_health.asp, accessed September 23, 2003.

[29] Laudan Y. Aron and Janet M. Fitchen, "Rural Homelessness: A Synopsis," in *Homelessness in America*, Oryx Press, Phoenix, Arizona, 1996.

[30] Leslie Whitener, "Rural Housing Conditions Improve but Affordability Continues To Be a Problem" as cited in Jill L. Findeis, et al, *Welfare Reform in Rural America: A Review of Current Research*, Rural Policy Research Institute, Columbia, Missouri, February 2, 2001.

[31] Ibid.

[32] Todd Wilkinson, "How small-town America handles rural homelessness," *The Christian Science Monitor*, Boston, Massachusetts, March 16, 1999.

[33] National Center on Rural Justice and Crime Prevention, "Rural Life," from the Internet site *virtual.clemson.edu/groups/ncrj/rlife.htm*, accessed on September 23, 2003.

[34] United States Department of Agriculture, "Rural Homelessness - What Can Be Done," as cited in NCH *Rural Homelessness, Fact Sheet #13*, National Coalition for the Homeless, Washington, D.C., March 1999.

[35]Carmen Sirianni and Lewis Friedland, "Social Capital" *The Civic Dictionary*, Civic Practices Network, from the Internet site www.cpn.org/tools/dictionary/capital.html, accessed on Tuesday, October 29, 2003.

[36] U.S. Census Bureau, Current Population Survey, 2002 and 2003 Annual Social and Economic Supplements, U.S. Department of Commerce, Washington, D.C.

[37] J. Zimmerman, "The Bottom Line of Welfare Reform in the Rural South," as cited in Jill L. Findeis, et al, *Welfare Reform in Rural America: A Review of Current Research*, Rural Policy Research Institute, Columbia, Missouri, February 2, 2001.

[38] George Rucker, *Status Report on Public Transportation in Rural America*, as cited in *Welfare Reform in Rural Areas* a briefing book created by the Rural Policy Research Institute, Columbia, Missouri, 1998.

[39] National Center on Rural Justice and Crime Prevention, "Rural Crime Facts," from the Internet site *virtual/clemson.edu/groups/ncjr/rcrime.htm*, accessed September 23, 2003.

[40] Bonnie Coblentz, "Locked Doors Replace Trust in Rural Areas*," Mississippi State University Community News*, Mississippi State, Mississippi, August 23, 1999.

[41] *Ibid.*

[42] Joseph F. Donnermeyer, *Crime and Violence in Rural Communities*, North Central Regional Education Laboratory, from the Internet site www.ncrel.org/sdrs/areas/issues/envrnment/drugfree/v1donner.htm, accessed on October 14, 2003.

[43] Judith Hackett. "State Rural Development Policies: An Emerging Government Initiative," in *The Rural South in Crisis: Challenges for the Future*, Westview Press, Boulder, Colorado, 1988.

This ***Regional Resource*** was prepared for the Agriculture & Rural Development Committees of the Southern Legislative Conference (SLC) by Jonathan Watts Hull, SLC Regional Representative.

The SLC is a non-partisan, non-profit organization serving Southern state legislators and their staffs. First organized in 1947, the SLC is a regional component of The Council of State Governments, a national organization which has represented state governments since 1933. The SLC is headquartered in Atlanta, Georgia.

southern legislative conference • p.o. box 98129 • atlanta, georgia 30359 • ph: 404/633-1866 • fx: 404/633-4896 • www.slcatlanta.org