

# Equitable Recovery and Resilience in Rural America

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By Brian Dabson

## PLACE AND RURAL AMERICA

A place is distinguished by its people, governance and institutions as much as it is by its physical landscape, natural resources, buildings and boundaries.<sup>1</sup> The character of a place, its identity, and its people's sense of belonging are shaped by interaction within the place and with other places, and by its history and its culture. Every person lives in multiple places – both over a lifetime and at any given time – where they reside, work, learn, shop and play. And everyone lives at different scales – home, neighborhood, city, state, nation, other countries.

Quality of life is largely determined by the characteristics of places, for better or worse. Differences between places drive inequalities in economic opportunity, educational attainment and health outcomes.

These differences are often expressed as “geography is destiny” or “geographic inequity.” The idea that where you live determines your life chances strikes at the heart of the American Dream of opportunity for all – that if you work hard, it doesn't matter where you come from or what you look like, you can achieve a stable and prosperous life. But, the groundbreaking research of Raj Chetty<sup>2,3</sup> on economic mobility has shown clearly that geography and race really do shape your destiny.

Rural America is a special place – or more accurately a mosaic of many special places – where connection to the land is the defining characteristic, reinforced by history, culture and lived experiences. Equity in a rural context is complicated – in its relationship with urban and suburban America, in terms of who owns and controls the land and its resources, and in the very present legacies of broken promises to Native peoples and of slavery and discrimination. Yet, it still is a place of both majestic and intimate landscapes, of resilient and resourceful people and communities, and a vital part of the United States, past, present and future.

## INTRODUCTION

This analysis begins by providing a baseline for understanding the current state of a geography that comprises 72 percent of the land mass of the United States and is home to 46 million people.<sup>4</sup> It continues with a discussion of the fault lines exposed and deepened by COVID-19 and some of the potential longer-term impacts and scenarios for rural places and people. Ideas are presented for short-term strategic actions to address some of these challenges and longer-term transformative proposals to seize the opportunities for change that the pandemic offers out of the wreckage it has wrought.

There is a fine line between focusing on the characteristics, needs and opportunities of rural areas, and putting rural in a box that is distinct

In July 2020, *Thriving Together: A Springboard for Equitable Recovery and Resilience in Communities Across America*, was launched by the CDC Foundation and the Well Being Trust, coordinated with Community Initiatives and ReThink Health. The *Springboard* highlights actions that communities, organizations, businesses, governments and philanthropies can embrace to emerge from the trauma of 2020 with greater resilience, humanity and direction. The *Springboard* is a major report, a website, and a roadmap for engagement. The *Springboard* report was written and assembled in May and June 2020 from over 100 contributions from a broad array of organizations and communities nationwide. One of these contributions focused on rural America, under “Place,” one of the *Springboard's* four cross-cutting themes. Though this is not a product of Thrive Rural, *Equitable Recovery and Resilience in Rural America* is republished here in a slightly edited form, including updated data and analysis where relevant, to make it more widely available.

and disconnected from the rest of the country. The intention of this effort is to embrace both rural America's distinctiveness and its interdependence with the rest of the nation as the basis for diagnosis, prognosis, and intervention.

## THE CURRENT STATE OF RURAL AMERICA<sup>5</sup>

**Policy and Perceptions.** Rural America is not a homogenous and undifferentiated place. It is vast, complex and diverse, and, unfortunately, its role, contributions, perspectives and realities are often unrecognized or misunderstood. This is a matter of policy, politics and inertia. Misconceptions abound, such as "rurality and agriculture are synonymous" or that "farm subsidies represent rural development."

True, agriculture is the primary economic driver in many parts, particularly on the Great Plains, but overall, fewer than 10 percent of the rural workforce are employed in agriculture, fishing, hunting and mining.<sup>6</sup> Education, health care and social assistance (22.3 percent) and manufacturing (12.1 percent) are the largest employment segments.

Another misconception is that rural America is universally struggling. Even though the data show that economic growth and opportunity are unevenly spread across the rural-urban continuum, there are struggling urban areas and there are prospering rural places.<sup>7</sup>

Any discussion about rural America is usually accompanied by questions about what is meant by "rural." Multiple definitions are used by federal agencies; the way we define "rural" and "urban" has profound implications for policy, resource allocation and program design. Despite obvious limitations and the availability of alternatives, most public policymakers and academic researchers use federal definitions that make hard and fast distinctions between urban and non-urban, metropolitan and non-metropolitan. Rural is treated as a residual category<sup>8</sup> – the distant parts beyond the city limits.

### **Economic, Demographic and Spatial Dynamics.**

Most research rejects the notion of a simple rural-urban dichotomy and points to the shifting, crossing and blurring of boundaries, reflecting the dynamic nature of rural-urban interactions. These interactions, and specifically locational patterns of economic activity, are products of comparative advantage,

economies of aggregation, and costs of transportation and communications. The result is the economic dominance of cities as a strong and continuing centralizing force in which rural-urban interactions primarily benefit urban centers, and where commuting is the most visible form of interaction. Recent demographic analyses<sup>9</sup> show widespread rural depopulation and divergent patterns of development across the United States. These have their roots in the 1950s when many rural counties reached their peak populations, with agricultural employment still robust and before mechanization and consolidation radically transformed rural landscapes. A combination of net out-migration and natural decrease have exacerbated the diminishing rate of population growth in the past decades and contributed to the downward spiral of population loss in some areas.

**History and Inequities.** History plays a large role in shaping a place and its development, not just in its physical form, but in the deeply embedded ideas, norms and values that local people take for granted. These influence the way in which local structures, institutions, actors and processes confront and respond to external economic, political, cultural and environmental shocks. Seemingly benign policy changes can produce unexpectedly divisive reactions. History also shaped the policies, practices and investment patterns that conferred benefits on some people while imposing burdens on others. Established systems reinforce entrenched poverty and racial inequalities that generation after generation worsen health outcomes and increase community vulnerability. These are particularly evident in the Delta and Appalachia. Often overlooked is the legacy of maltreatment and broken promises suffered by Native Americans. Some 2.9 million live in 574 sovereign tribal nations, many of whom face a range of health, poverty, employment, and educational disparities.<sup>10</sup>

Poverty is a feature of both rural and urban places, although rural places have suffered generations of relatively higher poverty and lower income rates, especially in more remote areas. These have been compounded by environmental injustice associated with the location of land uses and functions not wanted in urban areas. Rural areas are becoming increasingly racially diverse. Where this shift is recent, social strains and fiscal challenges in meeting new community needs are apparent.

**Capacity and Inertia.** Economic restructuring and loss of opportunity have resulted in population loss and shrinking tax bases in many rural counties. In turn, these have led to decisions to close rural hospitals, schools and other essential services and to centralize them in distant urban centers. These impose cost and transportation challenges for all rural families and particularly for the elderly and infirm. Local governments with declining revenues lack the capacity to provide adequate levels of public services and to respond to external shocks such as major weather events or pandemics.

There is well-documented evidence that some rural communities, blessed with strong and imaginative local leadership, can create positive futures for themselves despite these challenges. This is particularly so in rural areas near to urban centers and those in high-amenity regions. However, for other communities with fewer assets, inertia and hopelessness get in the way of action. In many rural areas, large private corporations own or control farm and forest production, mining and energy extraction, while the federal government controls and manages vast tracts of public lands, particularly in the West. This often leaves little room for local economic opportunity and wealth creation and undermines community resilience.

Finally, there is the paradox of political power and voice. Rural constituencies have disproportionate sway in the U.S. Senate and in many state legislatures because of Constitutional arrangements that safeguard the interests of certain rural interests. This sets up conflicts with large urban centers that have economic power but constrained political influence. The current national political climate stokes the sense of rural versus urban interests and politicizes issues in ways that inhibit the search for common ground. That said, there is no coherent, unified voice for rural America beyond the special interests that control agriculture, forestry, ranching, mining and water rights.

There are, however, people and organizations across the rural landscape who are active in trying to create new rural futures in their own communities and regions, and who are coming together in vibrant networks to shift state and federal policies to better serve rural interests. These include local civic organizations, nonprofits, regional and national

foundations, and faith-based organizations, as well as public agencies and private associations. They represent multiple interests and issues including food, health, environment, entrepreneurship and economic development, workforce training, financial capital, equity and justice, housing, transportation, and many others. They are the hope for the future of rural America.

## THE PANDEMIC'S FAULT LINES AND IMPACTS

By the close of summer 2020, COVID-19 has spread to nearly every county in the United States. Although the raw numbers of cases and cases per capita are higher in metropolitan areas, the share in nationwide cases in nonmetropolitan areas grew from 3.6 percent in April to 11.1 percent in September 11 – and mounting. This growth in rural cases is concerning for rural health officials because of a relative lack of hospital capacity, and the older average age and higher shares of their populations with underlying health conditions. In some rural locations, hotspots of infections have emerged in meat-packing, food-processing and farm operations where social distancing on the job is difficult and where overcrowded lodging is common. Congregate facilities such as prisons and nursing homes are also hotspots.

The economic impacts have been as severe in rural as anywhere else. Businesses of all sizes have been required to close, stay-at-home orders enforced, and supply chains weakened or broken. Regions dependent on recreation and tourism have been particularly hard hit.

The pandemic's health and economic consequences have acted as an accelerant exposing and deepening the fault lines in rural America. Here is where these consequences are most evident.

**Rural Hospitals.** The health care system in rural America was already in a fragile state before the pandemic. One hundred twenty rural hospitals closed in the past decade, 83 in the past five years.<sup>12</sup> A study published in February 2020<sup>13</sup> estimates that 453 currently open rural hospitals are vulnerable to closure because of their precarious financial position. Population decline, changes in healthcare delivery through consolidations and mergers, state and federal policy particularly related to Medicaid expansion and Medicare payments, and shifts to shorter in-patient

## A NOTE ON RACIAL DIVERSITY IN RURAL AMERICA

- While rural America overall is less racially and ethnically diverse than urban areas, there is significant variation across the country.
- African Americans constitute about 8 percent of the total rural population but are concentrated mainly in southern states – 39 percent of the total rural population in nonmetro South Carolina and Mississippi, 31 percent in Louisiana, and 26 percent in Georgia.
- Similarly, Hispanic populations, 9 percent of the rural total overall, are concentrated in the southwest – 47 percent of nonmetro New Mexico, 34 percent of Texas, and 25 percent of Arizona.
- Native Americans at 2 percent of overall rural population are more geographically dispersed – 30 percent of nonmetro population in Alaska, 34 percent in Arizona, and over 10 percent in South Dakota and Oklahoma.
- Rural population trends show losses in the White and Black populations while Hispanic and Native American populations are increasing<sup>11</sup>. This variation underscores the need to reject the idea of one-size-fits-all policies and programs for rural America and to acknowledge and embrace regional and racial diversity.

hospital stays, all have had a significant impact on rural hospital revenues.<sup>14</sup> Not only are these facilities vital for access to health care for rural communities, they are major direct and indirect contributors to their local economies in terms of jobs, incomes, and purchasing.

Social distancing measures and stay-at-home orders have dramatically cut normal non-emergency hospital procedures as patients have stayed away resulting in further financial woes. At the same time, the overall mortality rate is higher among people who live in rural areas than those who live in urban areas and the disparity is growing – known as the rural mortality penalty.

**The Indian Health Service.** The Indian Health Service (IHS) is responsible for providing health care to 2.2 million members of tribal nations and communities as part of the U.S. government’s treaty obligations.

Even before the pandemic, there were systemic weaknesses in the IHS system with shortages of funding, supplies, doctors and nurses, and aging facilities. The pandemic stressed the system still further with long delays for essential equipment, as tribal communities were disproportionately hit by COVID-19 infections. In New Mexico, Native Americans account for 30 percent of all coronavirus deaths despite representing only 11 percent of the population.<sup>15</sup>

**Rural Broadband.** The pandemic has underscored the vital importance of reliable high-speed internet for business, governance, work, health care, education, shopping and social connection. It has also highlighted the challenges faced by rural residents and businesses because of limited or no access to broadband. Although the Federal Communications Commission has in recent years ratcheted up investment in rural broadband, its 2019 Broadband Deployment Report<sup>16</sup> noted that 26 percent of rural households still lacked access to fixed broadband, and for those on tribal lands fewer than half have access. The digital divide has real world consequences for rural America, including limiting the options for recovery and resilience.

**Racial Inequity.** African Americans bear a disproportionate burden from COVID-19 with 2.5 times more cases and three times more deaths per 100,000 people than white residents. Latinx populations face a similar disparity. One explanation is that these populations are vulnerable because of their higher prevalence of pre-existing conditions often associated with poverty, such as diabetes, cardiovascular disease, asthma, HIV, morbid obesity, liver disease and kidney disease.<sup>17</sup> In a rural context, there are two other factors. The fractured system of rural healthcare in poor regions means shortages of health professionals and long distances to travel for medical care, creating real challenges for aging and minority populations, particularly in the South. The other factor is the number of pandemic hotspots in meat packing and food processing plants with disproportionate impacts on Latinx workers.

**Local Government.** One third (35 percent) of rural counties are experiencing protracted and significant population loss; their 6.2 million residents are one-third fewer than the number who lived in these 676 counties in 1950.<sup>18</sup> This is due to chronic

outmigration, mostly by younger adults, which contributes to fewer births, leaving a large older population aging in place and increasing mortality rates. Another third (31 percent) – 599 counties with 14.6 million – are also losing population, but at a lower rate and have experienced mixed periods of growth and decline. These trends have profound effects on local government tax bases and their ability to provide adequate services to their residents and businesses. Estimates from the National Association of Counties on the impact of COVID-19<sup>19</sup> show that these lost revenues and sales taxes, combined with increases in expenditures on health and human services, justice, public safety and education, will result in small counties seeing a 24 percent reduction in their budgets.

**The Rural-Urban Divide.** Political and cultural cleavages in recent years, often expressed as the rural-urban divide, have been even more evident during the pandemic. Tensions between promoting safety and containment of viral spread versus restoring economic activity and ensuring the survival of small businesses are playing out with different outcomes across the country. Challenges to governors’ orders for protective measures and limiting business activity and public assembly are perceived to be particularly prevalent and politically motivated in more rural areas.

## LONGER-TERM IMPACTS

The pandemic has taken everybody into uncharted territory; without any certainty about the availability of vaccines and treatments, longer-term impacts are hard to predict. Based on the previous analysis, there are three broad scenarios for rural America:

1. **Return to the Old Normal.** Even if it was possible, given the human and economic damage the pandemic has caused, returning to the status quo cannot be said to offer prospects of resilience and equity for many rural people and communities. Rural regions close to metropolitan centers and many in high amenity areas will continue to flourish, but the future for the rest of

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rural America is challenging, especially without any clear vision.

2. **Doom and Gloom.** It is not hard to construct a scenario in which all the negative trends discussed earlier will accelerate post-COVID with dire consequences for rural America. If essential health, education, financial and governmental services collapse, large swaths of the country will experience steep population and business declines. The negative impacts on agriculture, forestry, ecosystem services, recreation and other rural “products” will have repercussions across the rest of the country. Underlying these two scenarios are three hard and unpalatable truths:
  - Experience from the Great Recession indicates that economic recovery for most rural areas will take much longer than for the rest of the country, possibly resulting in loss of businesses, unemployment, and shrinking public resources for basic services. This will further push population decline in parts of rural America.
  - The basic infrastructure to support community survival and development – housing, employment, health, education, social services – will be further weakened.
  - The fault lines will be more difficult to bridge and will make sustained recovery harder.
3. **Seize the Moment.** These stark and daunting realities should not, however, define rural America. They are the issues that must be addressed on the way to crafting a better future. Adopting Thrive Rural’s vision,<sup>20</sup> this future is one of dynamic, healthy places where everyone belongs, lives with dignity, and thrives.
 

The key is to articulate the contribution that rural America makes to the health and prosperity of the nation, emphasizing the interdependence of urban, suburban and rural communities and places. The goal should be to ensure that geography is not destiny, that well-being and equity are core concepts for all, wherever we may live.

## PIVOTAL MOVES FOR IMMEDIATE ACTION

Seizing the moment requires concerted and immediate action across multiple sectors and activities – pivotal moves – as well as laying the groundwork for a major shift in federal policy and investment in rural America. It is, of course, a matter of funding and investment, but it also a matter of institutional innovation and reimagining a different future for people and communities across rural America.

For now, the focus must be on racial equity and the immediate public health crisis. Of surprise to many is that racial justice demonstrations are not confined to large cities, but have appeared in small towns across America. Communities of color in rural areas have experienced discrimination, harassment, and violence for generations. It may be less visible, but is no less real. The intersection of geographic and racial equity provides the North Star for any efforts for recovery and resilience in rural America.

The CARES Act<sup>21</sup> provided injections of funds into critical access hospitals, rural health clinics, and community health centers to partially defray the costs of responding to the pandemic. Various legislative efforts<sup>22</sup> are being pursued to stem rural hospital closures, tackle health professional shortages, and shore up the rural safety net, but soon the process of developing long-term solutions will have to be found.

It is not too much of a stretch to argue that the future of large parts of rural America depends on being able to find long-term solutions to the multiple challenges facing rural health care. It is clear that there must be a funding model that either has the characteristics of a single-payer system or increases insurance coverage to include all Americans, provides adequate levels of Medicare reimbursements to ensure quality care for the elderly and sick, and supports new and effective ways of delivering health-related services across thinly populated regions.

The latter was what the Affordable Care Act<sup>23</sup> set out to do. It sought to make affordable health insurance available to more people, expand the Medicaid program to cover all adults with income below 138 percent of the federal poverty level, and support innovative medical care delivery methods designed to lower the costs of health care generally.

However, from the outset, the Affordable Care Act has demonstrated clearly the enormity and complexity of the challenge of reinventing health care, given the myriad vested interests seeking to safeguard their turf, and given the strong political and philosophical differences about the appropriate level of government intervention in health care.

Nevertheless, the Affordable Care Act, despite multiple efforts to undermine and repeal its provisions, has transformed access to health care in the United States.<sup>24</sup> It has improved consumer protections by eliminating many of the worst practices of the health insurance industry, such as charging more or denying coverage because of a pre-existing health condition like asthma, diabetes or cancer. Health plans are prohibited from putting annual or lifetime dollar limits on most benefits, and families can add or keep children on their health insurance policy until they turn 26 years old. The Act has helped shift the United States toward a health care delivery system based on primary care by increasing payment rates for primary care physicians who accept Medicaid or work in rural areas, and by promoting better coordinated care.

Few would argue that the Affordable Care Act is perfect, but it does seem to be a good place to start a thoroughgoing review of what it will take to provide quality rural health care across the country. However, rural health care cannot be fixed in isolation from other matters that also need urgent attention, principally, broadband, economic development and local government.

### **Pivotal Move: Broadband Deployment and Adoption**

***Reinforce enhanced federal investments in broadband infrastructure with measures to improve data and mapping, ensure digital inclusion, and remove barriers to local action.***

If there was any doubt before the pandemic that access to affordable broadband was an essential service, akin to electricity supply, then this surely has been dispelled. The pandemic has prompted massive shifts in the way businesses, hospitals and clinics, schools, universities and colleges, and governments are staying in touch with employees, customers, patients, students, and constituents through digital communications. NTCA, the membership

## ACTION ON RURAL BROADBAND

- Speed up the implementation of the Rural Digital Opportunity Fund with a target of applying the \$20 billion investment in *five* years instead of ten.
- Initiate *immediately* governmental, private sector, philanthropic, and nonprofit efforts to improve broadband data and mapping, advance digital inclusion, and remove legislative and regulatory barriers that inhibit local innovation and creativity.

organization for rural broadband providers, found that demand for bandwidth increased by almost a quarter in the first three weeks of the national emergency. This increased demand confounds an already challenging situation: Access to broadband at the current minimum threshold speeds is unavailable to 21 million Americans, mainly in rural and tribal areas. This number is widely believed to be a substantial undercount, with estimates varying between 42 million to 162 million people unable to access reliable and affordable high-speed broadband. Without such access, the vision of dynamic, sustainable rural communities is unobtainable.

The Federal Communications Commission (FCC) recently announced a Rural Digital Opportunity Fund Auction through which over \$20 billion will be awarded over 10 years. The aim is to bring high speed fixed broadband service to an estimated six million rural homes and small businesses in eligible areas that lack it. This has been cautiously welcomed, but there are many issues that remain unaddressed which will inhibit deployment and adoption. Three issues are particularly important:

**Broadband Data and Mapping.** There has been widespread concern that the mapping of broadband deployment is flawed, leading to overstated availability. Issues such as the use of census blocks as the basic unit of measurement, lack of independent data validation, and keeping the data updated have been raised.<sup>25</sup> This is important because broadband maps are the basis for the distribution of federal funds, including the Rural Digital Opportunity Fund. Responsibility for broadband mapping lies with the National Telecommunications and Information Administration (NTIA), the Federal Communications Commission (FCC), and the U.S. Department of

Agriculture. Some of these data and mapping issues may be addressed as the FCC rolls out its proposed Digital Opportunity Data Collection program, but this is not yet operational. An associated issue is the call for collection and reporting of demographic data, including race, ethnicity, gender, income and education level, to better gauge the extent of exclusion and discrimination.

**Digital Inclusion.**<sup>26</sup> As important as providing access to broadband infrastructure are efforts to ensure that everyone, including the most disadvantaged, have access to and use of information and communication technologies. Digital inclusion requires “intentional strategies and investments to reduce and eliminate historical, institutional, and structural barriers to access and use technology.”<sup>27</sup> It addresses the challenges of people and communities not being able to take advantage of digital opportunities because of the cost of access and devices, the lack of confidence or the skills required, or the absence of local leadership that sees digital inclusion as a community priority. The FCC’s Lifeline program makes online services more affordable for low-income consumers by providing a monthly discount. There is also a move in the U.S. Senate for a Digital Equity Act to provide funding to states for digital inclusion efforts, together with a competitive grant program for community projects.

**Removing Barriers for Local Action.** There are many federal and state rules that constrain local efforts to provide broadband access. Some prohibit the presence of multiple providers in order to protect monopoly legacy carriers. Some limit the ability of local governments to provide or support community broadband deployment. And others prevent flexibility or responsiveness to local conditions. Yet there are multiple examples of innovation and creativity at the local level that need to be highlighted and, where appropriate, replicated.<sup>28</sup>

## Pivotal Move: Rural Small Business Development

***Stem the loss of and increase support for small businesses in rural America through aggressive measures to retain existing enterprises, support start-up ventures, and increase capital flows.***

The extraordinary impact of the pandemic on every sector of the U.S. economy is hard to overstate, with record numbers of people filing for unemployment

benefits. The longer the time it takes to recover, the greater will be the damage to the economy in terms of business survival, employment and entrepreneurship. An April 2020 survey<sup>29</sup> of the impact of COVID-19 on small businesses showed that 43 percent of 5,800 responding businesses had temporarily closed, mainly the result of reductions in demand and employee health concerns. Three-quarters of respondents had only enough cash on hand to cover two months of expenses or less, underscoring their fragility, and fewer than half expect to be in business at the end of the year. Another survey of 8,000 small businesses in May 2020<sup>30</sup> showed that by the time the CARES Act was passed, 60 percent had already laid off one worker. Moreover, half (46 percent) did not expect to recover within two years. The specter of a repeat of the Great Recession's effect of permanent business losses and slow recovery could be devastating for many parts of rural America.

Indeed, analyses of what happened to new business formation after the Great Recession show there is ample cause for concern. One study<sup>31</sup> shows that most rural communities lagged urban areas, experiencing meager growth in new business establishments, albeit with some bright spots in recreation- and energy-dependent communities. Unfortunately, these same bright spots are being particularly hard hit by the effects of the pandemic. Another study<sup>32</sup> shows that in the period 2010 to 2014, there was an unprecedented concentration of economic dynamism in a few urban centers, while three in five counties, including most of rural America, saw more business establishments close than open. Twenty counties, mostly in major metropolitan areas, generated half of all new business establishments in the United States, and only one quarter of all counties performed at the national rate of business establishment growth.

Two ways to change the trajectory for rural economies are to focus on entrepreneurship and new business development and to increase the flow of capital to rural businesses through community financial institutions.

### **Entrepreneurship and New Business Development.**

Although some communities and their elected officials cling to the idea that recruiting companies by offering tax and other incentives is the only way to achieve economic development, many now see taking care of their existing businesses and creating

## **ACTION ON RURAL SMALL BUSINESS**

- Increase federal, state, and philanthropic support for organizations and their networks that provide advice, technical assistance, facilities, and finance for businesses and entrepreneurs.
- Use the America's New Business Plan as a starting point for advocating additional funds and regulatory changes.
- Give legislative priority to rapidly expanding the CDFI Fund to channel funds into CDFIs, particularly those serving rural and Native communities.

the conditions for entrepreneurship to be much more effective and sustainable.

Measures that will not only restore the economy, but “rebuild better by ensuring all Americans – especially female, minority, immigrant, and rural entrepreneurs who have been historically marginalized by investors and lenders – can turn their ideas into businesses”<sup>33</sup> are called for by the Start Us Up coalition of entrepreneurship organizations. The coalition's policy framework, *America's New Business Plan*, proposes a series of actions both as an immediate crisis response and for the longer term across four areas of need: funding, opportunity, knowledge and support. Here is a sample of the actions that are particularly relevant to rural entrepreneurs:

- Request that Congress make substantial funding available to states for strengthening the private financing of new businesses by expanding capital access through patient capital, innovative investment models and technologies, financing guarantees, and community banking.
- Establish clear goals for all federal capital access programs, regarding the number of new entrepreneurs who access capital (disaggregated by race, gender, socioeconomic class and geography), revenues generated, jobs created and sustained, and customer experience feedback.
- Create a single list of all requirements to start and run a business, and coordinate across agencies to simplify regulatory requirements and processes at the local, state and federal levels.

- Include entrepreneurship and applicable information and tools in workforce training programs to help tens of thousands of young Americans start their own businesses.
- Facilitate the development of a system of portable benefits that follow workers as they move across jobs or out of the workforce to start a business.

There are many national, regional and local support organizations across the country that are supporting entrepreneurs and entrepreneurship in different ways, some of which have a specific rural focus.

RuralRISE, a community of organizations that aims to increase opportunities and prosperity for small and rural communities across the United States, shares insights and ideas through conferences and webinars. e2 Entrepreneurial Ecosystems (formerly the Center for Rural Entrepreneurship) helps communities and regions connect, learn, and share best practices.

**Capital for Business Development and Growth.** The pandemic intensifies the perilous financial position of many small businesses and shows the urgent need to move capital into low-income, low-wealth communities to stem the loss of these businesses so critical to their economies. It also underscores the importance of intermediaries that can reach into rural communities and serve rural businesses, given that major banks have largely withdrawn from these markets. Such intermediaries can include regional foundations, public-private ventures, nonprofit organizations, and Community Development Financial Institutions (CDFIs).

CDFIs have for over 30 years leveraged capital from banks, foundations, corporations and government, to direct capital into rural, urban and Native communities beyond the reach of mainstream financing. There are 1,100 CDFIs certified by the U.S. Department of the Treasury's CDFI Fund with a total of more than \$222 billion in assets. In FY 2019, CDFIs had almost \$25 billion of small business and microloans in their portfolios. Twenty-six percent of CDFI clients are rural. The unique characteristic of

CDFIs is that they are place-based organizations with deep and extensive connections in their communities, combining local knowledge with financial acumen, and, as such, are often anchor institutions for their regions. Many provide financing for housing, community facilities and consumers as well as for businesses.

The Opportunity Finance Network, the national CDFI network, was active in ensuring that the second round of Paycheck Protection Program (PPP) funding included a \$30 billion set-aside for community finance institutions, small insured depository institutions and small credit unions. This was a response to the fact that in the PPP first round, businesses with strong

commercial lending relationships with larger banks and credit unions were favored recipients, shutting out businesses of color and smaller businesses from accessing the program.

Nevertheless, obstacles to improving capital access for rural businesses remain. Many smaller rural CDFIs were shut out from the second PPP round as they did not meet certain nationally defined thresholds. Proposed bi-partisan legislation, the Rural Equal Aid Act, designed to give relief to small businesses and communities with loans from the U.S. Department of Agriculture's Rural Development programs, was excluded from the stalled follow-on government pandemic relief proposed in the Heroes Act.

### **Pivotal Move: Local Government**

***Safeguard essential local public services by strengthening regional fiscal and technical capacity.***

Even though the pandemic has highlighted how counties fulfill a range of community health, human services, justice, public safety and transportation services essential to community well-being, it now looks inevitable that some county and municipal governments will be in serious financial jeopardy, and even more so in areas with persistent population loss. This will not be overcome by increasing taxes and fees, and inevitably there will be cuts in services and staffing. The Federal government seems to have a diminishing appetite for channeling further

**There is a need for system transformation at the federal government level that provides ... vision and facilitates a national rural strategy truly reflective of the needs and aspirations of rural people and communities in their full complexity and diversity.**

## ACTION ON RURAL LOCAL GOVERNMENT

- Strengthen the network of regional development organizations, particularly those serving low-capacity county and municipal governments.
- Provide state incentives, in conjunction with philanthropic organizations and matching federal dollars, for local governments to pursue, design and implement effective regional collaboration efforts.

emergency funding to local governments, and state governments, already financially stretched themselves, may be in no position to help.

One way forward is to provide incentives and encouragement for local governments to enter into sharing and collaborative agreements with their neighbors to reduce and spread costs, combine technical expertise, and develop joint plans. There is already a nationwide membership network of regional development organizations – variously known as councils of government, regional development commissions, regional planning agencies – through which multiple counties and municipalities work together on common issues, such as planning, transportation, housing, water quality, and so on. They are chartered or sanctioned by the state and use a variety of state, federal, and other funds to support their programs. Most receive modest funds from the U.S. Economic Development Administration (EDA) to support their planning for the preparation of Comprehensive Economic Development Strategies, as well as programmatic dollars for specific functions performed on behalf of the constituent governments.

## TRANSFORMATIONAL IDEAS

Transformation must be driven by rural communities themselves – local people must set the priorities and determine what constitutes success. Moreover, the processes that enable this to happen must be inclusive of all people and interests in those communities to achieve long-lasting equitable recovery and resilience. That said, rural communities cannot take this journey alone – structures at the federal and regional levels are needed to provide an

overarching vision, coordinate and direct resources, and encourage learning across rural America.

### **Transformational Idea: Establish the U.S. Interagency Council on Rural and Regional Development**

*Coordinate federal investment and engagement with rural America and Native nations through a national partnership to support dynamic and sustainable rural communities.*

It is commonly assumed that the U.S. Department of Agriculture (USDA) represents the interests of rural America. In practice, however, the USDA does not have the jurisdiction, influence or resources to integrate federal policies and programs into a coherent approach to rural development. USDA's Rural Development programs, which include housing, utilities and business, represent less than three percent of the USDA's budget authority and outlays in FY 2021.<sup>37</sup> As noted by Ferguson and Pipa:

“With no real vision or true national rural strategy – and no one really “in-charge” of rural issues – all too often the unique needs of rural and tribal communities fall through the cracks. This shows up as eligibility criteria that lock-out rural applicants because the population is too low, the crime rate not high enough, the geography not contiguous. It also shows up as funding formulas that don't account for the higher per-capita costs of providing services in a rural area, or that automatically provide cities with funds while small, comparatively low-capacity places must prepare proposals and compete against one another.”<sup>38</sup>

There is a need for system transformation at the federal government level that provides this vision and facilitates a national rural strategy truly reflective of the needs and aspirations of rural people and communities in their full complexity and diversity.

Last year, a new Council on Rural Community Innovation and Economic Development was established in the 2018 Farm Bill as a successor to the White House Rural Council and the subsequent Interagency Task Force on Agriculture and Rural Prosperity. This brings together the heads of 26 federal departments, agencies and offices under the

leadership of the Agriculture Secretary “to enhance federal efforts to address the needs of rural areas by creating working groups within the council to focus on job acceleration and integration of smart technologies in rural communities and making recommendations to the Secretary of Agriculture.”<sup>39</sup> Unfortunately, with no additional funding or staff allocations, and a limited mandate, this is unlikely to achieve anything close to transformation.

A way forward may be to create a new cabinet-level Department of Rural and Regional Development with the goal of catalyzing public and private investments at a regional scale to foster dynamic, sustainable rural communities. The model would be the Department of Homeland Security that was created in response to 9/11 to develop and coordinate the implementation of a comprehensive national strategy to secure the United States from terrorist threats or attacks. It consolidated 22 agencies concerned with anti-terrorism, border security, immigration and customs, cybersecurity, and disaster prevention and management.

It is possible to imagine a Department of Rural and Regional Development that would consolidate the Department of the Interior, the Rural Development and Economic Research Service functions of the Department of Agriculture, and the Economic Development Administration, as well as coordination of other rural-focused agencies such as the Federal Office of Rural Health Policy and the federally-designated regional commissions. However, the navigation and negotiation of such a move in the face of Congressional committee and departmental opposition would likely require more political capital, resources and time than can be justified.

Instead, a potentially more feasible and effective approach could be the establishment of a **U.S. Interagency Council on Rural and Regional Development** modeled on the U.S. Interagency Council on Homelessness. Its mission would be to coordinate federal investment and engagement with rural America and Native nations through a national partnership at every level of government and with the private sector to create dynamic, healthy places

**System transformation, however, must be more than a federal initiative. It will require ramped-up engagement from state and local governments, nonprofit organizations, philanthropy, and the private sector both to hold the Council accountable and to generate insights on gaps, priorities, and opportunities.**

where everyone belongs, lives with dignity, and thrives. Key elements of the organization’s charter could include the following:

- The Council would be an independent entity within the executive branch, authorized by Congress.
- The Council’s membership would be composed of departmental and agency heads with responsibilities and duties related to rural and regional development.
- The Council would elect a chair and vice chair from among its members, these positions rotating annually.
- The Council would appoint an executive director, and provide authority to the executive director to appoint additional personnel as required to fulfill the functions of the Council.

The duties of the Council would include:

- Submit to the President and Congress a National Strategic Plan for Rural and Regional America, which would be updated annually.
- Review federal activities and programs that impact rural America to reduce duplication and monitor, evaluate and recommend improvements.
- Provide professional and technical assistance to states, local governments, and other public and private nonprofit organizations in navigating federal programs, receive recommendations for improvements, and organize regional workshops.
  - o Conduct research and evaluation.
  - o Develop joint federal agency and other initiatives to fulfill the Council’s goals.
  - o Require each member department and agency to prepare and submit annual reports to Congress and the Council on progress.

System transformation, however, must be more than a federal initiative. It will require ramped-up engagement from state and local governments, nonprofit organizations, philanthropy and the private sector

both to hold the Council accountable and to generate insights on gaps, priorities, and opportunities. There are many venues and arrangements that potentially could fulfill this role, such as state and local government associations (e.g., National Governors Association, National Association of Counties), philanthropic organizations (e.g., Council on Foundations, Independent Sector), nonprofits (e.g., Thrive Rural, Rural Assembly), and the private sector (e.g., Council on Competitiveness, U.S. Chamber of Commerce).

### **Transformational Idea: Pursue Concerted Regional Collaboration**

*Organize key services and functions to create regional ecosystems and new modes of collaborative governance.*

Many, if not most, of the challenges facing rural communities and local governments are of a scale and complexity beyond the resources, capacity and expertise of any single entity to tackle on its own.

Only by working across jurisdictions, service territories and sectors can there be possibilities for action and change. Urban and rural places are inherently interconnected and, thus, collaboration that embraces both rural and urban interests is not only beneficial but essential for enhancing social and economic opportunity and health for all people and places within a region.

A first step in the process is to strengthen the network of regional development organizations as described in the *Pivotal Move: Local Government*, section above but concerted regional collaboration goes much further in terms of scope and ambition.

Some important principles for effective regional collaboration derived from recent research<sup>40, 41, 42</sup> should shape the way this idea is implemented.

***Effective regional collaboration reflects local and regional historical, geographic, social and economic conditions.***

Many types of institutions may fill a regional

leadership and convening role, depending on their institutional capacity and acceptance within the region. It can be a council of governments or some similar form of regional development organization, a community development financial institution, a community foundation, a public-private partnership, a nonprofit agency, or institution of higher education. More important than the exact structure or

composition of a collaboration is engaging the right actors and trusted institutions in an extensive and nuanced understanding of the region – past, present and future.

***Effective regional collaboration recognizes, celebrates, and leverages the many ways in which rural and urban people and economies interact.***

Supply chains, water quality management, commuting, urban expansion, and outdoor recreation are just a few examples where rural and urban interests must be aligned for mutual benefit. If regional collaboration is to lead to improved opportunity and health for rural communities, then the

contributions that they make to the regional economy and well-being, often “hidden in plain sight,” must be recognized and rewarded. These contributions may include stewarding natural resources, providing ecosystem services, and managing high-amenity landscapes.

***Effective regional collaboration welcomes voices to the table that were previously absent or ignored.***<sup>43</sup>

In any state or region, there are always concerns about inequities of power and influence that lead to imbalanced allocations of attention and resources. These concerns over power, voice and belonging can be at the heart of rural-urban divide and other us-vs.-them narratives. Inclusion in a sustained and meaningful way will inevitably alter the power dynamics within a region. Thus, regional approaches to problem solving will not come easy to people and communities uncomfortable with change or perceived loss of power. Nevertheless, rapid and fundamental demographic and economic changes are already impacting urban and rural communities, making regional collaboration even more necessary.

**Many, if not most, of the challenges facing rural communities and local governments are of a scale and complexity beyond the resources, capacity, and expertise of any single entity to tackle on its own. Only by working across jurisdictions, service territories, and sectors can there be possibilities for action and change.**

**Effective regional collaboration recognizes that affordable housing, childcare, health care, workforce development, transportation, air quality, and broadband are all interdependent and essential to creating and sustaining healthy economies and communities.**

Each of these elements is the focus of distinct systems and networks of policy advocates, service delivery agencies, funding sources, research specialists, and political constituencies. At a regional level, the aim must be to connect these systems and networks together into regional ecosystems. Regional collaboration entails working across these interdependent elements, sectors and political boundaries towards articulating common goals, building regional ecosystems through mapping the multiple systems in a region, understanding any gaps, and determining what it will take to improve outcomes.

**Effective regional collaboration requires flexible and long-term funding that adapts to regional needs and priorities, and collaboration incentives to encourage regional solution-seeking that crosses jurisdictions, service territories and sectors.** Regional collaboration is hard, slow and expensive, but the potential rewards can be significant. Whatever the form of the lead regional organization, resource and capacity constraints inhibit their ability to achieve impact. Transaction costs, both financial and personnel, associated with convening multiple organizations, engaging communities and managing complex systems are high and difficult to fund, and especially so in low-wealth predominantly rural regions.

A few such concerted regional collaborations already exist in one form or another, but the process of more widespread adoption will likely be slow as local governments struggle to balance their fiscal realities with concerns over loss of local autonomy. The regional development organization is an attractive model in this regard as the organization is governed by the constituent county and municipal governments and is therefore not separate or unaccountable to local interests.

**...concerns over power, voice and belonging can be at the heart of rural-urban divide and other us-vs-them narratives. Inclusion in a sustained and meaningful way will inevitably alter the power dynamics within a region.**

Whatever form a federal rural leadership entity takes, these should be among its first tasks:

1. **Establish a series of pilots for testing models of high-performance service delivery systems in rural regions.** These will combine in different ways health care, education, transportation, workforce development,

entrepreneurship, housing and emergency management in self-defined but coterminous regions. The aim is to encourage innovative approaches that breakdown organizational and functional silos to make best use of financial, personnel, buildings and information resources, with the aim of enhancing social and economic opportunity and health for all people and places within the region. The lessons learned from each of these pilots will then be used for replication or adaptation in other regions across the country.

2. **Commission the development of a social accounting system** for measuring the contribution that regions in rural America make to the prosperity and well-being of the country.

The aim is two-fold:

- a. Estimate the value of sustainable food and fiber production, water quality and availability, renewable energy, landscape and wildlife protection, and ecosystem services, so that rural communities and rural people can be appropriately compensated, trained and recognized. Conventional metrics that reward economies of scale and rely on per capita calculations of expenditures and returns automatically undervalue rural contributions.
- b. Create a set of regional performance benchmarks for health care, education, transportation, workforce development, entrepreneurship, and other functions against which regions can measure progress over time and in comparison with their peers.

## DISTINCTIVENESS AND INTERDEPENDENCE

Embracing both rural America's distinctiveness and its interdependence with the rest of the nation has been the intention of this paper from the outset.

The assessment of rural America's current state and the effects of the pandemic clearly show the extent and depth of the challenges rural communities and rural economies face. But why should urban and suburban America care? What does it matter if large tracts of America continue to depopulate, if young people cannot see a future for themselves in rural communities, and if rural people struggle to earn a living and maintain access to the basic services that urban residents take for granted?

The simple answer is that urban and rural America, in all their complexity and diversity, need each other. Rural America grows the food, provides the energy, supplies the workers, stewards the natural resources, and offers places for recreation and renewal without which urban America cannot survive; in return, urban America provides the markets, jobs, specialized services and some of the investment capital that help sustain rural America.<sup>44</sup> A more complicated answer is that rural and urban people, communities and economies are inextricably connected, with continual flows of people, goods and capital back and forth

**What is different is that the pandemic and the calls for racial justice have created a new environment where systemic change might be possible.**

across invisible boundaries. Pitting rural and urban America against each other makes no sense and is harmful to all.

It follows that there are no easy solutions to the challenges that rural America faces. There must be widespread agreement and

commitment to bring about change. But urban-facing solutions will not solve and may even exacerbate rural problems. To restate an important point made earlier, change and transformation must be driven by rural communities themselves – local people must set the priorities and determine what constitutes success, and do so in ways that are inclusive of everyone in their communities.

The strategies and ideas presented in this paper are not new and indeed, many are being implemented to varying degrees in some locations. What is different is that the pandemic and the calls for racial justice have created a new environment where systemic change might be possible. Taking action on health care, broadband, business development, and local government *together and at scale*, while creating different frameworks at the federal and regional levels to guide priorities and investments, offer hope that communities across rural America can strive to be dynamic, healthy places where everyone belongs, lives with dignity, and thrives.

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**Brian Dabson** is Research Fellow at the School of Government, University of North Carolina at Chapel Hill, and a consultant to the Aspen Institute Community Strategies Group and the *Thrive Rural* initiative. His focus is on rural and regional development and governance. His experience includes leading the Corporation for Enterprise Development (now Prosperity Now), the Rural Policy Research Institute, and Institute for Public Policy at the University of Missouri. He is a pracademic with over 40 years in community and economic development policy and practice in the United Kingdom and the United States and has written several papers and book chapters on rural economic development, entrepreneurship and regional collaboration.

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