

Rural Development, Regional Innovation, and Our New Fiscal Realities: A Rural Re-set

Presented to
Eastern Maine's Role on the National Stage
Eastern Maine Development Corporation

March 11, 2011

Bangor, Maine

Charles W. Fluharty
President & CEO
Rural Policy Research Institute

Today's Considerations

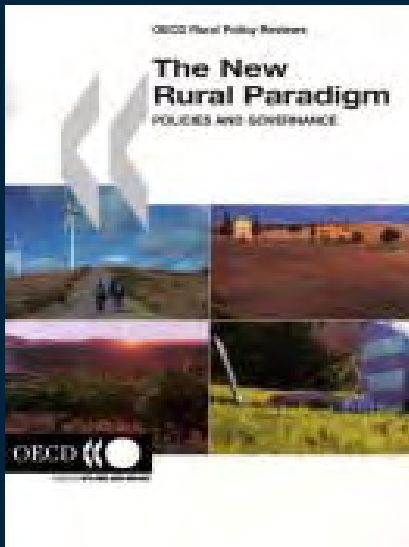
- I. Framing a realistic dialogue regarding rural futures: Getting real about our hopes and challenges
- II. The New Rural Paradigm (NRP)
- III. Rethinking the urban/rural dichotomy
- IV. Recalibrating a “Place Primacy” in public policy
- V. A Critical Rural Re-set: Regional Rural Innovation

**I. Framing a realistic dialogue
regarding rural futures: Getting real
about our hopes and challenges**

II. The New Rural Paradigm (NRP)

The New Rural Paradigm (NRP)

| | Old Paradigm | New Paradigm |
|-------------------|------------------------------------|---------------------------------------------------------------------------|
| Objectives | Equalization, focus on farm income | Competitiveness of rural areas |
| Key target | Sector based | Holistic approach that includes various sectors of rural economies |
| Main tools | Subsidies | Investments |
| Key actors | National governments, farmers | Multilevel-governance |

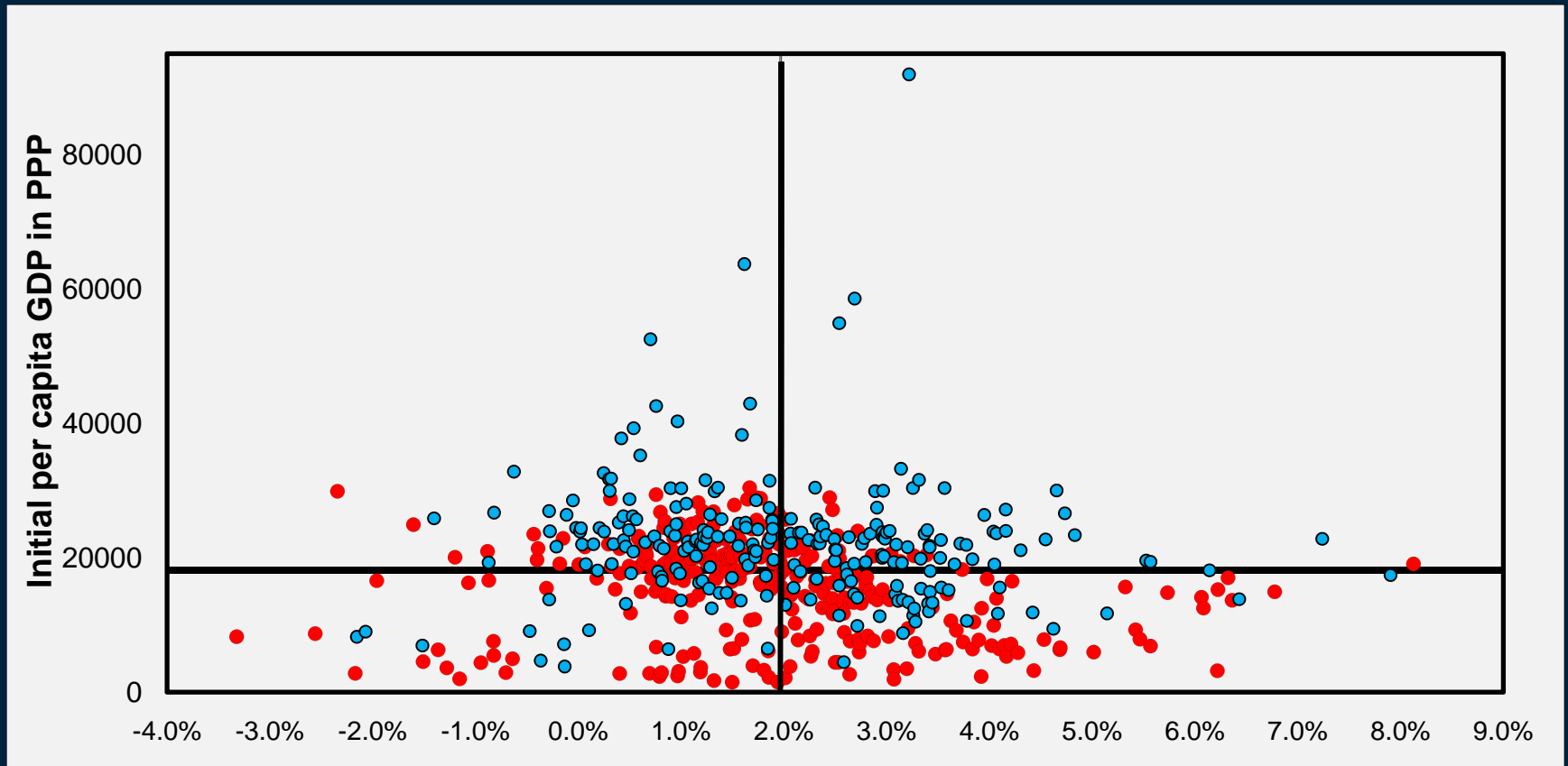


Objectives of NRP:

- Guarantee adequate **attention to rural issues**
- **Empower** local communities and governments

Analysis evolves

Average annual growth rates in OECD TL3 1995-2005



● Predominantly rural ● Predominantly urban

Conclusions

1. The rural context is important.
2. Commonly desired outcomes for rural areas exist but different political structures, social values, rights, etc. constrain policy choices.
3. Place-based evaluation can play a key role in examining the performance of projects and programmes.
4. There is scope for mutual learning for policy dialogue – OECD.

III. Rethinking the urban/ rural dichotomy

A Place-Based Policy Framework Focused Solely on Metropolitan Geography Masks Critical Realities:

- While metropolitan areas account for over 80 percent of the total population, they account for only 25.7 percent of total land area.
- A metropolitan focus for place-based programs ignores critical linkages with three-quarters of the U.S. natural resource base, and the 20 percent of the population which steward these national treasures.

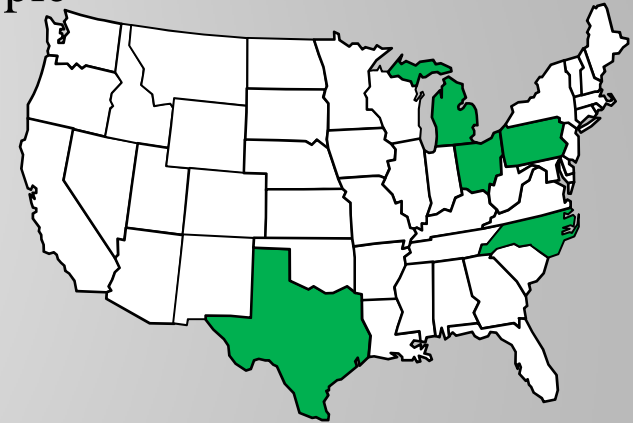
Nonmetropolitan America Includes Urban Centers

- 60% of nonmetropolitan residents live in micropolitan areas, which include a regional center of 10,000 to 49,999 people.
- These areas are logical hubs for the emergence of national regional innovation strategies, encompassing workforce, eco-system, health and human services, and retail service infrastructures.

Where are all the rural people?

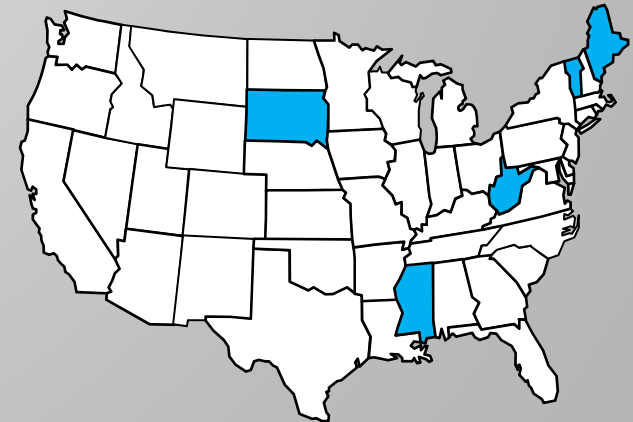
- 5 states account for 25 percent of all rural people

- Texas (3.6m)
- North Carolina (3.2m)
- Pennsylvania (2.8m)
- Ohio (2.6m)
- Michigan (2.5m)



- The “most rural” states only account for only 6.7% of rural population

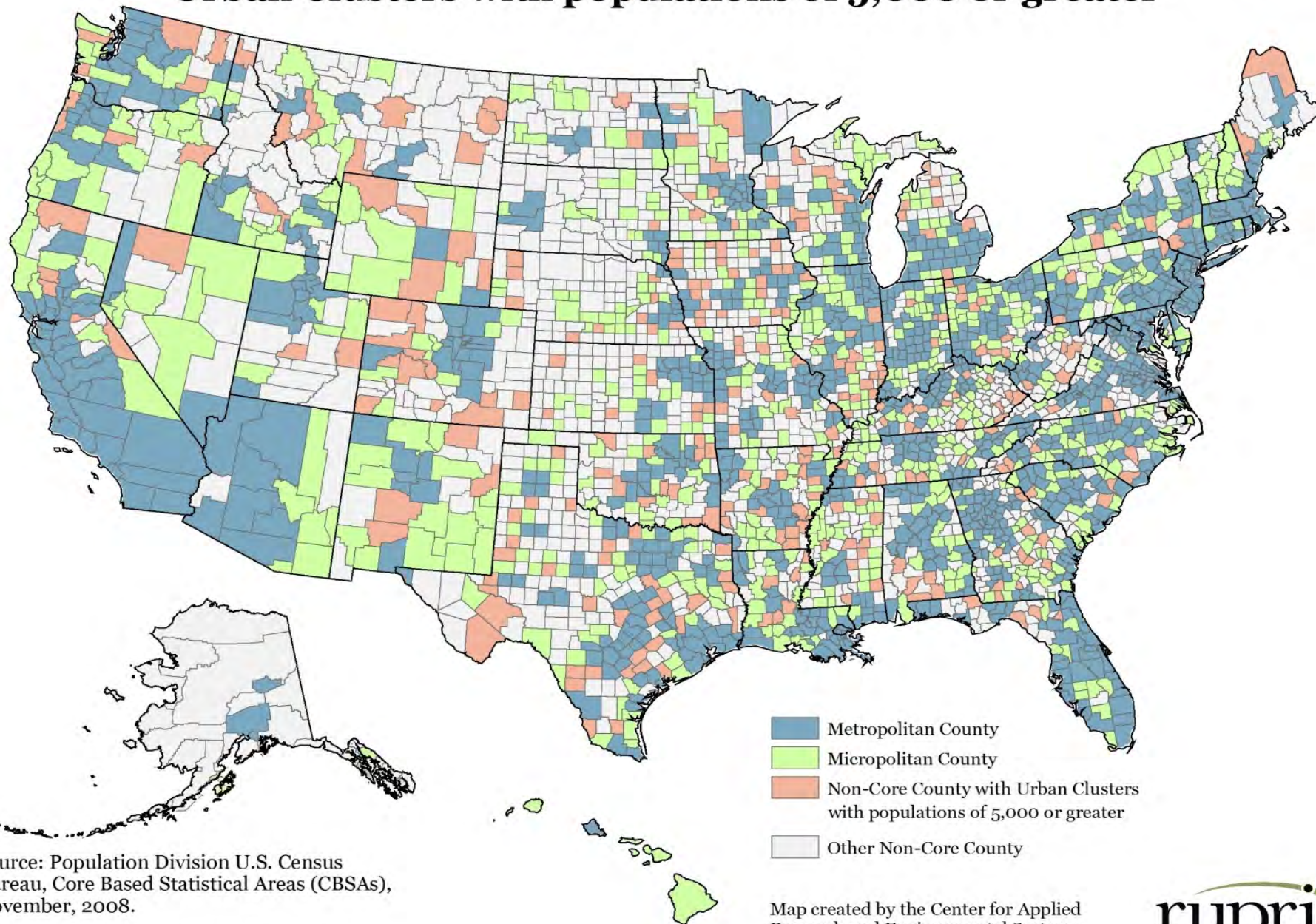
- Vermont (61.8% rural)
- Maine (59.8% rural)
- West Virginia (53.9% rural)
- Mississippi (51.2% rural)
- South Dakota (48.1% rural)



“Rural” definitions are problematic

- OMB designations of Core Based Statistical Areas are based on urban centers and the commuting relationship with those centers
- “Metropolitan” doesn’t equate with “urban,” and “nonmetropolitan doesn’t equate with “rural.”
- Most “rural” people live in “metropolitan” counties – 51 percent.
- Therefore, current rural and urban definitions used in policy targeting no longer reflect reality
- Unfortunately, advancing a “rural-urban” continuum targeting mechanism remains difficult

Metropolitan, Micropolitan and Non-Core Counties containing Urban Clusters with populations of 5,000 or greater



Source: Population Division U.S. Census Bureau, Core Based Statistical Areas (CBSAs), November, 2008.

Note: Alaska and Hawaii not shown to scale

Map created by the Center for Applied Research and Environmental Systems, August 2010.

Distribution of Population

| | Urbanized Area | Small Urban | Rural | Total |
|--------------|----------------|-------------|------------|-------------|
| Metropolitan | 192,064,228 | 10,338,988 | 30,176,724 | 232,579,940 |
| Micropolitan | 255,305 | 14,976,437 | 14,299,972 | 29,531,714 |
| Noncore | 18,588 | 4,704,763 | 14,586,901 | 19,310,252 |
| Total | 192,338,121 | 30,020,188 | 59,063,597 | 281,421,906 |

note: Urban and Rural Population figures from Census 2000; CBSA status for the December 2005 Classifications

48.8 million people live in nonmetropolitan counties +
40.5 million people live in metro counties outside urbanized areas
 → 89.3 million “rural” people

IV. Recalibrating a “Place Primacy” in public policy

**Policies and budgets
are ultimately about
visions and values.**

Reframing the Value Equation:

“What policy framework will best integrate rural and urban initiatives and programs, to advantage both constituencies and their communities and regions, while enhancing their sustainability and interdependence?”

The Critical Role of Intermediaries

“Intermediaries are people and institutions that add value to the world indirectly, by connecting and supporting – i.e., by enabling *others* to be more effective. Intermediaries may act as facilitators, educators, capacity builders, social investors, performance managers, coalition builders, and organizers of new groups.”

Xavier de Souza Briggs

The Art and Science of Community Problem-Solving Project

Kennedy School, Harvard University, June, 2003.

Five Critical Institutional Challenges

- Rethinking core missions
- Redefining roles and responsibilities
- Creating a renaissanced leadership cadre, who become change agents.
- Engaging and supporting the “border crossers!”
- Redefining “we” and “they,” with special attention to diversity, cultural and social inclusion.

THE WHITE HOUSE
WASHINGTON

August 11, 2009

M-09-28

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Peter R. Orszag, Office of Management and Budget
Melody Barnes, Domestic Policy Council
Adolfo Carrion, Office of Urban Affairs
Lawrence Summers, National Economic Council

SUBJECT: Developing Effective Place-Based Policies for the FY 2011 Budget

This guidance memorandum outlines policy principles meant to advance the Administration's domestic and fiscal priorities and to increase the impact of government dollars by leveraging place-conscious planning and place-based programming.

The guidance outlined here is preliminary. It supports an important interagency process focused on investing in what works by evaluating existing place-based policies and identifying potential reforms and areas for interagency coordination. Our immediate objective is to develop proposals for the FY2011 Budget that advance this Administration's policy priorities in the most effective ways whether by improving place-based strategies already operating or by adopting such strategies where there is significant potential for impact on a problem(s).

Place-based policies leverage investments by focusing resources in targeted places and drawing on the compounding effect of well-coordinated action. Effective place-based policies can influence how rural and metropolitan areas develop, how well they function as places to live, work, operate a business, preserve heritage, and more. Such policies can also streamline otherwise redundant and disconnected programs.

“...Many important challenges demand a regional approach. The Nation is increasingly a conglomeration of regional economies and ecosystems that should be approached as such. Federal investments should promote planning and collaboration across jurisdictional boundaries. Given the forces reshaping smaller communities, it is particularly important that rural development programs be coordinated with broader regional initiatives. Programs in neighboring zones and within larger regions – some of which connect rural communities to metropolitan regions – should complement each other. Federal programs should reflect better the Nation’s economic and social diversity, both in rural and metropolitan areas. To the extent possible, programs should allow for communities to identify distinct needs and address them in appropriate, strategic ways...”

V. A Critical Rural Re-set: Regional Rural Innovation

“Would you tell me, please, which way I ought to go from here?”

“That depends a good deal on where you want to get to,” said the cat.

“I don’t much care where,” said Alice.

“Then it doesn’t much matter which way you go,” said the cat.

Lewis Carroll

Alice’s Adventures in Wonderland

“If the misery of the poor be caused not by the laws of nature, but by our institutions, great is our sin.”

Charles Darwin

“It is not enough, to know,
one should also use;
it is not enough to want,
one should also act.”

Goethe

Emerging Opportunities to Advance Regional Policy Innovation

- ▣ The Obama Administration's commitment to "Place-Based" policy (August 2009 White House memo)
- ▣ USDA Secretary Vilsack's Regional Innovation Initiative
- ▣ Other Federal Regional Innovation NOFAs
- ▣ The HUD/EPA/DOT Sustainable Community Partnership (NOFA)
- ▣ Moving from Specific Rural and Urban Regional Approaches to a Rural-Urban Regional Continuum
- ▣ The Sustainable Communities Regional Planning Grant
- ▣ Other Considerations for Regional Policy Targeting
- ▣ State and regional policy innovations, alternatively created or emanating from these opportunities

Achieving This Will Demand:

1. Greater attention to asset-based development, much more broadly defined.
2. The building of regional frameworks, appropriately configured, of sufficient scale to leverage these geographies and bridge these constituencies. (While we need rural and urban responses, their intersection is the future of enlightened public policy.)
3. As the Federal role reduces over time, greater attention to new governance / new intermediary support by the public sector.
4. Regional innovation policies which specifically target mutually beneficial competitive advantage, that rural and urban areas share. (i.e., Regional food systems, bio-energy compacts, natural resource-based / sustainability assets, “workshed” / “watershed” approaches, etc.)

Achieving This Will Demand (*cont'd.*):

5. Attention to the importance of working landscapes:
 - Arts / heritage / culture
 - Natural resources / tourism
 - Bio-energy / biofuels, entrepreneurial agriculture
6. Incentives to bridge innovation / entrepreneurship support systems, from urban to rural expression
7. Opportunities to address spatial mismatch issues in workforce / training across broader geographies, via “place-based” community / technical college collaborations, both sister schools and research universities.
8. Innovative funding approaches which enhance collaboration across state and local governments, particularly in cross-sectoral, regional experimentation.

Some “Must-Do’s,” If Rural Regions Are to Actually Shape Their Own Futures

- ▣ Believing in and validating your “rural” commitments
- ▣ Rethinking the “we” and “they” dynamics within your rural place
- ▣ Building and/or aligning regional governance platforms
- ▣ Supporting innovation, entrepreneurship, and local wealth creation
- ▣ Building scale appropriate innovation systems, without losing focus on the importance of community (private/public/social)
- ▣ Committing to the long haul
- ▣ Celebrating your “quality of place”

Things to Keep in Mind:

- ▣ There are no silver bullets!
- ▣ Things take time, but this fiscal and budgetary environment will pass: measured urgency to capture the moment must be the cadence
- ▣ What works elsewhere should only provide encouragement, and should not necessarily be your region's innovation approach

The Framework for Regional Rural Innovation



Critical Internal Considerations

- ❑ Wealth Creation and Intergenerational Wealth Retention
- ❑ Youth Engagement and Retention
- ❑ Social Inclusion and Social Equity

March 2011

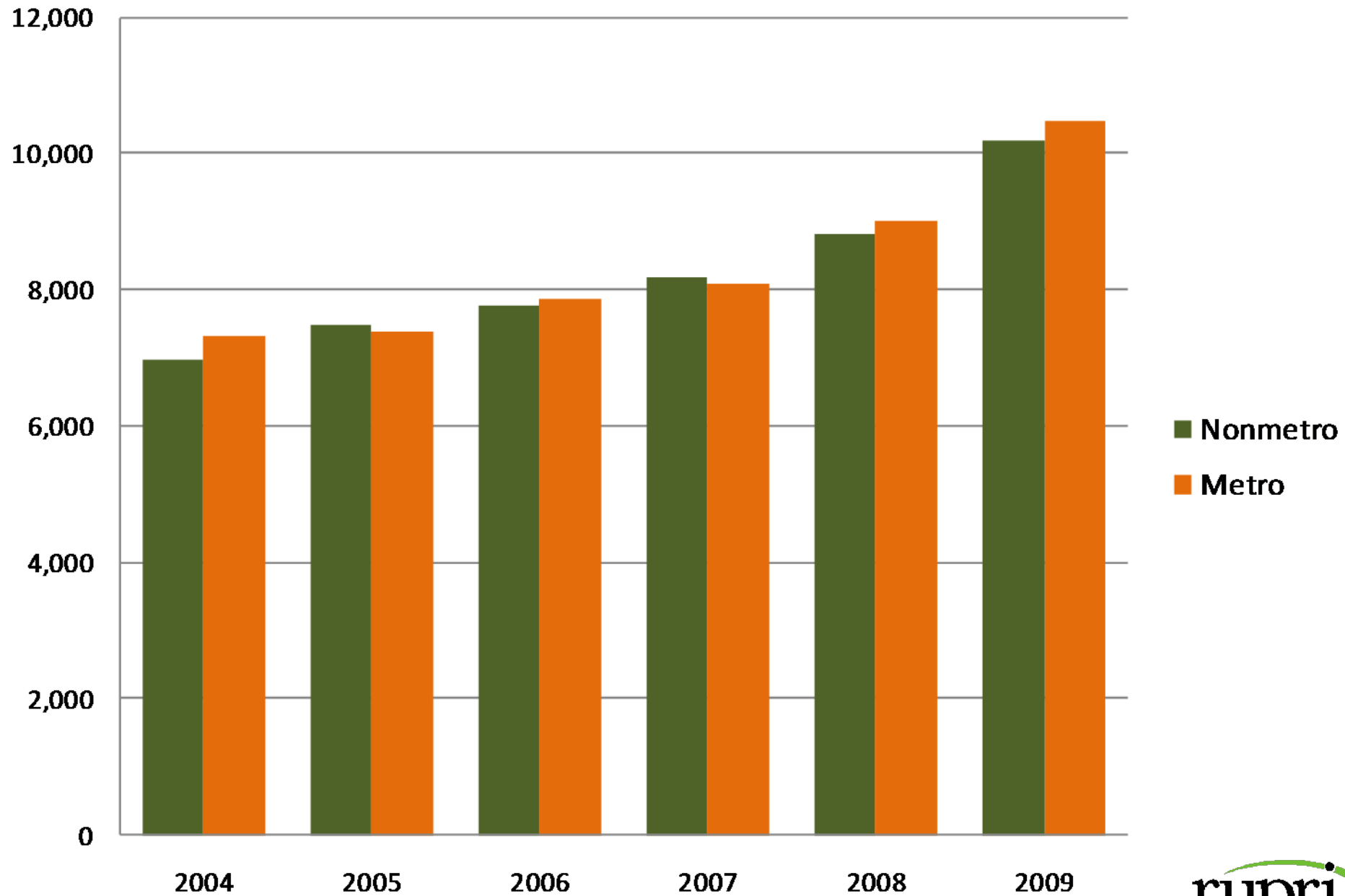
Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue



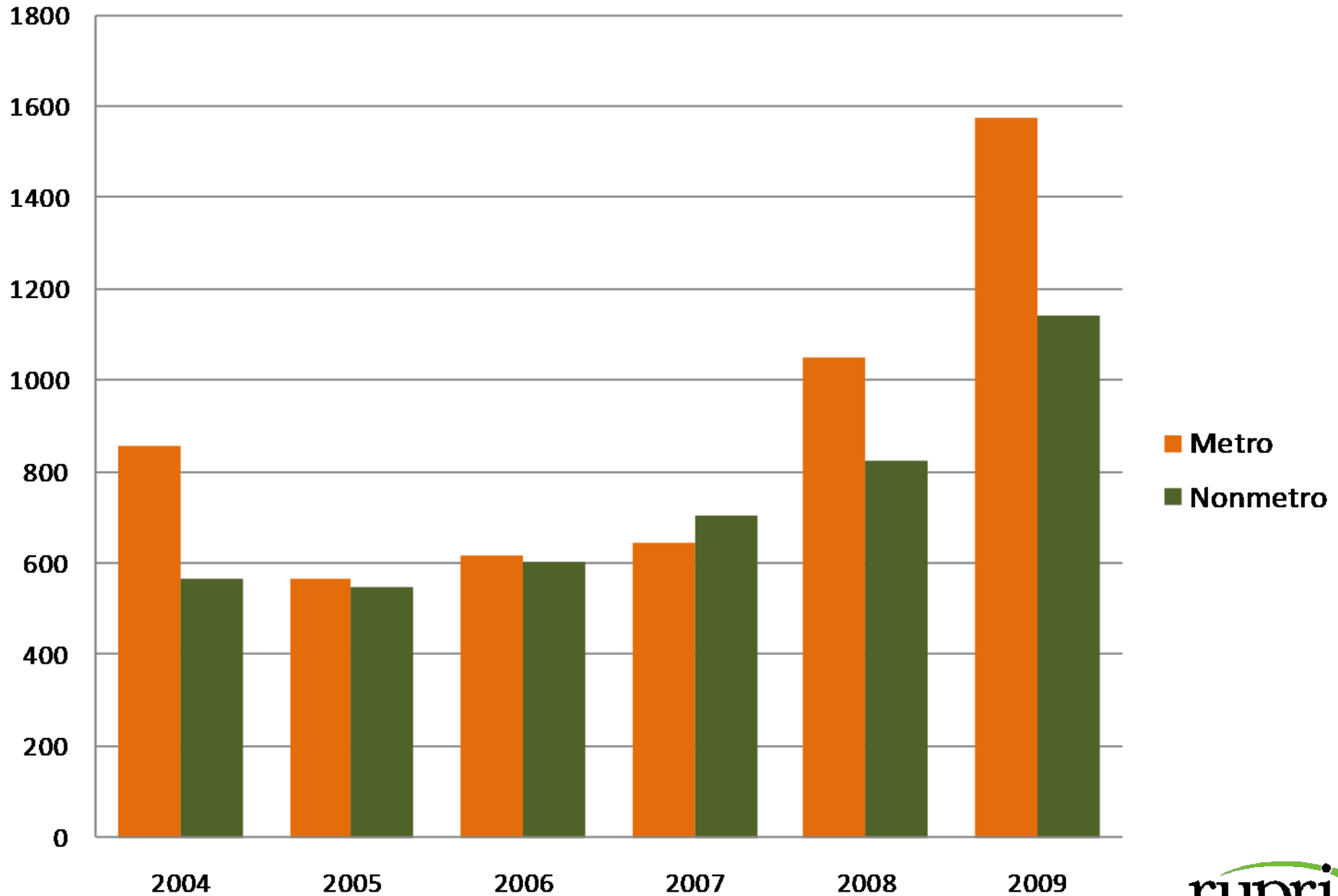
G A O

Accountability * Integrity * Reliability

Total Federal Funds Per Capita



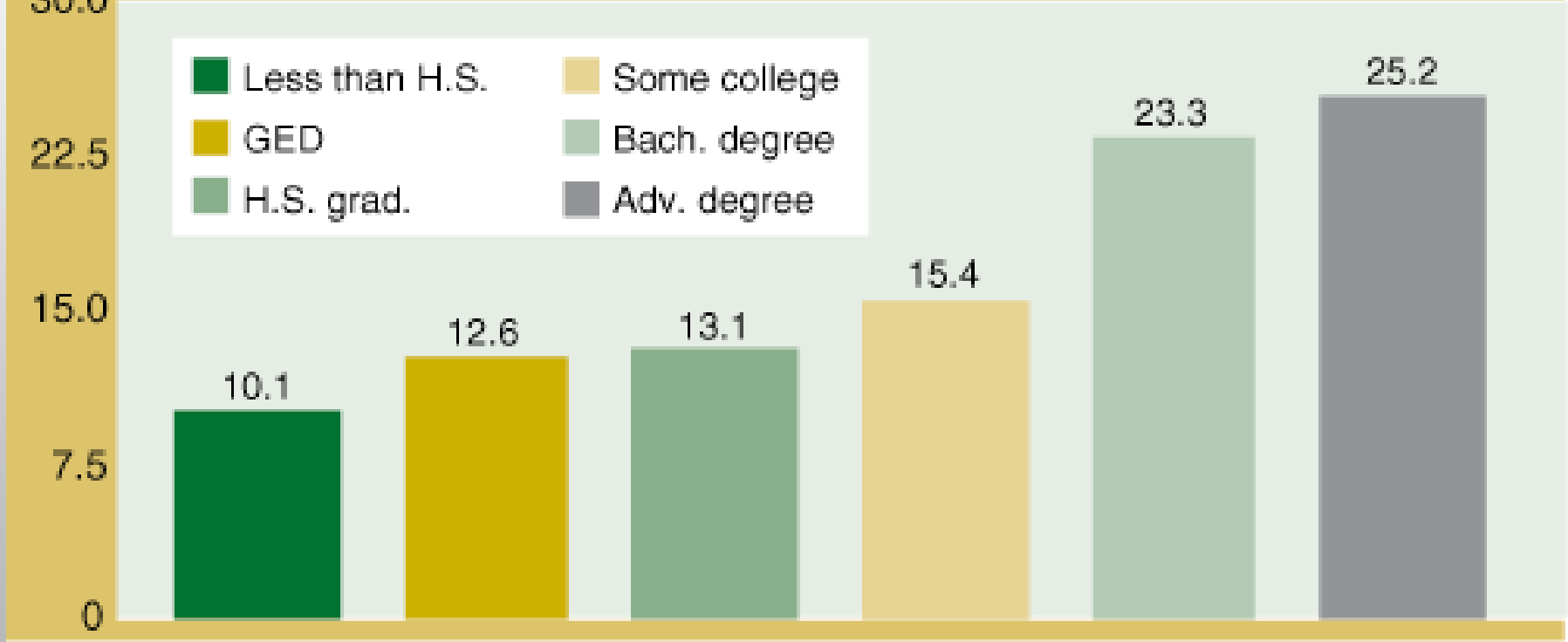
Community Resources Funding Per Capita



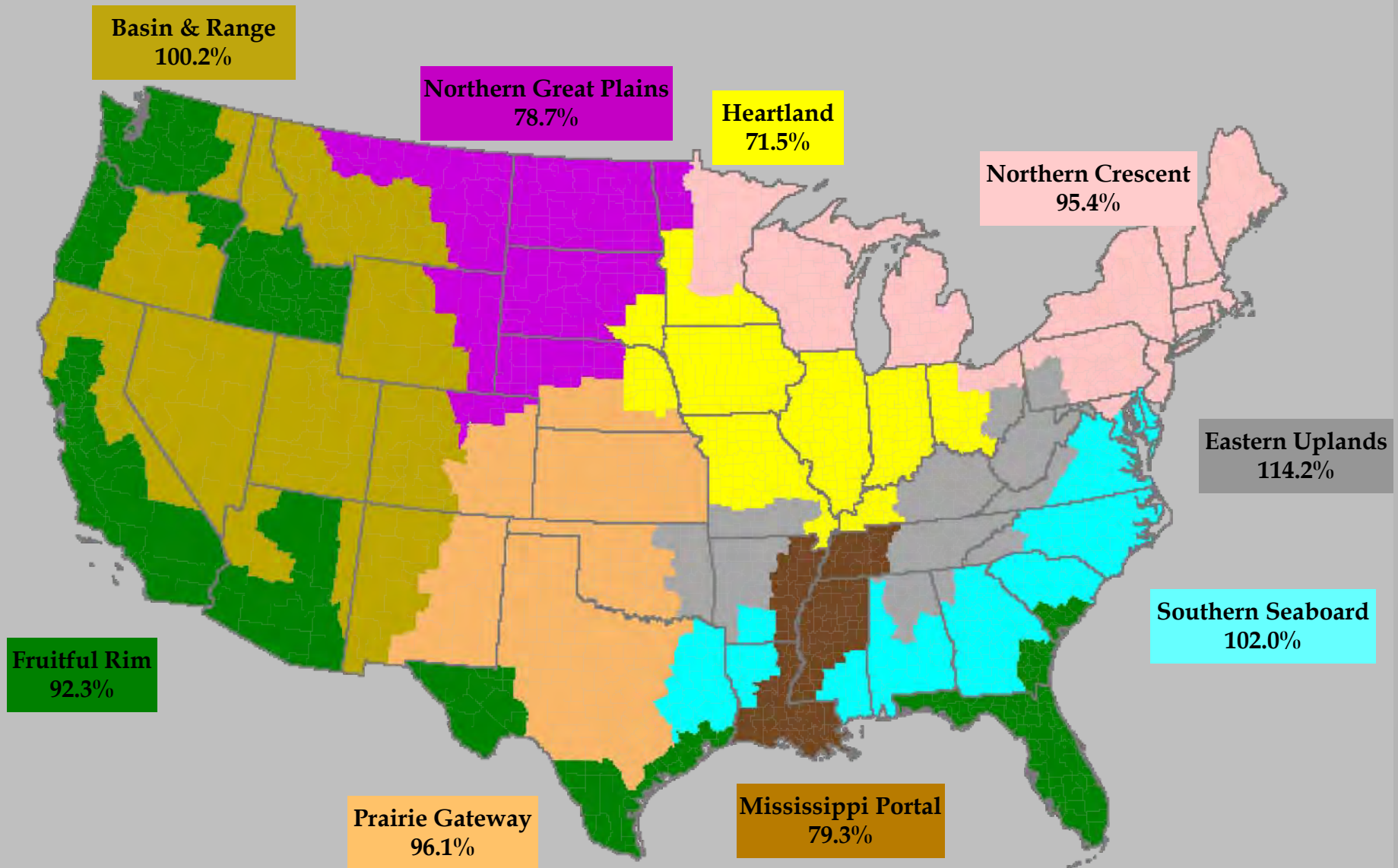
| Distribution of Income Sources, 2008 | | | |
|--------------------------------------|----------|------------------------------|----------------------|
| | Earnings | Dividends, Interest, Rent | Transfer Payments |
| Metro | 67.6% | 18.2% | 14.2% |
| Nonmetro | 60.2% | 16.8% | 23.0% |
| | | | |

Metro-nonmetro earnings gap rises with level of education

Percentage difference by which metro earnings exceed nonmetro

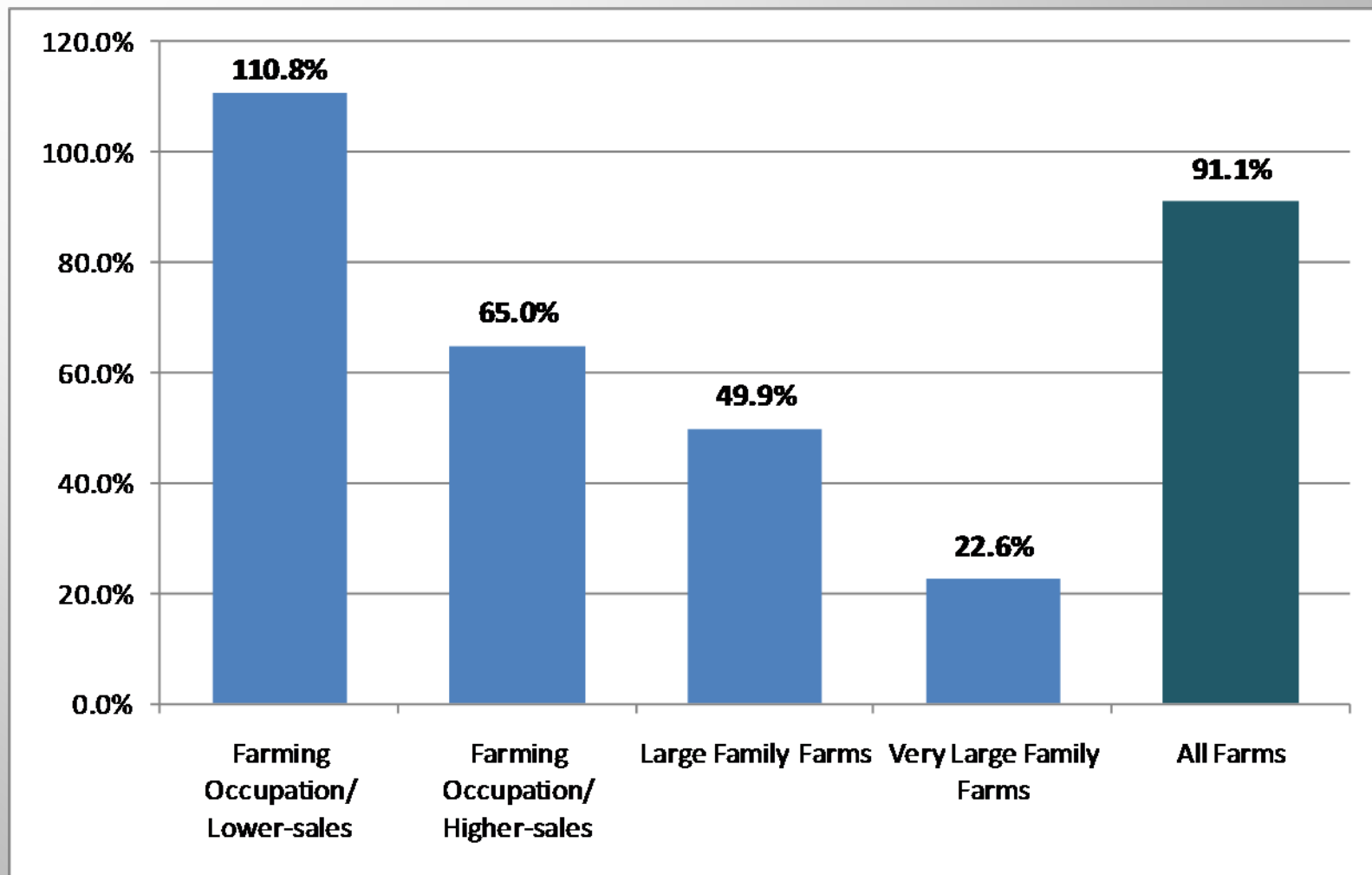


Percent of Farm Household Income from Off-Farm Sources, by Farm Resource Region, 2009



Source: USDA,
ARMS

Percent of Farm Household Income from Off-Farm Sources by ERS Farm Typology, 2009



Source: USDA, ARMS

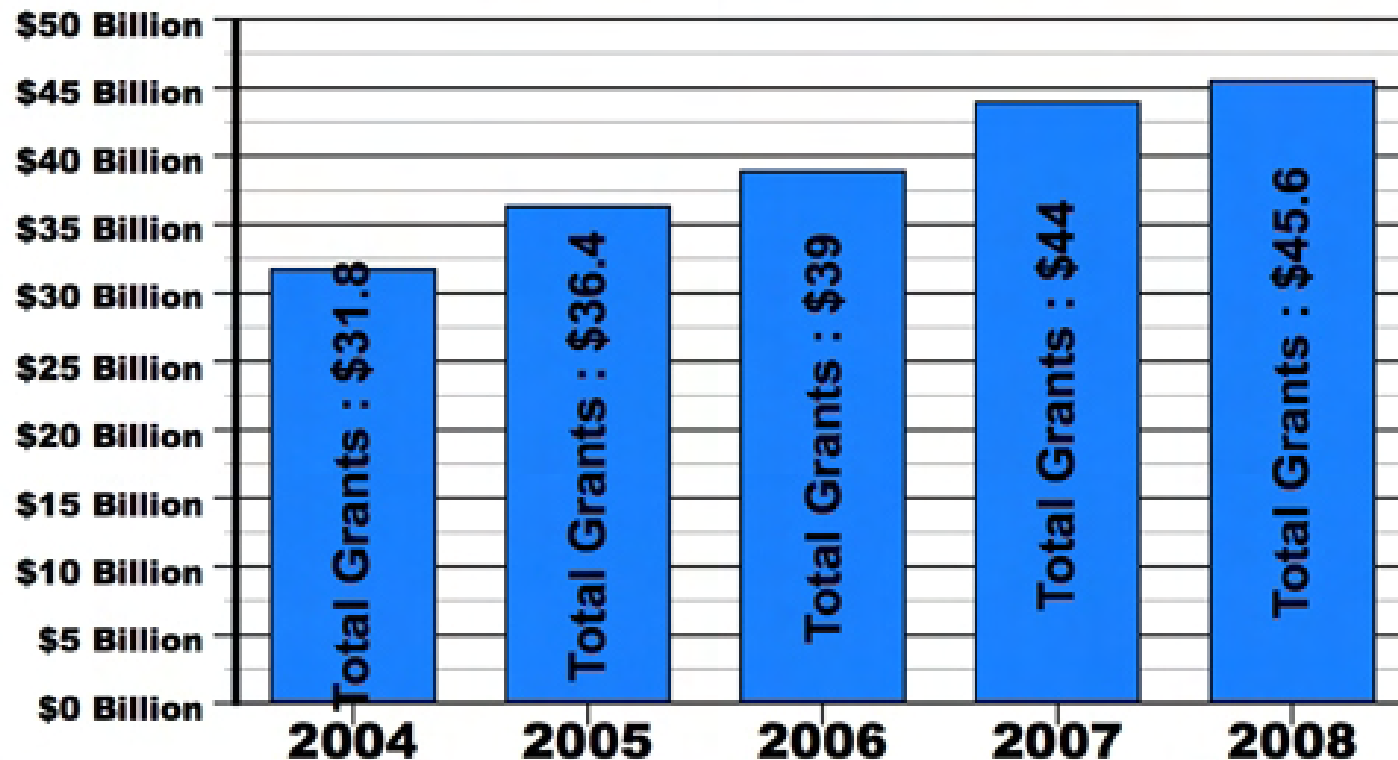
Data not shown for limited resource, retirement, and residential type farms

Rural Disadvantage in Grantmaking

- ▣ 2004 Report by the National Committee for Responsive Philanthropy: “Beyond City Limits: The Philanthropic Needs of Rural America”
- ▣ Out of 65,000 grantmaking foundations in 2001 and 2002:
 - Only 184 made grants categorized as “rural development” grants
 - Only 306 used the word “rural” in their grant descriptions

Total Foundation Grants Are Growing

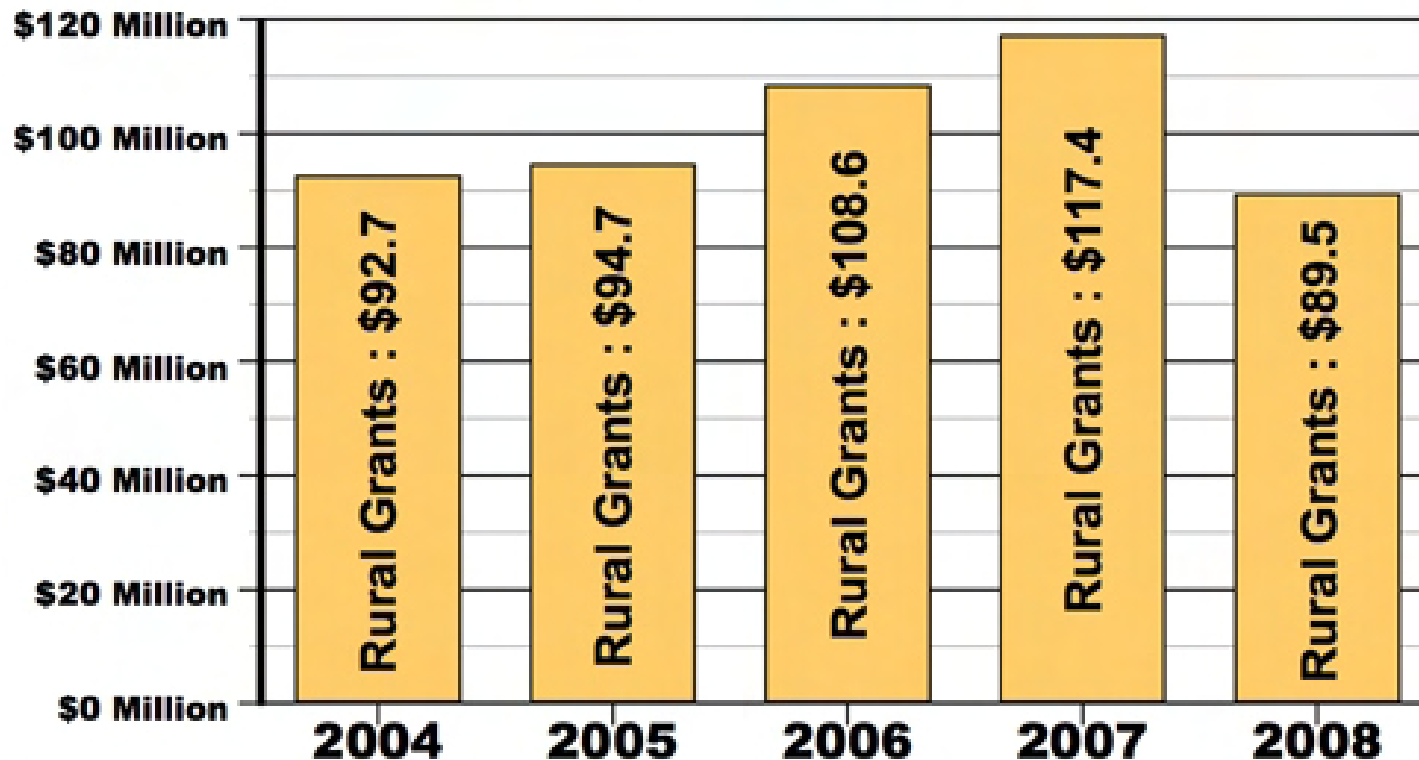
*Foundation grants as a whole increased 43.4%
between 2004 and 2008*



Source: Daily Yonder/Rick Cohen,
with data from The Foundation Center

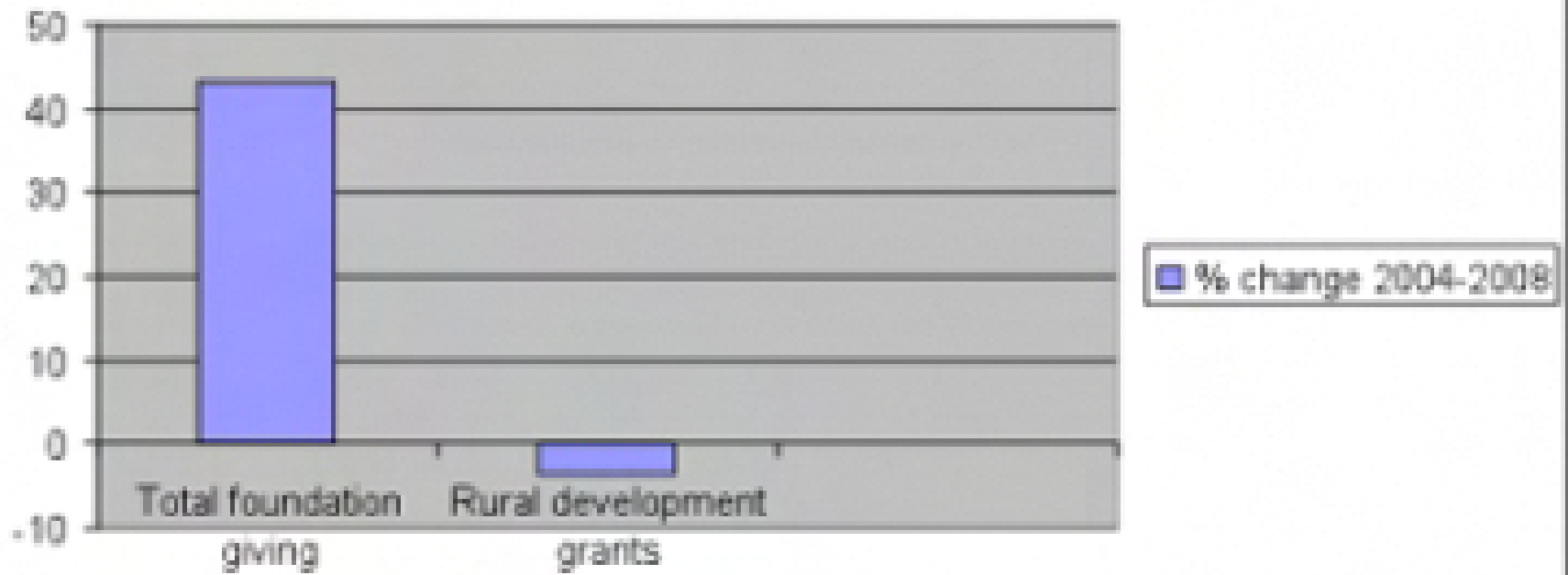
Grants For Rural Are Stagnant

Donations to rural development were lower in 2008 than in 2004



Source: Daily Yonder/Rick Cohen, with data from The Foundation Center

Change in annual grants 2004-2008



“What lies behind us,
and what lies before us
are tiny matters
compared to what lies within us.”

--Ralph Waldo Emerson



Charles W. Fluharty

cfluharty@rupri.org

President and CEO

Rural Policy Research Institute

214 Middlebush Hall

University of Missouri

Columbia, MO 65211

(573) 882-0316

<http://www.rupri.org/>