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Recapping Rural Development Challenges: Proceedings from the 2022 Conference

The *Creating Conversations on the Challenges and Opportunities Facing Rural Economic Development* conference was hosted by the Federal Reserve Bank of Chicago and the W. E. Upjohn Institute for Employment Research on September 28 and 29, 2022 in Western Michigan.

The conference featured two segments. The first was a field trip to Montcalm Community College (MCC) in Montcalm County, over 30 miles from the conference base in Grand Rapids, where panels of MCC leaders and community leaders spoke about rural development challenges. The second segment was a series of panels of researchers and practitioners who discussed the definition of “rural,” quality of life and sense of place, rural economic development challenges, technology challenges facing rural economic development, infrastructure, clusters, and assets, and key services and rural health care.

The conference was structured to include practitioner responses to each research paper presented. This gave the audience and researchers the opportunity to place the research within the context of policy decisions, and to think about the applicability of the research findings. It also provided a space for practitioners from different regions to interact and learn about different approaches to similar issues. This resulted in robust discussion and momentum for continuing work. This review of conference proceedings identifies the overarching themes from the panels and discusses the researcher and practitioner findings. Videos of each panel can be found [here](#).

Setting the Stage

To begin the research portion of the conference, Nathan Anderson (Federal Reserve Bank of Chicago) and Mark Partridge (The Ohio State University) presented research on the heterogeneity of rural regions, and the ways that rural areas are defined according to different measures. Anderson’s research found that, although the rural population has declined over the past few decades, this is mostly due to the changing definition of rural – as places increase in population, they are no longer classified as rural. He found that the population of rural areas increased by 1% from 1980 to 2020. Partridge shared one reason for this change in rural population: the minimum population for an area to be considered urban is rising over time. The population required to keep services, amenities, and stores open has changed as retail landscapes

have transformed from small to big-box stores. Partridge noted that a big-box store cannot operate unless it has an ever-rising population of customers, so cannot exist in smaller rural places.

Anderson and Partridge also noted that, although many rural areas can have the same issues, rural areas are not homogenous. In the five states of the seventh district of the Federal Reserve System (Iowa, Illinois, Indiana, Wisconsin, Michigan), 4.8 million people, or 13% of the population, live in small towns or rural counties. Twelve percent of households in those rural counties are considered low or moderate income. Unemployment across rural areas in this five-state district was widely varied during the pandemic.

Support and Capacity

A major challenge in the pursuit of rural economic development is capacity. Rural areas are, by nature, less populated than urban areas and often have fewer resources and public amenities, like robust public programs. Lack of capacity also extends to local governments, where village managers or township leaders must provide for a rural area on a small budget. With that small budget, rural governments must sometimes pay more for services, like water and sewer-system connectivity to the nearest city. According to a blog by the Federal Reserve Bank of St. Louis, rural governments can be understaffed and underfunded, leading to a need for community-based nonprofits and development organizations to make up the difference.ⁱ A report from Headwaters Economics acknowledges that often, “communities simply lack the staff – and the tax base to support staff – needed to apply for federal programs.”ⁱⁱ This was evident in the sessions at MCC.

At MCC, local government and nonprofit leaders spoke about the importance of capacity, funding, and support for rural areas. Darin Dood and Mike Falcon, village managers for Lakeview and Howard City, respectively, described the ways in which their rural towns and villages do not have enough capacity for pressing work. Along with his village manager duties, Dood acts as airport manager and police chief for Lakeview and sits on the board of the Montcalm Economic Alliance. Similarly, Falcon is a member of Howard City’s Downtown Development Authority. Both Dood and Falcon do not have enough capacity to focus on funding – an issue that is critical for the development of rural areas. Rural areas often cannot compete with larger cities in terms of numbers or diversity, and therefore do not qualify for as many grants. While larger cities have dedicated grant writers on payroll, village managers and small

government staff often submit grants and seek funding in their spare hours. Both described situations where a county or state government agency suggested solutions that are not feasible for smaller towns and rural areas, like utilizing a city engineer or grant writer for these types of activities.

One of the reasons rural areas have issues with capacity and funding is the differing definitions of rural, and the obstacles those definitions can pose to rural governments. The Office of Management and Budget, U.S. Census Bureau, and U.S. Department of Agriculture Economic Research Service all use different definitions of the term rural, and these different definitions are based on the number of people in counties or metro areas. As explained in research by Christelle Khalaf et al.,ⁱⁱⁱ generalized and inconsistent definitions of rural make it difficult to implement useful policy at a local level, as much of the policy making is made at state or higher levels of government. Economic development strategies that are a better fit for the localized rural community are likely to be more effective. Khalaf (University of Illinois – Chicago) presented research on a new machine-learning method that might provide more nuance to the definition of rural and be more useful for policy making. While the researchers do not provide a concrete new definition, they use more granular information and different community characteristics to factor into the definition of rural, rather than using threshold methods. While machine-learning methods are often more complicated to interpret on a large scale because of the number of variables they include, the level of detail provided in the Khalaf et al. model is more helpful to policy makers who want successful programs that are tailored to the local community. Marcello Graziano (Southern Connecticut State University) presented research on an algorithm that redefines rural places by demographic, economic, land cover, and transportation characteristics.^{iv} He identified how rurality and urbanity impacted a place's recovery from the Great Financial Crisis and concluded that rural areas had lower increases in income and workforce during the recovery but also lower increases in poverty rates than urban areas. In his presentation, Graziano concluded that local economies that were not overreliant on distant economies more robustly recovered. These nuanced definitions can help in two ways: they can identify similar characteristics across rural areas outside of their low population counts, and they can be fine-tuned for specific places depending on their circumstances.

In their response to this research, Sam Moore (executive director of Lapeer MI Development Corporation) and Taylor Stuckert (executive director of Clinton County OH Regional Planning Commission) agreed that official definitions of rurality and regional categorization often differed from what was useful in practical application. In Stuckert's case, Clinton County is part of the Dayton Development Coalition despite having more of an economic alliance with the Cincinnati Metropolitan Statistical Area, thus creating a mismatch in development and programs.

Additionally, this rural county has quite a few in-migration workers from the Cincinnati region, which means that people who could be working in, living in, and helping to develop Clinton County instead are providing their support to the Cincinnati area. Conversely, it is Moore's opinion that changing the definition of rural can sometimes add more obstacles for a rural community seeking resources. The practitioner notes that too much time can be spent trying to write a grant to fit communities into federal definitions of rural to obtain necessary funding. He urged that any changes to the definition of rural should serve rural communities and provide a better framework for funding and support.

Throughout the conference, several practitioners addressed the issue of capacity and funding for rural areas, and their experience working with governments and grant programs to accomplish economic development goals. Liesl Seibert (Empower Rural Iowa, Center for Rural Revitalization) spoke about how her organization provides support and direction to different rural and small-town governments - mostly to guide them to funding that is more finely tailored to their communities. Iowa has grant programs to support rural revitalization projects, including access to broadband Internet, but some local governments can be overburdened or unaware of helpful grants and ways to "stack" programs to ensure economic development initiatives are successful. Seibert serves as the coordinator for local governments to help them learn of and access these programs. Since many grant and funding opportunities are designed for metropolitan areas, it becomes more important for someone to be able to guide local and rural governments to the right programs that can assist with development.

Economic Development

The Federal Reserve Bank of St. Louis listed infrastructure, public services, and workforce development as key priorities for rural economic development over the coming years.^v

Infrastructure improvements in rural areas can often be overlooked. Over 65% of U.S. roadways

are in rural areas^{vi} and over 10% of people living in rural areas have no access to intercity transportation.^{vii} This primarily affects those who are low and moderate income without access to reliable transportation, and who must drive to work or school in rural areas. Over 20% of people living in rural areas do not have access to reliable broadband, affecting the way people are able to participate in school, work, and community activities.^{viii} Economic crises like the Great Recession have disparate impacts in rural areas compared to urban ones, as labor force participation rates declined three times more in rural areas than in urban areas over the Great Recession.^{ix} There exists the threat of major employment leaving rural areas, either for urban areas or different regions entirely. Therefore, efforts to maintain a workforce and employers are a large part of economic development.

One MCC panel discussed a model of what a dedicated school-to-workforce pipeline looks like in a rural area. Susan Hatto (dean of industrial education and workforce training at MCC) described the current challenges of students at MCC and in the Greenville, MI area.

Transportation and access to broadband are big issues for students, some of whom work from the school parking lot after hours and over weekends to access the school's Wi-Fi. Andrew Nielsen (advanced manufacturing and welding technology instructor at MCC) spoke about his experience growing up in Montcalm, returning to MCC to pursue an apprenticeship, and gaining employment in the area because of following that educational track. He now teaches at MCC along with Peter Murr, a welding instructor. As a welding instructor, Peter saw a lack of marketable skills from incoming MCC students. MCC now coordinates with local employers to determine the skills needed for students to get jobs after graduating and to produce measures of consistency in skill standards for those employers. Rich Ring (manager, human resources and safety, Greenville Tool and Die) described the collaborative efforts of area employers and the community college to provide a clear education and employment track for students. Employers work closely with Hatto to ensure that students are aware of apprenticeship opportunities and to ensure the curriculum meets the needs of local manufacturers. Though MCC is a good example of what collaboration looks like to build a robust employment base in Montcalm County, there are still challenges with assuring students they can live and work affordably and sustainably in the rural county. Olivia Blomstrom (executive director of Montcalm Economic Alliance), Terri Legg (president and CEO of United Way Montcalm-Ionia Counties), and Travis Alden (senior director of community development, The Right Place) described issues with capacity, like those

of Dood and Falcon, but also emphasized that the large number of issues - housing, access to broadband, and transportation - make it difficult to dedicate serious time to grant applications. Housing is one issue that stands out to Legg. Although rural areas engage with economic development initiatives, there is often not enough housing stock for seniors, working people, or young people who want to live and work in rural areas. Legg said this is especially true since the pandemic, when people moved in greater numbers to rural areas but still worked in urban areas, like Grand Rapids.

Several academics shared their research about rural economic development programs, infrastructure, and labor market development in rural areas. Andrew Van Leuven (Oklahoma State University) presented research on the Main Street Program and its effect on small-town business districts. His results showed disparate effects across Midwest towns. Several Iowa towns reaped economic benefits because of participating in the Main Street program, whereas the rest of the Midwest saw little benefit from the program. There is more research to be done on why Iowa might have differed from other Midwest states and had a higher success rate.^x David Albouy (University of Illinois – Urbana-Champaign) presented research on the value of public infrastructure in rural and urban places. His findings showed that infrastructure increases employment in urban counties and property values in rural counties.^{xi} Christiana McFarland’s (SRI International) research investigated industry clusters, showing that local employment grows faster when that employment is part of a larger regional industry cluster.^{xii} Oudom Hean (North Dakota State University) presented a paper suggesting that growth in technology in urban areas leads to lower labor market outcomes for the surrounding rural areas, which is partially due to brain drain.^{xiii} In the labor force, having a connection to an industry cluster is beneficial to local economies due to spillovers. However, overall labor force growth in an urban area can lead to lower labor market outcomes in rural areas because of competition faced in the urban area. This is another example of how rural economic development issues are not always straightforward.

Practitioners with experience in rural economic development and infrastructure investment responded to the research. Jeremy Solin (Tapped Maple Syrup, University of Wisconsin Extension Educator) had experience working with the Main Street Program in Stevens Point, Wisconsin. He believes the program gave downtown Stevens Point long-lasting credibility, and a sort of revival, even past immediate effects. A negative of the program might have been its rigid

structure because many successful programs adapt their structure to meet the needs of the local community.

Some practitioners had experience working with larger governing bodies, like regional development organizations or multicounty groups, to pass infrastructure and economic development initiatives. Kristin Pruitt (Lake City Bank), Neil Sheridan (Michigan Townships Association), and Raymond Lai (IL Regional Planning Commission) all addressed experiences with economic development initiatives and collaboration across regions. There is great importance in regions binding together for economic development programs, especially since some state and local funding is for “regions” rather than for individual governments, like counties or townships. When regions work together to pursue state funding, opportunities for localities to identify their comparative advantages, recognize industry clusters, and work toward moving forward together can be realized. These kinds of collaborations can help with the issue of capacity, as rural towns benefit by being able to pool resources and join with urban areas.

Technology and access to broadband were addressed as key issues to rural areas, especially because rural areas are more isolated. The covid-19 pandemic exacerbated the issue as people moved to online work and school, and the issue with broadband access became well-known. Johnny Park (Wabash Heartland Innovation Network) and Stacy Nimmo (Red Wing Ignite) described their experiences with tech advancement in rural areas. Broadband access was widely referenced in almost every panel as a major technological challenge. Access to broadband is important for labor force development, quality-of-life measures, and general infrastructure improvements. Park works to bring tech advancements and education to rural Indiana, including in the automation of labor-intensive agricultural work. Nimmo’s region, one with broadband access issues, has had wide success with different tech programs to bring things like coworking spaces that are attractive to workers to rural areas. The advancement in technology provides those living in rural areas the chance to work and learn - like many people did during the covid-19 shutdowns - without changing the rurality of a place or many of the benefits of living in rural areas.

Key Services and Quality of Life

Access to key services can be difficult in rural areas due to isolation and the expense of these services. Health care is both important and difficult to access in rural areas due to “scarcity of

services, a lack of trained physicians, insufficient public transport, and poor availability of broadband Internet services.”^{xiv} The U.S. Department of Agriculture’s Economic Research Service noted that rural counties had “fewer health care facilities and were more likely to have health professional shortage areas” than metro areas.^{xv} Xiaochu Hu (Association of American Medical Colleges) presented a paper on why physicians choose to practice in rural areas and what incentives and policy initiatives might help increase the number of physicians who work in rural areas. Rural origin and rural location of medical training are both significant factors in the decision to practice in a rural area. Due to declining rural medical school enrollment, many schools have targeted admissions to try and recruit students who will remain in rural areas.^{xvi} Marie Barry (Rural Wisconsin Health Cooperative) and Lydia Watson (MyMichigan Health) responded to the research as experts in the rural health care sector. Both touched on existing programs that encouraged doctors to practice in rural areas, though doctors most frequently remain in rural areas if they are originally from a rural area. There are also initiatives to share care and ambulance services across hospitals and facilities. This makes it easier for isolated communities to either perform care in lieu of ambulance service or to better triage serious health issues.

A large draw to life in rural areas is natural beauty and the sense of community that can come from small towns. There is evidence to suggest that natural environment and a feeling of community are important to those who live in rural areas, more so than accessibility of amenities.^{xvii} There were several researchers who touched on the importance of services and quality of life in rural areas. J. Tom Mueller presented a paper linking natural resource dependence and rural economic prosperity, noting that both extractive and nonextractive resource development led to diminishing returns to economic prosperity, including measures of income, poverty, and inequality.^{xviii} Xue Zhang (Syracuse University) presented research suggesting that as people age, they value the qualities of rural communities more, like civic and social engagement and natural environment. Natural and social environments could be used to attract people to rural areas. Further, aspects of livability are as important as economic development strategies, if not more so. Bringing livability and stable population to a place ensures at least part of its economic success.^{xix} Jeremy Solin (Tapped Maple Syrup and University of Wisconsin-Extension) described his experience with sense of place and food systems, and his connection to rural areas. His finding was that those engaged in their

community and engaged with food systems led to a greater sense of place, which then created a cycle of investment in communities. There is a need in rural places for a sense of trust in the community to know what needs to be done and what needs to change.

Conclusion

This Rural Economic Development conference was originally scheduled for 2020, and plans were upended by the COVID-19 pandemic. Over the course of the pandemic, the inequalities present between rural and urban areas were exacerbated, especially regarding health care and broadband access. Nonmetropolitan areas had higher mortality rates, on average, than metropolitan areas throughout the course of the pandemic.^{xx} As described during the conference, it can be difficult to access health care from rural areas, which had an adverse effect on people living in rural areas through the pandemic. Additionally, metropolitan areas saw a surge in out-migration to suburban, micropolitan, or rural areas as people sought more space during lockdowns.^{xxi} This put upward pressure on home prices, making it more difficult for some of the rural workforce to access affordable housing. As economic development agencies increasingly market their respective areas to try and attract large employers to locate in their areas, the shortage of affordable housing is highlighted. The pandemic also emphasized the importance of essential workers, who were not able to work remotely in the depths of the pandemic. Many of these jobs include manufacturing, and therefore affected rural manufacturing workers like those in Montcalm County, Michigan. For those who were able to work or attend school from home, the pandemic brought to light issues with broadband access, including those challenges faced by students at MCC who worked within Wi-Fi reach in the college's parking lot.

The spotlight on these issues over the pandemic has led to some opportunities for funding from the federal government. The Bipartisan Infrastructure Law has a specific high-speed Internet fund for rural areas, with the aim of providing broadband to people living in rural areas. The American Rescue Plan has various funds and grants for housing, food, education, and health care in rural areas. National attention on rural areas, as well as the wealth of research presented at this conference and produced over the pandemic, has created a “good problem” for those practitioners in Grand Rapids: how to best utilize and spend funds in their areas.

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