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1987



BRIEFING REPORT

4

NEBRASKA LEGISLATIVE ISSUES SYMPOSIUM

RECENT TRENDS IN RURAL COMMUNITY DEVELOPMENT POLICY

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Introduction

Perspectives toward rural community development policy have been undergoing significant change during the 1980s.

- In a nutshell, there appears to be increased recognition that rural areas and communities need development policies and efforts that are different from traditional urban-oriented and macro (or general) community development policies.
- This shift in policy perspective is largely a function of the turnaround in growth which occurred in rural areas during the 1980s and the continuation of the trend of decline in population, employment, income, and well-being from previous decades.

During the 1980s, declines in industries commonly found in rural areas (for example, agriculture, forestry, mining, energy, and manufacturing) occurred simultaneously. These trends resulted in population declines in rural (or nonmetropolitan) areas, similar to the widespread population decline characteristic of these areas in the 1950s and 1960s.

- In 1985-86, nonmetro areas lost 632,000 persons to metro areas through out-migration.

- This is a marked turnaround from the 1970s, when rural areas posted an annual net migration gain of over 350,000 persons.

Shifting Federal Role in Rural Community Development

Traditionally, the federal government has pursued a variety of development strategies designed to assist rural areas and their communities. Currently, federal rural policies fall into one of the following broad categories:

- Macro policy—regulates the economy at a general level through interest rates, for example. Overall, rural employment is thought to be somewhat more sensitive to changes in macro policies than is urban employment. It is often argued that macro policies promoting rapid rates of real economic growth will best promote a sound rural economy or, at a minimum, best reduce economic stresses in rural areas.
- Sectoral policy—focuses on enhancing the performance of specific industries, whether it be arresting decline or promoting growth. Currently, considerable division exists over whether efforts to assist agriculture and natural resources industries would become primarily protectionist and, thus, retard adaptation and change in rural economies, or

whether such policies would restore U.S. economic competitiveness.

- Territorial policy—reduces differentials in levels of activity among geographic areas. Public infrastructure has been emphasized in the past, yet, the current rural stress is probably not a function of a lack of comparative advantage (which could be aided by improvements in infrastructure).
- Human resource policy—provides training and preparation to people to enter the labor force, equips individuals for occupational changes, and enhances the re-employment of displaced workers. Current perspectives emphasize this as a viable federal policy because opportunities for rural individuals are enhanced, regardless of ultimate location of residence.

While it is likely that the federal government will continue to be active in supporting rural policy initiatives, resources will probably be focused on the following more limited set of concerns:

- Establishing macro policies which enhance new growth nationally (regardless of location) and which facilitate adaptation to changing technologies and marketplace conditions;
- Developing human resources; and
- Facilitating state and multi-state approaches to meeting rural needs through research and capacity building.

Despite these general policy tendencies at the federal level, discussion will continue about the rate at which structural changes affecting rural areas should proceed and about the role of federal policy in easing the adjustment process for both individuals and communities in rural America. At the same time, there is increasing consensus that the needs of rural areas and communities are diverse. For example, some rural counties are specialized in agriculture (29%), some in manufacturing (29%), and others in mining, energy, or government. Because these industries are concentrated regionally, targeted state-specific strategies are thought to be more appropriate than a uniform national rural development approach.

State Rural Community Development Policy Choices

States deciding that a separate set of policies and strategies should be developed to

meet the needs of rural areas and communities face a number of policy choices. Among the major questions are the following:

- Should rural development policy focus on people or places?
- Should policies focus on the places most in need or on the places with the greatest chance of success (for example, growth centers)?
- Should state rural development efforts emphasize equity or economic efficiency values?

People or Places? Advocates of people strategies argue that the needs of rural people can best be met when location factors are isolated from strategies; in other words, place is secondary. Furthermore, they usually argue that solutions focusing on people rather than places are usually cheaper. For example, the cost of keeping a small town alive or creating new opportunities in the town may be many times the cost of relocating individuals. Individual assistance programs, whether they be income maintenance or basic education programs to help the rural poor, need not be much different from programs for the urban poor.

Advocates of place strategies, on the other hand, argue that people should be able to stay where they currently live; thus, efforts to meet human needs must focus on rural communities. Place-oriented advocates also argue that it is more efficient to use existing infrastructure investments in small towns than to relocate people.

Individual Distressed Places or Growth Centers? This question highlights the complexities of rural development choices. Advocates of assisting the most distressed rural places think that intervention is justified because of the severity of need. Because rural development programs are based typically on economic disadvantage, it only makes sense to target assistance to the places most in need, although fewer people may benefit and results will be harder to achieve.

Growth center proponents assert that it is very difficult to turn around communities that are in decline. In fact, they argue, why try to fight economic change which often leads to rural community decline? It is far better to focus resources on those places in each state or substate region that have been growing during difficult economic times and to help them continue to prosper. Such a strategy can mean

helping the most people for a given amount of money. Furthermore, residents of surrounding rural areas and communities can commute or relocate to the growth center for work and, thus, stay within the state or region.

Equity or Efficiency? Advocates of efficiency approaches to rural development argue that market failures result in underperformance of rural economies. This underperformance may be the result of factors such as a lack of information, immobility, monopolies, and allowing firms to pass on externalities and, thus, avoid the full cost of doing business. Correcting these types of market imperfections will improve rural conditions and overall national wealth, it is argued. At the same time, substantial allocations of resources to rural areas and communities will not be needed.

Equity arguments center on the value assumption that the maldistribution of incomes and jobs, for example, between rural and urban areas, is unacceptable. Raising the incomes of

rural residents, preserving small towns, and maintaining the small family farm are important if that is what rural residents want.

State Programmatic Responses

Most states with rural area and community development initiatives pursue several of these policy strategies simultaneously. For example, a number of states have programs to retrain and assist displaced farm operators (helping individuals), programs to identify new export markets for agricultural products (trying to overcome inefficiencies in the market), and programs to enhance the management capacity, community services, and facilities of distressed small towns (helping distressed places).

Table 1 lists selected state rural programs. A series of reports on state assistance to distressed communities completed by the U.S. Advisory Commission on Intergovernmental Relations during the late 1970s and early 1980s

Table 1
Selected State Rural Community Development Actions

Regulatory Policies:

- Revising state laws to increase loans to residents of depressed areas
- Deregulating communication industry
- Revising state laws to allow nontraditional approaches to community water systems

Program Coordination and Monitoring:

- Requiring consideration of state program impacts on rural areas
- Facilitating linkages and creation of networks among rural development service providers

Fiscal Assistance:

- Reassignment of local government services and responsibilities to state government
- Increased flexibility in local revenue raising

Tax Incentives and Policies:

- Tax exemptions for businesses and individuals expanding or locating businesses in rural areas

- Tax credits for job creation and economic activities

Local Government and Community Development:

- Local housing rehabilitation revolving loan fund
- Local government reorganization
- Leadership training and development
- Technical assistance information and analysis to support local government
- Certified cities and community improvement programs for development readiness

Economic Development:

- Customized job training for new/existing businesses
- Small business and entrepreneurial development
- Community and regional marketing assistance
- Loans for new and expanding rural businesses
- Agribusiness development
- Research and Development Authority (new product development)

indicates that states are most likely to emphasize economic development and fiscal assistance programs because they can accommodate multiple policy strategies. During the past several years, it appears that states

are both broadening their rural community development efforts and adopting steps that target areas by (to some degree) need or location. Table 2 lists some state rural development initiatives enacted in 1987.

Table 2
Selected State Rural Development Initiatives Enacted in 1987

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| Georgia: | <ul style="list-style-type: none">• Mandated Department of Community Affairs to develop statewide strategic rural economic development plan in conjunction with local planning and development organizations, the university system, and other agencies in local government units. Plan would identify:<ul style="list-style-type: none">- Target industries,- Venture capital sources, and- Needed state financial assistance.• Provides funding for projects in areas where per capita income level is below 70 percent of U.S. average or 35 percent or more above the state unemployment level. |
| Minnesota: | <ul style="list-style-type: none">• Created a Rural Development Board with broad mission and authority. The following are some of the boards' duties and activities:<ul style="list-style-type: none">- Developing and funding a rural housing rehabilitation revolving loan fund for low-income persons,- Coordinating and reviewing state program rural impacts,- Developing a state rural investment guide,- Providing loans for targeted new and expanding businesses in rural areas,- Developing an agricultural utilization research institute, and- Increasing state share of local waste water treatment construction costs from 30 to 50 percent (sometimes 80 percent) for cities with populations of less than 25,000. |
| Montana: | <ul style="list-style-type: none">• Created an Agricultural Development Council:<ul style="list-style-type: none">- To fund and develop agricultural business incubators in cities with a population of less than 15,000 and geographically spread across the state, and- To identify new markets for the state's agricultural products. |
| New York: | <ul style="list-style-type: none">• Created an Office of Rural Affairs with director appointed by governor and confirmed by senate. The new office will:<ul style="list-style-type: none">- Serve as a clearinghouse and point of coordination on rural issues, programs, services, and research needs.• Funded and established a rural public transportation assistance program to assure personal mobility.• Created a rural roads classification task force to look at classification of low-volume rural roads, design standards, and other issues.• Financed innovative rural health care delivery projects in rural areas. |
| Pennsylvania: | <ul style="list-style-type: none">• Enacted the Rural Economic Development Program Act:<ul style="list-style-type: none">- To promote hardwood lumber industry through research on by-product utilization and handling, new business start-up, and marketing plans (for areas with highest unemployment); and- To enhance rural educational development through instructional programs, student development, and rural leadership training.• Enacted the Rural Pennsylvania Revitalization Act:<ul style="list-style-type: none">- To establish a Center for Rural Pennsylvania to undertake cooperative research through state colleges and universities,- To develop a Center for Continuing Education and Adult Literacy, and- To fund continuing education of health science practitioners in the rural western part of the state. |
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¹This briefing report draws, in part, upon material contained in U.S. Department of Agriculture, Economic Research Service, *Rural Economic Development in the 1980's: Preparing for the Future*. Washington, DC; 1987.

This *Briefing Report* was developed by the Center for Applied Urban Research, University of Nebraska at Omaha for the Legislative Council Executive Board, to provide background information for the 1987 Nebraska Legislative Issues Symposium. The *Briefing Report* is intended to provide an overview,

pose important questions, and identify alternative policies and strategies for a specific issue. The views and opinions expressed are those of the individual authors and do not necessarily represent those of the University of Nebraska at Omaha.