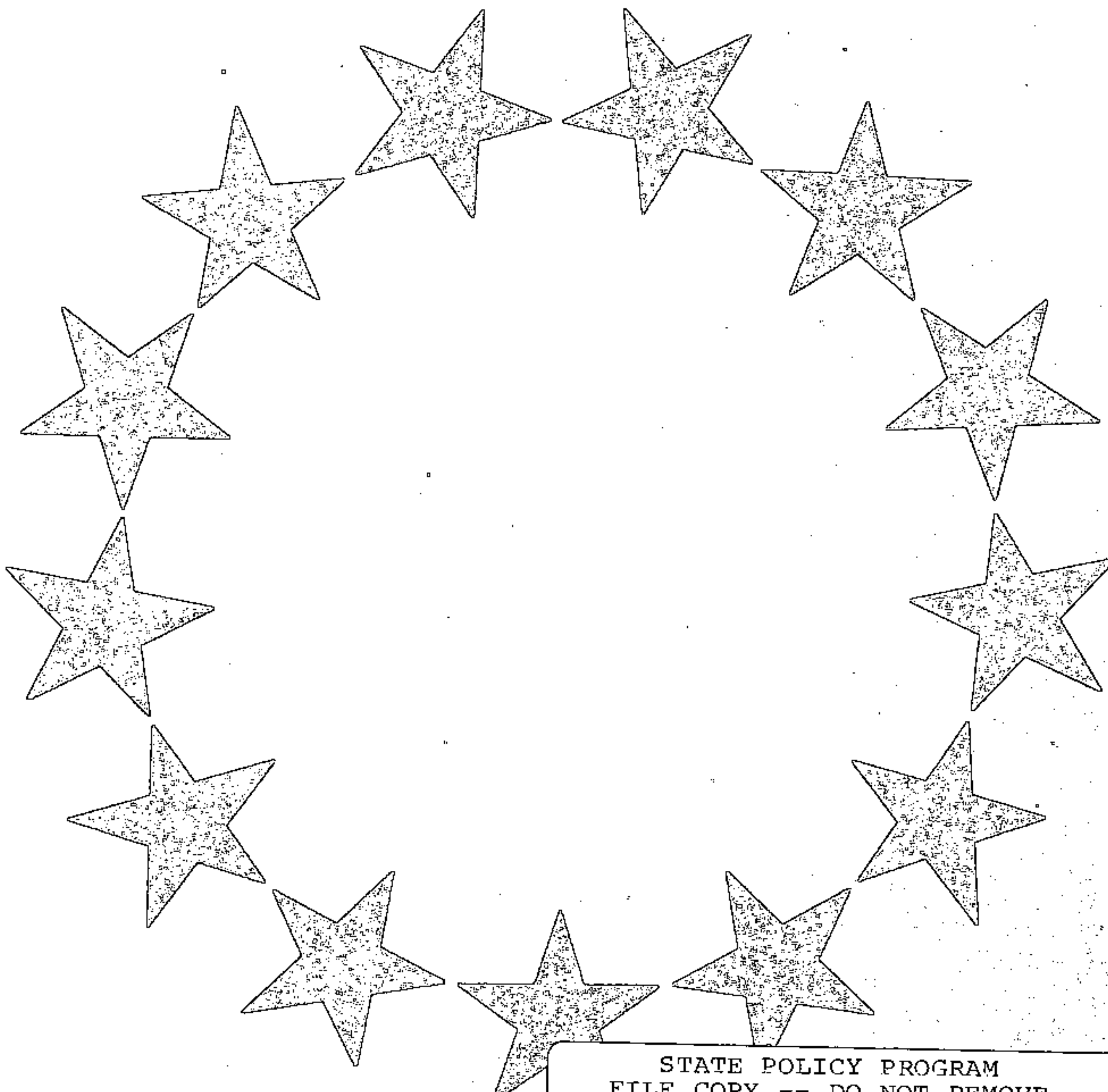
STATE-FEDERAL COLLABORATION ON RURAL DEVELOPMENT

NATIONAL GOVERNORS' ASSOCIATION

State Policy Reports

Economic Development and Commerce Policy Studies



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Economic Development and Commerce Policy Studies

by Thomas Unruh and Jay Kayne

Economic Development and Commerce Policy Studies
Center for Policy Research

National Governors' Association

Since their initial meeting in 1908 to discuss interstate water problems, the Governors have worked through the National Governors' Association to deal collectively with issues of public policy and governance. The association's ongoing mission is to support the work of the Governors by providing a bipartisan forum to help shape and implement national policy and to solve state problems.

The members of the National Governors' Association are the Governors of the fifty states, the territories of American Samoa, Guam, and the Virgin Islands, and the commonwealths of the Northern Mariana Islands and Puerto Rico. The association has a nine-member Executive Committee, a Task Force on State Management, and three standing committees—on Economic Development and Commerce, Human Resources, and Natural Resources. Through NGA's committees, the Governors examine and develop policy and address key state and national issues. Special task forces often are created to focus gubernatorial attention on federal legislation or on state-level issues.

The association works closely with the administration and Congress on state-federal policy issues through its offices in the Hall of the States in Washington, D.C. The association serves as a vehicle for sharing knowledge of innovative programs among the states and provides technical assistance and consultant services to Governors on a wide range of management and policy issues.

The Center for Policy Research is the research and development arm of NGA. The center is a vehicle for sharing knowledge about innovative state activities, exploring the impact of federal initiatives on state government, and providing technical assistance to states. The center works in a number of policy fields, including agriculture and rural development, economic development, education, energy and environment, health, information management, social services, trade, training and employment, and transportation. The priorities for the association's research are set by the Governors.

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Executive Summary

In January 1990, President George Bush announced a six-point initiative to address the unique needs and problems of the nation's rural areas. A centerpiece of the initiative was the establishment of state rural development councils (SRDCs). These councils are designed to bring together the resources of the federal government, states, localities, tribal governments, and the private sector. While the concept of intergovernmental collaboration to support rural development is not new, the SRDC program is unique because there is no predetermined method by which each council must create or implement the partnership.

To support the mission and activities of SRDCs, the National Governors' Association (NGA) examined eight past and current rural initiatives to glean information about obstacles to and opportunities for collaborative partnerships. NGA then brought together public officials and private sector representatives who had been involved in these programs to focus on the most valuable lessons from their experiences.

The eight rural initiatives from which information was drawn reflect a mix of state and federal initiatives. Some were established through legislation, some by executive order, and some through administrative fiat. They include:

- the Appalachian Regional Commission;
- the U.S. Department of Housing and Urban Development/U.S. Department of Agriculture rural demonstrations in four states;
- Idaho's Rural Development Council;
- Maine's Rural Development Committee;
- Montana's rural medical assistance facilities;
- Oklahoma's Rural Enterprise Team;
- South Dakota's Agricultural Processing and Export Loan Program; and
- Wisconsin's Rural Development Coordinating Council.

While each of these rural initiatives had different policy and program objectives, each involved cooperative planning and program implementation by state and federal officials, and in some instances, private sector participants.

The Rationale for Collaboration

The problems affecting the vitality of rural communities are complex, and contributing factors cross traditional geographical and organizational boundaries. Realistic strategies to address these factors lie beyond the mission and resources of any one agency, department, or even level of government.

While there is growing recognition that complex problems like rural development are resistant to single program approaches, public resources devoted to rural communities are fragmented and widely dispersed, with hundreds of separate authorities and varying regulations at all levels of government. Additionally, numerous philanthropic foundations, non-profit organizations, and segments of the business community are involved daily in activities that impact rural communities.

In an era of fiscal constraint, it behooves public and private sector officials to ensure that all available resources are employed efficiently. Facing complex problems with little, if any, new money requires creativity and innovation. Creativity and innovation increase through inclusive processes. Consequently, collaborative partnerships that bring together both human and financial resources represent the most successful means of achieving rural development goals.

Obstacles to Intergovernmental Collaboration

The participants in these programs identified several obstacles to intergovernmental collaboration that must be overcome for these types of efforts to be successful.

- **Bureaucratic inertia.** Most state, federal, and local government operations are based on many years of doing business in a certain manner. Ingrained policies and administrative procedures do not change overnight.
- **Inflexible regulations.** Most state and federal regulations are drafted with the assumption that a single set of rules can address all situations.
- **Concerns about political changes and shifts in policy priorities.** All too often in the past, initiatives to promote collaboration and innovation have been short-circuited by changes in federal or state administrations or by shifting policy priorities.
- **Pace of change.** Both program administrators and program clientele often become frustrated due to the time lag that occurs following the identification of innovative ways to address issues and their implementation.
- **Personalities.** No organizational structure or set of operating procedures can overcome the obstacles imposed when individuals place program control or personal agendas before the mutual objectives of the partnership.

Ingredients for a Successful Partnership

Based on their experience, the participants in these rural initiatives believed they had achieved certain levels of success using the following strategies.

- **Demonstrating personal leadership.** A senior state or federal official must demonstrate personal commitment to bringing together diverse interests.
- **Ensuring a flexible policy environment.** Senior officials in state and/or federal government should encourage program administrators to take risks and try new approaches.
- **Focusing on outcomes.** Work should not be distributed along traditional lines of program responsibility but on who has the resources and can best achieve the desired outcome.

- **Supporting mutual objectives.** Program officials must recognize that individual agencies have mandated objectives. The partners should ask how the partnership can support each participating agency's objectives, and how in turn these objectives can support the overall rural development goal.
- **Taking advantage of existing networks and resources.** New collaborative efforts should not ignore past or current rural programs and organizations. These entities represent additional resources that may be essential to the initiative's success.
- **Creating a sense of ownership by all the partners.** It is important that each partner be involved in the process from the beginning. If the partners participate in the design of the initiative, they will have a stake in its eventual success.
- **Achieving early, tangible successes.** Even if the initial "victories" through the partnership are small, it is important for the participants to believe that the time and effort they are contributing is making a difference.

Conclusion

As demonstrated by the eight case studies, real benefits accrue when state, federal, local, and private sector participants collaborate on rural development issues. However, there is no easy way to institutionalize or formalize the kind of coordination needed to seize opportunities that lie outside the boundaries of "business as usual."

As the nation's understanding of the complexities of rural issues increases, so do the opportunities for interagency and intergovernmental collaboration. What makes collaboration work is a group of committed individuals with a clear mission and objectives. Their chances of success increase when organizational and political cultures enable public servants to take risks and approach problems with initiative and creativity.

1. Introduction

Public policy in rural development is entering a new stage. This shift in policy must address the unique needs of small, rural communities and the considerable array of federal and state programs, most of which are likely to experience stable or declining budgets. Making efficient use of public and private resources through coordination and collaboration is a major theme of the National Initiative on Rural Development, announced by President George Bush in 1990. The initiative aims to bring together federal, state, local, tribal, and private sector organizations to address rural development issues at the state level, and to improve the effectiveness of rural development efforts through intragovernmental and intergovernmental coordination. The primary vehicles for accomplishing this coordination under the national initiative are state rural development councils (SRDCs).

The National Governors' Association (NGA) has supported this initiative and its goal of establishing state rural development councils. Governors view these partnerships of federal, state, local, tribal, and private sector organizations as being consistent with the NGA Task Force on Rural Development's recommendation to "build a new federal-state-local alliance" to better serve the development needs and aspirations of rural America. This recommendation was first voiced in the 1988 report, *New Alliances for Rural America.*[1]

As the state rural development councils under the national initiative get organized, their members are asking questions about the potential benefits of coordination and collaboration among their organizations. They also are asking how to achieve those benefits. The National Initiative on Rural Development is not the first effort to improve intergovernmental coordination for rural development. This report examines eight other examples of state-federal coordination with a particular focus on how state, federal, and private sector organizations have worked together. The cases address rural development concerns in a variety of ways, from the initial opening of communications to the development of sophisticated policies and programs. All of these innovative efforts were underway before the national initiative began, or were developed independently of the national initiative.

Each case offers lessons for state and federal officials working to build coordinated efforts through the state rural development councils. Based on a roundtable discussion with people involved in the case study initiatives, this report shares their insights on the challenges of intergovernmental collaboration. It draws on the experience of these professionals to identify the critical elements needed to help organizations work together.

2. The Rural Policy Puzzle

Responses to the development needs of America's rural communities over the past three decades have been characterized by fragmentation and a mix of underfunding and duplication. The number of regional, state, federal, and private organizations with missions and programs that affect or are meant to assist rural communities is large and growing. At the same time, public budgets at all levels are strained, and often fail to support current levels of services.

Why has this situation developed? Part of the answer lies in the structure of Congress. Congressional committees, with their current jurisdictional boundaries, have difficulty cooperating to develop a comprehensive approach to rural issues. This structure has resulted in an overemphasis on the role of agriculture in the rural economy and an inability to address the other components of rural socioeconomics that lie outside the boundaries of the agriculture committees. The confusion and frustration have been exacerbated by the recent trend of declining appropriations for the myriad of programs that serve rural areas. As each program budget declines, it serves fewer communities. Yet from a local perspective, it remains on the menu of potential resources that communities can access.

Another part of the answer lies in federalism—the relationship of the states to the federal government. Over the past decade, many responsibilities of the federal government have been devolving to the states. Primary among these is economic development. As many authors have documented, states have played an increasingly important role in American economic policy, fostering industrial and technological development and promoting foreign investment and trade. Economic and social conditions in rural communities also have been an increasing concern for Governors and state legislatures. Many states now have specific initiatives dealing with rural issues.

Recent State and Federal Interest in Rural Development

Since the mid-1980s, states have increased their attention to small communities and rural development with specific initiatives on rural issues, especially economic development. Nearly every state has a rural or small community initiative underway.

Governors and their staff also have participated in state government policy development activities at the national level in the past several years. Through the National Governors' Association, a ten-Governor Task Force on Rural Development was convened in 1988. The task force made policy recommendations to both state and federal policymakers in its report, *New Alliances for Rural America*. In 1990 and 1992, the Council of Governors' Policy Advisors conducted rural policy academies, guiding high-level teams from sixteen states through an intensive policy development process.

During this same period, federal agencies and Congress also have increased their attention to rural issues. A few of the many examples include:

- creation of an Office of Rural Affairs and Economic Development by the Small Business Administration;
- creation of state offices of rural health, supported by the Department of Health and Human Services; and
- creation within the U.S. Department of Agriculture (USDA):
  - of the Rural Revitalization Initiative of the Cooperative Extension Service;
  - of the Rural Development Administration by the 1990 farm bill; and
  - of rural development initiatives in the Soil Conservation Service and the U.S. Forest Service.

The philanthropic community has been involved in rural development for many years, and recently more corporate foundations have become involved. Their investments have supported rural policy programs as well as innovative approaches to rural community development at the local level.

These examples are only the tip of the iceberg. The question of coordination may now be on a par with the question of resources for rural development. If the task were to prepare a "unified development budget" for rural America, as the Nebraska Rural Development Commission has done for its state, it is apparent that there is a great deal of funding already available to rural areas from federal, state, and private sources. Given that additional state or federal funds are unlikely, the need for coordination to make the most effective use of existing resources is clear. The question is how.

In 1988, the Governors' *New Alliances for Rural America* report called on the incoming President to "work with Congress, the states, and local government to build a new federal-state-local alliance that consolidates and increases the flexibility of programs that serve rural America." In January 1990, President Bush announced a federal interdepartmental, intergovernmental effort to coordinate rural development policy and programs, and to develop new partnerships with state, local, and tribal governments and the private sector in order to improve the effectiveness of rural development policy.

The National Initiative on Rural Development consists of several elements, the most important of which are the Working Group on Rural Development and the state rural development councils. The Working Group on Rural Development is a subcabinet-level group of sixteen federal departments and agencies. It has a staff component of senior career program staff, who often are referred to as the Monday Management Group (MMG). MMG serves as the center of Washington-based activity on the rural development initiative, building a network of people to focus on federal agency coordination on rural development at the national level. MMG also provides support to the state rural development councils in the organizational stages and acts as the Washington coordinator for resolving federal and intergovernmental impediments identified by the state councils.

The second key element of the national initiative is the creation of state rural development councils, which are composed of high-level representatives from federal agencies at the state level, the Governor's office and state agencies, local governments, tribal governments, and the private sector, both profit and nonprofit. Each council is charged to develop appropriate intergovernmental strategies for rural development in its state, and to identify and work to resolve governmental impediments that inhibit locally conceived development efforts.

Eight pilot councils were created in 1990-91, and an additional twenty-seven councils are in the process of organizing. Sixteen more states and territories have expressed an interest in organizing councils and are signing initial agreements to do so.

Lessons from Other Coordination Initiatives

This report covers eight cases that illustrate a variety of programs and activities undertaken to harness the resources of different levels of government, different agencies at each level, and the private sector in order to effect changes in rural development policy. A summary of each follows (see the appendix for more detailed descriptions).

- The Appalachian Regional Commission (ARC) has been in operation for twenty-five years and is based on a joint state-federal decisionmaking process. Its unique approach to development has been both praised and criticized, but ARC provides an example of active state-federal collaboration to address the unique development needs of distressed rural communities.

- In 1979-80, the Department of Housing and Urban Development (HUD) and USDA supported a demonstration in four states—California, Colorado, Illinois, and West Virginia—to test a state-federal partnership in community development. The demonstration used state, rather than federal, selection criteria for Small Cities projects under the Community Development Block Grant based on state-determined priorities. It also leveraged state resources with existing Farmers Home Administration (FmHA) and HUD programs.

- Idaho began an ad hoc state-federal coordination committee in 1991, outside of the national initiative. This group has become the foundation for a state rural development council in Idaho, but this report focuses on the committee's formation.

- In 1979, Governor Joseph E. Brennan of Maine established a Governor's Committee on Rural Development that was in operation until 1990, when it was expanded by Governor John R. McKernan Jr. to become the new Maine Rural Development Council. The Governor's Committee on Rural Development was the catalyst for community development guides, a report on public investments in rural areas, a resource guide for rural communities, and several joint state-federal projects.

- The development of medical assistance facilities (MAFs), a new licensure category for rural hospitals in Montana, was initiated by the Montana Hospital Research and Education Foundation. State legislation was passed to allow the new type of facility, but a federal waiver to make MAFs eligible for Medicare reimbursement continues to be key to their success. The Health Care Financing Administration (HCFA) in the U.S. Department of Health and Human Services is funding a four-year demonstration of the model.

- Oklahoma's Rural Enterprise Team has brought together state and federal development service providers and resources to work with rural communities. The team originated as part of a USDA initiative to spur rural development activity through food and agriculture committees.

- The Governor's Office of Economic Development in South Dakota and the Farmers Home Administration have joined forces to create the Agricultural Processing and Export (APEX) program, which provides loans to firms that add value to agricultural products in communities with a population of less than 2,000. By combining funds from the state's Revolving Economic Development and Initiative Fund and FmHA's Intermediary Lending Program, APEX has $3.5 million for loans to firms in South Dakota's small towns.

- In 1988, Wisconsin Governor Tommy Thompson created the Governor's Rural Development Coordinating Council, which included state, federal, and private sector members. The council made recommendations for state policy and increased communication among state and federal agencies.

To focus on the transferable lessons from these collaborative efforts, NGA held a roundtable discussion involving people who were instrumental in the design and/or implementation of the programs and activities described in the cases. The panelists identified many incentives, prerequisites, and supportive actions that encouraged more effective intergovernmental collaboration during their efforts. Many of their comments are applicable to the new state rural development councils. The next chapter is a synthesis of the roundtable discussion.

3. Toward an Environment For Collaboration

Most collaborative efforts depend more on personal initiative, organizational skills, negotiation, and communication than on legislation or mandates. Such efforts require building working relationships with people, establishing trust, and getting commitments for individual efforts that benefit the collaborative enterprise. Successful collaboration depends on the people involved and cannot be ensured through legislation or directive.

Despite the inexact nature of collaboration, people succeed in getting organizations to work together. The panelists, who were all part of successful intergovernmental projects, talked about the conditions and preparations that were necessary to get their efforts off the ground.

Reasons for Intergovernmental Collaboration

The panelists agreed that the overriding reason for increasing intergovernmental collaboration on rural development is to improve the effectiveness of public resources, both financial and technical. The need to stretch public sector development resources is becoming acute, as both state and federal resources are increasingly constrained. Few observers anticipate increased funding for rural development, so the goal for nearly all of the collaborative efforts is to increase the effectiveness of existing programs and resources.

Opportunities to combine forces and leverage resources to mutual benefit are increasingly attractive to state and federal officials. Collaboration can make it possible to do things that each partner could not do alone. Working together on a common issue can even help organizations support what may seem to be diverse objectives. In South Dakota, the state and the Farmers Home Administration joined their resources to form the Agricultural Processing and Export program to improve the availability of capital to firms in small towns and rural areas. Operated by the state, the joint program is specifically tailored to meet the needs and challenges of small firms in rural settings.

Leading for Collaboration

Leadership is critical to setting the stage for change and innovation. Executive leadership can spur change and innovation, including new collaborative partnerships, by:

- providing direction to interested agencies;
- giving the signal that risk taking to improve performance is valued;
- supporting flexibility in policy and program design and implementation; and
- showing continued interest in the progress of innovative efforts.

Dynamic leadership can come from elected officials, agency executives, or both, as in the case of the Wisconsin council. Upon his election, Governor Thompson named economic development as a priority. He made it clear that the public and private sectors should look for ways to work together, and that he would listen to their recommendations on the role of state government. By setting a tone of collaboration, the Governor created an atmosphere that encouraged a federal agency's state director to propose a state-federal-private sector cooperative effort on rural development that he had been considering for some time. The Governor agreed and created the Governor's Rural Development Coordinating Council, with state, federal, local, and private sector members.

The commitment of top-level leadership to collaborative efforts needs to be clear. The signals sent on small details matter. For example, in one state the Governor's designee on rural development issues was perceived to have a strong urban bias on economic development priorities. This became a small but significant handicap for the coordinating effort.

Identifying catalysts for action at the staff or council level also is crucial. Agency heads or others with access to top leaders can provide a crucial communications link for the council to test proposals and deal with impediments. Coordination is not a passive activity, and often it takes someone with the ability to link people's ideas into a consensual, coordinated action plan to move a group to action and results. Maintaining an atmosphere that allows leaders from both traditional and nontraditional backgrounds in the public and private sectors to come forward can bring new, dynamic perspectives to an initiative.

Leaders can encourage risk taking and innovation. Why did Colorado housing officials decide to take the initiative to work with FmHA officials to get the flexible programming they needed for the San Luis Valley? According to the former director of housing for the state, his boss, the director of the department of local affairs said, "Don't tell me why we can't do this; tell me what we have to do to get it done." Her leadership encouraged risk taking and innovative behavior. A new collaborative approach with the Farmers Home Administration was the most effective way to achieve the desired results.

Program managers often have significantly more discretion than they use, and can make interesting, creative, and beneficial use of their programs. Especially when hierarchical organizations are participating in a collaborative effort, their representatives often feel they need strong direction from executive management sanctioning their participation before they can actively participate.

Squaring Competing Visions

Competing visions for rural development can be just as destructive as a lack of vision. Similar agency missions, responsibilities, and capabilities can easily lead to disagreements about who should take the lead, what actions to take, and how to proceed. The University of Wisconsin-Extension Service has a successful program of rural community development that has achieved national recognition. The state development department also has regional economic development staff who work with rural communities. Some participants in the effort felt that the selection of the state department as the lead agency may have limited the potential of the coordinating council's work. This concern may have been ameliorated if the role and definition of the lead agency had been more clearly understood so that the Extension Service did not view the "lead policy role" of the state as a threat to its rural program.

The Idaho Rural Development Council has worked to develop complementary visions for state and federal rural development efforts. The state chose to participate in one of the rural policy academies of the Council of Governors' Policy Advisors, a strategic policy development program aimed at assisting state teams develop specific initiatives for their state. The Governor identified members of the Idaho Rural Development Council, which also includes federal, local, private, and tribal members, to participate as the rural policy academy team. In this way, federal, state, local, and private sector perspectives have been integrated into a broader vision of how rural development should proceed in Idaho.

More serious are disagreements on the fundamental concepts of development that are based in different world views and value systems. For example, the panelists noted that some native American communities desire a different kind of development, one that reflects their traditional culture. While none of the case examples included collaboration with tribes, state rural development councils are attempting to begin a dialogue with the tribes in their state on rural development issues.

Allowing Collaboration Through Flexibility

Collaboration requires flexibility in programs and program managers. The panelists expressed broad agreement that the operation of state and federal government programs needs to become more flexible in order to improve their effectiveness in rural areas. Communities should be able to create their own options and to participate with program managers to customize assistance to best meet their needs.

An especially important aspect of flexibility for rural communities is sensitivity to local conditions. As a local official once put it, "If you've seen one small, rural town, you've seen one small, rural town." It is very difficult to generalize about rural economic conditions across the country, or even within a state. Each community's situation is different. Effective policy must recognize this diversity, and provide development assistance that is flexible enough to support a wide range of local strategies.

Building innovative interagency and intergovernmental collaboration requires understanding the differences of law, regulation, policy, and interpretation. Agencies write regulations and they can change them. Agency policy and interpretation are even easier to change because they are not tied to a formal rulemaking process.

Building Partnerships

Strong effective partnerships are based on respect for all the partners and the expectation that each will play an active role. People involved in a collaborative effort need to feel personal and organizational ownership of the effort. Ownership makes the effort real, keeps partners contributing, and spreads the credit and the risk of innovation among the partners.

Organizers of collaborative efforts should identify key stakeholders and partners early and include them in planning responsibilities. An important ingredient in ownership is the feeling of "being at the table from day one." As new partners are identified at later stages, the group should be willing to reconsider and modify its policies and structures to reflect their importance and involvement.

Balancing Trust and Control

Collaboration calls for some sacrifice of each individual's control over outcomes. By definition, the success of a collective action depends on the performance of others. If one (or more) collaborator fails to deliver, the outcome is in jeopardy.

Yet, collaboration also means sharing the risks of innovative behavior and providing moral support to those who are on the line to produce. For example, even though the Montana MAF demonstration was administered by the national-level staff of the Health Care Financing Administration, the regional administrator of HCFA in Denver traveled to Baltimore with the project director to present the case for the demonstration proposal. His early support helped build the credibility of the proposal and its prospects for success.

Collaborative initiatives should have a nonthreatening atmosphere, operating environment, and organizational structure that gives members a sense of access. Some of the most effective organizations have been very informal. For example, the Oklahoma Rural Enterprise Team's structure has only two main elements: a co-chair arrangement to demonstrate the state-federal partnership and a commitment among the members to meet on a regular basis. The work of the team does not require a formal voting structure, and participation may be better because team members do not feel constrained by any one partner.

Including the Private Sector

The private sector, both profit and nonprofit, clearly is a significant part of any successful rural development effort, but the public processes of governments actually may stifle active private sector involvement. Public sector participants need to be sensitive about the language, particularly the jargon, they use to discuss development issues. Clear definitions of terms, avoidance of acronyms, clearly defined tasks, and step-by-step timelines can help reassure the private sector that the coordination effort will yield positive results and that their participation will be worthwhile.

Private sector organizations played key roles in several of the case study initiatives. The State Bankers Association was a key participant in the Wisconsin Governor's Rural Development Coordinating Council. Its involvement led to a series of workshops cosponsored by the state and bankers association. The workshops trained local finance officers to make better use of public sector development programs in assembling financial packages for their customers. In Montana, a private nonprofit organization took the lead in designing and administering the medical assistance facility pilot project, with the endorsement and support of the state and the federal government. In Colorado's HUD/USDA demonstration project, networks of nonprofit organizations were a critical part of the local delivery system for rural housing projects.

Providing Information

Lack of knowledge about the policy environment makes collaboration difficult. It is useful to understand who else is working on the issue, what resources they have, and most important, what they think is happening in rural areas. Getting other perspectives on the problems rural areas face is an antidote to what some call "program blinders," (i.e., seeing issues only as they are defined by your program).

Many groups begin their work informally, with personal introductions and networking, and then move to assembling a resource inventory of their members in a form that is accessible to them and the public. In its first year, the Maine Rural Development Council prepared a resource guide for rural communities that described state and federal rural development programs. The Wisconsin Governor's Rural Development Coordinating Council also described the resources of its members, in accordance with the Governor's executive order, which directed the council to "facilitate an inventory of existing state and federal rural development programs and resources."

Agreeing on Needs, Goals, and Objectives

In most cases, people made a deliberate effort to develop a clear, collective agreement on the real needs of the people and places they were trying to serve. Agreement that these needs require collective action can provide real incentives for people and organizations to be actively involved. Their participation is more easily justified, both to themselves and to those whom they represent. Developing a clear focus and clearly stated objectives helps people understand and verbalize why they are involved and will help them commit to staying involved.

The case of the medical assistance facility demonstration in Montana illustrates the power of agreement on needs and the resulting spirit of collaboration to meet those needs. To maintain access to health care in remote areas of the state, the Montana Hospital Research and Education Foundation (MHREF), a private nonprofit organization, took the lead in developing an alternative facility for remote rural communities whose hospitals were no longer economically viable. The foundation offered to assist the state health department refine the necessary legislation and draft the regulations that would make this possible. The state was quite willing to accept the foundation's offer of assistance and endorsed its efforts. MHREF did most of the work, and now is running a federally funded demonstration of the concept. With Montana's very small population spread over vast distances and rugged terrain, public and private sector distinctions are blurred because everyone feels responsible for acting in the public interest. People focus on getting the job done rather than on who gets the credit. As the director of the MAF project said, "Because there are so few of us, we all have to be active to get things done." With the endorsement of the state health department, this nonprofit organization is taking on a role that in many other states would be played by state government.

Coordination also is easier for people to envision when they can focus on the needs of a real community, hearing about them from community leaders. The director of the Wisconsin Farmers Home Administration described the experience of the Governor's Rural Development Coordinating Council with the mayor of Darlington, Wisconsin. She had invited the council to meet in Darlington. Her persistence and articulate description of the needs of her community motivated council members to focus on a coordinated response. Coordination may be unnatural, but by focusing on real-world problems instead of general, conceptual, or hypothetical discussions, people can learn how to coordinate. "When all of you are in a room with local officials who are telling you exactly what their problems are, coordination comes more naturally."

More important, such experiences can lead to more proactive coordination, more formalized mechanisms for collaboration, and perhaps down the road, the development of new service delivery systems to replace the current systems. Policymakers and program managers should look for the long-term implications of what they learn from their interaction in community problemsolving and begin to adjust their programs accordingly.

Dealing with "Turf"

Turf, the protection of institutional identity and unique mission, is always an issue for those interested in encouraging collaboration. The panelists discussed several ways to minimize the potential friction of turf battles.

Leadership is critical in dealing with turf. People need opportunities to lay their cards on the table early in the process of working together. Strong, perceptive leadership can help set the tone for frank and open discussion that can lead to the development of common perspectives.

An unending task of collaborative efforts is to develop a rapport among the individuals and organizations involved. Building acquaintances and developing knowledge about what others have to offer, and what they plan to do in the future, can make it possible for people to see opportunities for collaboration where they could not see them before. The Oklahoma Rural Enterprise Team has become an informal network of individuals in state and federal agencies who now operate to refer, collaborate, and combine resources to address rural community development problems. The federal co-chair of the team said that members have developed the familiarity and trust to work with one another on a first-name, phone-call basis.

It also is important to stay focused on the objectives of the effort (e.g., serving rural communities), rather than on the interests and functions of member agencies. The former state housing director in Colorado said that the success of the HUD/USDA initiative lies with people's sense that "we are in this because we are committed to public service and feel a responsibility for assisting rural communities and individuals." Staying clear on the objectives can help keep turf issues in perspective.

Identifying Mutual Interests and Benefits

Collaboration often is easier to achieve when it can be shown that mutual benefits will result. In most cases, when one entity has an interest in changing the behavior of others, it helps to frame the intervention as helping them achieve their own objectives. For example, the Colorado Housing Authority saw an opportunity to use Farmers Home Administration programs to provide housing in the San Luis Valley of south central Colorado. However, to do so would require the creative use of FmHA programs, at a time when the agency was undergoing the transition and arrival of senior officials for the Carter administration. State staff contacted FmHA officials, explained their understanding of the agency's goals, and offered to assist FmHA officials in running the programs. Because of several strong personal relationships and the establishment of an understanding between the state and federal officials, much better planning and coordination between the state and federal programs resulted.

Collaboration does not always mean doing everything together. Collective decisionmaking can and often appropriately should be followed by individual assignments. For example, the state of Maryland's Joint Funding Committee brings together state and federal program officials to coordinate funding of development projects. The committee reviews projects and tries to make the best fit between program resources and requirements and the unique characteristics of the project. Usually specific parts of a project are best suited only to certain programs, though all members of the committee are involved in deciding how to get the project funded.

Focusing on Issues with Promise

The prospect of tangible results—"something you can hang your hat on"—keeps people involved. Short-term successes need to be an early concern of collaborative efforts, both to build confidence among members and to bolster public perceptions of the effort. While there may be a tendency to tackle the worst cases first, groups should be strategic about the level of effort they can sustain and where they can accomplish the most. Early successes can help build the strength of the group and prepare it for dealing with the tougher issues once its credibility is established.

Sometimes the chance of success will depend on the ability to tie into an existing effort. A recurring theme among rural development professionals is to use existing resources. In building strong partnerships that can lead to effective collaboration, it is important to recognize that there already are efforts underway in many agencies and the private sector to open up processes, expand contacts with other agencies, build networks to facilitate communication, avoid duplication, and find opportunities to collaborate. Collaborators should acknowledge one another's expertise and contributions as a first step toward building the trust and respect necessary for innovative collaboration.

In designing Colorado's proposal for the HUD/USDA demonstration, state housing officials saw an opportunity to make use of a network of local nonprofit organizations to develop rural housing. The network already existed in one part of the state, and the first phase of the demonstration tested delivering funds to projects through these organizations. The second phase of the demonstration tested the rural housing concept in a part of the state where such organizations did not exist and had to be started.

Evaluating and Sustaining Coordination

An interesting question emerges when coordinating efforts arise out of hard times or crisis situations. How do you sustain interest when macro-economic conditions improve? In Wisconsin, the Governor's Rural Development Coordinating Council disbanded when, as economic conditions were easing in rural areas of the state due to an improving farm economy, the council's sunset provision was allowed to take effect. While this certainly was not the only factor to affect the decision, it does illustrate the gap between the need to address economic distress and the benefits of coordination, which presumably continue even as economic conditions improve.

Capturing the benefits of coordination and collaboration is not easy. Successful collaboration should improve the effectiveness of the cooperating organizations. Careful analysis might reveal these improvements. It is more difficult to measure improvements in relationships between organizations that facilitate better cooperation, yet such improvements can also result in tangible benefits to communities and citizens.

Revitalizing Demonstrations

Finally, one way to open up the possibilities of innovation is to set a project outside the normal mode of doing business. Many agencies do this by designating an innovative effort as a "pilot" or "demonstration" project. With this designation, agencies have granted waivers and special operating guidelines for new program ideas. HUD gave the four demonstration states more flexibility and discretion in selecting and implementing their projects than normally was allowed through its own process.

Unfortunately, the special treatment given to demonstrations often is hard to extend to all agency activity and can be a way of isolating change "in the laboratory." Innovative collaboration should be about moving change out of the laboratory and into the mainstream activities of government. Organizers need to develop strategies for broad program change while the demonstration is underway. Demonstrations and pilot projects should be seen as a step in a larger process of improvement.

4. Obstacles to Collaboration

Coordinating large—related yet individually operated—somewhat rigid programs and organizations can seem to be an impossible task. The panelists generated a thought-provoking list of disincentives to collaboration, as if to prove its difficulty. These disincentives can be found in any large organization, public or private. They can stifle both change and innovation within organizations, and cooperation among organizations. Despite the disincentives, the cases illustrate that people were able to create innovative, productive links among government agencies, and between governments and private sector organizations.

Regulations

Unnecessary and inflexible program regulations tie the hands of many who work with rural community development, including the federal, state, local, and private sector people who try to respond to the reality of diverse community situations. Some regulations show little sensitivity to the merits of individual cases. Yet, the issues that face rural America require flexible responses that can accommodate the diversity of rural communities.

The Appalachian Regional Commission has taken a unique approach to the operational guidelines for its programs. ARC programs are administered according to the Appalachian code rather than by regulations. Provisions of the code must be approved by both the federal representative and the thirteen commission states. This mechanism is more flexible than other federal agencies' regulations and is sensitive and responsive to state perspectives. According to one Maryland state official, "There is a sense about this program that it is different from other federal programs, that the states do have some control here."

"Thirty Years of History"

Government, like most large organizations, often appears unable to overcome its bureaucratic inertia to respond to economic and social needs. Rural development programs have evolved in a very fragmented way, each operating independently, with little recognition of the activities of other agencies. There also is considerable skepticism about "another push for coordination" because of previous efforts that have failed. Many in government (at all levels) and in the private sector ask, "Why should this one be any different?"

Personal initiative to make it different can help counteract inertia and skepticism. In Oklahoma, officials from the Oklahoma State University-Extension Service and USDA involved in organizing the Rural Enterprise Team wanted to make it work, and believed that a partnership with state government would be necessary to give the team credibility and the resources to deal more effectively with rural problems. Going beyond the guidelines from USDA to focus the efforts of USDA agencies on rural development, the federal organizers invited the state commerce department to participate and even co-chair the team. Several other federal and state agencies also were invited to join the team. This approach gave the team additional resources and the shared contacts to make its work valuable and satisfying well beyond the stated purpose of the national initiative.

New economic imperatives for policymakers also can spur alternative approaches and collaboration. As a state planning official said, "I think budget crises offer a great incentive for collaboration."

Imminent Change

Concern about political changes and shifts in policy priorities can lead to inaction in government agencies. There may be little that can be done in the short term. However, over the long term, the partnership principle can work to sustain a collaborative effort during political transitions. ARC is a prime example. Its primary participants include the Governors of the Appalachian states and a representative of the President. Although the effort came under attack from the administration in the 1980s, the Governors' interest in seeing ARC continue carried the organization through this difficult period. Even as the federal chairman lobbied for the elimination of the commission, she had to work with the Governors to carry out its mission.

The Pace of Change

The time lag between the identification of a strategy to address a particular problem, its implementation, and the perception of results at the local level can mute people's enthusiasm and lessen participation. The director of the Montana Medical Assistance Facility demonstration noted community leaders' frustration with the slowness of the process for getting approval of the demonstration. "It's best to be up front with community leaders about how long things will take, and then work to get it done faster."

The "One-Size-Fits-All" School of Administration

Perceived economies of scale, ease of administration, a focus on inputs rather than outcomes, and desire for control lead many legislatures, agencies, and departments to develop "one-size-fits-all' programs. Too many programs are designed based on the premise that one prescriptive model is most efficient and therefore appropriate for all situations. In fact, such programs have been inadequate to address the diverse needs and opportunities present in rural communities.

Most of the case studies are examples of more flexible approaches to addressing rural issues. The HUD/USDA demonstration moved decisionmaking about projects from the national level to the state level, and each state designed a program that was appropriate for the conditions in its communities. Montana's MAFs represent an alternative to the traditional rural hospital, and they required a waiver from HCFA in order to receive Medicare reimbursement. South Dakota's APEX program takes a different approach to rural capital than either the state or the federal government had tried before by focusing on loans to smaller firms in small towns.

Personalities

Obviously, organizational change involves interacting with people, and sometimes personalities clash. People are often reluctant to change and thus protect their organizations and the way they operate. They also may try to opt out of a coordination effort by saying it is not on their agenda.

However, personal initiative, commitment, and the establishment of strong working relationships often are the crucial elements of success for a new initiative. For example, the Colorado housing division was able to establish a strong working relationship with the Farmers Home Administration because of a relationship between their directors, who had worked together on housing issues in previous jobs. The trust they had established in another context led to innovative use of state and federal housing programs not only in the HUD/USDA demonstration, but also in Colorado's broader housing effort.

5. Conclusion

It is clear from the roundtable discussion that real benefits can be realized if state, federal, local, and private agencies collaborate on rural development. But the permanence of those benefits depends on a commitment by leaders and staff to maintain the communication that is the foundation of collaboration. There is no easy way to institutionalize or formalize the kind of coordination needed to seize opportunities that lie outside the boundaries of "business as usual." What makes collaboration work is a group of committed individuals with a clear mission and objective to do something new to improve outcomes for rural communities and citizens. Their efforts are helped by organizational and political cultures that allow public servants to take risks and approach problems with initiative and creativity.

Collaboration takes place when people recognize that the missions of their separate organizations have similarities; that their publics can be better served if they work together on particular issues; and that collaboration can help improve effectiveness and counter budget constraints. As the nation's understanding of the complexities of rural problems increases, so do the opportunities for interagency and intergovernmental collaboration on rural development.

where water and sewer facilities were the limiting factor to job expansion. The State Planning Office provided data that were necessary to qualify target neighborhoods that otherwise were ineligible.

The cooperative effort of this particular initiative enabled DEP to move years ahead of its schedule in solving wastewater problems, provided long-term savings to communities on construction costs, and realized economic and environmental benefits such as earlier restoration of damaged clam flats. Finally, this effort had national impact by achieving changes in federal policy and eligibility criteria for rural community facilities programs. The state FmHA office and SPO documented the inadequacy of then-current program rules and recommended a change in criteria from family to household income to determine user fees. The Governor successfully proposed the change at the national level.

The Rural Development Committee continued to meet until late 1990, when Maine was selected as one of the pilot states for the state rural development councils under the National Initiative on Rural Development. The Governor merged RDC with the new council by executive order in August 1991.

Summary

Maine's experience with the Rural Development Committee shows some of the benefits that can be realized over time through interagency and intergovernmental coordination.

The committee was able to sustain its activities for over ten years. There are at least four reasons for such longevity. First, RDC was a priority for the Governor and state government. State rural development policy clearly was linked to federal resources, and an ongoing coordination mechanism was necessary to relay state priorities and information about conditions in rural Maine.

Second, the committee received staff support to supplement its efforts. Much of the staff support for the committee came from the State Planning Office.

Third, the committee stayed abreast of current conditions in the state and focused its attention on the pertinent issues. By making an annual report to the Governor, reporting past activities, and setting priorities for the coming year, RDC was able to keep members involved and interested.

Finally, members of the committee were able to achieve measurable results through coordination. The State Planning Office was able to document real improvements in funding and cost savings for infrastructure in rural communities that were made possible by coordinated state and federal programming.

Montana Medical Assistance Facilities

Economic and demographic changes in rural communities have had dramatic effects on some rural hospitals, and a number of states are developing alternative health care delivery systems to more efficiently and effectively provide necessary services to rural residents. Yet, because Medicare plays such a significant role in small hospital revenues, federal cooperation often is necessary to develop and implement alternative rural hospital models.

In 1986, the administrator of Montana's health department had conducted a series of public meetings in rural communities and had asked those with struggling hospitals to consider the trade-off between a new limited service facility with the potential for fiscal viability and a full-service hospital with little chance to survive. Following these discussions, the Governor created a Task Force on Rural Health. One of its recommendations on the issue of rural hospitals was for the federal government to waive or scale back the conditions of participation for these facilities in Medicaid and Medicare, and for the state to create a new licensure category for limited service facilities.

The Montana Hospital Research and Education Foundation (MHREF) developed the concept of a new category of hospital for rural communities whose hospitals were in difficult financial condition due to low patient census and a declining physician workforce. Medical assistance facilities (MAFs) are a new licensure category under Montana state law that provide inpatient care to persons requiring care for no longer than ninety-six hours, or to those requiring care prior to transportation to a hospital.

MAFs must be located in a county that has fewer than six persons per square mile ("frontier area"), or in a county that is no more than thirty-five miles from the nearest hospital. While medical direction must come from a physician, mid-level medical professionals are allowed but not required to provide care. However, as a practical matter mid-level professionals will almost always be used in MAFs. The physician must be physically present in the MAF at least once every thirty days. Administrative rules state that each MAF must provide a minimum level of nursing, pharmaceutical, laboratory, food, dietary, and emergency services. It also is required to have a quality assurance program that includes routine review of patient utilization and the facility's health care policies.

Under the above guidelines, forty-five of the state's fifty-six hospitals would be eligible to become MAFs. (The population density of the state is only 5.5 persons per square mile.) To convert to MAF status, a facility must receive certificate-of-need approval and surrender its hospital license. The facility retains the option to reapply for the license.

The new category of health facility was designed primarily to give underutilized small rural hospitals the option of reducing the scope of their operations to provide only low-intensity, short-stay acute care. Hospitals currently targeted for MAF status appear to be no longer viable as full-service acute care facilities.[6]

A key event in bringing limited service facilities to Montana was the introduction of a bill in the legislature to create a new licensure category called a medical assistance facility or MAF. Its sponsor represented a county that already had faced a hospital closure. The bill was very brief, including only a definition and a charge to the Montana Department of Health and Environmental Sciences (DHES) to develop the concept and the regulatory guidelines to create the new category.

According to the Montana Hospital Research and Education Foundation, this initial bill was flawed. However, the foundation offered to work with DHES to develop alternative wording. Following passage of the new legislation, MHREF also worked with DHES to draft the licensure regulations.

Officials from DHES supported MHREF's involvement and credit the foundation for moving the concept forward to implementation. Given its responsibilities and resources, the department would not have had the capacity to develop the new model on its own.

Thus far, most of the activity had been focused at the state level. Yet it was clear to everyone involved that federal participation in the development of the model would be crucial. The Health Care Financing Administration (HCFA) would have to recognize the new facilities as eligible for reimbursement for services provided under Medicare and Medicaid in order for MAFs to be financially viable.

The state's Medicaid representative had been on the Governor's task force and was supportive of the concept. Blue Cross and Blue Shield—the Medicare fiscal intermediary in Montana—also had participated on the task force and was a strong advocate for the new model. The third key player was HCFA.

HCFA's regional office in Denver was interested in the concept. Staff indicated to MHREF that there was demonstration funding for alternative health care provision and that this model would be a good candidate for funding.

MHREF, in consultation with DHES, developed a proposal to HCFA to demonstrate the MAF model. HCFA responded that it would fund a one-year planning grant to further develop the concept. Its concerns included the new program's compatibility with the agency's current regulations and conditions of participation.

Following the study, HCFA approved a four-year demonstration project. MHREF is administering the demonstration and providing assistance to hospitals that want to convert their facilities to the MAF model. These facilities have a provisional waiver, and receive reimbursement from Medicare and Medicaid on a reasonable-cost basis rather than a diagnostic-related group/prospective payment-basis. The purpose of the demonstration is to test the access model rather than address the economic issues of rural hospital reimbursement directly.

The future of the model depends on the resolution of several key issues. HCFA has given MAFs a waiver through 1993, when the demonstration is slated to end. Four facilities have been licensed and certified as MAFs, and one more is enmeshed in the process. There are a number of outstanding issues.

- Will HCFA extend the waiver? For how long? What modifications to the model may be necessary?
- Will the MAF model be established permanently as a coverable service? What steps are necessary to accomplish this? Is it an administrative decision, or will Congress need to act to change the pertinent statutes?
- Can the MHREF project be extended to provide an intermediary for other facilities that need to convert to MAF status? (Institutions often do not have the capacity to deal with the regulatory issues that are involved in making the shift; MHREF was heavily involved in

providing technical assistance to the hospitals as they made the necessary changes.)

- Finally, the bottom-line question is "Does the model work?" The project is being evaluated by an independent evaluator; a preliminary evaluation was completed in January 1992.

Summary

This process clearly witnessed pitfalls, complex politics, and public frustration with bureaucratic delays. However, it is instructive on the kinds of partnerships that will be needed to solve many of the issues that state rural development councils will be raising.

- **Public-private cooperation at the state level.** MHREF worked closely with DHES to research and develop an innovative model. While the department clearly was interested in developing the MAF model, it did not have the policy staff or the resources to do it. The foundation was able to put together the proposal for a project and run the demonstration. In addition, by working closely with the MHREF, the state was able to participate in the process and is integrating the new model into the state system. Positive input also came from Blue Cross and Blue Shield and the professional review organization that conducts the MAF's utilization reviews.

- **HCFA, the federal partner, showed a willingness to support the development and demonstration of the MAF concept.** Federal resources were made available at a key point.

- **The development of the medical assistance facility category of care is a good example of bottom-up innovation.** The unique problems faced by remote rural communities in Montana led to a locally developed solution. The state and MHREF now are receiving federal assistance to test the concept, which eventually may receive federal approval for broader application.

Oklahoma Rural Enterprise Team

The Oklahoma Rural Enterprise Team (RET) was formed to provide an intergovernmental response mechanism to work with communities and rural businesses as they pursue local development opportunities. RET is a consortium of state and federal agencies with rural development responsibilities. It was created by the Oklahoma State Food and Agriculture Committee (FAC) in 1987 in response to a directive from the U.S. Secretary of Agriculture to "encourage and support state, substate, regional, and local rural development activities through coordination of available USDA resources."[7] Oklahoma's Rural Enterprise Team appears to be one of the very few FAC-originated rural development coordination efforts that is still active. The purpose of RET is to build an "interagency cooperative effort that pools the resources of its members to address community problems."[8] It assesses rural development needs and provides interagency assistance using state and federal resources.

The Rural Enterprise Team is co-chaired by the Oklahoma Department of Commerce and the Oklahoma Cooperative Extension Service. Although the original directive from USDA mentioned only USDA agencies as participants, the Oklahoma Department of Commerce has been a member of RET from the beginning. The team originally included nine member agencies and has expanded to thirteen over the past five years. As the team discussed the range of problems faced by Oklahoma communities, the need to invite particular organizations to join the team became clear. In other cases, organizations were asked to join the team. Current RET members include:

Oklahoma Department of Commerce
Oklahoma Cooperative Extension Service
Farmers Home Administration, USDA
Soil Conservation Service, USDA
Oklahoma Department of Agriculture
Oklahoma Conservation Commission
Oklahoma Department Vocational and Technical Education
Agricultural Stabilization and Conservation Service, USDA
Small Business Administration
U.S. Forest Service, USDA
Oklahoma Tourism and Recreation Department
Oklahoma Association of Electric Cooperatives
Oklahoma Rural Water Association

The team meets monthly to coordinate programs and develop information of use to rural Oklahoma. RET has sponsored the publication of a rural development directory, a video presentation of rural programs, and a report, *Rural Development Success Stories*.

The report summarizes the actions of team members in twenty-four recent examples of local economic development activities. One of the purposes of the publication was to describe the kinds of services and assistance that RET members can provide to communities and businesses.

Among the success stories is the expansion of an instrument and electronic controls manufacturer through the cooperation of the county board of commissioners, the state's CDBG program, the Oklahoma Industrial Finance Authority, and a local bank. Members of the Rural Enterprise Team also have been involved in the creation of a cultural center for the Cherokee National Historical Society, which draws more than 60,000 visitors per year and employs more than 150 people. Other projects have sought to coordinate business financing from local, state, federal, and private sources with state training resources.

The team has marketed itself to local officials as an interagency coordination and problemsolving group. In response to a community's request, RET organizes a team of the appropriate member agencies to work with the community. For example, RET selected a resource team to work with a five-county region in southeastern Oklahoma. The resource team conducted a two-hour focus group discussion in each county to solicit the opinions of citizens and local officials on barriers and opportunities to economic development in their communities. One goal of the focus groups was to identify existing organizations in the towns across the region that could participate in a regional development strategy.

The team made a series of recommendations to the local officials and citizens that focused on regional themes, including the creation of a regional development organization to market the region as a unit. Communities would agree on a common agenda and develop a regional political alliance to build legislative and congressional support for regional needs. The team identified tourism development as the first priority for a regional strategy.

Team members have maintained an interest in participating because they continue to find opportunities to work together with communities on rural development projects, from community assessments to joint funding for infrastructure. Some interagency activities happen simply because of informal contacts among team members. Other requests from communities are discussed and planned for in regular monthly meetings.

The Governor has agreed to establish a state rural development council, and that process is underway. RET will merge into the new council, and many RET members already are active on the steering committee of the new council.

Summary

Although rural enterprise teams were supposed to be developed in all states by USDA, the Oklahoma effort has been active far longer. One key difference appears to have been the immediate partnership with the state economic development agency. This partnership has been assisted by the co-chair arrangement, which ensures that the team does not become dominated by either federal or state agencies. By working with the state and seeking out opportunities to assist communities, RET has maintained an active agenda and will provide a good foundation for the new rural development council.

The active outreach and service orientation of RET has ensured the vitality and participation of its members over the past several years. The membership has been fairly small and limited to certain aspects of rural and community development. As RET merges with the new rural development council, one challenge for team members will be to build new relationships with other rural service providers and community interests. This will enable the council to develop a broader, more inclusive agenda for coordinated rural development programming in Oklahoma.

South Dakota Agricultural Processing And Export Loan Program

In most instances, intergovernmental partnerships are a means to do something better than either partner could have done on its own. In the case of the South Dakota Agricultural Processing and Export Loan Program (APEX), the state of South Dakota and the Farmers Home Administration—by combining the resources of two independent programs—achieved a programmatic objective that was beyond the reach of either entity operating alone.

The concept for APEX grew out of the mutual desire of state economic development officials and the state office of the Farmers Home Administration to direct additional development capital to the state's smallest communities and expand the market for South Dakota's raw agricultural products.

Enacted in 1987, the Revolving Economic Development and Initiative Fund (REDI) created a loan pool for South Dakota business investment that was capitalized with $40 million from a dedicated 1 percent increase in the state sales tax for ten months. The fund made financing assistance available to new or expanding businesses that created quality jobs, increased capital investment, diversified the local or state economy, and did not compete with existing local businesses. The authorizing legislation placed particular emphasis on jobs associated with the production of "goods and services which shall be primarily exported from the state [or] that bring new income into an area, have a stimulative effect on other businesses, or assist a community in diversification and stabilization of its economy."

The Farmers Home Administration Intermediary Lending Program (ILP) was intended to capitalize revolving loan funds to allow local entities to better determine their own development priorities. FmHA lends program funds to an intermediary at 1 percent interest with a ten-year term.

Both of these programs contain the kind of program requirements necessary to administer large loans and to protect the taxpayers' interest in the use of public funds. The South Dakota Board of Economic Development has comprehensive underwriting standards for loans made from the REDI fund. FmHA-ILP was designed for relending by nonprofit corporations, public agencies, Indian tribes, or cooperatives, but its administrative requirements also make larger loans more efficient and economical. FmHA regulations did not allow the funds to be used for either crop or livestock production because this is a purpose of other FmHA programs. State officials agreed with these federally mandated restrictions and viewed them as a means of keeping the mission of the program narrowly focused on creating jobs in small rural communities and expanding the market for the state's agricultural products.

The answer lay in a partnership that melded resources available under the REDI program with those from FmHA's Intermediary Lending Program. When state and federal program funds are comingled, the rules of the new program usually become more stringent since the borrower must comply with the requirements of both sources. This partnership was unique because both entities agreed to waive a requirement if it was covered under the other's rules. Equally important, in many cases the state and FmHA chose the less stringent requirement of the two competing statutory provisions.

The strength of the partnership between the state and FmHA also is evident in FmHA's willingness to endorse the existing state procedures for calculating low-income beneficiaries and for conducting the environmental review. The state had created forms and rules for similar requirements under the Community Development Block Grant program. While FmHA had its own environmental review procedures and requirements, the state could substitute an environmental review and low-income calculation conducted under the state CDBG requirements.

FmHA can capitalize revolving loan funds administered by a state, regional, or local public agency through ILP. South Dakota's Economic Development Finance Authority was chosen to receive the funds. The authority already was authorized by state law to generate revenues (e.g., through industrial revenue bonds) for economic development purposes.

A potential barrier to the agreement emerged when FmHA requested that repayment of the ILP capitalization be backed by the full faith and credit of the state. This was a serious problem because the state constitution bars the state from borrowing money in aggregate of $100,000. Resolving this issue required considerable negotiation with the FmHA Office of General Counsel in Denver and Washington, D.C. Under the compromise, the state's position on all APEX loans is subordinate to FmHA's, and FmHA reserves the right to sign off on the credit and collateral that the ultimate recipient offers as security.

In 1989, the fund was capitalized with $2.5 million from the ILP and $1.0 million from the state's REDI fund, and a number of program rules were established. Although an applicant may receive a waiver from one of the first two requirements, any for-profit or nonprofit business is eligible under these criteria:

- uses and adds value to one or more of South Dakota's many agricultural products;
- locates in a community with a population of less than 2,000;
- employs low-income persons, farm families, or displaced farm families; and
- provides new wealth by expanding markets and production.

Financing assistance received through APEX can be used for one or more of the following project costs:

- purchase of land and associated site improvements;
- acquisition, construction, or remodeling of buildings;
- fees, services, and other costs associated with construction;
- purchase and installation of machinery and equipment;
- trade receivables;
- inventory; and
- other working capital needs.

Since the creation of the program, the state has closed five loans, one of which is in default. The four current loans include an ethanol processing plant in Scotland, South Dakota, two pork processing facilities, and a cheese factory in Veblen, South Dakota. The ethanol project has resulted in the creation of more than twenty jobs in a town of 1,000 people. With one exception, these businesses are located in communities with populations of less than 1,000, and the cheese factory is located in a town of less than 400 people.

Summary

Although both the state and the FmHA state director supported the joint effort, it took a year and a half to establish the program. Much of the delay was due to concerns raised by FmHA's legal counsel. State officials note that at the time they began to develop the process, it was a bottom-up enterprise with little support from the national or regional offices. They believe that if this effort had been initiated after the formation of the South Dakota Rural Development Council (SDRDC) and the Washington-based Working Group on Rural Development, these entities could have greatly expedited creation of the program.

According to the executive director of the SDRDC, "The arrangement required a minimum of flexibility on the part of FmHA. However, at the time, no one in Washington was sending the message that flexibility was a good thing. Ironically, the concept of using the Intermediary Lending Program came from the FmHA state director. By the time the program was operational, he was as frustrated as anyone that it took so long for the program to be approved by his own headquarters."

Wisconsin Rural Development Coordinating Council

The Governor of Wisconsin established the Rural Development Coordinating Council in May 1988. After discussions with the state director of the Farmers Home Administration, the Governor concluded that state, federal, and private sector representatives should work together to improve rural development efforts in the state. The council had a two-year lifespan and issued an interim and a final report that contained recommendations for the Governor and state legislature.

The Governor's executive order creating the Rural Development Coordinating Council directed the council to:

- identify and recommend appropriate rural development strategies;
- facilitate an inventory of existing state and federal rural development programs and resources;
- identify ways to more effectively coordinate state and federal rural development programs;
- coordinate joint rural development demonstration projects in selected areas throughout the state;
- develop strategies to educate state and local elected officials, business leaders, and citizens on rural development issues; and
- advise the Governor on future actions that should be taken to enhance the economic viability of rural Wisconsin.

The Governor appointed the secretary of the Department of Development to chair the council.

Other members of the council included executives of the following organizations:

Wisconsin Department of Agriculture, Trade and Consumer Protection
University of Wisconsin-Extension Service
Wisconsin Board of Vocational, Technical and Adult Education
Council of Regional Planning Organizations
Wisconsin Counties Association
Wisconsin Towns Association
Wisconsin Bankers Association
Farmers Home Administration, USDA
Economic Development Administration, U.S. Department of Commerce
Small Business Administration

Council Activities and Recommendations

To develop its recommendations, the council held seven quarterly meetings, several meetings of its three subcommittees, and one public hearing in Ellsworth, Wisconsin. The council issued an interim report that contained an inventory of existing state programs to assist rural communities, and proposed six state government initiatives to improve the ability of individuals and institutions in rural Wisconsin to cope successfully with change. A number of these proposals were successful in the legislature, and the results are reported in the council's final report. In addition to the interim recommendations, the council updated its look at federal initiatives and suggested further actions to respond to new these opportunities.

Community Preparedness. The council recommended that a statewide community preparedness program be developed and implemented by state, federal, and private sector agencies. The program would include an educational component to help local leaders understand regional, state, national, and international economic trends; inventory local development assets and liabilities; compare development potential to that of similar communities; and develop an overall plan to positively affect the community's economic future. A technical component also would help local leaders evaluate their options for implementing the priorities of the plan and assist them with the details of implementation, which may exceed the professional resources available locally.

The Governor directed existing staff in the Department of Development to design and implement the community preparedness program. After a pilot test in several communities in 1989, it was implemented statewide in 1990 and continues in the current budget. To support implementation of community preparedness plans, the legislature also passed a grant program in early 1990. Additional positions also were funded for the department's area development staff and the University of Wisconsin-Extension's community economic analysis and community resource development programs.

Agricultural Development Initiative. The council recommended that a technical and financial support program be created to work with agribusiness in pursuing diversification of production, processing, and marketing, and to stimulate applied research and demonstrations of new technologies. The 1989-91 budget for the Department of Agriculture, Trade and Consumer Protection included the new Agricultural Development and Diversification Program, which provides information for agricultural development projects and new farm enterprises; assists individuals, businesses, and organizations with development efforts; and provides research and development grants for innovative agricultural diversification projects.

Economic Development Partnership. This partnership was designed to give local banks, savings and loan associations, and credit unions a greater role in providing access to economic development programs at the local level, and to help identify critical needs that could be met through locally based efforts. Rural bankers could provide information on government technical assistance and financing programs to local entrepreneurs.

With the creation of an economic development section by the Wisconsin bankers association and strong participation by local lenders in a series of business development workshops across the state in early 1990, the council reported significant progress toward a new working economic development partnership.

Challenge Grant Program. The Community Business Assistance Challenge Grant program provided funding for smaller communities to develop traditional incubators or a technical assistance networking program, depending on local conditions. In addition, the program provided ongoing assistance to existing incubators to capitalize on the large investments already made by local communities. The Department of Development's 1989-91 budget included $1.7 million for a community-based economic development program that would promote business opportunities at the local level through entrepreneurial and incubator development. The legislature authorized $600,000 for grants or loans to rural businesses for professional services related to start-ups or expansions.

Rural Educational Information and Outreach. The council recommended that educational service agencies in Wisconsin develop a method of coordinating counseling, training, placement, and entrepreneurial development services provided by state and federal agencies to assist in identifying and targeting such assistance to those rural individuals and families making job or job-related lifestyle transitions. Such a program also should focus on preparing youth for future jobs.

Infrastructure Development Initiatives. The council recommended that the state Department of Transportation upgrade rural access highways and create a network to bring adequate business transportation access to every rural area in Wisconsin. The council also supported federal funding of rural telecommunications demonstration projects. In its final report, the council noted the benefits of the state's transportation plan for rural areas and some upcoming multi-state regional opportunities for cooperation on telecommunications education and policy.

Rural Development Advisory Group. In its final report, the council recommended that the Governor consider establishing an advisory group composed of representatives of public and private agencies interested and involved in rural development. The group would include private sector representatives who live and work in rural communities. In addition to advising the Governor, members would meet regularly to share information on programs and develop cooperative working relationships. The council noted that such a group eventually could develop into a rural development review panel, as was being discussed by Congress and USDA at the time.

Other Recommendations. The council also made several other suggestions. It noted that coordination of rural development programs at the program staff level would be beneficial for both the programs and rural citizens and communities. More awareness of the variety of programs among staff could increase referrals, improve service to the rural public, and reduce confusion or frustration for the users of government programs.

As the field of economic development becomes more sophisticated and competitive, community leadership skills are increasingly more important for rural areas. The council noted that while many local development organizations are devoting full-time positions to economic development, there continues to be a need for leadership development opportunities to build communities' capacity to guide their own development.

Finally, the council noted the importance of economic information about rural Wisconsin, especially data on farm employment. Identifying and compiling such data could help identify labor markets and improve business planning.

The Governor's Rural Development Coordinating Council met from May 1988 to May 1990, and submitted its final report in June 1990. At this time, no formal coordinating mechanisms have been maintained, though the Rural Development Coordinating Council is seen as a precursor to the new state rural development council.

Several programs recommended by the council are still in operation and seem to be meeting the council's objectives. In particular, the Department of Development is continuing the community preparedness and community economic development programs.

Summary

The Rural Development Coordinating Council was successful in that key rural economic development initiatives recommended to the Governor were included in the state's budget and implemented by state agencies and the Extension Service. For several reasons, the council was less successful in achieving the broader role implied by its name.

The council members who joined the effort had different expectations and levels of commitment. The council functioned as a blue-ribbon commission to examine areas of rural policy in Wisconsin and to make recommendations to the Governor. Although the council included federal and private sector members, it made recommendations only regarding state policy and programs. State agency personnel participated at the direction of the Governor and were expected to help develop administrative and legislative recommendations.

Federal participation was seen as necessary and valuable by the Governor and Governor's staff. The Governor's agriculture adviser said that the strong leadership by federal representatives on the council was very useful in developing a coordinated approach around the Governor's program.

However, federal members did not have the same executive direction to participate in the council's deliberations and activities. Federal members mainly sought to improve awareness and communication between state and federal administrators, and to improve relationships in the expectation that this would yield benefits in the future. Some federal participants felt that they did not have the support of their agencies to devote substantially more time or resources to council efforts. In fact, one noted a marked difference now that his agency has a national directive to participate in coordinated activities through the state rural development council process.

Although the council's final report suggested that efforts be made to facilitate staff-level communication and awareness, the recommendation did not carry sufficient weight to lead to the actual development of any new coordination links. The council was not designed to remain in operation to facilitate further coordination between the member agencies and the private sector representatives, and no specific directions or commitments were given to do so.

Endnotes

1. National Governors' Association, *New Alliances for Rural America: Report of the Task Force on Rural Development* (Washington, D.C.: National Governors' Association, 1988).
2. Michael Bradshaw, *The Appalachian Regional Commission: Twenty-Five Years of Government Policy* (Lexington, Ky.: University Press of Kentucky, 1992), p. x.
3. Bradshaw, p. 40.
4. Bradshaw, p. 41.
5. Bradshaw, pp. 65-66.
6. U.S. Congress, Office of Technology Assessment, *Health Care in Rural America*, OTA-H-434 (Washington, D.C.: U.S. Government Printing Office, September 1990), p. 200.
7. U.S. Department of Agriculture, National Food and Agriculture Council, "Rural Development Responsibilities," Directive No. 3-1983.
8. Oklahoma Rural Enterprise Team, "Winding Stair Regional Development Strategy," Western Farmers Electric Cooperative, undated.

Appendix: Case Studies of State-Federal Collaboration on Rural Development

Appalachian Regional Commission

The Appalachian Regional Commission (ARC) is by far the largest state-federal cooperative economic development initiative in American history. Senator John D. Rockefeller has written that "It is the only government program that is a true partnership. Everything that happens—from policy changes to program development—is the product of cooperation and consensus between the federal government and the thirteen Appalachian states."[2]

> Over its twenty-seven-year history, ARC has invested federal resources in the thirteen states it serves according to plans prepared by the states and localities. Programs are delivered through a network of sixty-nine local development organizations that serve substate regions.

The commission was established with the passage of the Appalachia Regional Development Act. The impetus for this legislation was a group of Governors of Appalachian states who persuaded President John F. Kennedy to appoint a council to examine the economic and social depression of Appalachian communities. He directed the President's Appalachian Regional Commission to provide a comprehensive program for the economic development of Appalachia. The commission made its legislative recommendations in 1964, and President Lyndon B. Johnson signed the bill into law in March 1965.

The President's Appalachian Regional Commission envisioned a new, independent agency to coordinate state and federal actions, building on the cooperation and commitment evidenced during the preparation of the commission's report. The new initiative would recognize different geographical levels of activity and linkage of the national interest in Appalachia through the states of the region to the local level where development ultimately would occur. ARC was expected to act as a clearinghouse for the coordination of public and private development efforts for development within the region.

A key feature of ARC was the joint state-federal planning and decisionmaking structure. Program implementation through local development districts (LDDs) allowed for the coordination of activities and resources of separate federal agencies on projects of high local priority. This intergovernmental mechanism was and still is unique in the American federal system, but geographer Michael Bradshaw notes, "It is significant that the debates about the Appalachian regional bill focused on such aspects as the content of the program and on provision for parts of the United States that would not be covered, scarcely referring to the operational mechanism proposed by PARC."[3]

The Intent of the ARC Legislation

The Appalachian Regional Development Act had three basic purposes: to assist the region in meeting its special problems, to promote its economic development, and to establish a framework for joint federal and state efforts toward providing essential basic facilities.[4]

The law also described the functions of the new agency:

- to develop a comprehensive and coordinated plan and establish planning priorities for the region;

- to conduct and sponsor research;
- to review other programs;
- to formulate and recommend interstate cooperation;
- to encourage the formation of local development districts;
- to encourage private development; and
- to provide a forum for the discussion of problems in the region and their solutions.

Participants in the ARC Effort

The Appalachian Regional Commission includes the Governors of the thirteen member states and a federal representative, who is appointed by the President. The commission is co-chaired by the federal representative and a representative of the Appalachian states. The Governors, collectively, and the President's appointee have equal votes in deciding how to disburse federal funds. A passing majority on the commission requires seven states and the federal representative.

Implementation of local and state plans approved by ARC brings in many more participants. State government officials serve as Governors' designates for staff-level commission meetings and as management contacts for ARC programs. State governments also may directly administer ARC-funded programs in cases where funds come through federal agencies that give administrative responsibility to states for federal programs (e.g., the Community Development Block Grant program of the Department of Housing and Urban Development and several Department of Transportation programs). Local governments, businesses, and citizens are involved in planning and implementation through local development districts. The districts constitute the local element of the ARC intergovernmental partnership.

ARC has been delivering programs in transportation, water and sewer infrastructure, health care, and vocational education for more than twenty-five years. Bradshaw offers this assessment.

> The delivery of programs to Appalachia was slower than those impatient for results might have wished, yet in its first ten years of activity the ARC could point to many achievements. There were also a few mistakes, mainly the poor choice of some early projects, and a number of instances of inadequate public perception of its work. Perhaps results could have been achieved sooner if the program had started with greater powers and overall responsibilities—but that is a matter of speculation. The political realities of the federal, state, and local government situation and of the enthusiastic involvement of personalities in and around the ARC resulted in a gradual but solid set of achievements in particular areas of recognized need such as transport access, health care, and vocational education. The confidence established by these actions laid the foundations for increasing cooperation within and between the different levels of government.[5]

State officials involved with the commission speak highly of the agency and its staff. The ARC planning process is seen as a true intergovernmental process that includes and respects the perspectives and contributions of state and local governments. Often, the problems associated with ARC projects involved federal interagency coordination because most ARC funds were distributed and administered by other federal agencies. Those close to the process try to distinguish these problems from the ARC planning process.

The 1980s were difficult for ARC, which came under heavy pressure from the Reagan administration. Years of decreasing funding meant that increased attention was given to the agency's survival, and fewer resources were available to address the needs of the Appalachian states. The federal representative was in the difficult position of having to advocate elimination of the commission as directed by the President's budget, while continuing to work with the Governors on the commission to approve state plans and carry on its work.

The Bush administration has included ARC in its budgets, and funding for the commission actually has increased slightly in the past two years. Governors of the thirteen ARC states continue to be actively involved in the work of the commission.

Summary

ARC is a unique intergovernmental mechanism that can focus federal and state resources on local development problems in response to locally developed plans, while maintaining consideration of state and national priorities. It is a federal, state, and local partnership that recognizes an active role for each level of government.

The ARC process gives Governors the primary responsibility for planning and puts the Appalachian states on an equal footing with the federal representative. As a result, plans are negotiated between the states and the federal government, not mandated by either party unilaterally.

ARC uses a regional approach at the subnational and substate levels. Economies of scale and regional coordination are design goals of the structure, and positive results have been achieved over time.

The ARC structure acknowledges the importance of local development activities by formulating plans at the state level, but focusing implementation at the local level. Building strong local capacity is a necessary ingredient for success.

The results of federal interagency cooperation have been mixed, unfortunately often less than successful at the national level. However, interagency cooperation has been achieved more often by enterprising LDDs that undertake joint funding projects. Building successful interagency coordination will be a continuing challenge for the National Initiative on Rural Development.

HUD/USDA Rural Demonstration

Potential broadening of the service base for federal programs through cooperative state-federal planning and program implementation was put to the test in 1978, when the U.S. Departments of Housing and Urban Development (HUD) and Agriculture (USDA) selected four states as part of a demonstration to create and test model delivery systems for improving access by underserved, isolated rural jurisdictions. The demonstration used small setasides from the nonentitlement portion of the Community Development Block Grant (CDBG) program (administered directly by HUD prior to the Omnibus Reconciliation Act of 1981), and from community facilities and housing programs administered by the Farmers Home Administration (FmHA) in USDA. Each demonstration state also committed additional funding from state housing and community development programs to the initiative.

California, Colorado, Illinois, and West Virginia served as the pilot states. The demonstration consisted of two phases, each lasting two years. In phase one the states designed, operated, and evaluated a model delivery system in a multi-county target area. Phase two tested the pilot states' ability to transfer the model to additional target counties. The target areas were selected based on their relative isolation and levels of distress.

As a result of the pilot states' positive experience, HUD and USDA expressed an interest in expanding the program to other states. However, passage of the Omnibus Reconciliation Act of 1981, which gave states the option to administer the CDBG nonentitlement program, preempted the need for an expanded demonstration. Many of the lessons learned from the demonstration were transferable to states as they designed and operated the state CDBG program.

Implications for State Rural Development Councils

A number of features of the HUD/USDA Rural Demonstration are particularly relevant to the establishment of state rural development councils under the national initiative.

Ensuring Flexibility. A major advantage of the demonstration was the flexibility afforded the pilot states to design a delivery system that best fit their unique circumstances. In this regard, the demonstration was an unqualified success as each state devised a different implementation approach. In Colorado, the primary service deliverer was an existing division within the state Department of Local Affairs. In contrast, California elected to create a circuit riding team that traveled to different communities within the target area. Illinois relied heavily on the councils of government in the target areas, while West Virginia hired outreach coordinators who were colocated with FmHA county office staff.

Each pilot state also was given the flexibility to establish the selection criteria by which it awarded grants through the CDBG setaside. In West Virginia, the state's sole objective during the demonstration was to improve the housing stock in the target counties. Consequently, its selection criteria rewarded projects that addressed barriers to housing investment. In one unincorporated community of the target area the block grant funds were used for small-scale wastewater treatment package plants that could serve five to ten residences.

Illinois officials hoped that they could use the demonstration as a means to promote regional solutions to community development problems. Toward this end, the state awarded bonus points under the CDBG selection criteria to projects that involved two or more jurisdictions.

Leveraging Scarce Resources. Over the four years of the demonstration, the federal government's commitment of new program money totaled $6.0 million in HUD Title I block grants. This meant that project grants to communities in the target counties would be extremely limited (e.g., a maximum of $50,000 per community in Illinois). State program staff thus had to leverage the HUD setaside funds with other state and federal resources to achieve significant impact.

One example of how leveraged resources led to a major improvement in a rural community is the case of Klondike, Illinois. Klondike is a community in southern Illinois near Cairo. It began as a retirement community for minority postal workers. The housing stock had deteriorated considerably in part due to problems with standing groundwater. The state used $50,000 from its CDBG allocation to improve the drainage system throughout the community. Once the drainage problem was resolved, several homeowners applied for FmHA 512 housing rehabilitation loans and some new homes were constructed. Finally, the state allocated several positions for summer youth jobs under the Comprehensive Employment and Training Act (CETA) that were used to hire local residents to repaint the exteriors of many public buildings, residences, and fences. The paint was supplied by the town. Within nine months, a small town with a declining population and deteriorating housing stock had experienced new investment and an increase in the number of households.

Building Broad-Based Partnerships. Demonstration participants generally included federal, state, and local officials, as well as representatives of regional planning agencies and community-based, nonprofit organizations. In California, the following agencies and organizations were involved in planning and implementing demonstration activities:

Farmers Home Administration state and district offices

HUD regional office

California Department of Housing and Community Development

Central Sierra Planning Council

Rural California Housing Corporation

Mono County Housing Authority

Inyo/Mono Housing and Economic Development Corporation

Inyo/Mono Advocates for Community Action

Lone Pine Economic Development Corporation

In the four states, regional and local government organizations and private nonprofit groups were involved in outreach, planning, and project implementation. In the San Luis Valley target area in Colorado, the Las Animas Housing Development Corporation served as general contractor for an experimental low-income housing project that incorporated passive solar heating and hot water to reduce the utility expenses covered under the housing subsidies.

Empowering Communities. All four states indicated either explicitly or implicitly that they hoped the demonstration effort would serve communities that largely had been excluded from state and federal programs. Illinois gave additional consideration to communities that had not received state or federal assistance for community development and housing in the previous five years.

To promote acceptance of the initiative at the community level, the demonstration states had to overcome long-standing negative attitudes among rural constituents. The first was a feeling of cynicism. Although state and federal officials were marketing the demonstration to the most rural, isolated communities, many residents were skeptical that "this would be any different from other programs." They believed that the same communities that had successfully competed for grants in the past would be the primary beneficiaries of the CDBG setaside funds.

The second attitude was grounded in their frustration from previous experience with state and federal programs. Without the benefit of full-time, professional community development and housing staff, the smallest communities viewed the requirements and administration of grant programs as awesome, overburdening, or restrictive. Even communities that had received funds in the past expressed fears of serious management review or audit findings, which made them hesitant to seek additional aid. Interestingly, constituents of the rural demonstration for the most part did not view the shift in administration from the federal government to state government as a solution. To them "government was government."

The demonstration states addressed these attitudinal problems in a number of ways.

- California elected to locate the demonstration staff in the target area, giving assurance that there would be continuous support throughout project implementation. However, the state recognized that it could not support branch offices indefinitely. State staff worked closely with regional organizations and nonprofit groups to ensure that local capacity would be available when demonstration staff moved to another target region.
- Colorado built constituency support through public hearings in each of the six counties in the Lower Arkansas Valley target area. Follow-up hearings were held at six-month intervals.
- Illinois, in cooperation with the HUD regional office in Chicago, designed special training for setaside grant recipients on implementation of CDBG projects. These sessions complemented the training that was provided to all CDBG recipients.
- West Virginia broadened its outreach effort by enlisting the aid of the clergy in the most rural areas of the state. Particularly for constituents who would not be exposed to public service announcements, the church proved to be an ideal way "to spread the word."
- To increase local acceptance of demonstration activities, West Virginia also emphasized the use of small, local contractors for housing rehabilitation and construction projects. The West Virginia Housing Development Fund opened its training to small for-profit contractors in order to address concerns about the paperwork and compliance requirements of federal and state housing and public works projects.

Summary

The HUD/USDA Rural Demonstration tested many of the principles that are at the heart of the state rural development council process. Above all, it addressed the question of whether federal resources—in this case the CDBG program and FmHA housing and community facilities programs—can be more effective if state and local officials are involved in the selection of projects and if these resources are leveraged with other available resources.

Among the positive outcomes of the demonstration HUD officials involved in the program noted that in terms of targeting CDBG to distressed communities, the pilot states had been more successful than HUD in promoting this national program objective. That success was attributed to the states' ability to determine selection criteria for project funding that accurately measured distress within their respective state. This response to the diversity of conditions in the states was in direct contrast to the single point system that HUD used to administer the CDBG program nationally. The state-federal cooperation evidenced in the rural demonstration program resulted in a win/win situation. Funding decisions were consistent with state policy objectives but simultaneously fulfilled national program objectives.

Idaho Rural Development Council

The Idaho Rural Development Council was organized in early 1991. Initial leadership for the council came from the Executive Office of the Governor, the Farmers Home Administration, and the Soil Conservation Service. An organizational meeting was held in April 1991, and since then the council has met on a bimonthly basis.

The Idaho council was organized independently of the pilot state rural development councils under the National Initiative on Rural Development. State officials were interested in the concept of an intergovernmental organization to address rural development issues, but the state was not selected as a pilot state. State and federal representatives decided to meet anyway, at first on an informal basis.

The Idaho Rural Development Council was officially established by the Governor by executive order in May 1991. The executive order laid out a number of responsibilities for the council.

- To identify organizations, authorities, and resources to address various aspects of rural development.
- To serve as a clearinghouse of information on rural problems, programs, and policies, and to promote broader understanding of these issues at the local level.
- To assess conditions in rural Idaho and to set overarching goals and specific objectives for improving the quality of life in rural Idaho.
- To identify alternative approaches toward meeting those goals and to design a state strategy for applying available resources to achieve long-term rural economic development.
- To implement, in cooperation with the federal government, local government, and the private sector, the state rural economic development strategy, and to make progress reports.
- To develop better intergovernmental coordination and to seek opportunities for new partnerships to achieve rural development goals within the existing structure.
- To decide the most appropriate response from the public sector in cases of requests to multiple agencies or levels of government.

Council Membership

Idaho's council initially included representatives from federal, state, and local government. Although membership is specified in the executive order, the council may add members to achieve its purposes. It has added representatives from the recognized tribes in Idaho and the private sector.

The council is co-chaired by a state representative, from the Executive Office of the Governor, and a federal representative, who currently is the assistant state conservationist in the USDA Soil Conservation Service. Two Idaho citizens, currently members of the President's Council on Rural America, also are members of the Idaho Rural Development Council.

Council members from state government represent:

Executive Office of the Governor
Idaho Legislature (four representatives)
Department of Commerce
Department of Agriculture

Department of Employment
Department of Health and Welfare
Department of Parks and Recreation
Idaho Transportation Department
Department of Lands
Department of Water Resources
Division of Vocational Education
Commission on the Arts
Small business development centers
State Library
Public Utilities Commission
Idaho Office on Aging
Idaho Historical Society
Human Rights Commission

Council members from local government represent:

Association of Idaho Cities
Idaho Association of Counties
Regional planning districts
Idaho Cooperative Utility Association
Health districts
Tribal governments
Resource conservation and development areas
Idaho Rural Health Education Center

Council members from the federal government represent:

Senators (two representatives)
Representatives (two representatives)
Farmers Home Administration
Soil Conservation Service
Forest Service
Cooperative Extension Service
Agricultural Stabilization and Conservation Service
Small Business Administration
Economic Development Administration
Department of Housing and Urban Development
Bureau of Reclamation
Bureau of Land Management
Department of Energy
Environmental Protection Agency
Department of Veterans Affairs
Department of Housing and Urban Development
Federal Highway Administration

Council Activities

Ad hoc groups have been organized to address specific issues. For example, the U.S. Forest Service is working with the Idaho Transportation Department to see whether and how timber bridges can be used in bridge replacement programs. Communities could benefit from the cost and durability of the bridges as well as the use of local materials by local manufacturers to produce and assemble the components.

Local leadership was identified as an important rural concern. The council identified more than twenty-five leadership programs currently operating in the state. An ad hoc group was organized to examine these programs, including the topics covered, lists of speakers and trainers, lists of "graduates," and follow-up information or feedback from graduates. The goal is to identify any gaps in the training offerings and devise steps to improve public and private activities in leadership development. A group of state university and extension faculty have submitted a proposal for a statewide leadership program to the Kellogg Foundation, which could assist with this task. Another group has begun to discuss the needs of small communities for grant writing assistance.

Current Status of the Council

The council has spent its first year networking and building relationships among members. Members are learning about the agencies, missions, and activities of one another. They also are participating in the Academy on Rural Competitiveness of the Council of Governors' Policy Advisors to prepare a rural development strategy for the Governor.

The Governor expressed an interest in the state rural development council concept of the national initiative. He signed a memorandum of understanding with the Secretary of Agriculture to ensure that the council will continue to operate with support from both federal and nonfederal sources.

Summary

Both the state and state-level federal staff have been motivated to organize the Idaho Rural Development Council in anticipation of new federal initiatives. Despite clear signals that new federal initiatives most likely will not receive significant funding, both state and federal officials have been willing to begin discussions about coordinating their efforts.

The co-chair arrangement is one tool the Idaho council is using to emphasize its partnership underpinnings. Making explicit statements on nonpartisanship and ensuring a limited advocacy role in key council documents are others. Organizing small groups to work on particular issues rather than assigning issues to individuals helps to both spread the workload among volunteers and get broader input and ownership in proposed activities and solutions.

Maine Rural Development Committee

The benefits of state-federal coordination on rural development have been apparent to officials in Maine for many years. In November 1979, the Governor established a Rural Development Committee (RDC) by executive order, which laid out goals for coordinated rural development policies and programs.

- Stimulate new jobs and higher incomes in rural areas, especially in those small towns that have large concentrations of unemployed, underemployed, and low-income families.
- Promote the stabilization, preservation, and expansion of the state's farming, fishing, and wood products industries.
- Provide adequate and affordable housing to rural residents of all incomes, particularly those with low incomes, and assist in improving the quality of the existing housing stock.
- Provide greater access to essential public facilities and services for rural residents.
- Promote the participation of other federal agencies, the Cooperative Extension Service of the University of Maine at Orono and the Maine Agricultural Experiment Station, local governments, and regional organizations in the state rural development process, and ensure that rural development is balanced with the needs of urban communities.
- Eliminate and prevent future duplication, competition, and conflicting actions among and between agencies and all levels of government to promote efficiency in rural development program delivery.

Committee Membership

State-federal cooperation on rural development in Maine was formalized in 1982 with the signing of a Rural Development Cooperation Agreement that included the state of Maine, the University of Maine-Extension Service, the Maine Agricultural Experiment Station, and the major federal agencies whose programs impact on rural Maine. The state and federal agencies initially designated or asked to participate in the RDC are listed below.

State of Maine

Department of Agriculture, Food, and Rural Resources
State Planning Office
State Development Office
Department of Transportation
Department of Conservation
Department of Marine Resources
Office of Energy Resources
Department of Education and Cultural Resources
Division of Community Services
State Housing Authority
Guarantee Authority
Department of Environmental Protection
Department of Business Regulation
Department of Human Services
Department of Labor

Federal Agencies

Farmers Home Administration
Cooperative Extension Service
Soil Conservation Service
Agricultural Stabilization and Conservation Service

Maine Agricultural Experiment Station
U.S. Forest Service
Small Business Administration
Economic Development Administration*

Note: *Although the Economic Development Administration initially was not part of the cooperative agreement, the agency was and still is active in cooperative rural development efforts in Maine.

A Brief History

Maine's rural development program began in November 1979 with the Governor's executive order communicating the state's goals and program priorities for rural development. The order established a Rural Development Committee composed of state, regional, and local officials, private citizens, and cooperating federal agencies. It called for RDC to oversee and participate in the rural development process, recommend policy, review proposals, and advise the Governor on rural issues. Also in November 1979, the state signed a cooperative agreement with USDA to address rural needs and to work toward the objectives identified in the Governor's executive order.

In its first progress report to the Governor, RDC recommended the following future directions for rural development activities.

- Broaden the cooperative agreement to include all USDA agencies operating in the state, the Economic Development Administration (EDA), the Small Business Administration, and others.
- Ensure adequate representation on the committee for all sectors of rural Maine and develop strong task- or issue-oriented working groups.
- Provide a better forum for resource coordination through RDC and offer ongoing staff research and assistance to participating agencies.
- Enable the committee to take a more active role in public policy through greater input at both the state and federal levels.

State-federal cooperative efforts resulted in significant economic development projects in the state during this period. The committee report describes the development of a centralized potato packing facility that included participation by EDA, a local farmers group, the Production Credit Association, Farmers Home Administration, Maine Department of Agriculture, the regional planning commission, and the town, which donated land for the facility in its industrial park.

Committee members also coordinated their efforts to encourage low-cost, energy-efficient housing. The state's Office of Energy Resources and FmHA cosponsored a solar house competition for local builders and architects. Six designs were selected and approved for FmHA financing through its home ownership program.

During the 1980s, RDC did not become locked into one approach to rural development or exclusively focused on one set of issues. In the 1983 report to the Governor, for example, the recommendations and priorities for the next year were quite different from earlier committee priorities but reflected the conditions that Maine communities were facing at the time. The committee chose three priorities for 1984:

- agricultural lands protection policy—state legislation to protect land from undue pressures for development and conversion;
- special housing needs—migrant housing, the inadequacy of self-help and other low-cost housing programs, and coordination among housing service providers; and
- natural resource marketing and the management needs of small rural businesses.

RDC also asked appropriate individual member agencies to present findings or proposals on the following issues:

- rural transportation services and needs;
- rural poverty and needs;

- small farm policy; and
- rural infrastructure development.

As issues and institutions changed, the committee worked to adjust to new conditions and needs. The 1983 report recommended the following changes to RDC membership:

- request the participation of the Army Corps of Engineers in RDC and the cooperative agreement;
- give full representation to the Finance Authority of Maine; and
- continue the legislature's participation on the committee by appointing replacements for members no longer serving in the legislature.

A transition year for Maine state government was 1987, when a new Governor took office. RDC's 1986 annual report expressed the committee's interest in working with the new administration and in continuing to provide a link between state government and federal agencies and departments.

The report laid out the committee's plans for the next year, offering to serve as a forum to evaluate emerging state economic development strategies in terms of their impacts on rural areas. Other recommendations for the committee's 1987 agenda included:

- interagency coordination;
- state marketing of natural resource-based products;
- growth management issues;
- telecommunications; and
- rural educational opportunities.

The 1986 report also recapped the history of the Governor's Rural Development Committee and reviewed its activities and accomplishments. The committee's achievements were mainly the result of deliberate communication and coordination between state agencies and federal agencies. This coordination had made more resources available to rural areas by leveraging state funds with federal and private resources, and by making important data available to key federal agencies, which improved Maine's prospects for federal assistance. The committee report noted a number of results.

- The agencies and departments participating in the Governor's Rural Development Committee had increased the amount of funds invested in rural projects by a third since 1979. This occurred even though the participants had less money available to them between 1980 and 1984 than they had had in the preceding five years.
- The state's FmHA programs had consistently received more funds than Maine's basic allotment because information was available for quick action.
- The nationally recognized achievements of the Maine State Housing Authority are directly attributable to the relationships it has developed through the federal-state cooperation agreement.

Infrastructure Financing

A cooperative initiative between FmHA, the State Planning Office (SPO), and the Maine Department of Environmental Protection (DEP) to coordinate resources in order to provide water and sewer facilities to rural communities is one of many examples of beneficial committee-related activities. This particular effort resulted in a savings to local rate payers in fifteen rural water and sewer projects funded in 1986 of more than $800,000 per year over the life of the facilities. The initiative enabled the state to receive two to five times its annual FmHA allocation of water and sewer funds each year since 1979, thereby assisting many more communities than otherwise could have been served.

By combining the most cost-effective package of FmHA, DEP, and CDBG funds (administered by SPO), many communities were able to qualify for lower interest loans and larger grant shares. EDA grants were directed to the communities