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SESSION 6

Rural Development in Idaho:
Doing Something for Nothing

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Introduction

This is the story of one state's attempt to fashion a rural development policy in short order and with severe budget constraints. It is hoped that this case study, with its frank discussion of policymaking from the statehouse perspective, will encourage other policy entrepreneurs to share their experiences. Perhaps it will also demonstrate that a state can take a logical approach to policy development and implementation without a cumbersome decision making mechanism, grandiose master plan, or major budget.

Idaho is the fifth most rural state in the nation on the basis of population density, averaging 12 persons per square mile, compared to a U.S. average of 67 persons and a Western average of 38.5 persons (Woods). It is an extremely diverse state, both geographically and culturally, exacerbating the transportation and communication problems created by its low population. Idaho is also among the poorest states in terms of per capita income, ranking 44th at 77 percent of the BEA national average. Like many other western states, Idaho has a history of rugged individualism and a dominant political philosophy that is very conservative with regard to the appropriate role of government. This conservatism was illustrated by the passage of an initiative limiting ad valorem taxes in 1978, a move that has directly constrained the revenue capacity of local government. The state has been affected indirectly by shouldering an increased share of the cost of education, thus limiting the state's ability to fund other functional areas.

Idaho's economy is heavily dependent on the four natural resource-based industries-- agriculture, forestry, mining, and tourism. Despite Idaho's being among the fastest growing states in the 1970s, the macroeconomic policies of the 1980s led to a wrenching downturn in all the resource industries that lasted far beyond the national recession of 1980-82. Total nonagricultural employment did not return to 1979 levels until last year(IEF). Some economic recovery has begun in the last two years, but it has been concentrated in Idaho's largest cities and resort areas. For example, 77 per cent of the value of new construction in 1988 occurred in the counties containing Boise, Idaho Falls, Coeur d'Alene, and Sun Valley. Most of the state's 44 counties continue to experience higher than average unemployment rates (26 counties), declining labor forces (19 counties), and declining assessed valuations (24 counties).

Thus, by the mid-1980s it was apparent that the coincident cyclical downturn and continued structural change in the resource industries were threatening the integrity of many rural Idaho communities. A transition in Democratic governors in 1987 offered a convenient opportunity for a reexamination of state issues. Governor Andrus had successfully run on a campaign stressing education and economic development, and he succeeded in quadrupling the budget of the newly-formed Department of Commerce in his first legislative session.

Like many state economic development agencies, Commerce used most of its additional resources to increase efforts in industrial recruitment and international marketing. This was verified by the product of a strategic planning process that emphasized enhancing the state's business image to attract new business from out of state (Commerce, Ford).

Coordination-The Never Ending Story

While enhancing the state's image is a logical first step for economic development, the need to respond to emerging rural issues was also recognized. It was clear that rural development, the generation of vitality and wealth within rural communities (Shaffer and Pulver), encompassed a great many subjects and the jurisdiction of many agencies. A threshold step was thus to simply understand the many activities, programs, and resources available in the state relating to some aspect of rural development.

One vehicle for coordination arose from the USDA Rural Regeneration Initiative. Under this national directive, the USDA agencies in each state were to form an organization to address rural issues. In Idaho, both levels of government recognized an opportunity that led to Governor Andrus naming four state members to the Idaho Rural Development Committee in August 1987. All state agencies and universities were directed to cooperate in rural development efforts. Federal membership was expanded to include SBA and EDA representatives. This committee has not become the focal point for rural development that USDA may have envisioned, nor has the rural enterprise team concept functioned well in Idaho. However, the Committee has succeeded in raising awareness of state and federal programs, and has proven an effective forum for discussing specific problems and preventing duplicative work when local entities seek assistance from several agencies. Several new partnerships were begun that would not have otherwise formed.

The Rural Development Committee also served to demonstrate that the state side of the partnership needed further coordination. The Andrus administration held early interagency roundtable discussions on economic development activities. Because the authority to address rural issues was so highly dispersed and because so much was happening in the national policy arena, Governor Andrus named the authors to form a Rural Policy Working Group in July 1988. We were charged with monitoring and coordinating activities in Idaho, identifying problems and opportunities, and developing proposals for a comprehensive rural policy.

A proliferation of unwritten and overlapping turf lines covering geography and subject matter is a dominant feature of economic development in any state. In Idaho, the absence of a department of commerce prior to 1985 and the lack of significant university or extension activity had created a vacuum in economic development leadership that the EDA economic development districts, chambers of commerce, and vocational-technical schools had attempted to fill. Now the Department of Commerce has begun operating, higher education has reawakened to rural community development, the Idaho Department of Agriculture has evolved beyond a regulatory function, an active SBDC system has been formed, and USDA agencies have been directed to help rural areas. New points of friction are a natural consequence. Interagency coordination becomes a vital, yet neverending process, requiring both tact and a firm hand to allow governmental entrepreneurs to initiate creative solutions while retaining some semblance of administrative efficiency. Coordination is something often-voiced, but generally underachieved, because it is time consuming, rarely appreciated, and does not often produce measurable results.

Two rural policy dimensions were the first to emerge - type of government assistance and type of community development strategy. Because many isolated rural areas cannot compete effectively for new businesses, we wanted to foster an entrepreneurial climate in Idaho that facilitated growth from within (Vaughn, John, et al., NGA). Recognizing a need to diversify the portfolio of state investments in rural development strategies, we have emphasized communicating the potential of less "traditional" strategies such as timber diversification, farm and ranch recreation, import substitution, and retirement income. We also felt the need to clarify how government might assist the process of rural development.

Raising Awareness- The First Step

Idaho needed to begin developing the economic awareness and local leadership to address rural problems (SRI). After several years of hard times, the predominant attitude was one of resignation to continued decline of rural economies, while a minority pursued "white knight" solutions like the location of a major new business or public facility. Throughout Idaho, people needed to better understand their economic problems, how they were being affected by national trends and events, how their local economies worked, and how local communities could take steps to stabilize and diversify their economic base. The need for education extended to members of the state's professional economic development ranks, as well as local leaders and the rural public.

The first opportunity to raise awareness was a successful bid to host the 1988 Pacific Northwest Regional Economic Conference. The conference organizers deliberately decided to make economic development the conference theme as a way to articulate in Idaho changing beliefs regarding economic development policies (Gardner). Additionally, rural development was chosen for the featured address by Glen Pulver, and eight papers were invited that described specific rural development strategies that communities could pursue. The PNREC conference was successful in attracting a large Idaho audience.

Articles in publications of the state budget office, Boise State University, the extension service, and elsewhere continued the flow of information on rural issues. Rowe presented her updated typology of

Idaho counties to a meeting of development professionals sponsored by the Department of Commerce. A large interagency contingent of Idahoans attended a week-long training session for western extension educators held in Salt Lake City. Media interest in rural issues was easily obtained and carefully cultivated.

To build awareness at the local level, the state initiated a community certification program called Gem Communities. This strategic planning exercise included an orientation training session, a community assessment, and regional workshops on business retention/expansion and economic diversification. The Department of Commerce has succeeded in using expertise from the universities and over a dozen state and federal agencies in these workshops. Communities are required to form an economic development organization and to submit various plans that, in total, amount to a strategic plan for community and economic development and a prioritized action list of immediate projects (Commerce, 1988). Fifteen rural communities enrolled in the Gem Communities program in 1988, with an additional eight larger cities participating in fast-track certification and another 15 communities on a waiting list for 1989.

Several conclusions can already be drawn from the Gem Community experience:

1) The simple acts of creating an economic development organization and passing a city or county resolution to apply for the program were often enough reverse low morale and galvanize a community into action.

2) People in rural areas are often unaware of government programs and resources available for community and business assistance. Without specific efforts to overcome the problems of distance and isolation in rural areas of Idaho, there appears to be an inherent bias for government assistance to flow to the largest cities, those communities with professional economic development staff, and those communities closest to the sources of assistance (state capitol, universities).

3) The program can be an effective focal point for delivering a broad array of technical assistance into a locality. However, resource people remain difficult to draw to distant and isolated communities.

4) Gem Communities effectively becomes a self-selection process that prioritizes the state's allocation of resources. By assisting those who seek to help themselves, the state avoids the ethical/political thicket of picking winning or losing communities.

5) Many opportunities do exist for Idaho communities to grow from within. In every participating community, a number of entrepreneurs were discovered who had been working in relative obscurity for some time. Often an existing business had been considering expansion, but needed financing or technical assistance to proceed. Every town also contained people of exceptional skills and experience.

6) Most rural communities responded quickly to training and have chosen to emphasize growth from within and appropriate diversification strategies, rather than the costly and uncertain process of trying to lure new firms. Communities that have not come to this realization continue to struggle and experience disappointment.

7) Successful completion of the strategic planning process is not an end in itself, but a means of taking specific actions. Both the community and the state need to commit to implementing the priorities that the plans prescribe.

Creative Financing

As mentioned earlier, the financial resources that can be brought to bear on Idaho's rural problems are extremely limited. The Governor's FY1990 budget has General Account expenditures of only $763 million, with 74 per cent of that earmarked for education and only $4.8 million going for economic development and regulatory functions. The state is constitutionally limited to $2.0 million in general obligation debt. After a decade of living with a property tax limitation and a stagnant economy, there is a minimum of fat in state and local government. Addressing rural development in Idaho is therefore a matter of reprioritizing activities, making more efficient use of existing resources no matter where they reside, innovative partnerships, and creative financing.

Leveraging state funds is a constant theme. While Idaho has been making relatively good use of its EDA and SBA funding, new sources of rural development funding have been tapped recently. Lewis-Clark State College was able to secure a U.S. Department of Education FIPSE grant for rural community education work in the Clearwater Valley. Idaho State University received a substantial Northwest Area Foundation grant for community development work in several eastern Idaho locations, and the University of Idaho received a similar grant for agricultural diversification work in North Idaho. Boise State University obtained U.S. Department of Commerce funding for an innovative program to assist entrepreneurs with resource-based business ideas. The Idaho Department of Agriculture secured a USDA grant for domestic marketing of alternative agricultural products. The Forest Service granted the Idaho Department of Parks and Recreation funds to coordinate recreation aspects of Idaho national forests. The Rural Policy Working Group also worked with Commerce and several other agencies in exploiting an obscure Forest Service grant program to obtain two economic diversification grants for forestry-dependent areas affected by public timber supply.

Necessity and new agency interaction through institutions like the Idaho Rural Development Committee have also led to new public partnerships. Tree and shrub seedlings were distributed to rural city and county parks by tapping excess plant materials of SCS, USFS, and University of Idaho nurseries. This is only one of many projects designed for Idaho's Centennial. SCS will provide an office and transportation for a new rural development coordinator in Adams and Valley counties. Combining SCS technical assistance through Resource Conservation and Development districts with National Guard labor and equipment has allowed major improvements at several Idaho locations, including Bear Lake State Park. A payment-in-lieu-of-rent arrangement between the Idaho Agricultural Statistics Service and the Idaho Department of Agriculture has allowed several surveys to be conducted by University of Idaho faculty.

A Rural Policy Emerges

Despite the absence of a formal planning process by any state entity, a comprehensive rural policy has begun to emerge over the last two years. Table 1 displays the assistance available to rural communities and businesses in terms of type of development strategy and type of assistance. Though not shown in the table, we recognize the need for Idaho to invest in the rural infrastructure necessary to increase the capacity for development. Education funding remains the premiere policy issue in Idaho, and school consolidation remains a threat to many small towns. A forward looking need for isolated rural towns in Idaho is telecommunications downlink sites for inclusion in a state system of technology transfer and job retraining. Idaho is now upgrading its communication links between universities.

Rural health service has been another topic of increased awareness, with recent activities including the establishment of a state Rural Health Education Center (RHEC), a series of town meetings on health issues sponsored by RHEC, a Governor's Conference on Health Care, and two programs to assist communities in restoring viability to their rural hospital. Other infrastructure needs, such as roads, are also acute, as befits a state that ranks 47th in state and local taxes per capita.

The Next Steps

Table 1 shows the current state of rural development assistance in Idaho. The next round of priorities in adding to the array of programs is described below. Because of the massive cost of improving rural capacity through investments in transportation, education, and public services, we have deliberately avoided emphasizing infrastructure improvement programs, choosing instead to focus on areas where we feel we can produce a greater marginal return.

Expanding Gem Community Support: Despite the success of getting a well-crafted community planning assistance program launched in 1988, Gem Communities is not sustainable without additional staffing. In addition to organizing 42 workshops in the course of a year, project coordinators must also review submitted plans, conduct mock site visits, and process the paperwork associated with certification and implementation grants. With completed plans, there should be a corresponding rise in the number of requests for community assistance to implement the prioritized action items. Governor Andrus requested additional funds for Gem Communities in his FY1990 budget and referred to the program by name in his State of the State address. In addition, the Department of Commerce secured an EDA grant of $115,000 for community development planning and implementation.

The Rural Policy Working Group has initiated a series of meetings with various private and public utilities to assess the role they can play in community development. Given substantial fixed costs in transmission and distribution systems in areas with stagnant or declining usage, there is clearly self-interest on the part of utilities to support community-based development efforts. Three suggested ways for utilities to become involved are 1) to participate in the Gem Community process of towns in their service area, 2) to help finance the implementation of ideas generated by the planning, and 3) to help entrepreneurs in their area develop business and marketing plans through a statewide program called Project Enterprise.

Because one criticism of community certification programs is that they are too elementary in content (John, et al.), we are also working to increase the role that universities play in the Gem Community process. In particular, an effort will be made to standardize the attitude, consumer, and business surveys that are offered by the state's universities. This would facilitate quality research at a minimum cost to any community and the compilation of a uniform database for cross-sectional analysis between Idaho cities. We will also encourage greater community participation by university regional economists who have developed extensive secondary databases and even subregional input-output models.

Improving Technical Assistance: As rural development awareness grows, one consequence will be increasing demand for various sorts of technical assistance. We believe technical assistance to entrepreneurs is one of the most cost-effective investments a state can make to improve its business climate. Specifically, we are seeking continued funding for a demonstration program called Project Enterprise, under which entrepreneurs could win small grants ($1500) to develop business plans or feasibility studies with the help of university faculty and the SBDC network.

An expanded state investment in the Small Business Development Center system is also desirable. The system is now overloaded, creating a risk of decline in the quality of business plans. SBDC assistance is labor-intensive, with clients averaging 12 hours of one-on-one help. SBDC staff need to be located in the five business incubators being developed around the state.

Finally, there is a need for subject-specific technical assistance for several of the rural development strategies. A rural tourism center much like the one at Oregon State University and a Center for Advanced Wood Use are being sought by the College of Forestry at the University of Idaho. Either the College of Agriculture or the Department of Agriculture needs to devote more resources to agricultural diversification. Cooperative processing and marketing, a centralized database or referral service, and a systematic evaluation of alternative crops that fit Idaho's microclimates are among the most pressing needs. Farm and ranch recreation and home-based businesses would benefit from networking and information delivery through the extension service.

Enhancing Capital Formation: Government can play a role in increasing capital availability to rural entrepreneurs if existing capital markets are failing in some instances. In Idaho, gaps in development finance markets are perceived for mid-to-higher levels of risk for small-to-mid-sized projects, especially in rural areas. Progress was made in the 1989 Idaho Legislature with the passage of SB 1255, that authorizes business and industrial development corporations. A trailing proposal (SB 1295) was introduced,but not passed. This trailer legislation would have provided for a)state subordinated investments of up to $150,000, or 30 percent of the total, in BIDCO projects in certain targeted counties, b) small economic diversification grants to entrepreneurs, c) state matching investments up to $25,000 in rural seed capital pools, and d) matching investments for research and development of up to $25,000. It is likely that SB 1295 will be reintroduced to the 1990 Idaho Legislature.

Principles underlying these proposals include: 1) government finance programs should enhance, not supplant, the risktaking capability of the private sector, 2) the object is to increase capital availability, not lower the cost of risk capital, 3) the public sector in Idaho does not have the management skills, nor financial resources, for efficient direct lending, 4) government deserves to share directly in returns from successful investments, and 5) public investments should be targeted to the greatest marginal social returns. The state's commitment to capital formation is likely to total less than $1 million per year, commensurate with available resources.

Funding Turnkey Research: To make more effective use of the universities' analytical resources in the short run, we have convinced the Board of Education to redirect $200,000 in discretionary research funds for very applied studies that have an immediate bearing on economic development opportunities or obstacles. The topics will be identified largely by state government leaders, and might include analyses of infrastructure barriers, feasibility studies of food processing or lumber remanufacturing possibilities, market studies for new crops or new products, studies of new business performance, and the like. Such studies can give business leaders or government policymakers information to act, give economic developers a more specific target for recruitment, or fund the development of grant proposals. Such research also benefits university administrators by demonstrating that higher education understands its mission of helping address social problems and is responsive to requests for assistance.

Conclusion

Idaho's experiences may not appear unusual to students of rural development, and the accomplishments may not be impressive by comparison to those of other states. Idaho's rural policy is not yet comprehensive in scope, but we are attempting to methodically and creatively address needs with available resources. Idaho is a good example that those areas suffering most from a problem are often those who can least afford to solve them, a catch-22 exacerbated by the fiscal federalism of the 1980s. And yet surprising progress can be made without formal appropriations or large programs. Even the smallest infusions of assistance or economic incentive can overcome community inertia. Whether it's teaching a workshop, translating a small business brochure into Spanish, opening a new bed and breakfast, or applying for a grant, improvements to the quality of rural life can only come through step-by-step attention to detail. Though action has been stressed at the expense of excessive study or consensus-building, each small accomplishment adds to the rural policy of the state.

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Table 1. Matrix of Rural Development Efforts in Idaho

ECONOMIC DIVERSIFICATION STRATEGY	TYPE OF PUBLIC ASSISTANCE					
	Awareness/ Education	Technical Assistance			Financing	Research
		Planning/ Bus. Mgt.	Marketing	Implementation/ Production		
Business Recruitment	***		***	***	**	
Business Retention & Expansion	**	*				
Small Bus. Dev./ Home-Based Business	***	**	**			
Import Substitution	*	*		*		
Agricultural Diversification	**	*	*	**	*	*
Farm & Ranch Recreation	**	**	*	**		*
Rural Tourism	**	*	**			*
Forestry Diversification	*	*	*	**		*
Attracting Retirees	**					*
Attracting Footloose Entrepreneurs	*					

=receives no attention in Idaho
* = minimal attention
** = moderate attention given
***= major emphasis, sufficient resources given this area