COMING OUT OF THE SHADOWS

The Changing Face of Rural Development in the South

MDC INC.

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TABLE OF CONTENTS

PREFACE

As the recession of 1982 began to fade, it became clear to MDC that the rural South was not benefiting from the renewed vigor in the national economy. MDC, a private, nonprofit corporation concerned with employment policy and programs, noted that there was a confluence of disturbing trends affecting the region and that the traditional approaches to development were not responding to growing needs. MDC was concerned that the working definition of economic development had become obsolete in light of changing economic circumstances.

In 1985, under a grant from the Ford Foundation, MDC reviewed a variety of fresh reports on the rural South, commissioned two papers, undertook two studies of its own, and conducted site visits in six states to determine how prevailing practices were affecting rural areas. Under the direction of a panel of distinguished Southerners, MDC's findings were developed into the report, *Shadows in the Sunbelt.* Through that report, the panel recommended new approaches that recognized the special needs of the rural South and the diminishing returns of the "great industry hunt."

Five years later, MDC has revisited the Southern rural development scene to identify and assess shifts in policy and programming since the publication of *Shadows in the Sunbelt.* This report on the current status of rural development in the South, which was made possible by the generous support of the Ford Foundation and the Aspen Institute, was prepared for consideration of the 1992 Commission on the Future of The South as it began its deliberations on critical issues facing the region.

INTRODUCTION

Southern counties' competition for national and international branch plants can be seen as an extension of high school football competition. Neighboring counties are seen primarily as competitors, and resources are directed at distinguishing one county from the crowd. One state or county wins the big plant and its neighbors gnash their teeth in defeat. As this game has been played throughout the last two decades, rural communities have ended up on the losing side.

Many Southern states maintained a good won-lost record through the 1980s. Yet as MDC's 1986 report, *Shadows in the Sunbelt*, depicted, these victories were largely chalked up in the cities and the surrounding areas, leaving little to cheer about in the region's myriad rural places.

In the five years since *Shadows* was written, it has become even clearer that this "winner takes all" approach to development created an elite cadre of superstars amid a flabby crowd. It has taken a toll on the region's ability to compete against its true challengers in a global economy during a technological revolution that is changing the economic structure of the South. Most enlightened state leaders note that the game they are playing now has changed from a comfortable contest with the folks down the road to a fast competition of international hardball. The rules have changed, the stakes are higher, and states find this increasingly competitive arena difficult to enter while they suffer from the debilitating burden of rural underdevelopment.

Today the South as a region shares many common challenges and opportunities. Indeed this is a new era, demanding new goals and new strategies. Rural areas will need to get into shape to compete—or urban areas must be prepared to pull the extra weight of depressed rural economies.

THE SOUTH'S BROADENING AGENDA

Trends in Development Policy

Rural development does not occur in a vacuum but within the broader context of a state's overall development policy. Without strong overall economic development policies, rural areas will not prosper. This is particularly true in the South, because so many people live in rural places. This section examines the general trends in Southern state economic development policy over the last five years in order to establish the context within which rural development policies and programs are taking place.

The past five years has been a period of great experimentation in state policy and programs. Since the mid-1980s when reports such as MDC's *Shadows in the Sunbelt* and the Commission on the Future of the South's *Halfway Home and a Long Way To Go* pointed out the growing gap between rural and urban areas and the shortcomings of traditional development tactics, Southern state policymakers have expanded the toolbox of strategies used to stimulate economic development. While recruitment still accounts for approximately 60 percent of all industrial development spending in the South,[1] states have shifted some resources to new strategies. As MDC scanned state activities, commonalities in trends and approaches to development were apparent across the twelve states.

- State programs still emphasize industrial recruitment;
- Retention and expansion of existing industry, especially through technology, is recognized as an important development component;
- Recruiting efforts have expanded to target foreign investment and nonmanufacturing businesses;
- The potential of small business is being nurtured, primarily through technical assistance and targeted capital pools;
- Capital and tax incentives are being targeted to specific high-potential sectors or to leverage private investment;
- Workforce development is receiving more emphasis as an essential element of economic development efforts;
- In spite of new strategies, economic development still represents a small portion of overall state budgets, averaging about 2 percent of total state expenditures.[2]

A Focus on Existing Industries

Increasingly, states recognize that the majority of new jobs are created by small business and expansion of existing in-state industries. Powerful evidence of this was shown in a 1988 North Carolina study, which found that 35 percent of net new jobs came from expansions of in-state businesses, 64 percent from start-ups, and only one percent from relocations of out-of state branch plants.[3] States have responded by assigning industrial development staff to work with existing industries. They regularly visit industries, inform them of state incentives, finance and job training programs, and other forms of state and federal

End Notes, Section I

[1] The South here (and wherever designated by an asterisk) refers to the Southern Census Region, including Texas, Oklahoma, Maryland, Delaware, and Washington, D.C., in addition to the twelve states profiled in this report.

[2] The Midwest Census region (formerly called North Central) extends from Ohio westward to Kansas, Nebraska, and the Dakotas.

[3] Stuart A. Rosenfeld and Edward M. Bergman, *Making Connections*, Southern Growth Policies Board, Research Triangle Park, N.C., 1989.

[4] U.S. Bureau of the Census, *Statistical Abstract of the U.S.*, 1966, 1970, 1982-83, 1990.

[5] Lucy Gorham and Bennett Harrison, *Working Below the Poverty Line*, The Aspen Institute, Washington, D.C., 1990, Figures 2, 3, 10, 19.

[6] Corporation for Enterprise Development, *The 1990 Development Report Card for the States*, Washington, D.C., 1990, p. 24.

[7] Rosenfeld and Bergman. The term "traditional nondurables" as well as "emerging durables" (used below) are part of a classification system used in *Making Connections*.

[8] *Ibid.*

[9] U.S. Bureau of the Census, *State and Metropolitan Area Data Book 1986*, Washington, D.C., 1986, p. 554.

[10] *Ibid.*

[11] Michael Smith, *Beyond the Glitter: The Impact of Tourism on Rural Women in the Southeast*, Southeastern Women's Employment Coalition, Lexington, Ky., 1989, p. iv.

[12] Current Population Reports, Series P-20, 1986.

[13] Corporation for Enterprise Development, p. 86.

[14] *Ibid.*, p. 86.

[15] Gorham and Harrison, Table 4.

[16] University of Wisconsin, Institute for Research on Poverty, article in *Focus*, volume 13, number 1, Spring 1991, p. 3.

[17] *The Atlanta Journal/Constitution* reported that nationwide in 1988 the median net worth of black households was $4,169, compared with $43,279 for whites. (March 15, 1992, p. G2.)

[18] U.S. Bureau of the Census, *1987 Economic Census: Minority-Owned Business Enterprises*, Table 2.

in the U.S., are self-employed individuals struggling to earn a living; fewer than one in five are businesses with paid employees.

Rural Areas and the South's Future

The South is not one, but many different regions. Remote counties face vastly different challenges than counties adjacent to small cities, major highways, or growing metropolitan areas. Some rural counties or subregions are experiencing tremendous growth while others continue with the bone-crushing poverty they have known for decades. Consequently, while some rural areas call out for growth management, farmland preservation, or development of better jobs, others are desperate for any jobs to reverse the plight of unemployment and out-migration.

States, too, entered the 1990s experiencing a range of economic conditions. While the major trends of the 1980s—international competition, leveling off of growth in manufacturing employment, rapid growth of the service sector—have been felt throughout the region, these trends have affected the states differently. Yet no state can ignore the challenge of rural development.

Conflicting development patterns — In some states, the challenge of rural development remains synonymous with that of statewide economic development. The most rural states—Arkansas, Kentucky, Mississippi, and West Virginia—as well as Louisiana, benefited only marginally from the Sunbelt boom in the 1980s. They saw relatively slow population growth, slow employment growth, little increase in income levels, and relatively high unemployment.

These states desperately need to turn around their economies and stimulate the creation of good jobs. To succeed, policies and programs will have to address the rural condition, simply because such large portions of these states are rural.

In other states, there is a sharp disparity in the health of rural and urban economies. Florida and Virginia—the South's most urbanized states—along with Georgia and the Carolinas benefited greatly from the glow of the Sunbelt. It is in these states also that there tends to be the sharpest contrast between urban and rural areas.

The Corporation for Economic Development's "urban-rural disparity index" combines several factors to measure the difference in the economic health of urban and rural areas within a state. It takes into account employment growth, unemployment rate, average earnings and earnings growth, and poverty rate. As shown in Table 9, four of the Southern states (Georgia, Mississippi, North Carolina, and Virginia) have extremely high urban-rural disparity. In states where the disparity is great, there may be opportunities to strengthen the rural economy by forging links to thriving metropolitan areas nearby. There is also a clear need to invest in rural development to bolster the sagging rural economy before it saps the strength of the entire state.

Due to all the factors discussed above—the high degree of poverty, the structure of the economy, and the ill-equipped labor force—rural areas threaten to hold back the entire South. By the same token, state investments that reduce poverty, create better jobs, strengthen the total labor force, and bring more minorities into the mainstream can benefit the entire region.

Table 9

URBAN-RURAL DISPARITY, 1990

	URBAN-RURAL DISPARITY RANK
AL	9
FL	16
SC	18
WV	18
KY	26
TN	31
AR	32
LA	39
NC	44
MS	45
GA	46
VA	50

Note: Higher rank indicates greater urban-rural disparity

Source: Corporation for Enterprise Development, *The 1990 Development Report Card for the States.*

Minorities Are Often Left Out

Even when economic development succeeds in the rural South, blacks are often left out. Despite the mass exodus of blacks in the 1950s and '60s, the Southern states have the nation's highest proportion of black population. Blacks comprise 18.8 percent of the Southern population, compared to 12.4 percent nationally. The five Southern states stretching from South Carolina west to Louisiana have a black percentage over twice that of the U.S.

The legacy of separate school systems, lack of public services in black communities, and limited job opportunities for blacks have left their mark on the South. While some of the inequities have been remedied, blacks remain far behind whites on indicators of economic well-being.

One telling indicator is the proportion of working people with earnings below the poverty level. In 1987, between 45 percent and 52 percent of blacks working in the South* earned less than $11,611, the poverty level for a family of four. (See Table 7.) The national proportion was 34 percent, still shamefully high but much below the South's rate. Furthermore, the disparity between the proportion of whites and blacks earning poverty-level wages was greater in the South than in any other region.[15]

Greater disparities — Poverty rates are higher for blacks than whites throughout the U.S., and in some of the Southern states the difference is particularly dramatic. Estimates of poverty in the late 1980s found a national rate of 8.8 percent among whites and 31.7 percent among blacks; in other words, a black person was 3.6 times as likely to be poor as a white person. In the Southern states, the black/white disparity was as high as 5.4 times (South Carolina) and 5.1 times (Georgia). In six of the ten Southern states for which estimates are available (Florida, Georgia, Louisiana, Mississippi, South Carolina, and Virginia), the disparity in black/white poverty rates is greater than the national disparity.[16]

Unemployment rates tell a similar story. Nationwide in 1989, a black person was 2.5 times as likely to be unemployed as a white person. In five Southern states (Arkansas, Louisiana, Mississippi, North Carolina, and Virginia), the black unemployment rate was more than three times the white rate. (See Table 8.)

Despite barriers of low income, low personal assets,[17] and historic discrimination, a significant number of black Southerners operate their own businesses. In 1987, approximately 36 percent of all black-owned firms in the U.S. were located in the twelve Southern states (which housed 40 percent of the nation's black population).[18] However, the vast majority of these businesses in the South, as

Table 7
LOW EARNERS BY RACE: SOUTHERN CENSUS REGIONS AND U.S., 1987

	PERCENT OF WORKERS EARNING <$11,611 (Poverty Level for Family of 4)	
	WHITE	BLACK
U.S.	29	34
SOUTH ATLANTIC (DC, DE,FL, GA, MD, NC, SC, VA, WV)	30	45
EAST SOUTH CENTRAL (AL, KY, MS, TN)	39	52
WEST SOUTH CENTRAL (AR, LA, OK, TX)	32	47

Source: Lucy Graham & Bennett Harrison; *Working Below the Poverty Line*, The Aspen Institute, Washington, DC, 1990; Table 4, Figure 7.

Table 8
UNEMPLOYMENT BY RACE: SOUTHERN STATES, 1989 ANNUAL AVERAGE

	UNEMPLOYMENT RATE		RATIO
	WHITES	BLACKS	BLACK:WHITE
AL	5.5	13.0	2.4
AR	5.7	18.1	3.2
FL	4.5	11.9	2.6
GA	3.6	9.9	2.8
KY	5.8	14.0	2.4
LA	5.0	16.7	3.3
MS	4.1	15.9	3.9
NC	2.8	6.3	3.6
SC	3.4	8.4	2.5
TN	4.5	8.4	1.9
VA	2.6	9.7	3.7
WV	8.4	11.8	1.4
US	4.5	11.4	2.5

Sources: Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment 1990*, Table 12.
Bureau of Labor Statistics, *Employment and Earnings*, Jan 1991, Table 39.

Illiteracy rates are high as well, especially in the rural South. In 1980, when 18 percent of American adults had eight or fewer years of education, the proportion in most Southern states ranged from 24 to 31 percent (excluding Florida and Virginia which were better than the U.S. average). (See Table 5.) In rural areas, the proportion was 30 percent or more in all states except Florida.

The history of segregation has made for even lower education levels among black adults. (See Table 5.) In all states except Kentucky and West Virginia, a substantially higher proportion of blacks than whites have less than a ninth grade education. The proportion was over 40 percent in Arkansas, Louisiana, and Mississippi.

The relatively low education levels among Southern adults underscores the importance of education and training for those already in the workforce. But what about today's young people? Half the Southern states—those stretching from South Carolina and Georgia west to Louisiana and Arkansas—have a proportion of children above the national average. How well is the South preparing its young people for tomorrow's economy?

Underfunded school systems — Historically, the Southern states have ranked among the bottom ten states in expenditures for elementary and secondary education, although they are generous in funding of higher education. In 1987-88, when average state spending was $4,243 per pupil in grades K-12, only two Southern states—Florida and Virginia—spent more than $4,000. (See Table 6.) Nine of the Southern states spent less than $3,500 per pupil, and three spent less than $3,000, ranking them 46, 47; and 49 in the nation.

Table 5
EDUCATION LEVELS, 1980
Percent of Adults with 8th Grade or Less Education

	TOTAL	NONMETRO	BLACK ADULTS
AL	25.0	31.8	35.4
AR	26.8	31.0	41.4
FL	17.6	23.4	32.5
GA	23.6	32.3	38.4
KY	31.3	39.8	27.8
LA	24.9	32.8	40.8
MS	27.0	30.5	46.5
NC	24.6	29.7	34.3
SC	25.7	30.6	39.8
TN	27.7	37.3	32.5
VA	15.8	34.5	25.8
WV	28.0	31.6	27.5
US	18.3	24.5	27.3

Source: 1980 Census of Population/ SCPB Southern County Level Data File.

Table 6
EDUCATIONAL EXPENDITURES, SOUTHERN STATES

	PER PUPIL EXPENDITURE K-12, 1987-88	% INCREASE IN PPE 1980-87 (Constant Dollars)
AL	$2718	2.4
AR	$2989	31.4
FL	$4092	27.4
GA	$3434	50.4
KY	$3011	26.2
LA	$3138	-5.0
MS	$2548	18.7
NC	$3368	25.9
SC	$3408	47.0
TN	$3068	27.9
VA	$4149	42.4
WV	$3858	34.5
US	$4243	26.8

Source: U.S. Dept. of Education, *Digest of Education Statistics 1990*, Table 155.

However, several of the Southern states are making a strong effort to support public education given the region's low income levels. Five of the Southern states are above the national average in per-pupil expenditure as a percentage of per capita income.[13] Furthermore, in the 1980s many Southern states substantially increased their funding of elementary and secondary education. Between 1980 and 1987, seven of the Southern states were above the national average in rate of increase in per-pupil expenditure. (See Table 6.)

In contrast to their low spending on elementary and secondary education, the Southern states rank high on funding of postsecondary education. In 1988-89, all twelve states were above the national average in per-pupil expenditure on higher education as a percent of per capita income.[14]

Table 4
MANUFACTURING EMPLOYMENT AND WAGES

	MANUFACTURING AS A % OF ALL EMPLOYMENT, 1987 (1)		AVERAGE MFG WAGE, 1989 (2)
	METRO	NONMETRO	
AL	20.9	48.0	$9.11
AR	23.9	38.3	$8.26
FL	14.4	15.5	$8.67
GA	18.7	42.7	$8.84
KY	22.2	27.2	$10.37
LA	12.0	22.4	$11.13
MS	21.6	40.6	$8.03
NC	31.0	43.5	$8.41
SC	28.3	41.9	$8.51
TN	22.5	46.8	$9.22
VA	16.1	31.6	$9.69
WV*	19.2		$11.16
US*	22.2		$10.01

Sources: (1) Southern Growth Policies Board, Southern County Level Data I.

(2) Bureau of Labor Statistics, *Employment & Earnings*, March and May 1990, annual averages.

* Figures for WV and US are total metro and nonmetro

ever, even these alternatives to the traditional industrial base are in many cases assembly plants paying low wages and struggling to survive against the even lower wages overseas.

Manufacturing wages in all but three of the Southern states are below the national average. (See Table 4.) In fact, of the twelve states with lowest manufacturing wages, eight are in the South. This, coupled with the extremely high proportion of manufacturing employment in the rural South, accounts for much of the working poor phenomenon. But wages are low in other sectors as well. In 1983, for example, average annual pay in the service sector was below the national average in every Southern state; and in retail wages, only Florida exceeded the national average.[9]

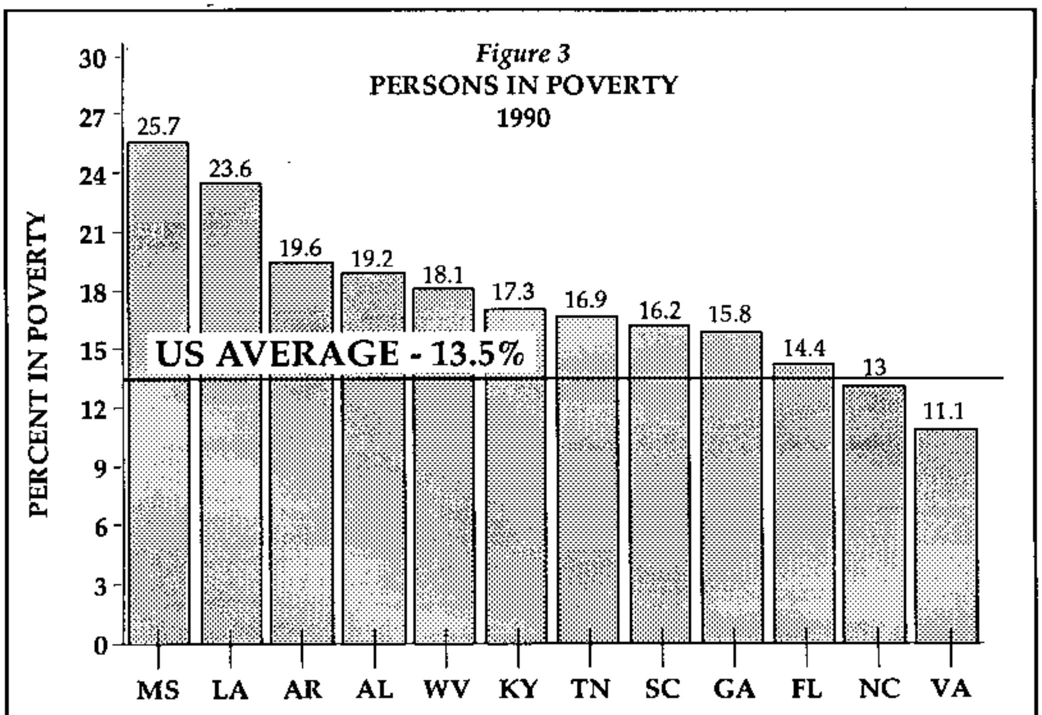
Other obstacles to development — In addition to low wages, the South's legacy of segregation, sharecropping, mill towns, and coal towns historically inhibited working people's ability to build personal assets. The lack of personal resources, as well as the mentality engendered by this economy of dependence, made for a weak tradition of entrepreneurship in the rural South. In today's economy, where studies have shown entrepreneurship to be a primary indicator of economic growth, there is a real need to expand the capacity for entrepreneurship and local initiative in Southern communities.

Policymakers often look to tourism and retirement as potentially bright spots in the rural Southern economy. Nearly 300 nonmetropolitan counties in the South* are classified as "retirement counties" by the USDA because of their large numbers of in-migrant retirees. During the late 1970s and early '80s, both retirement counties and tourism counties in the rural South showed above-average growth in employment and per capita income.[10] However, an economy based on tourist and retiree services can offer a worse mix of jobs than a manufacturing-based economy. One study of tourism development in the rural South found most workers earning extremely low wages, receiving marginal benefits, and having little opportunity for advancement.[11]

The Low-skilled Labor Force

More than perhaps any other factor, the rural South's labor force threatens the region's ability to attract and retain higher skilled, more secure jobs. In the 1950s, '60s, and '70s, the South's rural labor force was a major selling point in luring manufacturing plants. Men and women were eager to take whatever jobs were offered, and employers could expect hard work without demands for higher pay or employee benefits. Most production jobs demanded little in the way of math, reading, problem-solving, or technical skills; higher-skilled positions were often filled by nonlocal workers. Some Southerners successfully performed their jobs for 30 years without being able to read the newspaper. Today the economy places stiffer demands on the workforce. Literacy and numeracy skills are becoming essential for more and more workers; more production and maintenance jobs require an understanding of electronics and computer skills; and workers must be able to adapt to rapidly changing technology. The Southern labor force has a long way to go to meet these demands.

Education levels in the South are the lowest in the nation. In 1985, only 69 percent of Southerners age 25 and over had completed high school, compared to 74 percent nationwide. And 17.5 percent had completed college, compared to 19.4 percent nationwide.[12]



Source: Current Population Reports, *Poverty in the US:* 1990, Series P-60, #175, Table B.

dependence on declining industries.

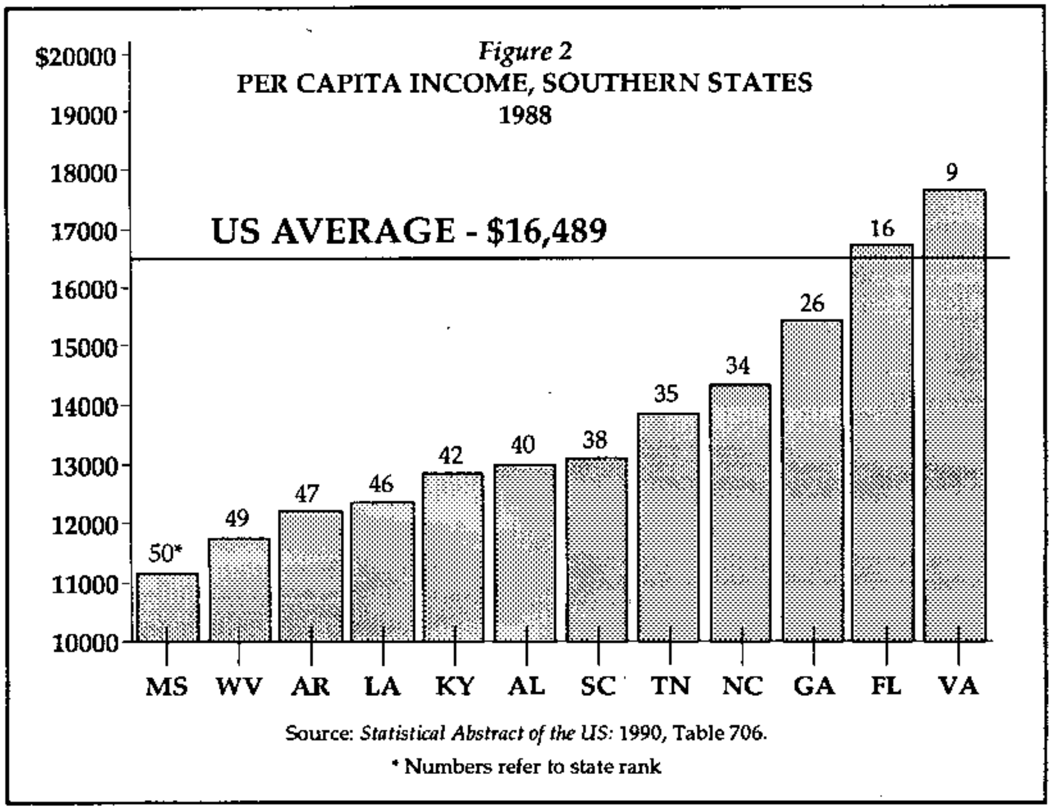
The Southern states have the nation's highest proportion of working poor. In 1987, approximately 32 percent of all U.S. workers earned hourly wages that would leave them below $11,611, the poverty level for a family of four, even if they worked full-time, year-round. In the South, the proportion was even higher, reaching over 40 percent in Alabama, Kentucky, Mississippi, and Tennessee. In rural areas, even more working people earn poverty-level wages—42 percent nationwide, and over 45 percent in Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas.[5]

Usually, low wages are accompanied by poor employee benefits, which exacerbates the problems of the working poor in the South. In 1986, all but one Southern state—Virginia—fell below the national average in the proportion of workers with health insurance provided by their employer. Most were far below average, with seven of the Southern states ranking among the bottom ten nationwide.[6]

A shaky foundation — The rural Southern economy was built on the now shaky foundation of low-wage manufacturing. In the 1940s, '50s, and '60s, as agriculture ceased to be a major source of employment in the region, the Southern states considered how to develop their economies. They saw the South's competitive advantage as cheap land and labor, which were especially prevalent in rural areas, and they began recruiting low-wage, low-skilled manufacturing plants.

Textiles, apparel, wood products, and other low-wage manufacturing had been a part of the Southern economy since the nineteenth century; but in the 1950s and '60s, these industries moved in droves to the South's small towns. In 1987, manufacturing accounted for over one-third of all nonagricultural jobs in the rural areas of at least six Southern states—Alabama, Arkansas, Georgia, Mississippi, North and South Carolina, and Tennessee. (See Table 4.) In all these states, the majority of manufacturing jobs were in traditional industries, including food products, textiles and apparel, wood products, and paper.[7] These industries have been and remain relatively low-wage and low-skilled. Today they are particularly susceptible to foreign competition, and the plants that thrive do so through modernization and mechanization, which often means reductions in employment.

A few states—Arkansas, Kentucky, Mississippi, South Carolina, and Tennessee—have developed a substantial employment base in durable goods industries, including fabricated metals, machinery, electrical equipment, and transportation equipment. In those five states, by the mid-1980s these "emerging durables" industries accounted for 25 percent or more of all manufacturing jobs.[8] How-



tent poverty" counties, 223 are in the South. These are counties with consistently high poverty rates for four decades. In 1990, when the national poverty rate was 13.5 percent and the South's* rate was 15.8 percent, over 20 percent of the South's nonmetropolitan residents lived in poverty. Thus the rural South had a higher poverty rate than either the metropolitan or nonmetropolitan portions of any other region. (See Table 3.)

Consequences of poverty — These high levels of poverty make it difficult (if not impossible) for rural counties to invest in the educational programs, public services, and infrastructure they need to become strong candidates for economic development. Even more than the wealthier counties in other parts of the U.S., the South's rural counties face the imperative of joining forces in regional alliances to make public services affordable.

Low-income rural areas also put a burden on state government. A leader in Southwest Virginia estimated that his region receives two dollars for every one it sends to Richmond because the depressed coalfield economy generates so little in taxes. The more state government can do to spark development and raise incomes in rural areas, the sooner those areas will cease to be a drain and instead become net contributors to the state economy.

A Poverty-Perpetuating Economy

Poverty in the South is rooted in the history of the region's economy and culture. It has been fed by the racial caste system that severely limited economic opportunity for blacks, the underinvestment in public education, and the resistance to development that lingered until recent years in many agricultural communities. Today, poverty in the rural South is perpetuated by the structure of an economy that is dominated by low wages and

Table 3
POVERTY BY REGION, 1990

CENSUS REGION	PERCENT OF PERSONS IN POVERTY		
	TOTAL	METRO	NONMETRO
U.S.	13.5	12.7	16.3
NORTHEAST	11.4	11.6	10.3
MIDWEST	12.4	12.2	13.2
SOUTH*	15.8	13.9	20.5
WEST	13.0	12.7	14.8

Source: Current Population Reports, *Poverty in the U.S.: 1990*, Series P-60, #175, Table 1.

Table 2
POPULATION GROWTH, SOUTHERN STATES AND U.S.

	AVG ANNUAL GROWTH 1970-80 (1)	AVG ANNUAL GROWTH 1980-88 (1)	NET MIGRATION 1980-86 (3)	ANNUAL GROWTH 1980-86 (2) METRO	NONMETRO
AL	1.31	0.68	8,000	0.77	0.42
AR	1.89	0.59	10,000	0.83	0.49
FL	4.35	3.33	1,704,000	3.19	3.61
GA	1.91	2.01	354,000	2.81	1.02
KY	1.37	0.23	-66,000	0.20	0.48
LA	1.54	0.60	8,000	1.37	1.07
MS	1.37	0.49	-27,000	1.44	0.43
NC	1.57	1.29	230,000	3.10	1.05
SC	2.05	1.40	96,000	1.50	1.09
TN	1.69	0.83	56,000	0.81	0.59
VA	1.49	1.56	202,000	1.53	0.84
WV	1.18	-0.48	-74,000	NA	NA
U.S.	1.14	1.06	4,244,000		
NORTHEAST	0.02	0.38	-385,000		
MIDWEST	0.40	0.21	-2,017,000		
SOUTH*	2.00	1.54	4,000,000		
WEST	2.39	2.18	2,603,000		

Sources: (1) *Statistical Abstract of the US:* 1990, Table 26.
(2) Rosenfeld and Bergman, *Making Connections*, Southern Growth Policies Board, Research Triangle Park, NC, 1989.
(3) US Bureau of the Census, *City and County Data Book 1988*, Computer compact disc release.

The Nation's Poorest Region

Historically, the South has been the nation's poorest region, and it remains so with the highest incidence of poverty concentration in rural areas. In 1950, per capita income in all but two Southern states—Florida and Virginia—fell below 80 percent of the U.S. level. Although income levels in the South have inched closer to parity with the nation over the past four decades, over half the Southern states still fall below 80 percent of the U.S. per capita income.[4]

Economic restructuring of the late 1970s and '80s, resulting in large-scale layoffs and plant closings in the rural South, took a heavy toll on many states. The South's most rural states—Arkansas, Kentucky, Mississippi, and West Virginia—as well as Louisiana, suffered the most. During the 1980s they saw their per capita income drop relative to the nation after rising steadily for the previous 30 years.

By 1988, per capita income in both Florida and Virginia had surpassed the national level, and three additional states—Georgia, North Carolina, and Tennessee—were above 80 percent of the national level. However, as the 1980s drew to a close, income in the majority of Southern states remained substantially below the national level. (See Figure 2.)

Corresponding to the South's low income levels is its high degree of poverty. In 1990, all but two Southern states—Virginia and North Carolina—had poverty rates above the national average. (See Figure 3.) And eight of the nation's ten highest poverty states were in the South.

Rural poverty in particular is disproportionately concentrated in the South. The USDA found that of the nation's 242 nonmetropolitan "persis-

Table 1
NONMETRO POPULATION
BY CENSUS REGION

	% NONMETRO 1988	NONMETRO POPULATION 1988
U.S.	22.9	53,400,000
NORTHEAST	11.7	5,900,000
MIDWEST	28.9	17,300,000
SOUTH*	29.7	25,100,000
WEST	15.9	8,100,000

Source: US Bureau of the Census, *Statistical Abstract of the US*; 1990 (110th edition), Washington, DC, 1990, Table 35.

* The Southern Census Region includes TX, OK, MD, DE, and D.C. in addition to our twelve states.

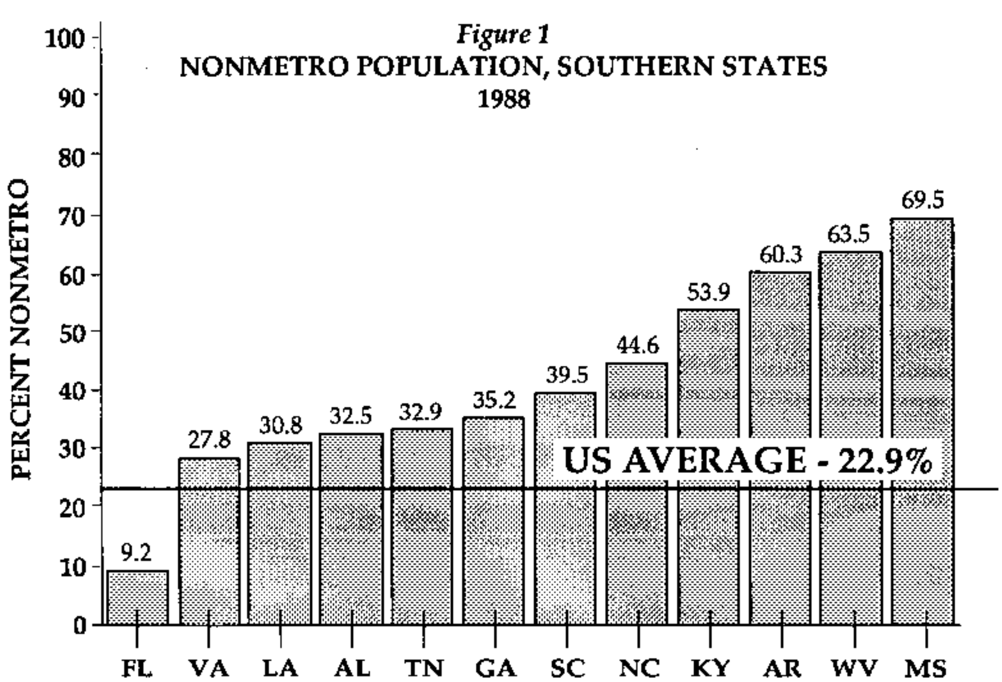
above the national average. In seven of the twelve Southern states, over one-third of the people live in predominantly rural areas. And in four states—Mississippi, West Virginia, Arkansas, and Kentucky—the rural areas are home to more than half the population. (See Figure 1.)

The South differs in many ways from the nation's other rural regions. Unlike the rural Midwest and West, with their vast stretches of unpopulated land, the South is more densely settled, dotted with towns and small cities. For at least 30 years, as the Midwest's population has just barely held constant, the South's* population has grown rapidly. The South has continued to attract large numbers of in-migrants, while the Midwest has experienced tremendous out-migration. (See Table 2.)

Intra-regional differences — While the South as a region grew rapidly during the past two decades, different areas experienced the 1980s differently. Florida, Georgia, Virginia, and the Carolinas continued to grow rapidly and attract many newcomers, but the other seven states fell below the national growth rate. (See Table 2.) Kentucky, Mississippi, and West Virginia actually experienced net out-migration between 1980 and 1986.

The metropolitan and nonmetropolitan South also experienced different rates of population growth in the 1980s. In all but two Southern states (Florida and Kentucky), nonmetropolitan areas grew more slowly than metropolitan areas. (See Table 2.) This follows national trends and also is related to the slowing of job growth in the rural South during the late 1970s and '80s. This "big picture," however, masks the fact that scattered throughout the South are rural counties that grew extremely fast during the 1980s. Most are either bedroom communities on the fringes of growing metropolitan areas, or second home/retirement areas in the mountains or along the coast.[3]

Figure 1
NONMETRO POPULATION, SOUTHERN STATES
1988



Source: *Statistical Abstract of the US*: 1990, Table 35.

THE VIEW FROM THE SOUTH

Why Rural Development?

As the U.S. economy reels from the restructuring of the past decade, the South finds itself in an increasingly vulnerable position. Despite the robust economy of Sunbelt cities, the South is still the nation's poorest region. Its labor force has the nation's lowest education and skill levels and earns the lowest wages.

These conditions weigh heaviest in the rural South. Small towns and rural areas have the highest concentrations of poverty and illiteracy. They depend most heavily on manufacturing jobs in declining and slow-growth industries. Indeed, economic distress could be labeled a "rural problem" and filed away as the concern of a special interest group if the South were a less rural region. But because the South is so heavily rural, the Southern states cannot afford to ignore the challenge of rural development. The high poverty rates, low education levels, and underdeveloped workforce in nonmetropolitan areas are jeopardizing the prosperity of the entire region as it races to enter the global economy.

For the same reasons the South cannot afford to ignore its rural areas, neither can it ignore the special plight of blacks and other minorities who have been left behind by the Sunbelt boom. Minorities comprise 20 percent of the South's population, and on every measure of economic well-being they score low. An economy is only as strong as its workforce, and a region that fails to fully develop and utilize its human resources will not be able to compete.

Just as the South as a region faces common challenges, it can capitalize on common opportunities for rural economic development. Throughout the region there is untapped potential for economic spillover from thriving urban economies to struggling rural areas. The South's wealth of natural resources—agricultural land, forests, water, scenic landscape—offers a tremendous opportunity for development. And the youthful population in the deep South could become an advantage in light of the projected labor shortage in the U.S., if young people are well educated and trained.

The South is a large and diverse region, with many faces. But as a region it also has many commonalities. This section looks at the common conditions facing the region that have implications for state development policy.

Too Many People To Ignore

Policymakers in the Southern states cannot afford to ignore rural areas, simply because so much of their population lives in rural areas. Likewise, national rural policymakers cannot afford to ignore the South, because it includes nearly half (45 percent) of the nation's rural population.[1]

Nearly 30 percent of the South's[*] population, or over 25 million people, live in nonmetropolitan areas. The next most rural region is the Midwest,[2] with 28.9 percent, or 17 million nonmetropolitan residents. (See Table 1.) All the Southern states except Florida have a nonmetropolitan proportion creation and dollars invested are no longer adequate goals for development. In rural areas issues of job growth are linked to those of infrastructure, social support systems, education, and protection of natural resources. Job creation is only a piece of the economic development puzzle in a changing, competitive economy.

Continued evaluation of new programs will be critical in determining which programs are making an impact in rural areas. However, measures need to be developed which reflect the broader economic development goals. Without new standards to evaluate progress, many of these promising rural development initiatives will be judged against measures that reflect only one facet of the multidimensional approach necessary to build the capacity of rural areas.

This report examines the programs cited above and others in greater depth to provide an overview of what Southern states are doing to stimulate rural development. Each program alone may not make a critical difference in rural areas. But when they are linked together and integrated into a state's overall development policy, policies and programs such as these can help rural areas boost their productive capacity and increase the quality of life of their people.

Linkages between state agencies — Many state agencies stand as actual or potential allies for rural development. The five offices of rural development and Florida's REDI show promise to increase rural areas' access to existing state programs.

Workforce development is a critical need in rural areas as the ability of people to hold jobs is increasingly dependent upon their ability to work with their brains rather than their hands. States such as North and South Carolina, Mississippi, and Kentucky are engaged in efforts to improve workforce skills to meet market demand. If used together, workforce and economic development programs can comprise a two-edged sword that can cut through the barriers to future rural prosperity. In the days of the manufacturing boom, the South pioneered programs to combine job training strategies with industrial recruitment efforts. Now Southern policymakers need to tap that same resourceful spirit to design programs to meet the changing array of workforce and economic development challenges posed by an increasingly technological and globally oriented economy.

Strengthening Local Foundations for Development

While Southern states have begun to recognize the importance of local initiative to spur local development, none has an organized, aggressive strategy to build the capacity of local areas to understand the economic development challenge they face and to build on their comparative advantages. In an increasingly complex economic environment, new skills are needed at the local level to make new approaches work. Southern states have begun addressing pieces of this need by supporting local strategic planning and leadership development programs and by helping increase the capacity of nonprofit organizations to undertake development.

Strategic planning and leadership development — Planning, leadership, and other "predevelopment" capabilities are still lacking in many Southern rural areas. In most cases, programs such as strategic planning and leadership development are not linked to each other or to other development efforts. Strategic planning and leadership development are critical first steps to build skills and set priorities necessary for development to occur. Mississippi's Competitive Community program has made this link. But communities also need access to small amounts of funds to follow through on projects identified in the process. Georgia's Local Development Fund is an example of a program that meets this need.

The combined federal, state, and local investment in the Cooperative Extension Service provides a ready infrastructure for states to use in efforts to build rural community capacity to meet new challenges. This system played an important role in making America's the most successful agricultural economy in the world. It offers not only an existing institutional presence in rural communities, but a network that can encourage rural communities to learn from one another. The Cooperative Extension Service has been involved in leadership development across the South. South Carolina's linkage between the office of rural development's LEAP program and the Cooperative Extension's Palmetto Leadership program is one example of the two systems trying to work together.

Leadership training generally falls into the Extension Service's Community Development Division, an area that has not usually been tied into the network of county agents spread across the region. As agriculture becomes a smaller and smaller part of Southern employment, the Extension Service may seek other ways to utilize its vast resources more productively in rural communities. The Extension Services in West Virginia and North Carolina offer some examples of how to proceed in placing greater emphasis on community development programs.

Increased nonprofit capacity — State investments in development banks and community development corporations in Florida and North Carolina have demonstrated the potential of these organizations as catalysts for development. The majority of Southern states, however, do not yet have many nonprofit institutions in rural areas capable of undertaking development projects. Arkansas' program to stimulate the creation of new county resource councils represents one promising initiative to build local development capacity.

New Goals and Strategies

The programs described above represent scattered examples of promising initiatives to help rural areas improve their ability to compete in today's economic development game. Yet, continued experimentation with these strategies will not be enough. Southern policymakers also need to reassess their economic development goals, and the measures used to evaluate progress toward those goals, in light of changing strategies. Job

Rural Economic Development Center, which provides a thoughtful forum for rural leaders from across the state. Others include the Tennessee Network for Community Economic Development, an active network of organizations promoting community-based development, and the coalition of regional leaders who developed the East Kentucky Corporation.

In an era of scarce resources, increasing the rural contribution to the economy needs more emphasis than equity for rural citizens. If urban legislators and citizens understand that prosperity of urban areas is linked to the economic health of its rural ones, they will see the importance of rural development initiatives. Without this broad support, the twin pressures of shrinking state fiscal resources and escalating international competition will deliver a potentially devastating one-two punch to the rural South.

New Partnerships for Development

Innovation in an era of scarce resources demands cooperation and coordination at all levels, both within government and in public/private partnerships. Increasingly, rural development is being accomplished through regional partnerships, new public and private institutions, and interagency cooperation at the state level.

Incentives for regionalism — Regionalism is slowly coming of age, as problems such as the growing crisis around solid waste have shown counties that some problems are best handled on a regional basis. States are increasingly encouraging regional cooperation for economic development, and slowly counties are giving up their old rivalries and beginning to work together.

State programs which provide strong incentives for cooperation show the most promise. As a performance-based contract program, Louisiana's Rural Economic Development Allies program premises its funding on parishes' ability to work together; it has the potential to demonstrate that cooperation will yield better results for rural communities. The strong private sector involvement in West Virginia's Partnership for Progress has helped break down local governments' reluctance to work together, thereby nurturing cooperation. And if Georgia's Regional Development Centers are able to mediate among local governments, encourage them to tackle common issues, and assist local governments in following through on cooperative projects, then its planning process holds great promise for building a strong base for regional cooperation.

Private and public sector cooperation — In the past, Southern states have successfully linked public and private sector resources for the purpose of industrial recruiting. More recently, partnerships built around the provision of capital have been the most evident arena for public/private cooperation. North Carolina's Enterprise Corporation and the Virginia Economic Development Corporation (VEDCORP), both established to provide financing for rural businesses, should be monitored to determine their impact in rural areas. In Louisiana's Business and Industrial Development Corporation (BIDCO) program, initiative for organizing and managing the BIDCO comes from the private sector, and financing tools can be quite flexible. The program promises to be effective if the state can help ensure that investments reach rural businesses. North Carolina's microenterprise demonstration also bears watching. It blended public and private capital and expertise in an effort targeted at the smallest of businesses and most unlikely of entrepreneurs.

Utility companies such as the Entergy Corporation and its subsidiaries in Arkansas, Mississippi, and Louisiana have provided exemplary leadership in promoting broader economic development strategies and partnerships. For example, Mississippi Power and Light has a division focused on community development as well as economic development. And Georgia and South Carolina's use of private sector employees to provide technical assistance to rural communities and businesses is an example of a way to stretch state resources and tap private sector expertise to overcome the scarcity of public resources.

New kinds of partner institutions — Higher education institutions, especially regional universities, have proven their effectiveness both as technical assistance providers and as conveners to help develop a common agenda among a broad cross section of rural and regional interests. The accomplishments of Western Carolina University and Arkansas State illustrate the benefits that can result from state investments in such institutions.

Nonprofit organizations represent another potential partner for development in rural areas, particularly in poorer communities. North Carolina's investment in the state's community development corporations and the Center for Community Self-Help, a statewide development bank, is already paying returns in home ownership, affordable housing development, and job creation. The Tennessee Network for Community Economic Development has the potential to be a strong partner for state government in helping to build the development capacity of rural nonprofit institutions.

most of these innovations. There are, however, examples of promising programs throughout the region that have the potential to make a significant impact in rural areas.

No state provides a comprehensive model for supporting rural development. But, taken together, the programs and policies in place in the South represent the elements that MDC has identified as crucial for rural development.

Setting the Rural Agenda

There is evidence in virtually every state that systematic efforts are needed to ensure that rural areas benefit from general development programs and policies. Our review found that, typically, states have attempted to do this through using a variety of mechanisms to target rural areas. However, targeted programs alone are not sufficient. MDC found a variety of other ways states can make this happen. The strongest rural agenda emerges when top elected officials provide leadership and when there is a mechanism for incorporating rural needs into overall development policy. The rural agenda is most successfully carried out when there is an institution that functions as an ongoing source of policy innovation and there is an organized voice for rural areas.

Commitment from top policymakers — Most often, leadership in setting and carrying out an aggressive rural development agenda has come from Southern governors and lieutenant governors. This was the case in Georgia, where a comprehensive planning process was instituted, and in Florida, which reorganized its development functions and created a Rural Economic Development Initiative (REDI). It was also true in West Virginia, which instituted a regional Partnership for Progress program, and in Virginia, which created a Center on Rural Development. In other cases, legislative leaders have raised the visibility of rural concerns. In Arkansas, for example, legislative leaders have pushed for rural initiatives such as the new office of rural advocacy.

Including rural areas in the overall development agenda — Rural areas do not need a separate development policy; rather, they need to be integrated into a sound overall state development policy. The new offices of rural development in Arkansas, Georgia, Louisiana, South Carolina, and Virginia have the potential to serve this function if they are active and have access to the top levels of the legislative and executive branches. State rural offices have the potential to leverage resources in several ways: by providing research and information on rural issues; representing rural concerns within the state policymaking process; acting as clearinghouses for government services for rural areas; and building the capacity of local governments.

Georgia's Office of Rural Development seems to have been the most active of the existing offices, although the leadership of the new offices in Arkansas and Virginia are energetic, committed, and open to new concepts in rural development. However, all three may suffer from budget constraints. Florida's Rural Economic Development Initiative, an interagency coordination effort, shows promise in incorporating the special needs of rural areas within a redirection of the state's overall development agenda.

Opportunities for policy innovation — Innovation is often more easily achieved by independent organizations than by state government, which is constrained by limited budgets and short time frames for accomplishments. North Carolina's Rural Economic Development Center is the South's best example of a state- and foundation-funded nonprofit institution designed to serve as a catalyst for rural program and policy innovation. Both Florida and Virginia are considering establishing nonprofit organizations focused on rural development.

The private sector has also been a force for policy and program innovation in support of rural development. For example, the Entergy Corporation provided key leadership in creating the Foundation for the Mid South; the Winthrop Rockefeller Foundation was instrumental in initiating the Southern Development Bancorporation in Arkansas. In both cases, the private sector stepped in to develop an independent capacity for policy and program innovation.

An organized voice for rural communities — Historically, rural interests have been equated with agricultural interests. Yet in an era when less than 5 percent of Southerners are directly engaged in farming, other organized voices are needed to set a broader rural agenda. The days of rural dominance of state legislatures have been ended by court decrees and migration patterns, and today rural areas have no broad-based voice that effectively presents the argument for rural development.

In state after state, the rural leaders whom MDC interviewed spoke of the need for an organized coalition to build a rural development agenda and move it forward. We found seeds that, with nurture, could blossom into effective rural coalitions. The farthest along is North Carolina's Rural Economic Development Organization, composed of graduates of a leadership program run by the

OVERVIEW

There's a new economic game coming to town and the rules are changing.

Global competition. Rising workplace expectations. Shifts from production to service. These trends are staggering the nation as a whole. They pose a potentially devastating threat to the rural South, the nation's poorest country cousin.

What is becoming increasingly clear is that the economic fate of the rural South cannot be dealt with in isolation. For better or worse, it is inexorably linked with overall state development and, indeed, with national development.

What does the rural South need to become competitive in the economic development arena? MDC's investigations suggest that the best rural development policy is a strong statewide development policy focused not only on economic growth but on the development of economic opportunity for people and places most in need. Southern states have a particular need for such an approach: one where increases in per capita income are as valid a benchmark as increases in the number of jobs and where eliminating the poverty of people and places are explicit goals. In an increasingly interdependent economy, rural development cannot take place in isolation but rather must be part of a coordinated and conscious strategy to build a strong Southern economy capable of competing internationally.

This report describes how the South's approach to rural development has begun to evolve in the last five years from the days when rural development hung on the hope that industry hunters would bring home a new plant from some distant hunting ground. It presents the common challenges and opportunities that face the rural South based on an examination of its economic and social needs. These challenges—the region's large percentage of rural residents, its high rate of poverty and numbers of low-wage jobs, its under-skilled workforce, and its disparity between rural and urban areas—underscore why Southern policymakers cannot ignore the plight of the region's rural areas.

The report reviews the progress made by twelve Southern states (Alabama, Arkansas, Florida, Georgia, Louisiana, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia) in adding to their economic development tools and seeking rural development innovation. It also lays out the challenges facing state leaders as they seek to improve the region's ability to compete under a new set of rules.

The report is a snapshot of the differing levels of awareness and action in Southern states in 1991. It shows that the dialogue is changing across the South and new tools for overall economic development are emerging on the state level. Industrial recruitment continues to be a primary concern of the economic development world, but other development strategies have gained legitimacy as well. Innovative programs to assist existing industries and to grow small businesses now mingle with the traditional incentives and allurements.

It describes the state-supported strategies that are evolving in a region that has come to recognize that there are two Souths—one urban and prospering; the other rural and languishing. These broader and more geographically responsive policy approaches are encouraging an array of new strategies that relate to differing needs of differing local economies at differing stages of development.

The new approaches and strategies reflect a ferment of innovation in rural development across the region. It is too early to evaluate the impact of assistance. At the same time, they help cut red tape for firms that are experiencing problems with government. Eight states have established some form of "one stop" permit offices to cut regulatory barriers for businesses.[4]

All twelve states have assumed a role in expanding markets for home industries. State offices abroad promote state products for export. All have programs to help businesses learn the ropes of exporting through seminars, counseling, or newsletters, and four have active programs to promote export through river and sea ports. At least six states have finance programs to assist businesses in exporting. In addition, a few states have programs to expand firms' market opportunities by linking in-state buyers and suppliers through trade fairs and other mechanisms.

Technology support has become a critical tool employed by many states. Three-quarters of the Southern states have technology transfer programs to help entrepreneurs and inventors patent, commercialize, and market new products and processes, or to link existing industry with cutting-edge technology developed from research at universities and federal labs. An emerging approach with even broader potential impact is industrial modernization assistance: helping firms adopt existing technology, which may have been available for years but which has not been adopted widely by small and mid-sized firms. The Industrial Extension Services of North Carolina and Georgia, in operation for decades, represent the oldest examples of technical assistance to help firms adopt new technology. Similar but smaller programs emerged in additional states in the 1980s. Most recently, with help from the Southern Technology Council, all the Southern states have developed Industrial Competitiveness Plans to stimulate the creation of flexible manufacturing networks and other innovations to spread the use of state-of-the-art technology.

Recruitment Goes Global

Recruiting is still the centerpiece of state industrial development efforts but has taken on an international flavor in the late 1980s. Every Southern state maintains at least one office overseas; most have offices in Europe and Japan; and some states have a third office in Korea or Taiwan. As noted above, these offices serve a dual purpose, courting foreign investment and marketing state products—although the former is clearly the primary function. In addition, governors and business leaders periodically embark on foreign trade missions to promote their state. The Southern states' median spending for international programs is $1.2 million a year, representing about 8 percent of the median operating budget of state economic development agencies.[5]

These efforts have paid off: The Southeast has attracted a high level of foreign investment. In 1977, three Southern states were among the top eight in proportion of employment in firms with direct foreign investment (i.e., firms with ten percent or more foreign ownership). By 1989, six of the top eight were Southern states—Georgia, Kentucky, North Carolina, South Carolina, Tennessee, and West Virginia. The South has attracted a particularly high degree of foreign investment in manufacturing. By 1989, one in four manufacturing jobs in West Virginia was in a firm with direct foreign investment; in South Carolina, Kentucky, and Tennessee, more than one in eight was in such firms.[6]

In addition to turning recruitment efforts overseas, states have begun targeting businesses outside the manufacturing sector. Many companies are now looking to place their back-office operations in less expensive areas outside cities and are now fair game in the hunt for jobs. Tourism and film promotion are also getting much attention from states. These industries have potential impact on rural areas which have the cheap land or scenery to support them. In 1990, six of the Southern states reported spending on film promotion, with a median of $350,000. Florida invested the most, at $700,000.[7] Tourism is a much larger line item with median state spending of $10 million in 1990, or nearly 8 percent of the states' economic development budgets on average.[8]

More Help for the Little Guy

Small businesses are increasingly being recognized as an important source of job creation and stimulus for entrepreneurial development. Efforts to support small business with capital and technical assistance have proliferated across the South. Almost all states have created a state network of university-based Small Business Development Centers to provide management assistance. In addition to university-based assistance, North Carolina has 50 Small Business Centers providing information and assistance through its community college system. Many of these small business assistance centers also help business people package loans and identify conventional or alternative financing sources. Main Street programs are another way in which states work with small communities to improve their downtown business districts. However, the quality, consistency, and sophistication of these business assistance programs vary from site to site. Programs are evaluated on the basis of inputs such as the number of counseling sessions held rather than outcomes achieved.

Many of the states have pursued entrepreneurial development as another strategy. Eight states support incubators, which provide low rent and shared support services to new businesses. Mississippi has the most extensive incubator support program, having created a network of six incubators around the state, including one targeted at minority entrepreneurs. Most incubators are located in larger metropolitan areas with satellite centers in smaller towns. At least three states have programs to assist small businesses in accessing the federal Small Business Innovation Research program.[9] Four Southern states—North and South Carolina, Georgia, and Mississippi—have provided start-up funding for *REAL Enterprises,* an experimental program designed to spur entrepreneurship among rural high school youth by helping them start their own businesses.

Capital pools are an additional strategy used by states to spur the development of smaller enterprises. Alabama and Arkansas have created linked deposit programs—which tie state bank deposits to loans made for specific purposes—to create a new source of agricultural and small business loans. Alabama's program has resulted in almost 1,000 business loans, leveraging $157 million of investment. Arkansas also has a revolving loan fund for small and minority businesses located primarily in rural areas. Virginia provides guarantees for working capital loans, and North Carolina has sponsored a state demonstration to provide capital for very small or "microenterprise" businesses in rural areas, testing techniques that have proven successful overseas. [See North Carolina's Program for "Mini-Entrepreneurs."]

Targeting Capital Needs

Programs to provide capital have become widespread in the South, with emphasis on targeting particular types of firms or particular geographic areas. Ten of the states provide some form of long-term business financing, and nine have developed at least one financing program to meet a particular capital need. Some states offer capital and tax incentives to support new technology-based firms. These include seed capital programs in Arkansas, Florida, Louisiana, and North Carolina, and Mississippi's tax credit for investment in high-tech firms. Other states such as Georgia offer tax incentives for job creation in economically distressed areas. All but three Southern states use enterprise zones to attract capital investment to distressed areas, although target areas are more often urban than rural. Kentucky offers bond financing for new and expanding plants in rural areas with high unemployment; the firm also gets a tax credit on income generated by the project. Arkansas has created a revolving loan fund for fruit and vegetable marketing cooperatives.

State policies which try to change the behavior of capital markets and leverage private investment to capitalize funds are a more recent phenomena. In the mid to late 1980s North Carolina, Virginia, Arkansas, and Mississippi commissioned studies which identified specific capital gaps, particularly in rural areas. As a result, North Carolina and Virginia established privately capitalized funds to finance rural manufacturers. Both states created special state tax incentives to leverage private investment for these funds. Louisiana is the only Southern state to have created a capacity to sponsor *Business and Industrial Development Corporations (BIDCOs)* across the state, modeled after a similar program in Michigan. BIDCOs are locally chartered pools of capital which leverage state investment to increase capital for business development. Arkansas has worked closely with the *Southern Development Bancorporation,* a commercial bank and affiliates that provide an array of financing and technical assistance focused on improving the economic base in the state.

Links to the Workforce

As higher demands are placed on the workforce because of increasing technology and global competition, state policymakers are increasingly recognizing the relationship between workforce and economic development issues. The South has been a leader in this arena for decades, dating back to the 1950s when North Carolina started a national trend with a program of customized community college training for plants relocating in the state. All the Southern states now have this sort of recruitment-oriented training program. In a few states (Louisiana, Tennessee, Virginia, and West Virginia), customized training is now administered by the state economic development agency. Several states including Alabama, North Carolina, Kentucky, and Mississippi offer upgrading and retraining for existing workers as well. *Kentucky's Bluegrass State Skills Corporation* is an example of one of the best models of this type of training, operated by a quasi-public, extremely flexible institution. [See Bluegrass State Skills Corporation.]

The need to develop a workforce to support economic development is of particular concern to the Southern states because of the relatively low educational attainment levels found in their workforce. States are beginning to turn their attention to this looming economic threat. In both North and South Carolina, the governors have taken on special initiatives to increase the ability of their workforces to meet the changing needs of businesses and industries. In Mississippi, attention from the Governor's office was key to intensifying efforts to address the state's literacy problems.

Clearly these efforts are at the cutting edge of one of the emergent issues of the 1990s for Southern states, and more attention to merging workforce and economic development policies will be demanded in the future.

Still a Small Piece of the Pie

The widespread adoption of new economic development tools is encouraging. However, these new strategies represent only a small part of the states' economic development agendas, and fiscal constraints have prevented many innovative programs from being fully funded. In addition,

North Carolina's Program for "Mini-Entrepreneurs"

Small businesses are a vital component of rural economies, but many rural communities lack an entrepreneurial tradition. In addition, banks often have difficulty in providing commercial loans this small because the transaction costs—evaluating the loan proposal, making the credit decision, and servicing the loan—are higher than interest that can be earned off the loan. In addition, many small businesses lack the collateral, management experience, or credit history to fit bank guidelines.

In 1989, the North Carolina legislature appropriated $500,000 for an innovative program to test the viability of providing loans between $500 and 20,000 to small businesses and self-employed entrepreneurs in rural parts of the state. An additional $325,000 in private grants was raised to leverage the state investment.

Working through the Rural Economic Development Center and five local sites, the demonstration tested two models. The first program operates similar to a bank, with more flexible terms, a volunteer local credit committee, and a loan cap of $20,000. Existing technical assistance providers were also used to provide business advice and loan packaging for borrowers. The second program, targeted at entrepreneurs needing very small amounts of capital, provided staged loans of $500-8,000 using an innovative credit delivery system that has proven very successful in developing countries. Traditional credit assessment and collateral requirements are replaced with group decision-making. Prospective borrowers form groups which provide business support to one another and make decisions about who among them should receive loans. Credit to the entire group is frozen if one member gets behind on loan payments. Both programs charge market rates for their loans, recognizing that access to credit is a larger barrier for small businesses than the cost of credit.

During its two-and-a-half years of operation, the program has learned a lot about the difficulties and rewards of making very small loans. As of February 1992, the microenterprise program has made over $800,000 in loans to 130 businesses ranging from a home-based jewelry maker and a small contractor, to a cabinet manufacturer and a sign maker. A majority of loans have gone to women and minority borrowers. In 1991, based on the promise of the program, the legislature appropriated another $650,000 to expand to over half the state's counties.

Contact: William Bynum, North Carolina Rural Economic Development Center, 919/821-1154 interviews with people at the local level across the South indicate that many still see state development policy as "business as usual." As one community leader stated, "New programs get funded, but often you get the same old stuff in new bottles, the same agencies at the local level getting the bulk of the funding and basically doing the same old thing."

One obstacle to change is simply the people who hold economic development positions at the state and local level. While the profession has seen some change over the past five years, it remains dominated by industrial recruiters who often resist taking on new development functions. For instance, interviews indicate that an innovative rural development program in Arkansas failed to receive the leadership it needed to succeed because it was situated in the state's main development agency which focuses on industrial recruiting. Similarly, a regional development program in West Virginia did not take off until it was placed in a new division focused on local development. Furthermore, local people point out that in many states turnover is slow to occur in the "second tier" state development personnel. Even when a dynamic new department head institutes innovative policies and programs, those charged with implementation are often skeptical and slow their impact.

In spite of all the political haggling over development strategies, economic development expenditures are dwarfed by other areas of spending in the South. MDC's analysis of budgets from the twelve states show that economic development expenditures range from less than one percent (Florida, Georgia, and Louisiana) to 9 percent (Arkansas) for fiscal year 1990, including federal appropriations. The median expenditure was about 2 percent.

Where were the states investing funds if not in economic development? The states spend the bulk of their money—a median of 39 percent in fiscal year 1990—on education. Among other state programs related to economic development, human resources and transportation are the other big line items. State human resource expenditures (including public health; aging, youth, and family services; and employment services) ranged from 7 percent to 32 percent, with a median of 13 percent. Transportation expenditures ranged from 2 to 18 percent, with a median of 11 percent. For economic development, as noted, the median ex-

Bluegrass State Skills Corporation

Kentucky created the Bluegrass State Skills Corporation (BSSC) in 1984 to stimulate economic development through skills training that meets the needs of business and industry. It provides grants for industry-specific training and also serves as a broker, negotiating training agreements between firms and community colleges or technical schools. BSSC negotiates over 300 training agreements a year. The firm pays at least 50 percent of the cost of training and often as much as 80 percent.

Its director describes the BSSC as representing the "third wave" of industry-specific training programs. Third-wave programs, which evolved in the 1980s, are quasi-public, giving them more flexibility to meet the needs of industry than earlier training programs which were housed either in community colleges or state departments of economic development.

The BSSC's board is appointed by the Governor and includes heads of all state education and employment and training agencies as well as business and labor representatives. It works closely with full-time liaisons at each of Kentucky's community colleges and technical schools. In negotiating with industry, BSSC represents all the state's education and employment and training agencies and can make commitments for their services.

Most of BSSC's training agreements involve upgrading of existing employees, while about 25 percent are designed to train new workers for new or expanding firms. Training is offered both in the classroom and on the job and covers such skills as front-line management, quality control, machine-specific, and other job-specific skills.

Contact: Steve Zimmer, Bluegrass State Skills Corporation, 502/564-2021

Analyzing State Expenditures

How do the Southern states compare in their expenditures for economic development? And within economic development, what activities and programs are state dollars supporting? MDC set out to answer these questions by doing a comparative analysis of state budgets. We soon discovered the answers were not easy to uncover.

We began by examining the *1990 State Economic Development Expenditure Survey* published by the National Association of State Development Agencies (NASDA). That survey asked state development agencies to report expenditures in eleven function areas, including Manpower Training, Tourism, Film Promotion, Local Development, International, Industrial Development, and others.

While the NASDA survey provides a wealth of information on state expenditures and economic development programs, it has two problems. First, it did not define the function areas, leaving that up to each state official who filled out the survey. Second, many states did not report expenditures in certain function areas. For instance, six of the Southern states did not report Tourism spending, five failed to report Local Development expenditure, and five did not report Manpower Training. In most cases, states excluded these categories because they did not fall under the domain of the agency that completed the survey.

After examining the NASDA data for the twelve Southern states, MDC decided to do an analysis using actual state budgets. We looked at actual expenditures for fiscal year 1989-90 and enacted appropriations for fiscal year 1990-91 in six categories broadly related to a state's development capacity: education, human resources, agriculture, transportation, economic development, and natural resources. The state-by-state results of our analysis are presented in the appendix.

We soon discovered that even by going to the source, i.e., the state budgets, it was not always possible to place expenditures in parallel categories across all states. While this was a problem in several categories, it was particularly troublesome in economic development.

Every state budget is organized differently, with varying levels of detail. The task is further complicated by the fact that the states organize their economic development functions differently. In some states, for instance, local aid is a prominent line item within a department of economic and community development; in others local aid could not be identified anywhere in the budget. In a few states, industrial training programs are listed as a line item in the budget, while in others these expenditures are buried within a department of community colleges or other agency.

Despite these problems, our analysis yielded some interesting findings about how the Southern states allocate their economic development dollars.

- The dollar amounts expended for economic development in FY '90 ranged from $40.5 million (Louisiana) to $524.6 million (Arkansas). Arkansas and South Carolina were the only states to allocate over 5 percent of the total state budget to economic development programs. Half the Southern states spent more on corrections than on economic development.
- The largest economic development expenditure in most states goes for either *housing and community development* or *local aid* (aid to municipalities and counties). These categories account for 30 to 81 percent of the total economic development spending, with a median of 60 percent.
- The second largest expenditure area tends to be *general economic development*, including all programs not listed separately. Depending on the state, this may include industrial recruitment, international development, existing industry programs, small business assistance, and others.
- *Tourism* (which in at least one state includes operation of state parks) is the third or fourth largest economic development expenditure in most states, with a median of 8 percent.
- Four states, Alabama, Louisiana, Mississippi, and Virginia, expend substantial dollars—between 8 and 23 percent of their total—on *dock and port authorities.*
- Finally, a few notes on relatively large programs in particular states. South Carolina spends a substantial amount—38 percent of its economic development budget—on *industrial training*. Louisiana allocates 16 percent of its economic development budget to the *state racing commission.* And in Virginia 9 percent of the development budget goes to the *Innovation Technology Authority.*

penditure was 2 percent of the total. Economic development was followed by natural resources (median of one percent) and agriculture at less than one percent.

An interesting note on the priority given to economic development (as well as the other low expenditure areas, natural resources and agriculture) is that half the Southern states spent more on corrections than on economic development. Other areas of state expenditure not directly related to economic development—for instance, legislative and judicial expenditures, debt service, retirement systems, and others—accounted for about 28 percent of state budgets across the South. [See Analyzing State Expenditures.]

Because economic development expenditures represent such a small part of overall state spending, it is critical that states coordinate their economic development efforts with education, human services, and related programs for maximum impact. Many Southern states have recognized this, both in response to fiscal belt-tightening and the new challenges posed by the global economy. At the same time they have expanded their economic development toolboxes, they have sought more effective ways to use those tools, by changing the way they do businesses. States have begun stretching their limited resources in several ways: by encouraging regionalism, by coordinating the activities of state agencies, by targeting resources to particular areas, by supporting strong public/private partnerships, and by building local capacity for development. These approaches are particularly evident in states' attempts to stimulate development in their nonmetropolitan regions.

End Notes, Section II

1. National Association of State Development Agencies, *1990 State Economic Development Expenditure Survey*, Washington, D.C., 1990. This figure is the median, based on NASDA data for eight of the twelve Southern states.
2. MDC's analysis of FY '90 and '9s state budgets. See Appendix.
3. John D. Kasarda and David L. Birch, *Job Creation in North Carolina*, Kenan Institute of Private Enterprise, University of North Carolina at Chapel Hill, Chapel Hill, North Carolina, 1988. Net new jobs were defined as follows: start-ups minus closures; expansions minus contractions of existing businesses; relocations to North Carolina of out-of-state firms or branches minus movement of firms or branches out of the state.
4. Corporation for Enterprise Development, *The 1990 Development Report Card for the States*, Washington, D.C., 1990, p.85.
5. NASDA, 1990.
6. *Survey of Current Businesses*, July 1991, pp. 76-79.
7. NASDA, 1990.
8. MDC's analysis.
9. Corporation for Enterprise Development, p. 88.

POLICY AT WORK FOR RURAL AREAS

State Initiatives and Programs

As states across the South increase their array of development tools, the concerns and needs of rural areas have not been forgotten. While MDC's work suggests that in most states a separate rural policy is not necessary, it shows that special approaches are necessary to ensure rural areas are not left behind.

Policymakers across the South are recognizing some of the special concerns of disadvantaged rural areas and starting to develop policies and programs to reduce inequities. In some cases, the impetus has come from a governor or lieutenant governor who hails from a small town and has a personal commitment to improving the lot of rural areas in his or her state. In other cases, there has been a recognition on the part of the governor or the legislature that the economic and social health of the state is tied to the health of its rural areas.

However, the new policies and programs designed for rural areas often reflect a scattergun approach—a tax incentive here, a loan fund there—rather than a focused, integrated effort to attack the root of rural problems. Most innovations are too new to determine their impact on rural areas. Nonetheless, they represent a step in the right direction—the recognition that special approaches are needed to assist troubled rural areas.

In general, Southern state responses to the challenges of rural development have not involved costly new programs designed for rural areas. Rather, states have developed mechanisms to increase the likelihood that rural areas will be able to take advantage of existing development opportunities. State innovations around rural development have taken three broad approaches:

- Programs that target services or incentives to rural areas;
- Initiatives that leverage existing resources through coordination within state government, encouraging regionalism, or building partnerships with private and nonprofit organizations;
- Efforts to build local capacity to take strategic advantage of development opportunities.

More widespread attention to rural development policy is hampered by the lack of an organized voice for rural people. Similarly there is no network that understands the nature of the challenges facing rural people and businesses in the global economy, seeks to increase the productive contribution of rural areas, and is concerned with employment, broad economic development, and poverty issues. Traditional rural interests such as agriculture, timber, and mining are still a political force in many of the states we studied. However, these groups have limited interests and are not committed to addressing the broad challenges facing rural areas. In interviews across the region, rural community leaders cited the importance of building a broad-based network of rural leaders in order to encourage rural development. As Southern legislatures once dominated by rural representatives grow increasingly urban and suburban, an organized rural voice becomes more important. Funding formulas and programs that once favored rural areas are shifting toward urban and suburban needs. The challenge for rural advocates is to help urban and suburban legislators understand what rural communities need to enable them to contribute to the state economy instead of weighing as an anchor on economic progress.

An example of the impact that can be achieved by an organized network of rural leaders is the creation of the Eastern Kentucky Development and Job Creation Corporation. A coalition of regional business and community leaders conceived the idea of a public/private partnership to spark economic development and successfully pushed for legislative authorization and state funding. Another example is a coalition built in North Carolina between minority economic development and rural interests which resulted in a package of legislation impacting rural areas.

A promising statewide network of rural leaders in North Carolina, the Rural Economic Development Organization (REDO), is an outgrowth of rural leadership development and training.

Targeting with Specialized Programs

Often rural communities or economically distressed areas—the very communities that need the most help—miss opportunities to capture state resources. New programs targeted at rural areas have emerged over the last five years in recognition of that need. Some states have created special offices to serve as "brokers" within the government and provide rural communities access to information and public resources. Others have legislated financing programs or tax incentives to level the playing field, giving distressed areas a boost in competing for development. Still others have designed special programs to meet the particular needs and capacities of rural areas. In one case, a program shifts resources from urban to rural areas. Finally, states have established policy review bodies to oversee rural policy development.

A rural "broker" within government — Even in the states with the best statewide economic development policy, rural areas need a place in government that watches out for them. Rural leaders often have difficulty navigating the maze of state or federal programs, finding information pertinent to rural areas, learning about programs that have been successful elsewhere, or keeping current on state legislative activities that may impact them. They do not necessarily need special rural programs; they just need better information and access to existing resources.

Several states have responded by establishing an office within state government with a mandate to focus on the special needs of rural areas. Since 1988, five Southern states—Georgia, South Carolina, Louisiana, Virginia, and Arkansas—have created rural offices, usually in response to recommendations from a governor's or legislative task force or study group. While the offices vary in their activities, budget, and staff size, they share common goals: coordinating the state's rural development efforts, providing a contact point and resource center for rural organizations, serving as an advisor on rural development issues to the Governor and legislature, and communicating with rural leaders. Several offices also work to encourage and coordinate private sector involvement in rural development and to research and test model programs. Both the Louisiana and Georgia offices are required to submit periodic reports to the legislature, providing an opportunity for policymakers to assess progress and make recommendations for the future. [See Offices of Rural Development.]

Such offices offer a relatively low-cost way to broker state programs to private and public agencies and individuals involved in rural development. They seem to function best as coordinators and information disseminators. Their ability to research and test rural policy innovations has not yet been demonstrated, and their ability to influence state policy is limited by their size and position several layers down within development agencies. Nonetheless, offices of rural development have the potential to be effective voices within government for rural areas. Their first few years of experience points to three areas in which they can play particularly effective roles: building partnership with the private sector to leverage resources for rural development, monitoring rural development policy initiatives at the national level, and evaluating the rural impact of legislation within their own state. As these offices develop around the region, they could be strengthened by forming a network to share information and program ideas.

Leveling the playing field — Many rural areas do not have the physical infrastructure, cultural amenities, or other qualities that enable them to enter the development game on an equal basis with urban areas. Tax incentives and special financing programs allow rural areas to compete more effectively for development, without involving a commitment of state staff or resources in deciding where benefits will be allocated. Instead, individual businesses decide whether to take advantage of available incentives and where to use them. The most common targeting strategy is the designation of enterprise zones, authorized in nine of the twelve states but more prevalent in urban than rural areas.

A few states have tax incentives designed more specifically for rural areas. One such program is *Georgia's Jobs Tax Credit* program which targets the state's 40 least-developed counties. The 1991 tax returns will provide the first glance at how many companies have used the credit and how many jobs have been created. Nevertheless, policymakers are moving to expand the number of counties covered to 80 and double the size of the credit for the bottom 40 counties. *Kentucky's Rural Economic Development Authority (KREDA)* goes beyond the provision of incentives to provide financing for industrial development. Seventy-seven counties are designated, based on high unemployment rates, for finance and incentives. Since its creation in 1988, KREDA has financed 45 projects involving 5,600 jobs. Over two-thirds are new plants that were lured to Kentucky in part by the KREDA incentives.

Targeted incentives can be beneficial to rural areas looking to compete with more urbanized portions of the state. However, most programs define the target area broadly, including at least half the state's counties, thereby increasing the program's political appeal but diluting its benefit. In addition, many studies have shown that tax incentives are not a primary factor in the location decision of most firms, particularly in the South, which traditionally has had low taxes to begin with. The Kentucky program's direct financing has had some demonstrated success. States should recognize, though, that even financing is not necessarily a strong-enough incentive for companies to locate in the most remote or economically depressed areas. For those areas, other strategies are needed.

Special aid for distressed counties — Other state programs provide staff and resources to address the special needs of distressed rural areas and help them gain better access to existing government programs. An example is *Arkansas' Governor's Rural Development Action Program* which targeted the state's eleven most distressed counties for assistance in developing local strategic plans. Teams in each of the counties developed plans that set priorities for local development. State teams were then designated to assist the counties in identifying resources and implementing the plans. Similarly, *Alabama's Rural Development Initiative*, which operated from 1987-91, focused on the state's ten most-distressed counties, all of which were rural. Rural development teams comprised of state and federal agency representatives used local interviews to assess local needs and prepare a report to the Governor. Reports have now been completed on all the counties; however, follow-up assistance has been limited. As these programs demonstrated, counties targeted because of their level of distress often need the most assistance in following through on plans and are the slowest to show results. Unless very strong local leadership exists, the program's effectiveness may be limited by the lack of follow-up assistance. *Mississippi's Competitive Communities Program* (discussed below) tries to strike a balance between assisting less developed, more needy counties and more developed counties which demand less time and resources and may show quicker results.

Evidence suggests state staff can provide valuable information and technical assistance to local areas in building their capacity to think and act strategically. However, planning is only the first step; follow-through and assistance in implementation of plans is critical if such efforts are going to make a difference. This is particularly true with programs targeted toward a state's most distressed counties. In too many such programs, state staff are available to work with county leaders over a relatively short period of time. For instance, Arkansas' Rural Development Action Program was undertaken prior to the creation of the state's Office of Rural Advocacy and in interviews was criticized for being weak on implementation. Had the program been coordinated by the rural office, it could have received a longer-term commitment from the state and greater outcomes.

Shifting resources — One function that states perform is to redistribute resources from wealthier areas to poorer communities, usually by taking tax dollars and redistributing them through programs. The growing number of lawsuits demanding equity funding for rural schools is an indication of the lack of power held by rural interests, who now turn to the courts for redress rather than to the political system. As one Kentuckian stated, "When the 66 poorest school districts won their lawsuit across the state, the state redid all its funding formulas. We'll have to see this kind of equity in economic development as well—rural areas need equal roads, equal access to health care . . . and poor counties have no tax base on which to build."

One unique approach to redistribution of resources, albeit on a small scale, is the *South Carolina Local Option Sales Tax*. For years, South Carolina's cities had wanted a local option sales tax as a way to reduce property taxes, but rural areas had opposed the idea until a "Robin Hood" mechanism was devised. Under this approach,

Offices of Rural Development

Offices within government focused specifically on rural issues are a new policy innovation. By the beginning of 1992, five Southern states had established an office within state government to focus on rural issues. Georgia established its office in 1988, South Carolina in 1989, Louisiana in 1990, and Virginia and Arkansas in 1991.

Budgets and staffing vary widely from state to state. Arkansas' office operates with a single staff member. South Carolina has had a staff of three, and Virginia projects a staff of seven. Louisiana's staff has grown to include seven persons while Georgia's has shrunk under fiscal pressures from eight to one. The Louisiana office is the only one reporting directly to the governor; others are located within state development agencies.

The offices also vary in their goals, activities, placement in the state hierarchy, and longevity. Yet they have the potential to play important (and relatively low-cost) roles as catalysts to rural development initiatives, in strengthening networks of rural people/organizations, and in assessing the impact of overall state legislation on rural areas.

In every state, the office of rural development grew out of recommendations from a task force or study group. Each of the offices sees its primary goals as coordinating rural development efforts, providing a contact point and resource center for organizations interested in rural development, serving as an advisor on rural development issues to the governor and legislature, and communicating with rural leaders. Several offices work to encourage and coordinate private sector involvement in rural development and to research and test model programs.

Primary activities of most offices include information gathering and dissemination; links with policymakers, other state agencies, and private sector players; program administration; and development.

Information gathering and dissemination are carried out by means such as a library or clearinghouse on rural development issues, newsletters distributed to leaders around the state, statewide conferences, and publications. Offices work to provide timely and useful information to rural areas. The Georgia office publishes a series called "So You've Got a Problem," which focuses on different issues of concern to rural areas and provides solutions and contact points for those in need. All of the offices have held conferences designed to improve communication among rural leaders, highlight model programs and activities, and build a constituency around rural needs. Most of the offices use field consultants and local officials to help them identify areas that need attention and to keep abreast of activities across the state. Offices have less structured means of keeping in touch with policy initiatives and thinking at the regional and national level.

Each of the offices maintains close contact with legislators and officials in the executive branch. The director of the Georgia office is also active in municipal and county associations and works with them to assess needs. The offices respond to requests from legislators and also initiate contact with other departments when necessary to broker information or a request. The South Carolina office has a formal and somewhat unique relationship with the Cooperative Extension Service. It operates the Local Economic Action Planning (LEAP) program in cooperation with the Extension Service's Palmetto Leadership program, allowing each to complement the other. The leadership program provides basic training at the county level and then helps the community set up task forces to work on specific issues. The LEAP program can then follow up with economic development planning assistance to carry projects forward.

The state offices also maintain close relationships with policy oversight committees. For instance, the Georgia office worked closely with the Senate Rural Policy Study Committee on a report reviewing rural development needs and identifying necessary actions. Georgia and Arkansas have statewide Advisory Committees on Rural Development which oversee their work. Louisiana and Georgia must prepare reports to the legislature on a periodic basis assessing the state of rural areas. The Georgia office also has worked closely with the Community Developers Forum, an informal group of public and private organizations that meet monthly to discuss policies, programs, and events and report back to local governments and other partners.

Each of the offices helps to create and administrate programs targeted at rural development such as Georgia's Local Development Fund. Several operate downtown development initiatives such as the Main Street program or community certification programs, which help communities prepare for economic development. Georgia, South Carolina and Louisiana have programs that utilize private sector resources to provide services. The offices train corporate and utility employees to provide technical assistance to communities pursuing economic development initiatives.

Are these offices effective in spurring rural development action within the state or in helping to provide a more rational approach to development policy and its impact on rural areas? It is too soon to say. However, a review of the existing offices and their activities leads to the following conclusions.

- An office based in government has an important role to play as a central resource for private and public agencies and individuals involved in rural development. Information and data collection and dissemination are vital.
- Offices of rural development offer a relatively low-cost way to address many of the barriers that stymie rural leaders in their search for effective development strategies. The offices seem to function best as coordinators and information disseminators; their ability to research and test rural policy innovations is limited both by their size and position within state government. In addition, state offices are subject to the changing leadership and fiscal capabilities of state governments, necessitating a shorter-term approach to rural problems.
- To be effective, offices need to have a close working relationship with the Governor and key policymakers.
- The preparation of a periodic report to the legislature assessing the state of rural areas can be an important tool to evaluate programs and make recommendations for the future.
- Forging partnerships with the private sector should be a key component of an office of rural development's strategy. These partnerships can help stretch scarce staff and financial resources.
- Most of the state offices have difficulty in keeping abreast of innovative policy development at the regional and national level. An opportunity exists for rural development offices to develop an informal network to share information and help spread effective programs and ideas.

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revenue from counties that generate the most sales tax is channeled to counties that generate the least. To date thirteen counties have approved the local option. Ironically—but somewhat predictably—over three-quarters of the counties approving the sales tax have been poorer rural ones. Time will tell whether this idea leads to increased revenues for rural counties. But the program is one example of how urban and rural areas can work together to meet differing needs.

Targeted policy review — Some states have established legislative or executive bodies to provide rural policy oversight, enhance the comprehensiveness and impact of rural policy initiatives, or assess the rural impact of state policy. As part of Florida's *Rural Economic Development Initiative (REDI)*, staff are conducting a kind of "rural impact statement"—analyzing state laws and regulations to identify those that adversely affect rural areas. The REDI interagency committee will make recommendations to the Lieutenant Governor regarding changes in legislation to bring about better equity for rural areas.

Georgia has an *Advisory Committee on Rural Development*, with representatives from around the state, which works closely with its Office of Rural Development in setting priorities, making policy recommendations, and keeping an eye on rural development activities. A state Senate Rural Policy Study Committee, working closely with the Office of Rural Development, also recently completed a study recommending comprehensive policy changes to improve rural development. And Arkansas has recently created a *Rural Development Commission*, composed of state legislators, which will serve similar functions.

Policy review is an important step in ensuring that rural areas have the ability to take advantage of opportunities created through overall state development policy. Florida's "rural impact" analysis is a sensible step toward mitigating unintended adverse effects on rural areas of state tax and regulatory, as well as development, policy. Obviously, such reviews must be conducted by institutional bodies that then have the political clout to see that recommendations or findings are followed through.

Leveraging Through Partnerships

Economic development is a small share of overall state budgets, and an even smaller amount is directed specifically toward rural development efforts. Therefore, states must look for creative ways to stretch their limited resources. Several states have sought to increase the effectiveness and reach of economic development programs within government and to encourage new players in the economic development game through building several kinds of partnerships:

- within state government;
- among local governments;
- with new kinds of policy innovators;
- and with universities, nonprofits and the private sector.

Within state government—As state budgets continue to tighten, governors are encouraging interagency coordination to achieve greater efficiency and cost-effectiveness. In addition, as policymakers increasingly recognize the critical link between economic development and other areas of state policy, they are seeking to improve lines of communication between state agencies.

States have taken a number of approaches to increase coordination. Some states have focused efforts at the state level. Florida's *Rural Economic Development Initiative (REDI)* sends interagency teams to rural counties to determine critical local needs. An interagency Rural Economic Development Committee then examines how state agencies can respond. [See Florida's Rural Economic Development Initiative.]

Resource coordination can also take place at the local level. *Georgia's comprehensive planning process* encourages local agencies to work together more effectively. The process grew out of the Growth Strategies Commission which determined that development challenges must be met at the local level, but that a more coordinated and inclusive process must be established to mesh state and local efforts. Based on statewide goals and standards, counties prepare comprehensive local plans with data provided by the state. Plans are then compiled by the 18 Regional Development Centers (formerly the state's Planning and Development Districts) to ensure that common challenges are addressed and differences mediated. Local governments which develop plans are eligible for state support and assistance from the Regional Development Centers. The entire process is overseen by the Governor's Development Council composed of 16 state agencies.

Policy coordination can be as important as actual agency and resource coordination. The *Governor's Commission on Workforce Preparedness* has been effective in linking educational and economic development concerns in North Carolina. Based on the Commission's study of critical workforce development needs, the governor created a permanent commission with representation from the private sector and all state departments that deal with workforce development. This body is charged with developing a two-year strategic plan to link the state's workforce training and economic development programs. A similar effort is *Georgia's Governor's Development Council*, composed of 16 key state development agencies who work to coordinate development policy. Pending legislation would reduce the number of agencies to five and add five private sector members to improve communication across sectors.

These coordinating efforts include state departments and the private sector but no federal agencies. The Rural Development Councils created in 1990 by the President and Congress represent an opportunity for states to include the federal government in resource coordination. In the South, Mississippi and South Carolina participated in the initial round of Rural Development Councils, and a number of other states have applied for a subsequent round. Arkansas hopes to be selected and has laid out a plan to maximize the joint resources of its newly created Office of Rural Advocacy, its state Rural Development Commission, and the anticipated Rural Development Council.

While coordination of resources can help improve prospects for rural development, it is not adequate in and of itself. State administrators may get so caught up in trying to tie together too many actors that they will lose sight of overall goals. For example, in Florida's REDI, state departments and local governments must sign Memorandums of Agreement to ensure common understanding. Steps like this can be useful, but also have the potential to bog the process down so that actual services and resources do not get out to the intended recipients. Multitiered planning processes, too, have the potential to become so complex that action steps never get taken. States should set clear goals based on the desired outcomes of coordination to ensure that the process adds up to more than simply reshuffling an old deck.

Among local governments — "Regionalism" is increasingly becoming a part of economic development jargon, and rural communities are recognizing that they cannot survive unless they work together. Our county lines were drawn in the horse and wagon era, to ensure that all citizens could reach the courthouse in a day's drive. Today, when markets and economies do not even recognize state or national boundaries, counties are increasingly less viable economic units.

Political pressures as well as market pressures are pulling rural communities together today. As

Florida's Rural Economic Development Initiative

"Many rural areas just aren't aware of state programs." This was one problem that Florida's Rural Economic Development Initiative (REDI) was designed to solve. REDI is an interagency effort to focus the attention of state agencies on rural needs and make state resources more accessible to rural areas.

REDI was born less than a year ago but has already sparked enthusiasm at the state and local level. Like most successful interagency coordination efforts, its leadership comes from the top, in this case from the Lieutenant Governor. He brought together five state agencies to discuss how state government could be more responsive to rural needs; together they designed REDI.

The lead agencies are Commerce, Labor, Community Affairs, and Education, although more than a dozen agencies participate in monthly Rural Economic Development Committee meetings. The program has no staff of its own; it relies on existing staff at each agency.

Here's how it works: REDI designates counties eligible for assistance, based on rurality and measures of economic distress. After official communication between the Lieutenant Governor and the county commissioners, an interagency REDI team meets with county leaders to identify key local problems. The team takes these problems back to the Rural Economic Development Committee to see how state agencies can help. In some cases, the team simply refers county leaders to a contact person in a state program. For tougher problems, a memorandum of agreement is drafted, committing state agencies and the county to specific tasks.

Counties have received help with such things as:

- Developing aquaculture facilities;
- Applying for a U.S. Forest Service grant to identify ways to diversify the economy of a timber-dependent county;
- Meeting the state's rigorous comprehensive land use planning requirement, which has caused problems for understaffed rural counties.

Besides helping individual rural counties, REDI is looking at broader rural development concerns. For instance, a staff member is analyzing state laws and regulations that have adverse effect on rural areas. Next year the Rural Economic Development Committee plans to recommend changes in state laws to achieve greater rural equity.

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West Virginia's Partnership for Progress

Initiated in 1989, West Virginia's Partnership for Progress program called on leaders in business, education, government, and labor to form Area Partnership Councils in nine designated regions. During the first year, with no support staff at the state level and busy CEOs as council members, the councils did little more than hold short planning retreats to identify priorities. It was not until a new division was created within the state's industrial development department and a director and staff were hired that the program began to make progress. Councils were revamped to include representatives who could spend more time with the project. State staff helped each regional council select one issue on which to focus. Staff also provides technical assistance and serves as a liaison between the regions and state government. Prior to this, West Virginia had no regional community development staff.

Regional councils have taken varied approaches. One region organized a regional recruitment effort for wood products firms; another is developing a cultural tourism plan using a major federal grant it sought; and a third region conducted a market analysis of the potential to recruit back-office operations and spearheaded the creation of a manufacturing network.

One difficulty has been that the regions did not correspond to existing planning and development council lines. Therefore, local government has not been as active as it might be. However, the councils have had strong leadership from business and education (both school superintendents and community colleges) and clearly see the links between education and economic development. According to the state director, inter-county competition has not posed a problem in the Partnership for Progress, partly because the Councils are dominated by the private sector rather than government.

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federal and state government require local governments to provide more expensive public services without a corresponding increase in aid, counties are forced to pool their resources to achieve economies of scale in such areas as solid waste disposal, water systems, and jails. Cooperation is slow in developing and competition is still rife, but slowly local leaders are starting to recognize the advantages of joining together. Often, the push toward regional cooperation has come from the state.

States have taken several approaches to encourage regional cooperation. In some cases, a state has designated regions based on an analysis of regional economies, existing institutions, or other factors and then has created mechanisms for counties to work together. In *West Virginia's Partnership for Progress*, for example, the governor called on business, education, government, and labor leaders to form Area Partnership Councils to tackle economic development in each of nine regions. [See West Virginia's Partnership for Progress.] As mentioned, *Georgia's comprehensive planning process* uses Regional Development Centers to integrate and mediate differences among and implement comprehensive plans prepared by individual counties.

Other states have developed incentives for local areas to work together to solve common problems, encouraging counties to define their own regions. In 1991, Louisiana created the *Regional Economic Development Allies (REDA)* program, which provided incentives for local parishes to work cooperatively in establishing economic development priorities and providing local services. REDA is a performance-based contract program based on quantifiable objectives set annually. Eleven alliances representing 64 parishes have been formed so far, each involving a range of institutions from the planning and development districts to vocational-technical schools. Some alliances are stronger and more committed to working together than others. As could be expected, local leadership has proven to be a critical factor in parishes' ability to work together.

Some states have taken advantage of regional initiatives that have bubbled up from local areas. The *Eastern Kentucky Economic Development and Job Creation Corporation* was conceived by a group of public and private leaders from 43 Appalachian counties. Funded by the legislature, local governments, and business, the Corporation is involving key private sector interests in helping to develop new business and strategic industry sectors for the region. *South Carolina's regional industrial park legislation* enables groups of counties to jointly develop and market a regional industrial park and share the resulting property tax revenue. A tax incentive for job creation sweetens the pot for attracting industry. The idea was conceived by a local entrepreneur who persuaded several other counties to participate in the idea. The legislature liked the program so much that it institutionalized it statewide. [See South Carolina's Regional Industrial Park Legislation.]

Councils of Governments, Planning and Development Districts, and other state or federally mandated regional organizations have long been charged with fostering regional development. While some are hampered by local politics or a lack of authority, many have been effective in spearheading regional efforts around solid waste management, small business financing, and other important issues. These regional agencies are another potential partner for state government. In fact, Georgia's Regional Development Centers, formerly the state's Planning and Development Districts, have been reshaped to form the centerpiece of the state's comprehensive planning process.

While regional cooperation makes sense given the challenges facing rural communities, state policymakers have struggled to find ways to overcome the natural barriers that still prevent that cooperation. Financial incentives can play a strong role. In Georgia's comprehensive planning process, for example, counties that choose not to participate are not eligible for certain state funds. Also, strong private sector involvement can help regional programs succeed. In West Virginia's Partnership program, the active role of business and education leaders has mitigated the natural resistance of local elected officials to join forces.

By focusing on issues such as solid waste, where rural areas already grasp the need to work together, states can also nurture regional efforts so that people see for themselves the benefits of cooperation. As one state program director noted, "The key to making regionalism succeed is finding priorities or problems that people are already working on locally. Then they realize they can make more progress if they work together."

With statewide nongovernmental institutions — Thoughtful policy and program development demands a long-term perspective with the flexibility to test and evaluate new ideas. Yet state agencies are often limited in their ability to do this by the demands of managing ongoing programs, the time pressure resulting from four-year election cycles, and the difficulty of conducting evaluation in a governmental setting. In response, several states are moving to establish quasi-public entities with policy "research and development" capability. These entities are better situated for testing innovative responses to the challenges facing rural areas. They do not run programs. Instead, they identify policy gaps or promising programs and work to pull together the multi-sector partnerships necessary to carry out innovative programs.

Quasi-public entities or independent nonprofits have been used in other areas of economic development, particularly where proven programs do not exist and research and development of ideas is important. Both *Tennessee's Technology Foundation* and *Kentucky's Science and Technology Council* are examples of entities created to build

South Carolina's Regional Industrial Park Legislation

The Low Country Regional Industrial Park in South Carolina is an example of regionalism bubbling up from the local level and becoming institutionalized statewide. The concept of a multicounty industrial park was spearheaded by an enterprising individual in a poor rural county, which has the potential for development because of its location on Interstate-95 but lacks funds for infrastructure. He sold the idea to four neighboring counties and then to the state legislature. The legislature was so impressed with the idea that in addition to enacting enabling legislation, it created a special tax incentive for jobs created in regional industrial parks.

Under the legislation, a group of counties can join together to share the costs of development and marketing an industrial park located in one of the counties; then they share the resulting property tax revenue. Companies who locate in the parks get an additional job tax credit (on top of the state's regular jobs tax credit) of up to $1,000 per worker, tied to the economic distress of the region. One or two more groups of counties are currently in the process of developing regional industrial parks.

Contact: Walter Harris, Office of Rural and Community Development, 803/737-0400 multi-sector partnerships, and identify and test new ideas. Similarly, *Enterprise Development Inc. of South Carolina* was spun out of the State Development Board as an independent nonprofit to identify and test strategic initiatives to enhance enterprise development in the state.

The *North Carolina Rural Economic Development Center* is the best example of such an organization that focuses on rural issues. Created by the legislature in 1987, the Center has catalyzed several initiatives including the creation of a $100 million loan and investment pool for rural manufacturers, sponsorship of model leadership development programs, and support of a growing network of leaders active in rural development issues. While state support has been critical to its success, the Rural Center has also been successful in attracting private grants to complement its state funding. A multi-sector, high profile, independent board governs the Center. Both Virginia and Florida are now considering the creation of similar public/private endeavors.

Interviews indicate that there are several characteristics important to the success of these "research and development" organizations. A multi-sector governing board is critical in building relationships and credibility with key partners as well as in insulating the institution from politics. The institutional focus is on policy innovation, not program management, to find and test the best new ideas for rural development. Once a promising strategy has been identified and evaluated, the program is spun off for continued operation; strategies that do not prove viable are abandoned or reworked. When the institution identifies a promising strategy, it brings together partners from local and state government, business, and nonprofits to work together on carrying it out. Management flexibility is critical in order to act entrepreneurially and take advantage of opportunities as they arise. Finally, these institutions tap private sector resources such as foundation dollars to expand their activities.

With universities — Another type of partner identified by some Southern states is the regional university. A number of universities have federally funded Economic Development Centers which house various economic development activities and federally funded small business assistance centers. While major research universities have played a role in economic development through their research activities and Cooperative Extension networks, they do not have the focus and commitment to a specific region of the state that regional universities bring to the table. Regional universities are also a permanent presence in the region and receive ongoing support from the state. University faculty have a wealth of expertise in fields such as engineering, business, organizational development, and leadership development that can be applied to technical assistance for businesses or communities.

Arkansas has been a leader in encouraging its regional universities to become involved in economic development, providing small grants to all its colleges and universities for economic development activities. As a result, *Arkansas State University* joined together with four other postsecondary institutions to develop regional leadership and stimulate economic development in Eastern Arkansas.

In North Carolina, *Western Carolina University's Center for Improving Mountain Living (CIML)* has been working for over a decade to tackle regional issues and spur cooperation in a 17-county area. It uses state, federal, and private funding to accomplish its many projects. Recently other branches of the state university system have taken steps to build a similar capability in their regions. In Alabama, *Jacksonville State University* is helping to nurture the Northeast Alabama Development Forum, a privately funded partnership that aims to build partnerships and raise the funds to carry out economic development projects in its region. The Forum is housed within the university's Economic Development Center. [See Regional Universities as Development Catalysts.]

While state leadership can help encourage regional universities to become more active in economic development, the top leadership of the institution must be committed as well. One reason for the success of Western Carolina's CIML is the strong commitment on the part of the Chancellor of the university.

With local nonprofit organizations — Over the last decade, nonprofit organizations have honed their ability to act as developers. Many nonprofits undertake housing and commercial development projects and leverage private financing, as opposed to their more traditional roles of delivering services or advocating policy changes. Nonprofits bring many strengths to the development process. They have strong ties to the communities in which they operate and a sense of the community's needs. They often take a longer-term view of development and focus on low-income populations. Finally, they have the ability to assemble various funding sources, including government and foundation monies, to carry out their work. However, for every nonprofit that successfully functions as a developer, there are many that lack the skills and experience to do so. This is particularly true in rural areas.

A few states have recognized the potential of this sector and provided support to build the capacity of nonprofit development organizations. *Florida's CDC Support and Assistance Program* has been providing critical operating support for over ten years to the state's mostly urban network of community development corporations. More recently, the North Carolina legislature began

Regional Universities as Development Catalysts

The role of research universities in spurring economic development has been clearly demonstrated by examples such as North Carolina's Research Triangle Park and California's Silicon Valley. But these types of institutions are often limited to metropolitan areas. What about the potential of regional universities based in more rural areas to contribute to the sound development of their region? A 1985 report by the Southern Education Foundation found numerous examples of postsecondary institutions which had provided technical assistance to small businesses, assisted in the preparation of regional economic development plans, participated in the formulation of economic development policy, or provided courses and seminars for economic development practitioners.

Since 1976, Western Carolina University's Center for Improving Mountain Living (CIML) has been providing research and technical assistance and linking its institutional expertise and resources to its 17-county region in a wide array of issues affecting the quality of life of its region. Working closely with area Councils of Governments, CIML's Regional Economic Strategy Project devised and initiated strategies to strengthen small business formation, tourism, solid waste management, and leadership development. As part of this project, a "Deal Stream Analysis" of lending decisions by local banks produced recommendations that resulted in the creation of a special loan fund to assist businesses traditionally rejected by commercial lenders. Another project led to a multicounty effort to improve the region's ability to recover and process recyclable materials and to link with private markets.

Arkansas State University's Center for Economic Development, founded in 1988, is involved in a wide variety of programs to support and stimulate regional economic development in its 28-county area. Its activities include assistance to businesses, leadership training for individuals, and broad regional development initiatives. The East Arkansas Higher Education Economic Development Consortium was formed by the chief executives of five regional institutions to help alleviate the conditions that hamper development in the Mississippi Delta. It sponsors conferences and workshops on issues of concern in the Delta; it also provides a vehicle for its member institutions to share resources, for instance by referring business assistance clients to the institution that can best help them. ASU also started a business incubator. One of its tenants is a nonprofit corporation founded by ASU faculty to help market regional produce and provide access to national markets for vegetables. Total sales in 1991 were approximately $2 million.

A more recent effort at regional development grew out of private sector leadership in northeastern Alabama. Jacksonville State University will house the resulting Northeast Alabama Development Forum, a private/public partnership to stimulate and implement economic development projects. Beginning with a four-county area, the Forum hopes to expand. In its first year it plans to look at workforce preparation in the region and work with local two-year institutions to meet the region's needs in this area. As the Forum establishes goals and devises projects, the partners will raise funds from public and private sources to carry them out. The Forum is seeking local members from institutions and individuals in the region.

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Harold McGee, Jacksonville State University, 205/435-7881 supporting community development corporations, most of which work in minority communities. Many are located in rural areas. Funding in these two states has leveraged millions of local private dollars for operating and project costs and resulted in the creation of housing and commercial development in poor communities across the state. Over the last several years, the North Carolina legislature has also invested $4 million in the Center for Community Self-Help, a statewide development bank. This investment has helped leverage over $15 million in commercial and mortgage loans since 1990 to rural businesses, women and minority-owned businesses, and first-time homeowners, all of whom had difficulty obtaining traditional credit.

With business — Government can help stimulate development, but most economic development decisions are ultimately made in the private sector. Thus, private involvement is critical. Partners from the private sector can also help shield development decisions from petty politics that can bog down development agendas. Many new capital programs such as Louisiana's BIDCO program purposely place investment decision-making in the private realm, in part to keep politics out of the process.

As the experience of nongovernmental agencies showed, economic development must also respond to opportunities as they arise, which demands an ability to act flexibly and entrepreneurially—qualities that are often lacking in government agencies. And finally, the public sector will never have enough resources to tackle the challenges that face rural areas, so leveraging of other financial and technical resources is a necessity.

In the past, business and government have operated more independently from one another. States have provided tax incentives, physical infrastructure, and job training; business involvement in economic development has come through local "committees of 100" or the chambers of commerce. As the need for a local, more comprehensive approach has increased, the line between the private and public sector role has blurred.

States have sought to increase the involvement of private sector partners as sources of both investment dollars and technical assistance. In the Louisiana BIDCOs, the North Carolina Enterprise Corporation, and Virginia's VEDCORP, the state authorized a vehicle to encourage private investors to provide capital for economic development. Several states have sought to tap the talent and technical skills of private sector employees and use them to provide technical assistance in rural communities. *South Carolina's Primary Partners* program trains utility and other corporate employees to work with rural community leaders in developing local plans and projects. When state funding for Georgia's Office of Rural Development was cut, banks, utilities, and other private partners were enlisted to provide assistance to communities participating in the Governor's All Star program.

Utilities have an economic stake in the future of rural communities and have long been active in economic development. Increasingly, Southern utilities are taking the lead, working closely with state governments to spur new approaches to development. Operation Bootstrap, initiated by Louisiana Power and Light in conjunction with state universities, identified inventors and helped them develop and market their products. In Alabama, Alabama Power and South Central Bell have taken the lead in developing manufacturing networks. And the Entergy Corporation, holding company for the three state utilities in Louisiana, Mississippi, and Arkansas, has been a key leader in establishing the Foundation for the Mid South, a new private entity created to take a long-term approach to development problems in the region.

Given the important role of the private sector in development and the potential resources to be tapped, it seems probable that more partnerships will develop over the coming years. However, the state still has a broader public purpose that it must be careful not to neglect in pursuing partnerships with the private sector. Businesses are generally more interested in spurring overall economic growth as opposed to the goals of poverty reduction and broad-based development in low-income communities. In developing private sector partnerships, state policymakers must be careful to build in protection of public goals without overly restricting flexibility.

Building Local Capacity

Skilled local leaders are the bedrock of successful rural communities. Southern rural areas, whose greatest export has long been its most talented young people, often lack the people and institutions able to exploit development opportunities. In our conversations around the South, we found two trends that point to the importance of investment in the "predevelopment" needs of local communities. Observers in a number of small communities report that existing state programs benefit only those who can already help themselves; yet at the same time, other accounts describe how communities themselves developed a plan for what they wanted and were able to achieve it without state assistance.

States such as Mississippi, South Carolina, Arkansas, and Georgia have provided guidance in strategic planning as a means of building rural capacity. Fewer states provide the critical seed capital to allow communities to follow through on projects identified in a planning process. States such as North Carolina, Arkansas, Tennessee, and Florida have also provided direct support to nonprofit organizations working in local communities. Finally, a few states such as Mississippi and West Virginia provide rural leadership development and training through state programs.

Strategic planning and project assistance — Strategic planning is a critical first step for communities contemplating economic development to help them assess their comparative strengths in light of global economic trends and set priorities. However, without adequate follow-through, it can fall fallow.

A few state programs help local communities understand trends, analyze their comparative strengths and weaknesses, and determine how to take advantage of development opportunities. *South Carolina's Local Economic Action Planning* program, managed through its office of rural development, helped rural communities undertake a strategic planning process. *Mississippi's Competitive Community Program* selects a small number of communities based on their commitment to participate in the program. The state helps with initial data collection, brings in multi-sector resources to conduct leadership training, and assists communities in implementing the plans they develop. [See Competitive Community Program.]

In some cases, state agencies, regional institutions, or other well-intended people will come into a community and prepare the plan or do whatever is necessary to put a project together. While this may help the community in the short term, in the long run it is not much better off. Like the old adage about teaching a person to fish, communities must build their ability to make sound decisions about development opportunities and develop the technical skills to implement projects if they are going to prosper.

Without access to funds to carry out projects, planning and technical assistance can be ineffective. Once communities have identified a specific project, they must plan and seek financing for it. In recognition of this, a few states provide seed capital or direct support to communities to help follow through on local projects. *Georgia's Local Development Fund* provides small grants of up to $10,000 to begin implementing projects identified by communities which have gone through a self-assessment process. A majority of the funds are dedicated to rural communities and to communities participating in other state programs such as the Governor's All Star program. As an example, the town of Byron (pop. under 3,000) received a $10,000 grant to develop a plan for rehabilitation of the local depot. The resulting plan leveraged five times the original investment from local government, banks, and other institutions. The depot is now used for a community center and as a tourist attraction.

Direct support to nonprofits — Increasingly, states are recognizing that local nonprofit organiza-

Competitive Community Program

Mississippi's Competitive Community Program helps communities chart their future by guiding them through a process of local analysis, leadership development, and strategic planning. It is a new program of the Mississippi Department of Economic and Community Development (DECD), now working with a second round of communities.

The process works like this: The DECD selects a small number of communities to participate in the program. (A primary criterion for selection is the community's willingness to commit time and energy to an intensive training and planning process.) Once a community is selected, regional DECD staff conduct extensive local interviews, collect data, and present their analysis of strengths and weaknesses to the community. They then bring in trainers to help with leadership development in order to prepare the community for the planning process. Finally, the community begins to develop a strategic plan. When the plan is completed, the DECD regional office helps with implementation.

The Competitive Community Program grew out of a pilot program cosponsored by the state and the nonprofit Corporation for Enterprise Development, which worked with three rural counties in 1990.

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Tennessee Housing Finance Agency

In Tennessee, the state's Housing Finance Agency contracted with the Tennessee Network for Community Economic Development (TNCED), a statewide network of not-for-profit community-based development organizations, to increase the capability of rural communities to take advantage of the HOUSE (Housing Opportunities Using State Encouragement) demonstration grant program. The Agency had created the program based on a task force recommendation, using a real estate transfer tax to fund it which provides about $4.5 to $6 million annually. Though selection criteria were designed to "target" rural areas because of their greater need, not as many competitive applications were received from rural areas.

Assistance was given in five areas: workshops, technical assistance in conjunction with the HOUSE demonstration program, technical assistance to nonprofits having difficulty with the completion of a specific project, assistance to new housing-related nonprofit organizations, and the production of a directory of Tennessee housing resources. TNCED designed a two-day training program that emphasized planning, organization, administration, and financing of affordable housing efforts. This was followed by technical assistance for those organizations desiring it. Through TNCED's training and follow-up technical assistance, rural organizations were able to increase the competitiveness of their proposals and harness state resources for their community. The training even enabled some communities to finance their projects without state assistance through local lenders or Farmer's Home financing. In addition, two new housing development organizations were created in very rural, economically distressed areas of the state.

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tions have an important role to play in a community's ability to undertake development. As discussed above, North Carolina and Florida provide operating funds to the state's growing number of community development corporations, many of which serve rural and minority communities. And Mississippi allocated a portion of its Community Development Block Grant funds to capitalize revolving loan funds for business development at the state's community development corporations. Programs like these are valuable in providing funding to existing organizations which are ready to undertake development projects. In addition, the rural South needs to build the necessary skills of less experienced organizations and stimulate the creation of new community-based organizations.

To meet that need, Tennessee began a program to build the capacity of its existing nonprofit housing development organizations. The state's *Housing Finance Agency* contracted with the Tennessee Network for Community Economic Development, a statewide network of not-for-profit community-based development organizations, to increase the capability of rural communities to take advantage of a competitive affordable housing program. [See Tennessee Housing Finance Agency.]

Arkansas took another creative approach to stimulate the creation of more local nonprofits. In 1987, the state's Office of Volunteerism issued an executive order to create nonprofit county resource councils throughout the state to increase the involvement of local leaders in tackling community problems. No funding was available, but state staff assisted a number of counties in developing their organizations. The Newton County Resource Council (NCRC) exemplifies the results that were achieved with a modest state investment of staff time. Located in an extremely poor county in northwest Arkansas, NCRC has addressed a range of community needs including the development of an arts and information center to provide a market for local artisans as well as information for tourists. It also is responsible for operating the county's federally funded JOBS program to provide training and support services for AFDC recipients. Currently the Resource Council is planning two economic development projects that aim to build on two of the county's assets—its logging industry and its small farms. NCRC has raised its funds from foundations and the local community.

Training for local economic development professionals — Locally, the economic development profession is still heavily dominated by industrial recruiters, which can inhibit the attention given to new development strategies. Training targeted at this group can help them think more broadly about development opportunities and familiarize them with new strategies.

States are not directly providing this kind of training. However, it is provided through programs such as the Community Development Institute in Arkansas, the North Carolina Rural Economic Development Center's Rural Institute, and the American Economic Development Council. In both Alabama and Virginia, the Cooperative Extension Service offers economic development institutes for professional developers and local government officials. These programs have made a difference. An instructor in one of the programs has noted a dramatic change in the makeup of local developers over the last seven years. There are far more women and minorities today, and they have changed from having solely a sales or recruiting perspective to people who approach development from a more analytic and strategic perspective.

Local leadership development — Although fundamental to the success of the above strategies, few states directly provide leadership development training in rural communities. Mississippi's Competitive Communities program has such a component. North Carolina's Rural Economic Development Center has tested a program to build leadership capacity in multicounty regions. Very recently, the West Virginia's Governor's office joined in partnership with the nonprofit organization, Women and Employment, Inc., to develop West Virginia Community Futures, a comprehensive leadership development program.

A primary provider of leadership training programs across the South has been the Cooperative Extension Service. In many cases the Cooperative Extension Service has developed model programs with foundation funding which are now operated using state funds. Extension programs have been developed for a number of constituencies including: established statewide leaders, minority leaders, emerging leaders at the county level, and low-income people. [See The Extension Service As a Partner in Rural Development.]

While leadership programs have flourished across the South over the last five years, not all programs are as effective as they might be. Many programs target the traditionally identified "leaders" in a community without reaching out to bring new people into the process. A broader leadership base that reflects the varying socioeconomic characteristics of rural communities is critical to the survival of these communities. Also, many leadership programs do not provide training in economic development concepts. Instead they focus on general civics education, bringing in a series of speakers to address a number of issues with no conceptual framework to guide participants. Too few leadership programs help participants learn to work effectively in groups across lines of race, class, and gender. Finally, leadership development is most effective when followed up with further action, for instance by linking it to strategic planning and project funding.

The Sum of the Trends

Clearly, Southern states are responding to the new realities of economic development with a broader vision and with new tools to carry out that vision. Implementation of new strategies can be seen across the region. While this experimentation is an encouraging sign, economic development is still a small part of state budgets. The reality of fiscal constraints probably means that this will not change.

States have been slower to address the needs of rural areas. The examples provided may give the impression that the region is percolating with innovation regarding rural development. However, the truth is that not all states have recognized the need to address the full range of rural development issues. Many state efforts are limited by budget constraints; others lack the top level commitment they need for full implementation. For instance, many states recognize the importance of local initiative in bringing development opportunities to fruition, but fewer states aggressively support local capacity building. To make the new state approaches work, local governments and nonprofit organizations need help gaining skills to do strategic planning, evaluate business loans, and access technical expertise for modernizing manufacturers.

Many of the examples identified in this report are promising demonstrations that steps can be taken to advance rural development, even in times of budget constraint. Most of these programs are new and bear watching to determine their impact on rural communities. However, rural communities cannot wait. States must take steps to build an effective agenda to help rural areas meet their potential.

The Extension Service as a Partner in Rural Development

In most Southern states, if you ask which agency offers local leadership training you are referred to the Cooperative Extension Service.

Leadership training generally falls under the domain of Community Development, the smallest division of the Extension Service, with staff numbering between one and seven per state plus on-call university faculty. Unlike the major Extension Service programs (Agriculture, Home Economics, and Youth) which operate through county agents, Community Development has county-level staff only in South Carolina and West Virginia. Nonetheless, the Extension Service is the lead provider of leadership training, community analysis, and strategic planning programs in many states.

Leadership Training. Every state Extension Service offers at least one leadership training program, and many operate multiple programs targeted to different populations. Most of the models were developed with funding from the Kellogg Foundation; some remain foundation-funded, while others are now state-supported.

Five states offer a two-year course that brings together recognized community leaders from all over the state and deepens their understanding of local, state, and national policy issues. At least six states offer county-level programs to help emerging leaders become more active in public affairs.

Other programs are directed at particular populations. For instance, seven states offer the Family-Community Leadership program, designed to help homemakers and other women assume positions of leadership in their communities. Six states offer leadership programs designed specifically for minorities; some are joint efforts between the Extension Service based at 1862 and 1890 (black land grant) institutions. At least two states offer the Community Voices program to develop leadership among low-income people. Florida A&M and Alabama A&M (1890 Extension Service programs) are currently developing another leadership training curriculum for limited-resource people, which they anticipate will be used by both Extension agents and community development staff of the Soil Conservation Service.

Community Planning and Other Activities. In at least seven Southern states the Extension Service has programs to help communities with strategic planning. Two of the most active are in Alabama and Virginia. In Alabama, the Extension Service has recently adopted a new methodology which it uses to guide people through a community assessment and planning process. The Virginia Extension Service reports having helped some 80 communities with strategic planning over the past seven years. It provides data, facilitates meetings, and does research for the community.

In nearly every state, the Extension Service has the capability to provide communities with demographic and economic data to help with local planning. Georgia has done this most extensively, working with 147 counties in the past five years. (Due to recent state budget cutbacks, which reduced the community development staff from ten to only one, the Georgia Extension Service had to eliminate this and several other community development programs.) In addition, in at least three states the Extension Service makes available a computer model to predict the impact of new large-scale developments or major plant closings. Florida has made the most use of this model, doing four or five impact analyses a year.

In addition to leadership training and community planning, the Extension Service is involved in a broad array of other community development activities. These range from helping local governments with solid waste management or water quality (six states), to developing rural health programs (three states), to promoting home-based businesses, cooperatives, and farmers markets.

Innovations in Support of Community Development. The tremendous resources and county-level presence of the Extension Service as a whole give it almost limitless potential for involvement in community development. However, most states have just barely tapped this potential because, as one state Extension

Service official explained, "Community Development has always been the lowest priority of the Extension Service." But in some states, the direction of Extension programs is beginning to shift. As agriculture becomes a smaller and smaller part of the Southern economy, a few states have begun placing more emphasis on economic and community development programs.

In West Virginia, for instance, the Extension Service recently identified three community development issues as high priority: capacity building for families and youth; community economic development (including strategic planning, business development, and workforce development); and environmental stewardship. To help counties implement programs in these areas, the Extension Service is beginning to reorganize the duties of its county agents. It is encouraging groups of counties to share an agriculture agent, a home economics agent, and a new community economic development agent. It is also broadening agents' job descriptions; for instance, one county agent with a joint appointment in community economic development and home economics is working to develop microenterprises.

North Carolina has replaced the four traditionally separate Extension divisions with cross-cutting "initiatives," determined every four years through a statewide planning process. Currently there are three initiatives: at-risk youth; water quality and waste management; and rural revitalization, which includes development of natural resource-based businesses, leadership training, economic analysis, and other programs. As a result of the reorganization, more Extension Service resources are focused on community development.

One important element missing in most states' leadership training programs is support to help counties move from leadership development to community development. South Carolina's Palmetto Leadership program does this through a unique cooperative relationship with the rural office. The Extension Service has made a strong commitment to its Palmetto Leadership program, which has provided training in at least one-third of the state's counties. After the leadership program completes its basic training in a county, the rural office brings in its Local Economic Action Planning (LEAP) program to help the community develop strategies and programs.

INNOVATIONS POINT THE WAY

Despite the promising policy and program initiatives of the last five years, no state has yet mounted a comprehensive rural development effort equal to the twin challenges of local need and global competition. MDC's review shows that rural development is, in effect, still in a research and development stage.

Components of policies and programs are still being tested at scattered sites. Yet the pace of economic change and the time lag in bringing about rural development make more comprehensive action imperative now. States should begin implementing broader, systematic approaches even as they perfect the components and pursue further innovations.

Developing such an approach to rural development while perfecting the components of that approach is indeed a challenging task. But the South cannot maintain a competitive position if the rural third of its people are left to languish, draining state and national resources.

As the global economic web is extended, linking more and more economies, rural areas have an opportunity to improve their own well-being while increasing their contributions to state and national economies. The innovations of the last five years demonstrate that Southern states are increasingly exhibiting the will and, here and there, the capacity to capitalize on that opportunity. Collectively, these innovations point in the right direction for action.

Another Time to Pioneer

Southern states succeeded before in raising the productive contributions of rural areas and improving the lives of rural residents in the process. During the transformation from agriculture to manufacturing in the 1950s and 1960s, the South pioneered techniques to attract industry and combine corporate recruitment with workforce training to prepare its people for a new economy.

Rural people benefited from these strategies, and the gap between urban and rural incomes began to narrow. However, this has changed. Rapid growth in the Sunbelt's urban areas, the changing nature of work which has become more knowledge based, and the loss of low-wage plants in rural areas has caused the rural South to lag behind once again.

There is growing recognition at the state level that competing in an international arena, where capital and human resources are increasingly mobile, demands dramatically different approaches from those the South pioneered three decades ago. State leaders are beginning to see rural economic development as part of a broader development agenda that goes beyond a short-term emphasis on job creation. The rural South calls out for a long-term investment in the development of its human and institutional capacity.

Goals and Strategies

While states have expanded their array of economic development tools and begun to recognize the importance of building the productive capacity of rural areas, their implicit economic development goals have remained the same: generate more jobs and attract more investment. While strategies have broadened, the means to measure progress have not changed. Today, Southern policymakers need to rethink these goals and benchmarks if they are to guide the region successfully into the next century. They need a clear set of goals that can guide policies and programs rather than haphazardly copying programs from neighboring states or in response to particular interest group pressure.

The Georgia State Senate Rural Policy Study Committee addressed this concern in December 1991 when it wrote:

"There is a distinct need to formulate a statewide rural economic development policy to be directed by the Governor and implemented throughout all relevant state agencies. Georgia has significant growth planning processes in place and the talent and energy to coordinate its human and institutional resources to respond to the opportunities and challenges of a global economy . . . It is not possible to select one or two . . . components or programs to ensure the success of development; these elements are interdependent and are not exhaustive. Rural development means more than increased jobs; it means improving the quality of life for rural citizens."

Goal setting — Development policy is still sorting itself out in rural areas across the South. The blossoming of promising programs focused on rural development is encouraging. However, evaluation of these strategies will be crucial in determining those that have the most promise. And evaluation must be premised on a set of goals that reflects the South's broadening economic development agenda.

More and more of the South's leaders now believe that economic development should be aimed at raising incomes and improving the productive capacity of people as well as creating jobs. Many of the new rural development programs are designed to do just that and should be judged on the basis of broader objectives. Without a revision of the standards used to measure strategies, findings from many promising programs may be irrelevant.

It is also important to consider the time frame that programs operate in and whether they emphasize the quick fix over the investments needed for long-term competitiveness and prosperity. Existing policies also need to be examined in light of who they seek to benefit and whether they recognize the inequities that keep some areas and people from competing fully. Some programs such as financing and business assistance target benefits towards specific firms, as opposed to people or communities, and the differing goals for each should be delineated. The bottom line is whether the goals implicit in existing strategies seek to tap the productive capacity of both rural as well as urban areas, poor as well as rich people.

Measures of success — MDC's review found few signs of progress toward more effective and appropriate evaluation of rural development programs. But it is clear that evaluation of ongoing programs on a regular basis is critical in determining which programs are making an impact in rural areas and in providing information on how they can be improved. Evaluation of existing programs and of emerging strategies will be essential to determining that limited dollars are invested strategically. Ongoing evaluation of rural offices within state government, for example, is important to determine whether these offices are functioning as effective "rural filters" on state policy and programs or whether they are simply another layer of bureaucracy. Such assessments should consider what programs work best in which kinds of rural areas—for instance, those that have persistent poverty, those that are retirement or tourism-based, and those adjacent to a metropolitan area.

Measures other than the number of jobs generated or reductions in the unemployment rate need to be developed to reflect the broader goals of development. Changes in per capita income across urban and rural or racial lines and availability of human services are other broad measures of economic progress. In addition to broad measures that correspond to overall development goals, specific program measures can be developed that emphasize the outcomes of a program rather than the inputs. For example, a small business assistance program would be measured based on how businesses increased their profits and employment rather than on the number of attendees at a seminar. A strategic planning program could be measured based on actual projects that resulted from the plans.

Throughout the South, there is still much to be done to establish the goals and measures that will yield the greatest benefit. In rural areas, issues of job growth are intrinsically linked to issues of infrastructure, social support systems, education, and protection of natural resources. Job creation is only a piece of the economic development puzzle in a changing, competitive economy.

It is time to get beyond the disparate, divisive, and competitive strategies that preclude progress in the rural South and focus instead on looking for shared agendas. That is the focus that will provide the long-term prosperity for all rural Southerners.

BUDGET ANALYSIS METHOD

Method of Analysis

The following budget analysis looks at actual expenditures for fiscal year 1989-90 and enacted appropriations for fiscal year 1990-91 for the twelve Southern states. Federal, state, and special fund appropriations that were grouped together under Total Appropriations schedules in the twelve state budgets were the object of analysis. For consistency among states, we used six development-related categories, a corrections category, and an "Other Budget Items" category that includes all other appropriations. Included in the "Other Budget Items" category are legislative and judicial expenditures, debt service, retirement systems, military departments, and other expenditures we did not consider to be economic development-related appropriations. The six development-related categories were: Education, Human Resources, Agriculture, Transportation, Economic Development, and Natural Resources.

Economic Development is, by far, the key category for purposes of this report, representing the states' specific commitment to Economic Development programs. Further, it shows the amount of assistance that the state governments are providing to cities and rural areas to bolster their economies in these tough fiscal times. Each of the other substansive categories, however, also plays a part in the strength of a state's economic development efforts. Quality education systems, access to health and medical care, and the existence of a modern physical infrastructure and transportation system are all vital to sustaining the economy. Agriculture remains a key part of economic development in many areas of the South; while the use, maintainence, and protection of natural resources will allow for sustainable economic development in the future.

The vast differences in budget cycles and government structures among the twelve states made exact comparisons of departmental and program budgets difficult. While categories such as Agriculture, Education, Corrections, and Transportation were fairly homogeneous across states, Human Resources and Economic Development departments exhibited the most pronounced structural differences. Indeed, some of the entries in these two categories may seem to be slightly far afield. It is our opinion, however, that these entries must be considered in the realm of economic development-related expenditures.

Economic Development and Related Categories of Analysis

The EDUCATION category includes appropriations for public education, vocational and technical education expenses and, in almost every state, institutions of higher education. Also included in the Education category for some states are special schools (i.e., rural schools, math and science schools, etc.) and educational television authorities.

The HUMAN RESOURCES category includes expenditures for public health departments, departments of social services and welfare, councils on aging, and youth and family services. Employment security commissions and departments are also included in the Human Resources category.

The AGRICULTURE category is comprised of appropriations for departments of agriculture and agriculture-related councils or commissions that are responsible, in some states, for the agriculture department functions. In Florida, Agriculture also includes the Department of Citrus.

The TRANSPORTATION category includes departments of transportation, highways, and public transportation. Other transportation areas like Aeronautics are also found in some Transportation categories.

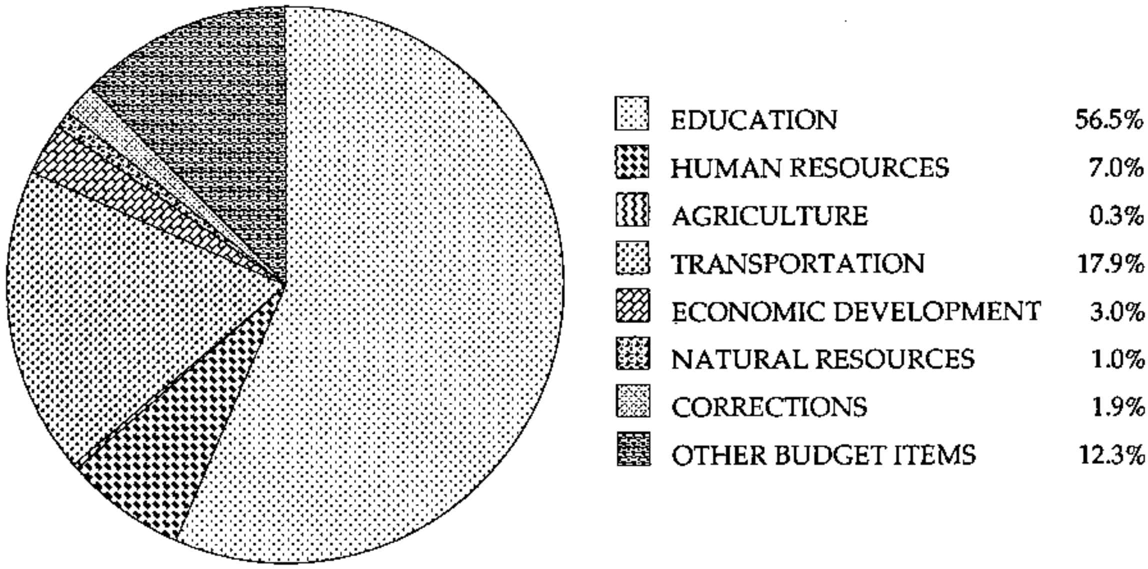
The ECONOMIC DEVELOPMENT category is composed of appropriations for state development departments and boards; parks, recreation, and tourism; and ports and port authorities. Also included in some states are expenditures for housing and community development, aid to local governments, and bond financing assistance for development programs and projects. Finally, the Economic Development category includes funds appropriated for intergovernmental relations commissions, state memberships in interstate organizations, and other miscellaneous development-related functions.

The final category is NATURAL RESOURCES. This area includes appropriations for wildlife and marine resources, state forestry commissions, water resources and sea grant consortiums, coastal councils, game and fish commissions, and departments of natural resources. Also included in the Natural Resources category are soil and water conservation programs, pollution control projects, water supply districts, and waterways commissions.

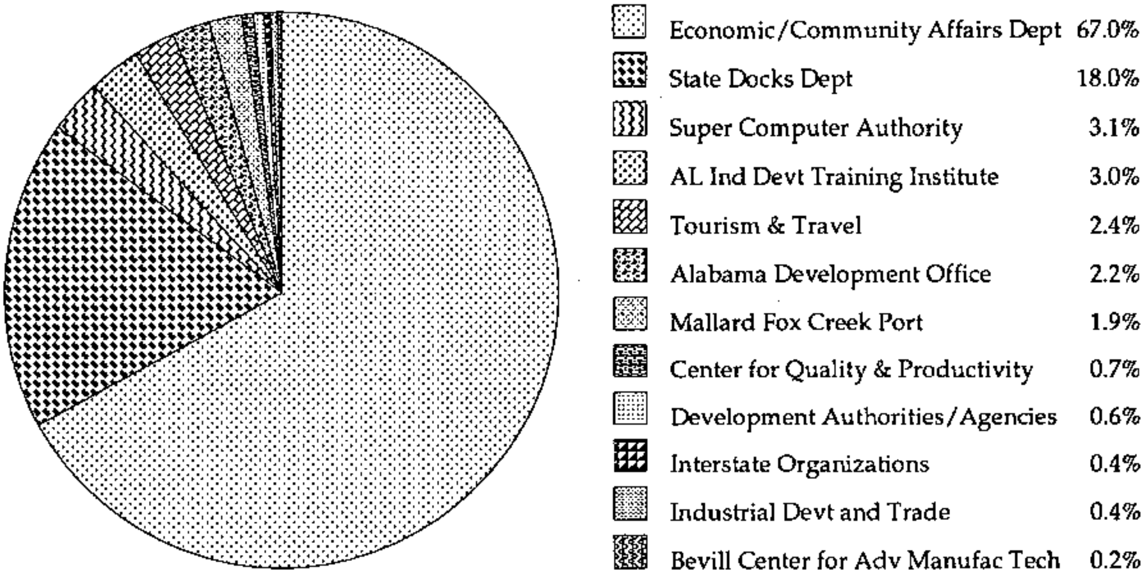
FY 90	ALABAMA	ARKANSAS	FLORIDA	GEORGIA	KENTUCKY	LOUISIANA
TOTAL BUDGET	7,371,529,551	5,953,733,040	7,329,484,153	12,585,979,784	7,732,608,800	9,093,501,510
EDUCATION	56.46%	40.73%	31.58%	39.91%	39.84%	34.17%
HUMAN RESOURCES	7.00%	10.82%	25.42%	14.49%	11.60%	31.90%
AGRICULTURE	0.27%	0.43%	0.95%	0.38%	0.18%	0.37%
TRANSPORTATION	17.94%	9.45%	7.07%	8.97%	12.56%	2.19%
ECON. DEVELOPMENT	3.03%	8.81%	0.52%	0.53%	2.82%	0.45%
NATURAL RESOURCES	1.02%	2.02%	0.77%	1.55%	0.75%	0.97%
CORRECTIONS	1.95%	1.37%	3.19%	4.24%	1.96%	2.27%
OTHER BUDGET ITEMS	12.33%	26.38%	30.50%	29.93%	30.29%	27.69%

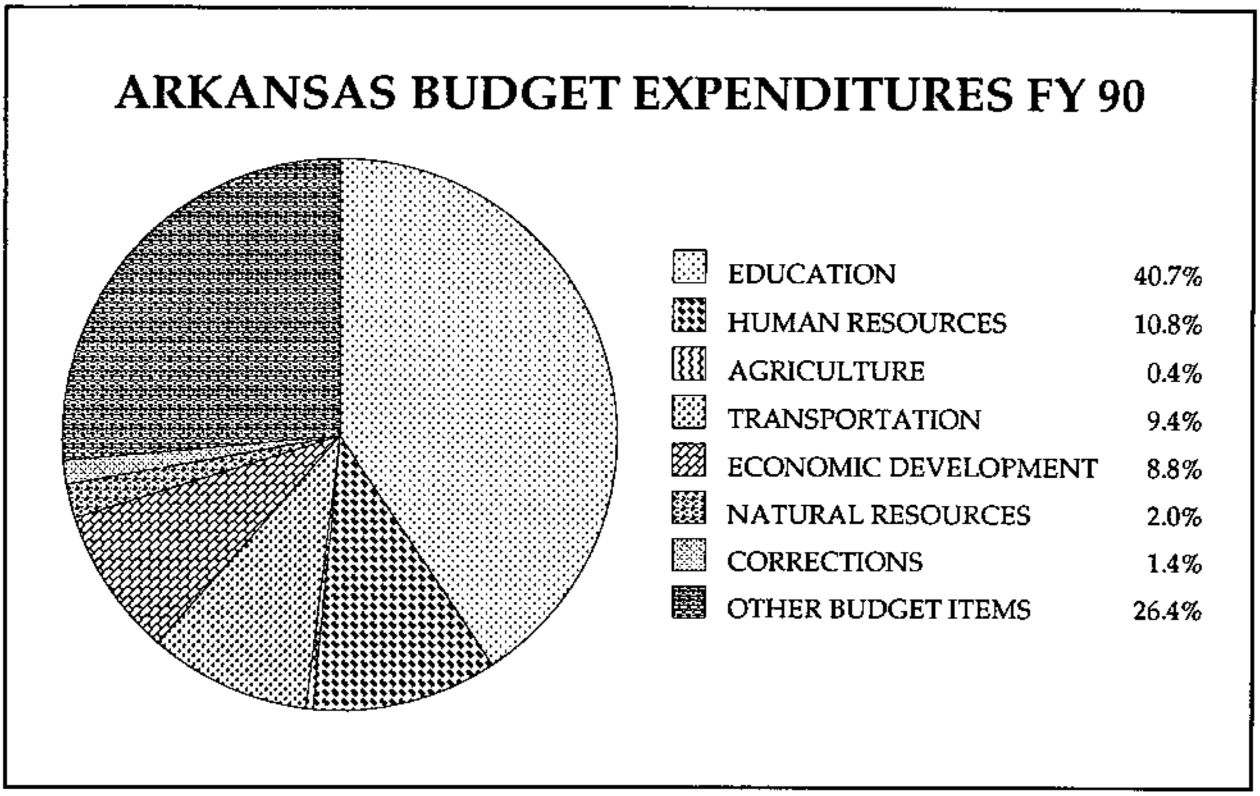
FY 90	MISSISSIPPI	NORTH CAROLINA	SOUTH CAROLINA	TENNESSEE	VIRGINIA	WEST VIRGINIA
TOTAL BUDGET	4,064,678,594	11,764,451,802	7,200,050,610	8,031,750,900	11,836,496,890	3,677,226,445
EDUCATION	38.85%	46.21%	35.63%	33.44%	41.73%	45.51%
HUMAN RESOURCES	9.39%	23.80%	12.98%	27.75%	10.27%	24.38%
AGRICULTURE	1.45%	0.51%	0.13%	0.19%	0.34%	0.32%
TRANSPORTATION	13.71%	11.37%	7.85%	11.28%	14.14%	13.03%
ECON. DEVELOPMENT	1.84%	1.49%	7.02%	1.15%	1.22%	2.94%
NATURAL RESOURCES	2.03%	2.54%	1.09%	1.18%	1.74%	2.31%
CORRECTIONS	1.92%	2.94%	2.86%	3.99%	3.84%	0.59%
OTHER BUDGET ITEMS	31.32%	11.15%	32.44%	21.02%	26.72%	10.93%

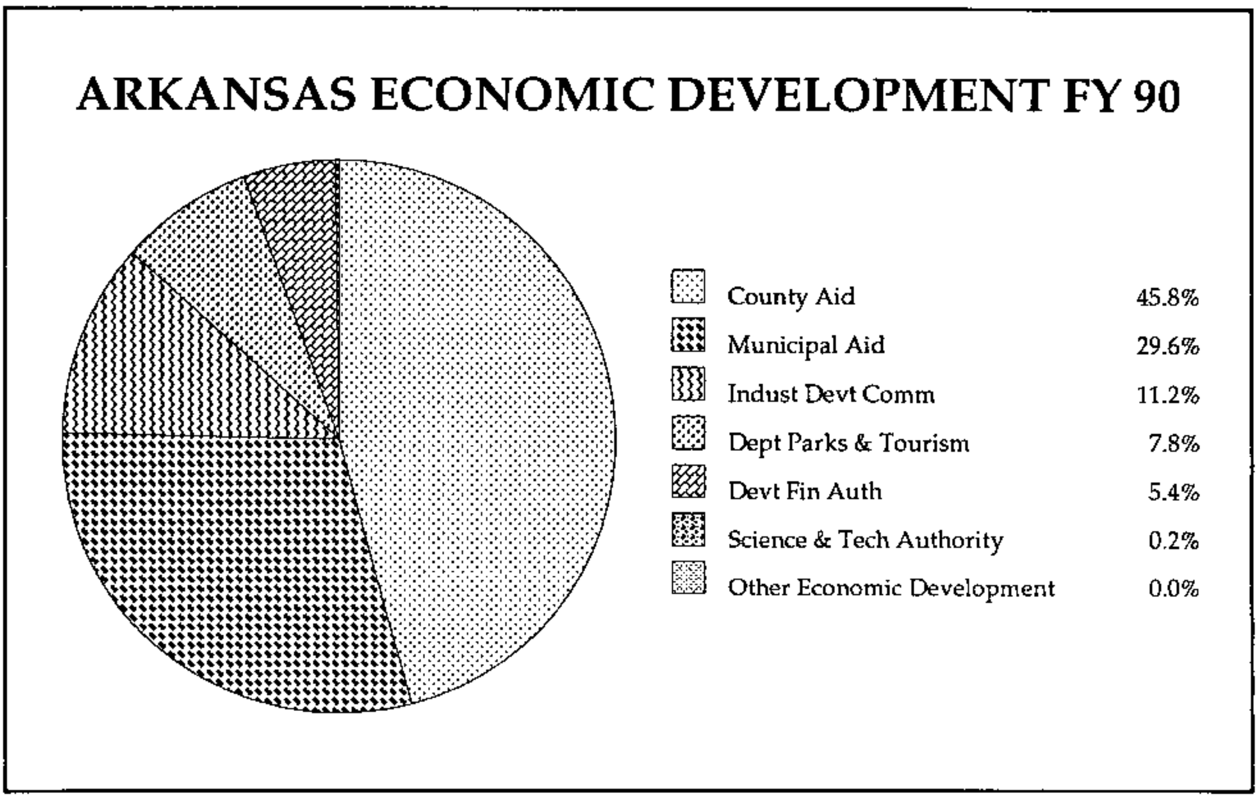
ALABAMA BUDGET EXPENDITURES FY 90



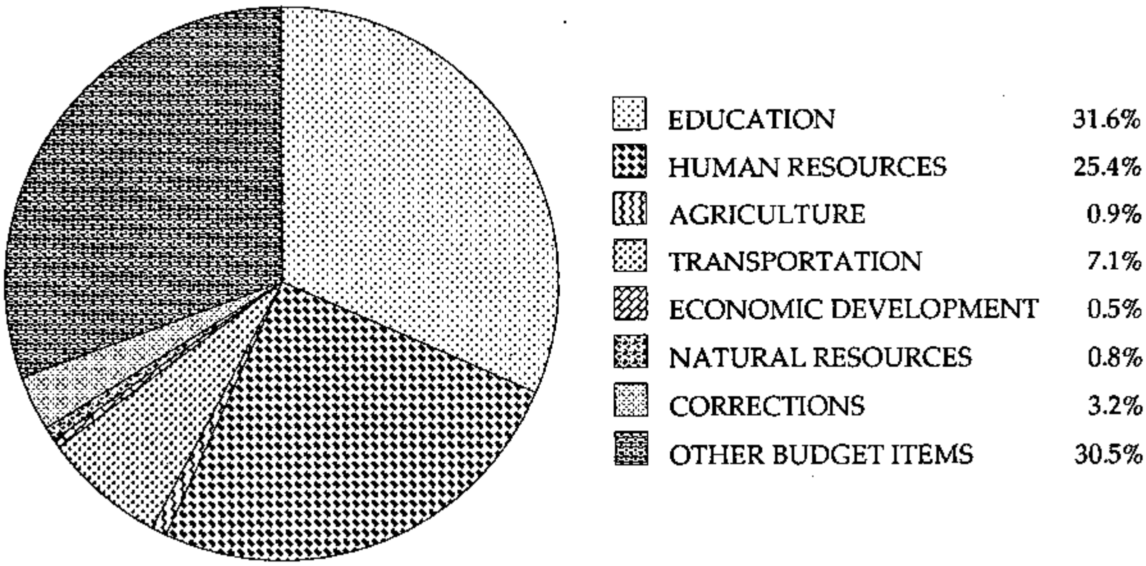
ALABAMA ECONOMIC DEVELOPMENT FY 90



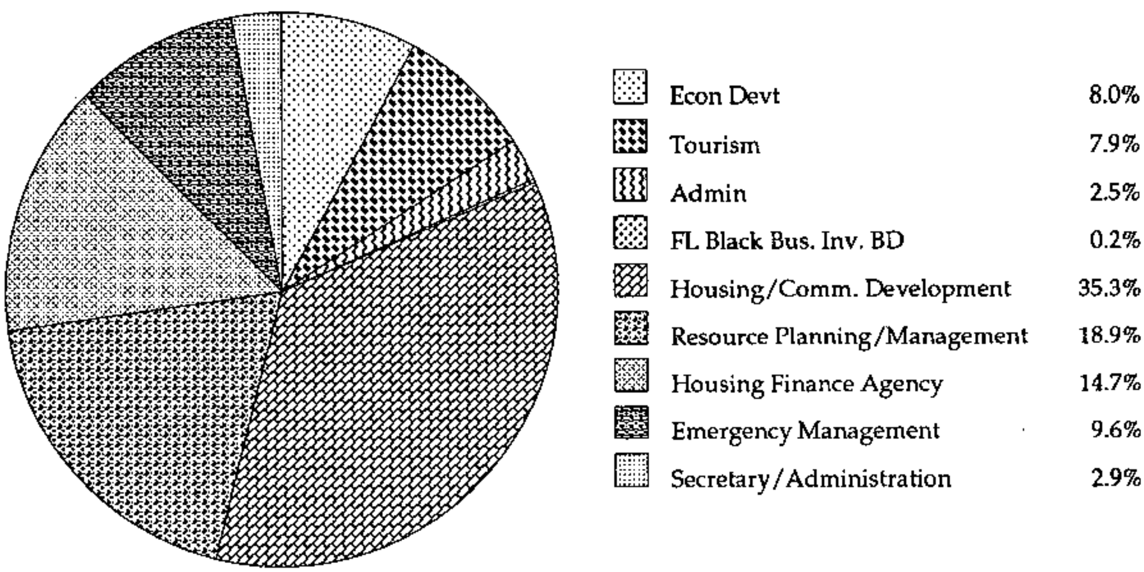

ARKANSAS BUDGET EXPENDITURES FY 90
EDUCATION 40.7%
HUMAN RESOURCES 10.8%
AGRICULTURE 0.4%
TRANSPORTATION 9.4%
ECONOMIC DEVELOPMENT 8.8%
NATURAL RESOURCES 2.0%
CORRECTIONS 1.4%
OTHER BUDGET ITEMS 26.4%


ARKANSAS ECONOMIC DEVELOPMENT FY 90
County Aid 45.8%
Municipal Aid 29.6%
Indust Devt Comm 11.2%
Dept Parks & Tourism 7.8%
Devt Fin Auth 5.4%
Science & Tech Authority 0.2%
Other Economic Development 0.0%

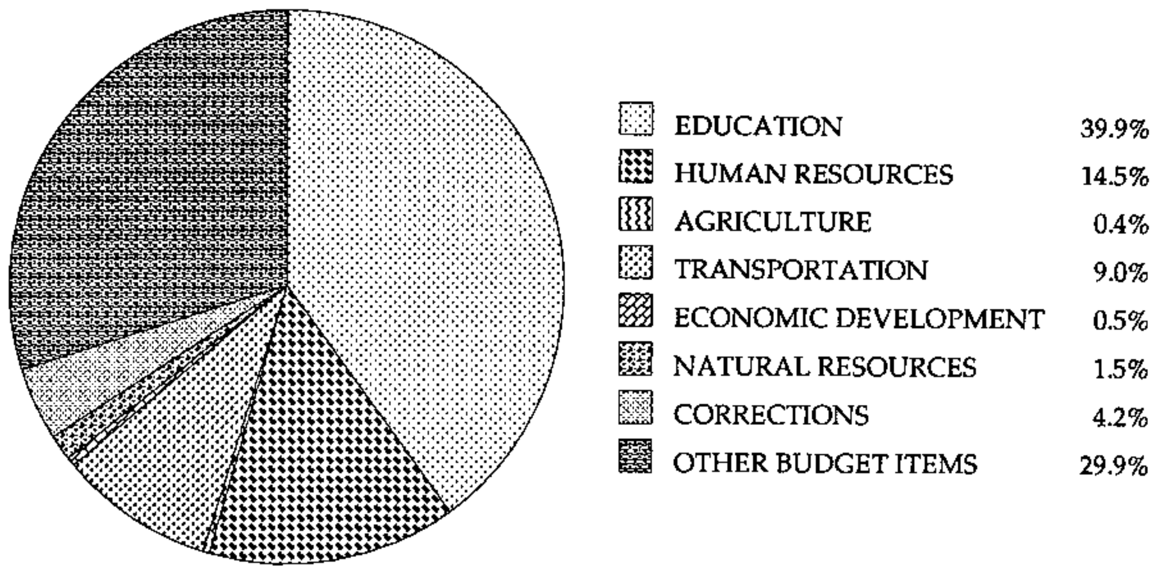
FLORIDA BUDGET EXPENDITURES FY 90



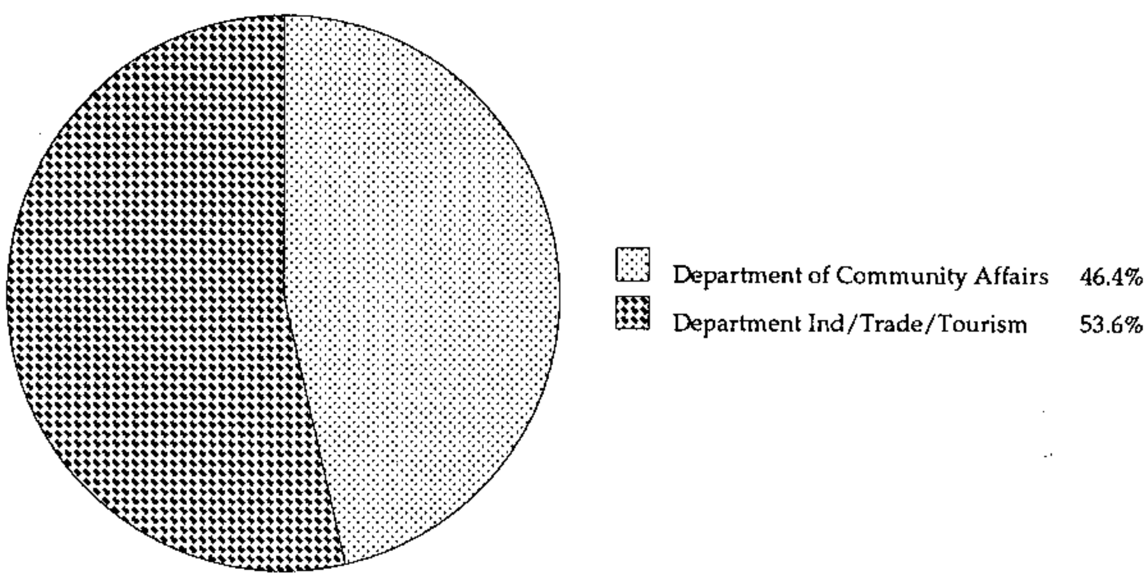
FLORIDA ECONOMIC DEVELOPMENT FY 90



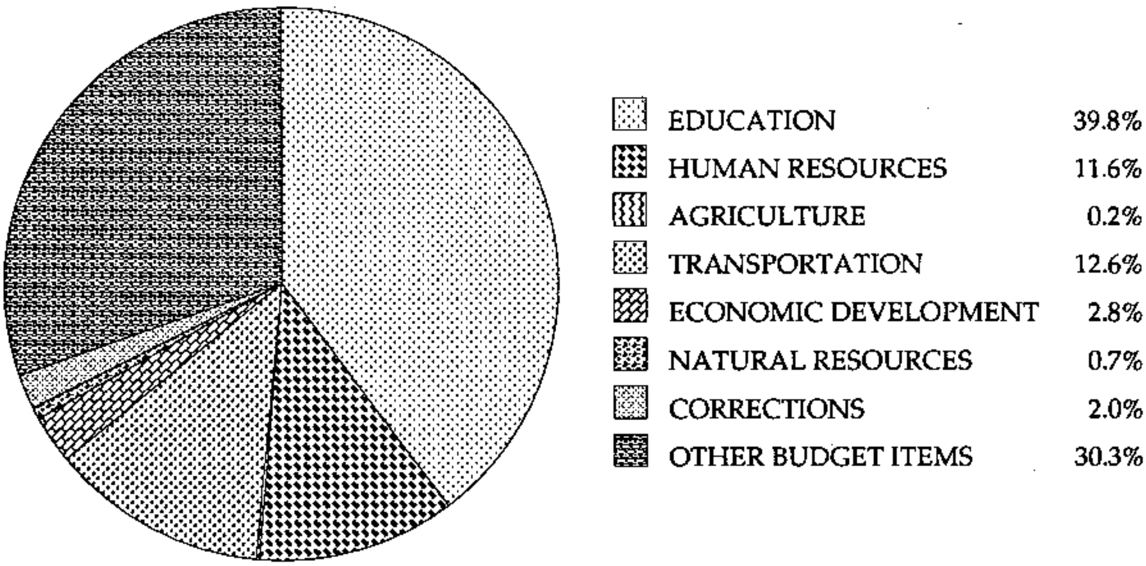
GEORGIA BUDGET EXPENDITURES FY 90



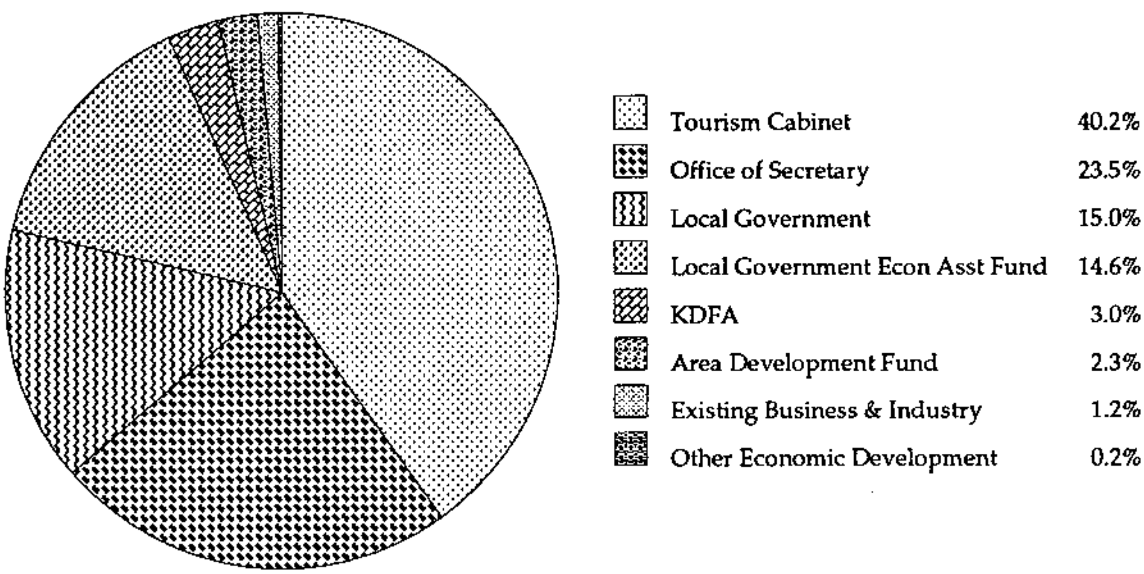
GEORGIA ECONOMIC DEVELOPMENT FY 90



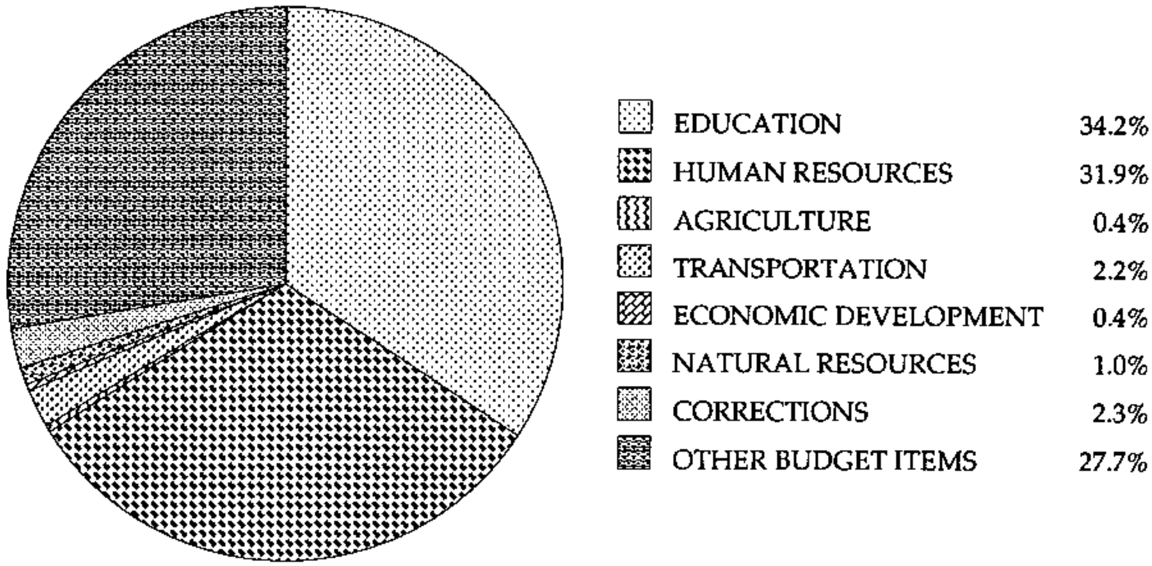
KENTUCKY BUDGET EXPENDITURES FY 90



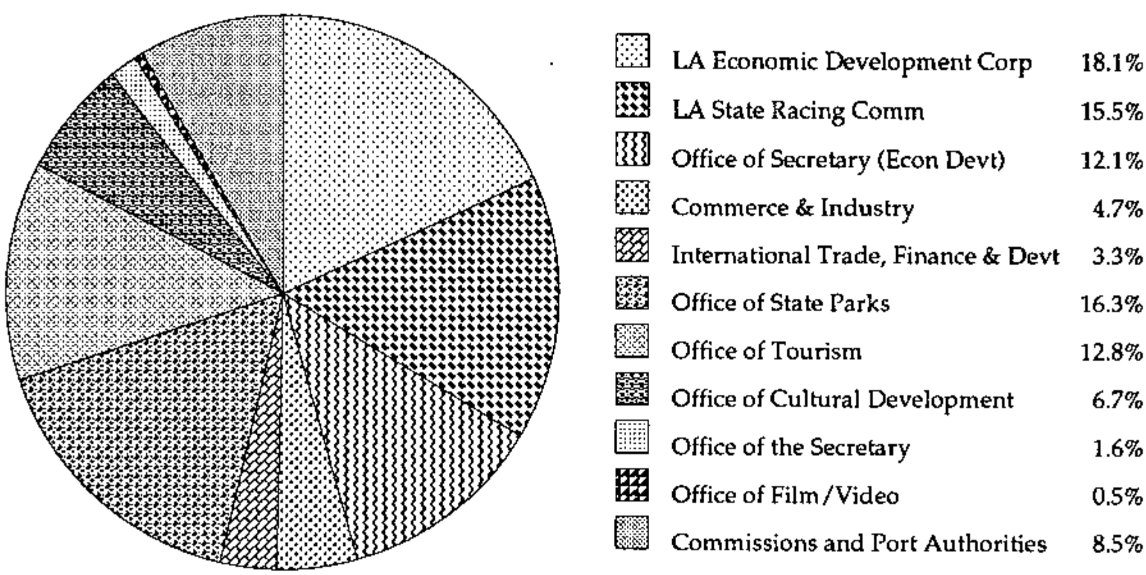
KENTUCKY ECONOMIC DEVELOPMENT FY 90



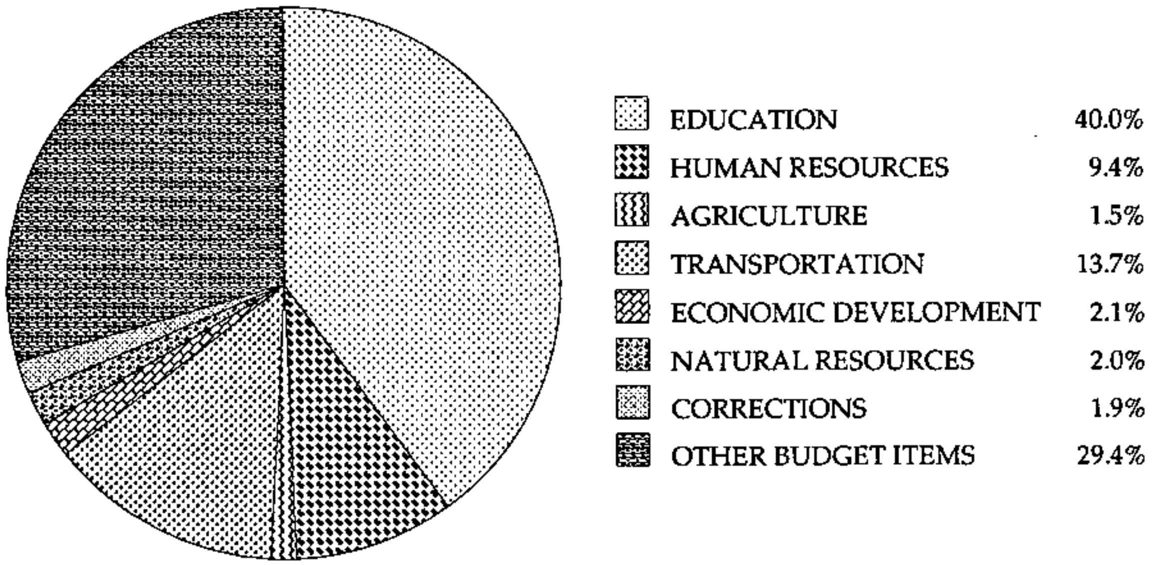
LOUISIANA BUDGET EXPENDITURES FY 90



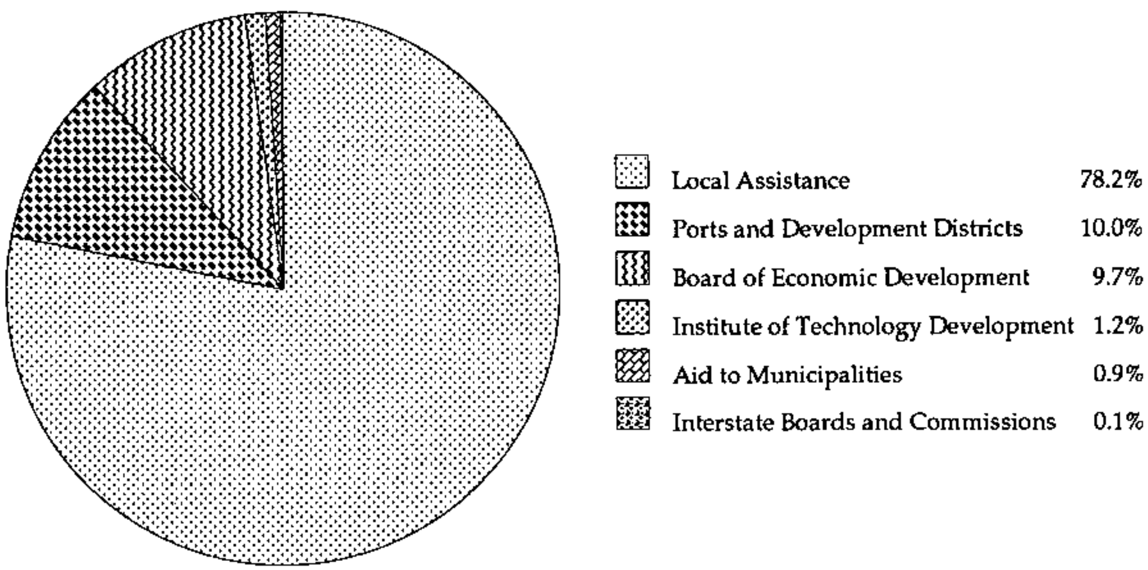
LOUISIANA ECONOMIC DEVELOPMENT FY 90



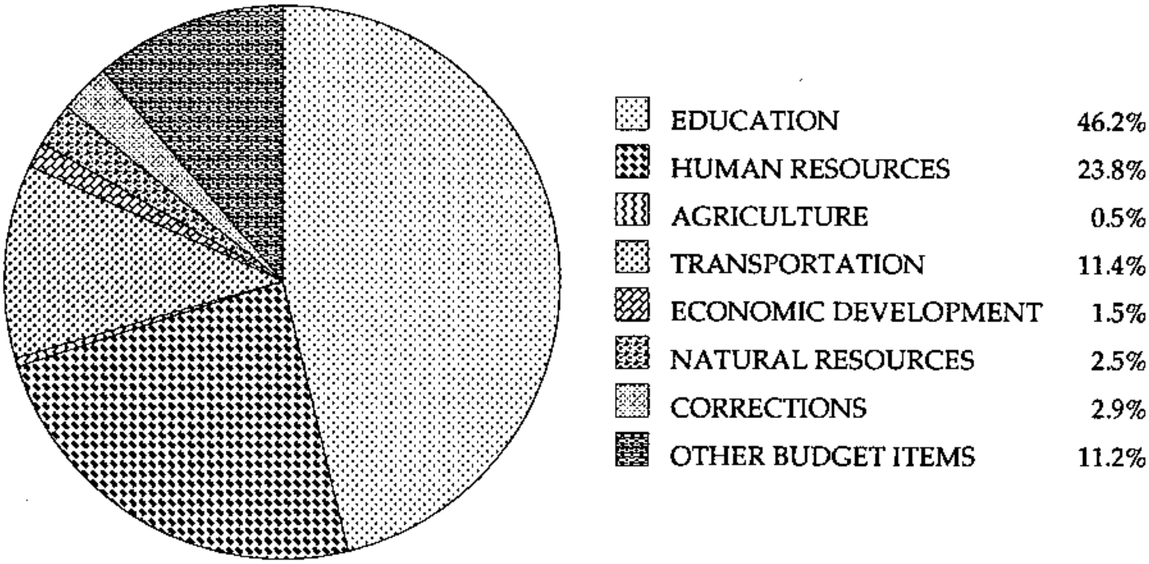
MISSISSIPPI BUDGET EXPENDITURES FY 90



MISSISSIPPI ECONOMIC DEVELOPMENT FY 90

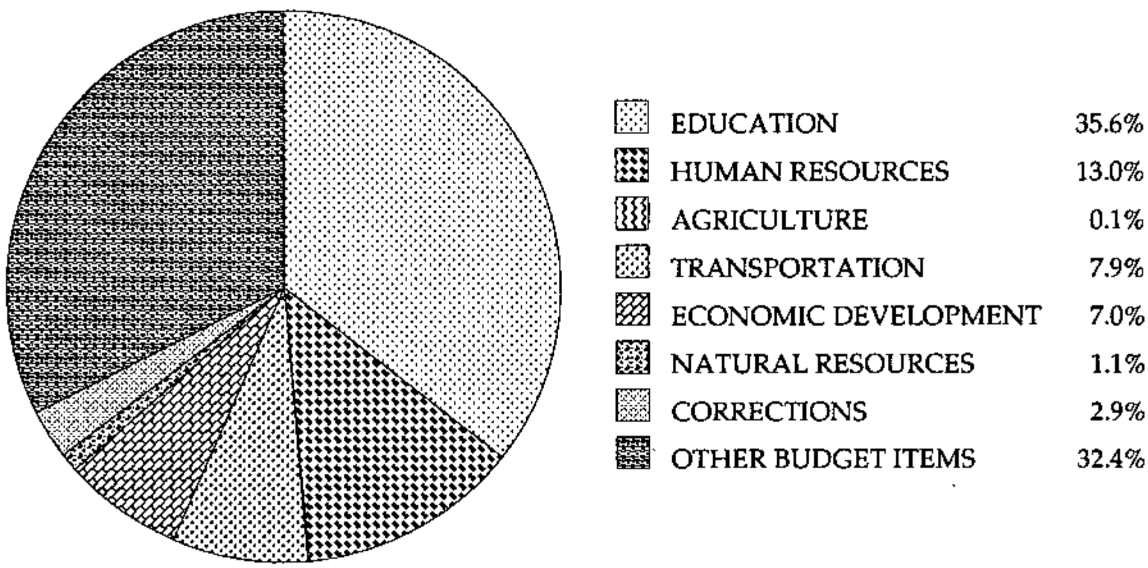


NORTH CAROLINA BUDGET EXPENDITURES FY 90

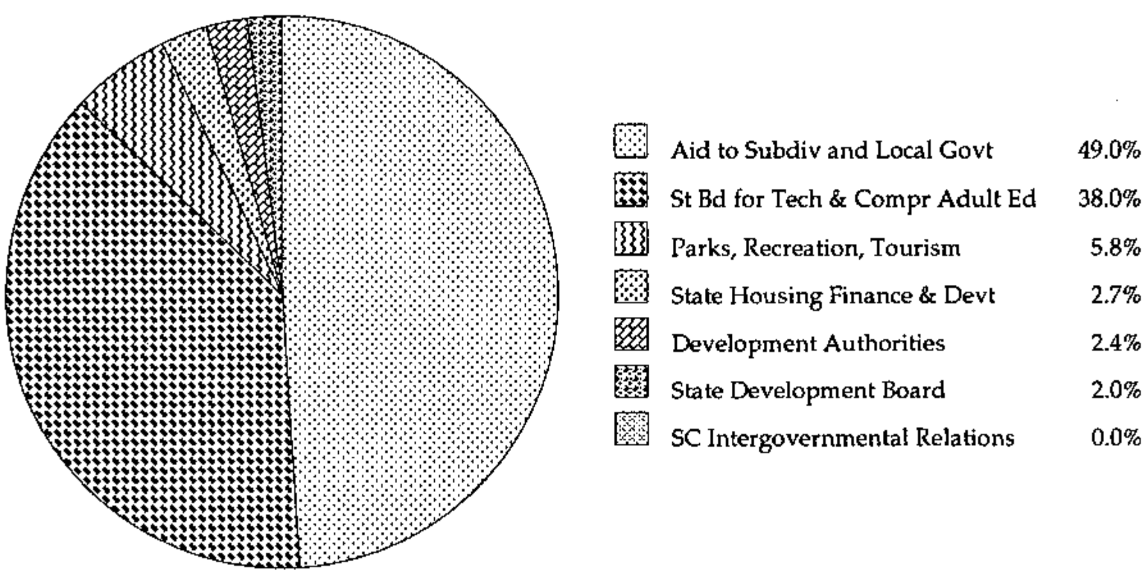


Breakdown of Economic Development expenditures was not available for North Carolina.

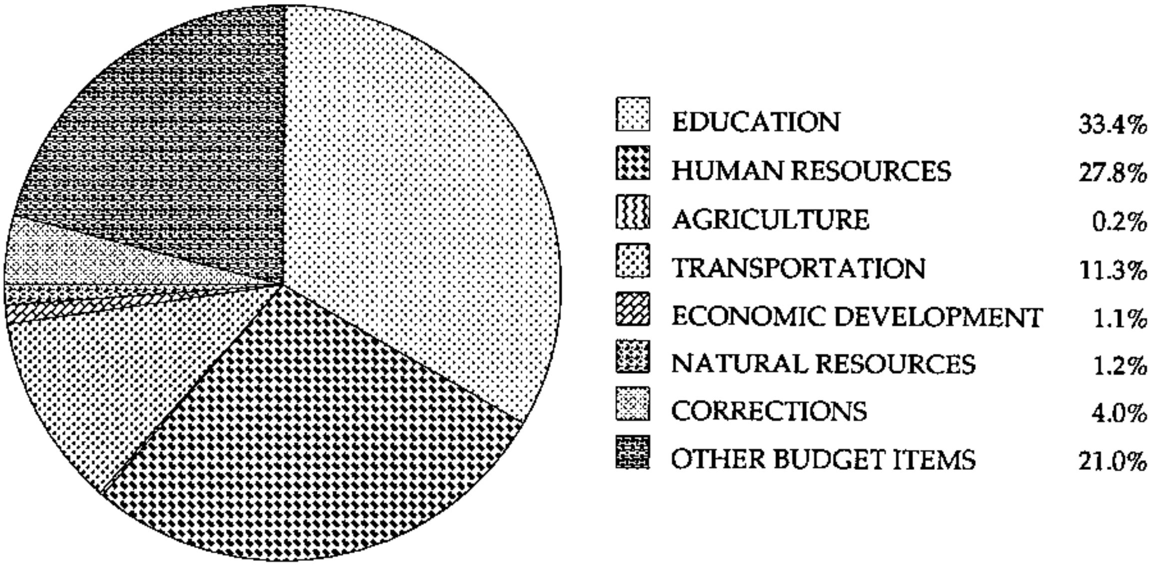
SOUTH CAROLINA BUDGET EXPENDITURES FY 90



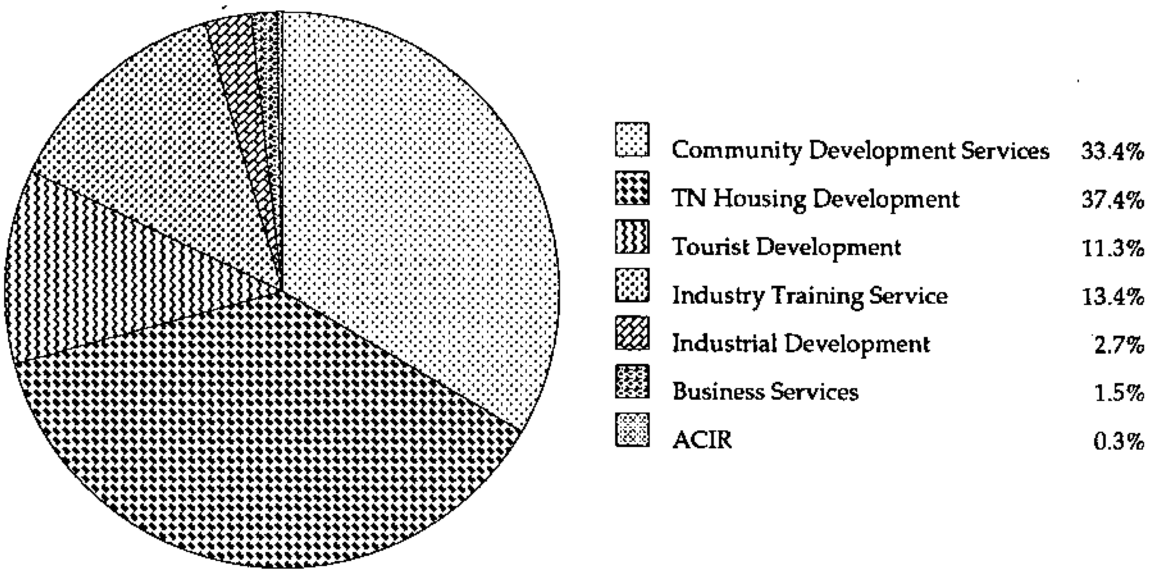
SOUTH CAROLINA ECONOMIC DEVELOPMENT FY 90



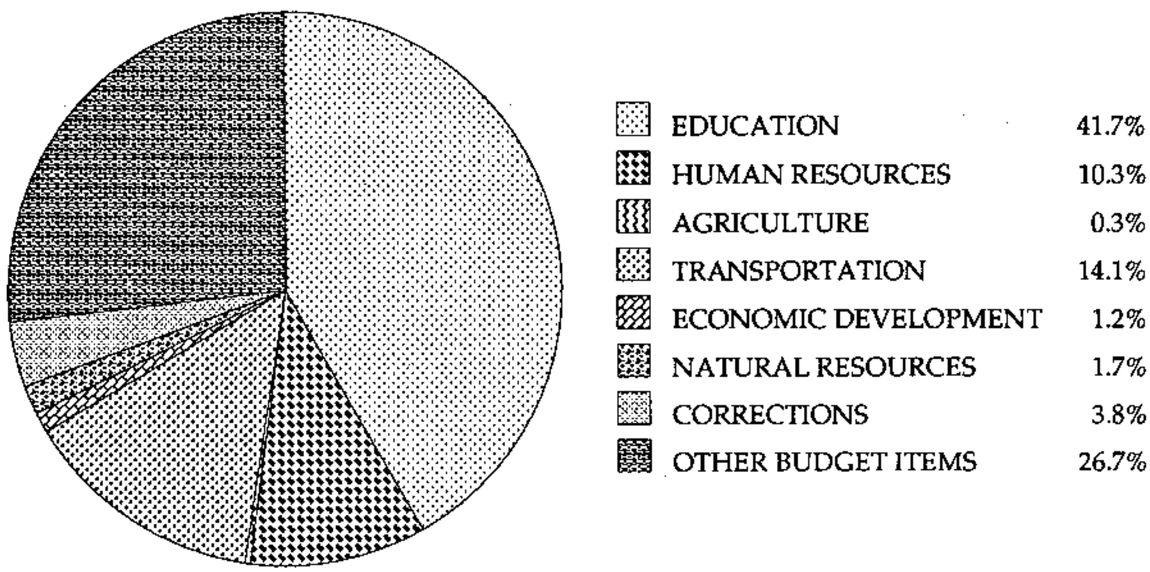
TENNESSEE BUDGET EXPENDITURES FY 90



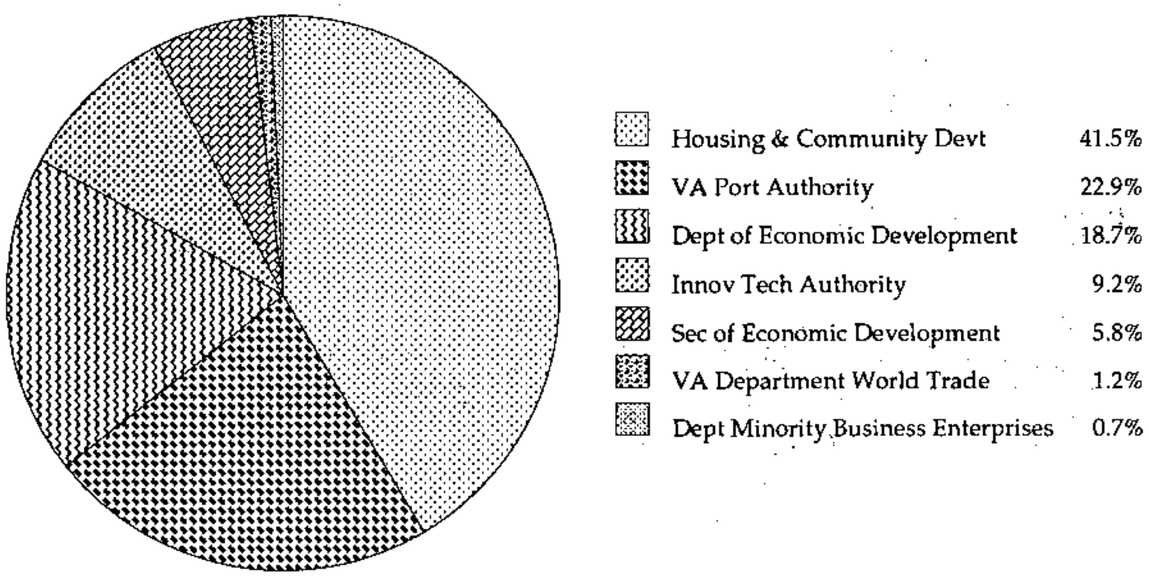
TENNESSEE ECONOMIC DEVELOPMENT FY 90



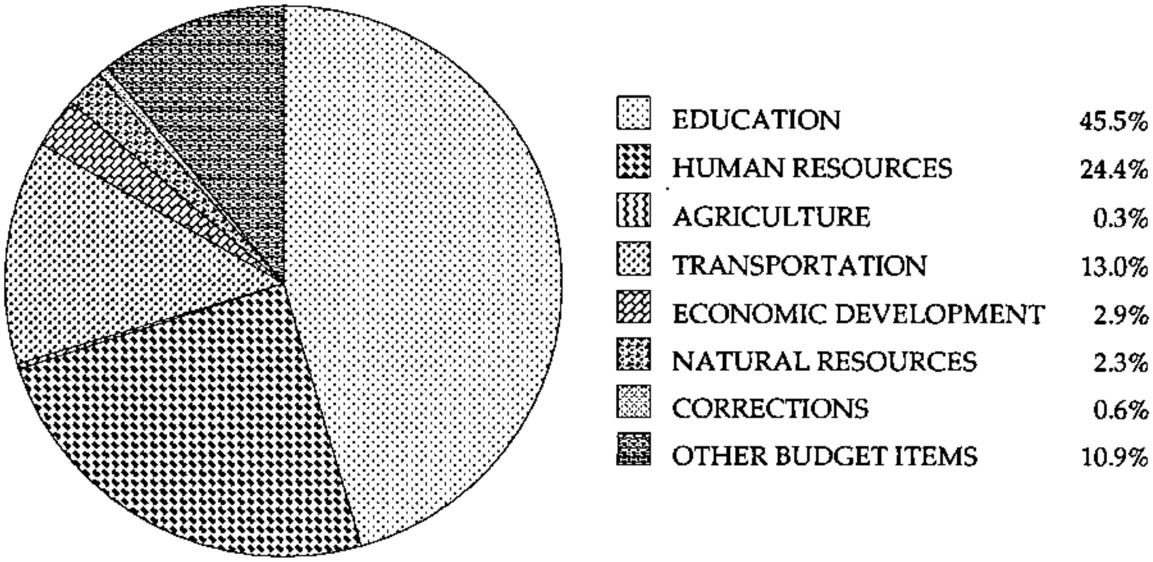
VIRGINIA BUDGET EXPENDITURES FY 90



VIRGINIA ECONOMIC DEVELOPMENT FY 90



WEST VIRGINIA BUDGET EXPENDITURES FY 90



Breakdown of Economic Development expenditures was not available for West Virginia.