

VIEW FROM THE KANSAS CITY FED

Thinking Regionally, Acting Locally: Emerging Rural U.S. Regions

BY KENDALL MCDANIEL

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Throughout the nation, rural leaders are rethinking their economic development strategies. What was once a uniquely community effort is now giving way to regional economic development partnerships that pool rural resources.

New regional alliances are emerging in the United States to overcome fiscal crises, bolster local economies, maintain public services, and take advantage of new economic opportunities. For the most part, it is too early to measure the success of these fledgling rural regions. But identifying and tracking emerging rural regions can help inform public policymakers and encourage other rural leaders.

This *Main Street Economist* begins an occasional series of articles that will focus on case studies of emerging rural regions. Thinking regionally while acting locally is still a relatively new phenomenon, but many rural towns are benefiting from regional planning.

Establishing a regional plan has helped sparsely populated rural places expand the size and skills of their workers, businesses and leaders. Regional plans have helped identify and develop new economic opportunities such as tourism, product agriculture, advanced manufacturing, and digital technology. And by empowering local citizens, regional alliances have often improved the effectiveness of current institutions.

Why Think Regionally?

Rural leaders currently involved in regional organizations recognize that a greater critical mass of people, businesses and services is needed today for any rural development strategy to succeed. The current fiscal crisis in many states is forcing rural communities to think regionally in order to maintain such essential public services as education and healthcare.

In many rural communities, forming a regional alliance has helped open the door to new economic opportunities. By far, however, the most common reason for establishing a regional plan has been to respond to an economic crisis where losses of population or industry are substantial and community resources are being depleted.

In the midst of the record-setting economic expansion of the 1990s, many rural areas struggled to maintain a critical mass of businesses and workers. Nearly one-third of all rural counties lost population between 1970 and 2000. In many of these counties, population rates declined even faster in the 1990s than in the previous two decades.

One of every four rural counties now has fewer than 10 people a square mile, making it very hard to support businesses, obtain needed services, upgrade critical infrastructures, or even maintain school systems.

Rapid population loss can lead to many problems. With fewer workers, it becomes harder to attract new firms. It also becomes more difficult for existing firms to find additional skilled workers to expand their operations. And when the local tax base declines, local leaders find it more difficult to provide services.

In general, communities that are losing people, businesses and services often find it overwhelming to compete effectively in a global economy.

In the current situation of tight state budgets, the challenge of providing basic services in rural areas with low population densities is acute. The fewer the people a square mile, the more costly it is to provide services. According to one survey, more than two-thirds of all counties face budget shortfalls – with the majority being in rural America.¹

Rural counties report that cutbacks in health and human services, education, transportation, infrastructure, and public safety are likely to occur. In some counties, reduction in public services would deal the final blow to rural towns.

Similar to the path that education took in the 1980s, and healthcare in the 1990s, public services may become more regionalized. In the 1980s, the twin crises in energy and agriculture forced many state leaders to consolidate rural schools. Similarly, rising healthcare costs in the 1990s led to the proliferation of HMOs and regional healthcare facilities. Such strategies could be a prelude to deal with the current fiscal crisis of states.

Several rural towns are realizing that neighboring towns, which once were chief rivals on the football field or basketball court, now face the same economic and fiscal

foes. In some cases, branch plants of manufacturing firms have relocated overseas, where land and labor are cheaper. In other cases, local youth have left the countryside for better-paying jobs and benefits in the city.

In virtually every case, the losses of population and industry have affected more than one community in a region. As a result, many rural areas find themselves with a very short menu of new economic opportunities.

New Economic Opportunities

Regional alliances to add new economic opportunities can come from a variety of sources. For example, in the Prairie States region, efforts to conserve local resources are yielding new economic opportunities that range from tourism and entrepreneurship to bio-based products and product agriculture.

Product agriculture may prove to be a natural opportunity for Iowans participating in OpportunityWorks forums, with other opportunities being added to their

strategy involving tourism, entrepreneurship, alternative energy, and value-added agriculture.

Nonprofit organizations from states in the region help coordinate conservation and development plans. They seek funding for new economic opportunities and build alliances among local stakeholders. These local leaders have found that thinking regionally while acting locally not only conserves local resources, but also can open new doors.

The declining number of native wildlife species sparked the region's first big conservation initiative in 1996, preserving habitat for the Lesser Prairie Chicken. The High Plains Partnership for Species at Risk was formed to bring together a wide variety of interests – governmental agencies, private landowners, and nonprofit groups. Their aim was to devise voluntary solutions that would reverse the decline of once abundant wildlife and benefit the people who live and work on the High Plains.

As one local leader put it, the Lesser Prairie Chicken knows no property lines, city limits, county or even state

“Many rural communities, like ones in the Prairie States region, are discovering an exciting new opportunity in rural tourism. Not only does it provide economic growth, but also it boosts civic pride and encourages conservation of local resources.”

menu. Southeast Kansas Inc. and the local university are developing a bio-based materials strategy that could benefit farmers and manufacturers in the most distressed region of Kansas. And Morgan County, Colorado, is closing the digital divide on the Front Range.

Of course, it is too early to measure the success of these emerging rural regions, but each case represents a committed group of local leaders who have achieved critical mass by thinking regionally.

The Prairie States region encompasses parts of Colorado, Kansas, New Mexico, Oklahoma and Texas. The partnership began as a conservation initiative – preserving the habitat for the Lesser Prairie Chicken – but this seemingly unrelated effort has evolved into a comprehensive regional

borders. Rural leaders, they concluded, should take the same attitude when seeking new economic opportunities.

Many rural communities, like ones in the Prairie States region, are discovering an exciting new opportunity in rural tourism. Not only does it provide economic growth, but also it boosts civic pride and encourages conservation of local resources. Tourism takes many forms across the countryside, including the traditional camping, biking, hiking, skiing, hunting and fishing.

Nontraditional activities also have been developed, including corn mazes, food festivals, heritage trails, cultural tours, working ranches, bird watching, and wildlife preserves. But communities must cooperate regionally to implement a successful tourism strategy. As

one rural leader put it, you can't promote boating, swimming or fishing downstream if your neighbors dump trash upstream.

Northeast Iowa

OpportunityWorks is a regional community development effort under way in northeast Iowa aimed at finding new economic opportunities.²

OpportunityWorks encompasses six counties (five of them predominately rural), one metro area, and a Native American nation in northeast Iowa.

After receiving a planning grant from the Northwest Area Foundation, community leaders met with more than 3,250 people in both rural and urban communities. Each was given the opportunity to express opinions on the key challenges and opportunities for the region.

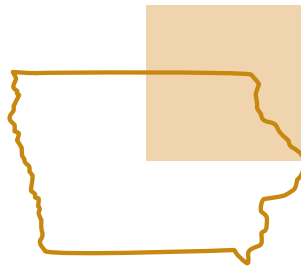
Meetings are still being held, but preliminary results indicate a need for strengthening the ties between rural and urban communities, reducing poverty, boosting human capital, and finding new economic opportunities. Helping citizens understand the linkages between all sectors of the regional economy is one way to strengthen the ties between rural and urban communities.

Boosting the skills of local workers, providing technical assistance to local firms, and creating networks of community organizations may help identify new economic opportunities and reduce poverty levels.

Regional leaders are starting to identify new economic opportunities, including, but not limited to, product agriculture. The region – rooted in the agricultural sector from farming, to processing, to manufacturing farm equipment – realizes the need for adding value to local commodities and communities. Regional leaders see opportunities in product agriculture, like bio-based lubricants and new models of food delivery.

Product agriculture represents one way to hold on to traditional firms and values that have declined in many rural areas. In product agriculture, growers seek new ways to add value to the commodities they grow. New value-added activities can boost farm income and expand local economic opportunities.

But growing these crops requires coordination with



other producers, other segments of the industry, and other organizations, like the local university.³ This is somewhat different from the tradition of working independently and constantly seeking new ways to improve the production process.

Southeast Kansas

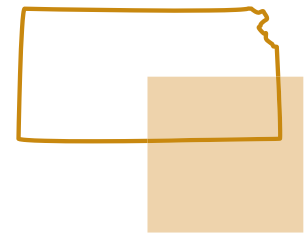
Southeast Kansas Inc. is a 13-county coalition of rural leaders that provides leadership and services in the southeastern corner of Kansas. Initially formed by the Business and Technology Institute (BTI) at Pittsburg State University, Southeast Kansas Inc. helps identify and solve problems in the most distressed region of Kansas.

In addition to creating a regional identity with southeast Kansas, Pittsburg State's BTI uses six units to provide regional economic outreach, manufacturing assistance, small business consulting, loan packaging, seed capital, grant writing and administration, and polymer research and development.

BTI's Kansas Polymer Research Center has initiated a "Polymer Prairie," bio-based materials strategy to attract and grow the bio-based plastics industry. Essentially, farmers will supply soybeans to processors that refine commodities into oil and meal. The soybean oil then is transformed into an ingredient used in plastics products.

Local factories will be used to process the soybeans into oil and then into plastics. And if the demand for bio-based plastics is as high as local leaders anticipate, the entire soybean crop of Kansas could potentially be used by this industry.

As part of its regional strategy, BTI's staff assist manufacturers in process improvement and coordinates a regional educational forum. BTI's certified development company packages loans, while its small business development center counsels entrepreneurs. The grants and special projects unit writes or administers grants for local governments. And the Alliance for Technology Commercialization provides seed capital for and invests in promising early-stage companies. By working in concert, the six units of BTI, various community leaders, and local businesses are finding ways to boost the regional economy.



Morgan County, Colorado

In Morgan County, Colorado, local leaders have been searching for ways to tap into the explosive growth that the Denver metropolitan area experienced in the 1990s.

The county, located 80 miles east of Denver along Interstate 76, has struggled despite its location. The location – on a major interstate and relatively close to Denver and its new international airport – seems ideal for attracting new firms, but community leaders believe that the lack of a digital connection to the Front Range and beyond hinders growth.

As a result, four key partners (Morgan Community College, Morgan County Economic Development Corporation, the Ft. Morgan Area Chamber of Commerce, and county officials) are working with municipalities, schools, healthcare providers, and the private sector to build support for broadband service among local residents and businesses. Their efforts to boost demand for broadband connections are starting to materialize as service providers are currently developing broadband capacity. In addition, several local firms are already planning to expand their operations using broadband services.

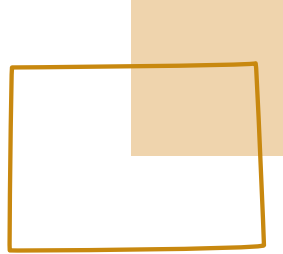
As Morgan County illustrates, the technological revolution of the 1990s created new wealth and spawned many new firms in this country. But most of the wealth and firms settled in urban areas.⁴ Closing the digital divide – that is, ensuring broadband access in all communities – could benefit rural regions.

Access to high-speed Internet activities could help rural firms expand into new markets, and it may entice new firms to locate in rural areas. Many urban workers may prefer to live in a rural community, if they could connect to new economic opportunities available electronically.

These four cases show how pooling resources in rural regions can broaden the menu of economic opportunities available in rural America. Emerging rural regions are able to overcome many challenges associated with the lack of critical mass, be it workers, firms, or services. More important, these regions are better able to reach their fullest potential – economically and socially.

Conclusion

Though the concept of regional economic development is not new, the application to rural areas has been limited in



the United States. In general, public policies have focused on a single sector of the rural economy or on certain segments of the population. Regional economic development policies, in contrast, focus on particular places that are trying to overcome a crisis or have an opportunity to develop a competitive advantage in the global economy.

In places like the Prairie States region, preserving natural resources goes hand in hand with developing tourism opportunities. Product agriculture and advanced manufacturing are offering new ways to add value to local resources in parts of Iowa and Kansas. And the digital divide is being conquered by leaders in Morgan County, Colorado.

In all four cases, local citizens have formed regional alliances to build a critical mass of workers, businesses and services. In so doing, they are able to preserve local resources and develop new economic opportunities in the region.

There still are many questions about the best ways to use regional economic development strategies in rural areas. Whether or not these emerging rural regions will succeed or fail in the United States is yet to be determined. Still, current efforts seem fruitful and, as many rural leaders have stated, “Standing still is simply not an option.” ■

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Endnotes

¹ Clark, Richard L. 2003. “Counties in Crisis: A Survey of Current Budgetary Situations Facing America’s Counties,” prepared for The National Association of Counties. Carl Vinson Institute of Government, University of Georgia.

² OpportunityWorks and two other emerging rural regions were described in the Center’s 2002 *Annual Report*. For a copy of the report, contact one of the Center’s staff. For more information on OpportunityWorks visit www.opportunityworksowa.org.

³ A detailed discussion of growing pharmaceuticals with crops was published in the *Main Street Economist*, February 2002 edition. Bio-based plastics are discussed in the Q1 Economic Review.

⁴ For more information on the digital divide, see the *Main Street Economist*, February 2002, August 2000 and May 2000.