RURAL ECONOMIC DEVELOPMENT:
BUILDING A SUSTAINABLE COMMUNITY
This paper, a special supplement to the Rural Telcom Educational Series, was produced by the Foundation for Rural Service. The paper was developed by the National Rural Economic Developers Association (NREDA) at the request of FRS to highlight the need for rural telecoms involvement in economic development. NREDA members Dana Baker and Dorrene Benthin, of GVNW in Portland, Ore., provided the majority of the material. NREDA President Pat B. Merritt, CEcD, of Georgia EMC in Atlanta, Ga., provided collaboration case examples and editing assistance. For more information on NREDA, please go to www.nreda.org.

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Numerous federal, state and local government agencies, profit and non-profit entities, and the private sector support rural economic development, but are rural communities achieving desired results? Do rural economic development strategies have any quantifiable impact? What role does infrastructure—such as telecommunications, electricity, gas, water and sewer—play in rural economic development? Can local rural telecommunication companies realize value and, ultimately, revenue from becoming a collaborative partner in rural economic development?
This white paper is designed to answer these questions and to present the hypothesis that rural telecommunications companies can achieve return on investment and help the communities in which they live and serve by becoming a part of the team that is involved in economic development at the local level. This paper defines rural economic development, offers reasons why rural local exchange carriers (RLECs) should be involved in economic development, provides examples of ways that RLECs can get involved, and highlights important resources for rural economic development.
DEFINING ECONOMIC DEVELOPMENT

Economic growth suggests an increase in numbers—population, enrollment in schools, and number of households in a community. Economic development, on the other hand, is more qualitative. It is the result of planning by community leaders for the long-term livability of the community. Communities with sustainable economic development plans create goals related to retaining and expanding existing businesses, attracting new businesses, and maintaining a “sense of place” that allows residents the feel of a rural setting and the convenience of urban connectivity. A well-developed infrastructure that provides the proper level of support for businesses to thrive and for residents to live well is also critical to any sustainable economic development plan. Sustainable economic development reduces outmigration and ensures a healthy, well-balanced community for present citizens and future generations.

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Rural vs. Urban

Rural economic development can seem challenging when compared to the offerings of a larger, more urban area. With modern telecommunications, however, more businesses are giving rural American settings serious consideration for locations and expansions; the problems associated with density, such as pollution and commuting time, are easily resolved. Rural American communities offer a quality of life perceived to be less stressful and more balanced than urban settings.


CASE STUDY: RURAL AMERITOWNE

In Kansas, several companies joined forces to offer the Rural AmeriTowne program to children in their combined service territories. Rural Telephone, Golden Belt Telephone, Midwest Energy and Sunflower Electric together cover a large portion of the state and reach students in a multitude of areas. The joint program provides interactive lessons that focus on banking, civics, free enterprise, advertising, laws, philanthropy, job interviews, and other important life skills. The four co-ops promote the program to area schools and pay the $10/student participation fee.

The co-ops believe this program will give young people an early start to becoming future entrepreneurs in rural communities and a step toward preventing “brain drain.”

Community development involves public facilities—schools, libraries, parks, hospitals, cultural attractions, recreational facilities. These are quality of life factors, and companies look closely at them when considering an investment in a town. Economic development represents the creation of wealth, primary through the attraction of investment. Economic development and its concomitant wealth creation provide the financial resources and tax base that make community development possible. You can’t have one without the other.
Rural communities, with strong strategic plans and all the expected quality of life factors, provide unique advantages for businesses that choose to operate there:

- a more motivated work force
- reduced crime
- more room for expansion
- lower rent rates and property costs
- lower employee acquisition costs
- quality education
- the availability of a variety of tax incentives and lower tax rates
- lower costs of housing and overall cost of living
- access to modern telecommunications services, power and water
- financial services
- an easier access to community decision makers

While this is not an all inclusive list, strategic and sustainable economic development plans emphasize the critical nature of maintaining the existing positive attributes and improving less than ideal aspects of a community. Doing so enables communities to: 1) attract new investment; 2) develop entrepreneurs; and 3) retain educated youth. Most site selectors agree that modern, high-tech telecommunications systems are no longer just a “plus” for a rural community, but an expectation.

Without a sound economic development plan and successful recruitment of industry and business, a community may evolve to a “bedroom community,” particularly if jobs in the area do not offer a living wage. A decline in population and an outmigration of the talented, professional community members is typical of bedroom communities. Service oriented businesses tend to leave, too, due to diminishing support from the local community. The remaining community members are often left without many resources and forced to drive distances to meet basic needs. School consolidations tend to be another result. Typically, a bedroom community does not generate the taxes necessary to provide the services required by community residents. The outmigration means the loss of tax dollars—due to retailers located in more developed areas—and an increased cost to maintain basic infrastructure services, such as utilities, roads, schools, and health care.

INVOLVING RURAL LOCAL EXCHANGE CARRIERS

RLECs have a large stake in maintaining the viability of the community. Most rural RLECs have state-of-the-art telecommunications infrastructure essential to rural economic development. Services are universally available throughout the service area to enhance the quality of life of each and every subscriber.

Growth of the community means growth for the RLEC. The RLEC understands how new telecommunications products, services and offerings impact a community’s success. New and innovative community growth opportunities capitalize on the RLEC’s existing and potential new ventures, ultimately impacting the RLEC’s financial success, too.

Outmigration of community members has a negative impact on telecommunications companies. The remaining community members, working for less than living wages, make RLEC profitability tenuous with loss of access minutes, access lines and impending regulatory financial issues. If RLEC revenues decline, opportunities to invest locally in the community face tougher financial evaluation and cause tighter operational management to meet loan covenants.
Opportunities for Involvement

The RLEC has invested in technology and has the capacity to meet the needs of any new business willing to locate in the area. The RLEC and other active community entities wishing to maximize community development should learn and work together. Working independently from a service perspective and teaming with other organizations on an economic development strategic plan will improve the success rate of obtaining federal, state and private funds.

1. **RLEC employees**—Many RLEC employees serve on community committees and volunteer for various community organizations. These employees are valuable to the community as highly trained personnel willing to invest in their community and share their talents. The staff is knowledgeable in a variety of business and technical disciplines and can assist businesses in expansion and implementation of new communication offerings and applications while capitalizing on prior network investment.

2. **Schools**—The school district and RLEC work together to provide the proper tools for top education at all grade levels. For more information on partnering with schools, visit http://www.universalservice.org/sl/.

3. **Community assessments**—The RLEC can and should take a lead role in engaging others to assess the community needs. An objective assessment will reveal the community’s perception of rural economic development, and help identify what a community does and does not want and need. Additional guidance about community assessments is provided throughout this document. For more information about and resources for community assessments, visit http://www.nreda.org.

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**Using the Community’s Collective Resources**

Businesses and society have become increasingly dependent on new innovative telecommunications technology for a variety of applications. Telecommunications is the means to conduct business, to expand the educational opportunities, to provide quality health care, and to assure all people have access to governmental agencies and services. This service is sometimes viewed as one of the lynch pins to successful rural economic development. Telecommunications by itself, however, will only lead to limited or micro-niche community development. The success of a community’s potential development will depend on the strength of the resources available, resources developed, and resources properly used—collectively to achieve the development goals.
CASE STUDY: ROOSEVELT COUNTY
TELEPHONE COOPERATIVE & ROOSEVELT
COUNTY ELECTRIC COOPERATIVE

In 1997, Portales in Roosevelt County, N.M., population 18,000, was faced with a dire situation—the local hospital shut its doors. A huge loss for Portales, the hospital’s closure would make it very difficult, if not impossible, to make progress in almost any area of economic development. The Roosevelt County Telephone Cooperative and Roosevelt County Rural Electric Cooperative perceived this as a serious threat—to the community and the cooperatives, as well.

In 1998 a special hospital district was formed and voters elected to support the hospital district with a .5% gross receipts tax. In 1999 plans for the hospital developed and the electric cooperative applied for and received a $450,000 REDLG loan and a $330,000 revolving loan fund grant that was matched with $66,000 from the cooperative in order to help lower the cost of starting a new hospital. The telephone cooperative also applied for and received REDLG loans and grants for the same amounts for the proposed medical office building to be built adjacent to the hospital. The two co-ops were able to assist the hospital district with a total of $1,692,000 in zero-interest loans to purchase equipment for the new facilities. These loans were secured by the sale of bonds approved by the voters. The land was donated by two community members.

In 2004 the medical office building was in need of expanding because of the successful recruitment of doctors to the new facility. Roosevelt County Electric Cooperative applied for and received an additional $200,000 revolving loan fund grant that was matched with $40,000 from the co-op and supplemented with $70,000 from each co-op that had revolved back into the fund from the original grant. In 2006 the hospital was adding a new MRI and other imaging equipment and the telephone co-op applied for and received a $740,000 zero-interest loan and a $300,000 revolving loan fund grant that was matched by the telephone co-op with $60,000. This makes the total loans from the two co-ops to the hospital district $3,172,000 since 1999. With the help of the two co-ops, Portales and Roosevelt County have new medical facilities, modern equipment and an enhanced ability to recruit physicians to the area.

To be effectively involved in a community’s economic development strategy, RLEC leadership must take an interest, dedicate resources, identify assets, review historical data, train staff in the importance of community development, and assist other community leaders in developing a realistic strategic plan. The RLEC should support leadership development training both internally and for community leaders (elected and volunteer) in support of economic development and community planning.

As a community moves forward with economic development, resources must be utilized from a variety of sources. Contacts must be made with local, regional, state and national agencies, organizations and associations that specialize in economic development. Conducting a survey of all the businesses in the community will provide a good basis for an existing business retention and expansion plan both within the RLEC and within the community’s comprehensive strategic plan. What technology do they use? Do they have enough capacity? What are their future plans? How can the RLEC assist? The involvement and leadership of RLECs are often key determinants in whether or not a business locates or expands in an area.

Economic development projects are not “one man shows.” Identifying the critical players is important before you proceed with the development of a plan. Contacts within the telecommunications company will identify existing partnerships, strategic alliances or any other corporate configurations. Through these relationships there is knowledge of potential stakeholders, leaders, and those who might be interested in the project as investors and/or volunteers. Can the RLEC bring other infrastructure providers to the table? What part do they want to play in the development of the plan? What assets are they willing to contribute? Is the RLEC in the position to identify other participants in rural economic development community projects and instigate or support the development of collaborative plans to create economies of scale and cooperation between entities?
IDENTIFYING RESOURCES

When RLECs and their communities are beginning research for a rural economic development project, valuable assistance and resources can be utilized from a variety of organizations.

1. A Development Report Card for the States published by the Corporation for Enterprise Development (CFED) “uses 67 measures to provide a relative, state-by-state assessment of economic development, assigning grades in three main areas: performance (economic climate for a wage-earner), business vitality (economic climate for a business), and development capacity (how a state is positioned for the future).” http://www.cfed.org

2. The U.S. Department of Agriculture’s Rural Economic Development Loan and Grant program (REDLG) provides zero-interest loans to utilities that can be distributed to local businesses to create and retain employment opportunities in rural areas. http://www.rurdev.usda.gov/rbs/busp/redlg.htm

3. Community development financial institutions (CDFIs) are an alternative financing source and are becoming a stronger player in rural economic development. Helping to provide services such as workforce development, education and other community facilities with community development loan funds, venture capital funds and community development credit unions and banks. CDFIs are not a magical solution for rural community development; CDFIs are an additional option to be evaluated along with traditional and nontraditional financing opportunities. CDFIs offer an opportunity for telecommunications companies to bring a creative source of financing to the local rural economic development. http://www.cdfi.org/

4. The National Rural Economic Developers Association (NREDA) is a great source of information, networking and professional development for RLECs. NREDA’s mission is to enhance economic development in rural America by providing education, advocacy and networking opportunities to rural economic developers. NREDA’s membership includes representatives of local, state and national economic development organizations, telecommunication, electric, gas and water utilities focused on rural areas and other organizations engaged in rural economic development activities. NREDA is a professional membership organization dedicated exclusively to the advancement of rural development, the development of member proficiency, and achievement of social and human service objectives in rural areas. http://www.nreda.org

5. The Foundation for Rural Service (FRS) maintains a Web page dedicated to the advancement of rural economic development. Links to federal and state agencies and other associations, as well as support information, are provided to assist its members and communities. http://www.frs.org
ADDRESSING CHALLENGES

For some communities, identified problems may be seen as a roadblock, just a pothole, or as an opportunity to take a “new road” to rural economic development success. While current regulations and agencies provide good rural economic stimulus packages, the use is inconsistent from state to state, community to community, and business to business. Awareness and understanding of the many aspects involved is crucial: strategic planning, financing, incentive and partnering strategies, statistical data analysis and evaluation, marketing, organizational structure strategy, and managing long term initiatives.

To stimulate communities and get past fears of failure, the focus should be on long term community viability and not special interests or ease of access to money for special interests. While creating wins to gain momentum is important, wins still need to have purpose as defined by the community’s strategic plan. The time and effort spent for the win could hamper other needed objectives and timelines. We become our own roadblocks and potholes on the road to our success.

USDA Rural Development programs provide great opportunities for rural communities. Many small rural communities, however, are not equipped to compete against larger rural communities and they are even less able to compete against the neighboring urban communities for the same loan and loan guarantee programs. Programs could be designed to focus on comprehensive regional strategies that support multiple smaller community access to health care, housing, broadband, electricity and other community amenities that most urban areas take for granted.

PARTICIPATING IN THE PROCESS

Assessing the Situation

As mentioned earlier, a community assessment is an essential part of developing a sustainable, strategic plan for economic development; and it is an ideal stage for RLECs to become involved. RLECs already have strong existing relationships with state and federal agencies, and the role played in community infrastructure is a big one. Taking the lead at this stage is an obvious, proactive role for RLECs, but it is important to ensure others contribute and have a stake—even if not equal in size—in the game, too.

A realistic situational analysis will determine how the existing community involvement in town issues and events promotes the town and economic development, and the skills and energy of informal (non-elected) leaders. The citizens’ attitudes toward the community and progress, and their understanding of economic stability are other important gauges.

CASE STUDY: BLUE VALLEY TELECOMMUNICATIONS COOPERATIVE

Blue Valley Telecommunications Cooperative in Home, Kan. had 10 original exchanges of its own and then purchased two outmoded Sprint telephone systems. The telco invested millions in converting the Sprint systems into state-of-the-art fiber-optic, high-speed, broadband connectivity throughout most of its very rural service area. The area included two exchanges in Pottawatomie—Onaga and Westmoreland—and the surrounding farmsteads. Blue Valley is now in the process of upgrading and converting the original 10 exchanges. In the early 1990s, they also set up telemarketing opportunities as an initial push to help keep jobs in the rural community.
An assessment should be done prior to any projects, planned or unplanned. In assessing any new developments there needs to be time set aside for community members to evaluate where the community was 20 years ago and if they agree on the changes seen from today’s perspective. Questions to ask and issues to address include:

**Questions**
- How did the community look two decades ago?
- What was the population?
- Who was the largest employer?
- What opportunities did young people have to earn a living wage?
- What was the physical infrastructure?
- What is the community status today?
- How does the community look today?
- What is the current population? Projected growth?
- Who is the largest employer today?
- What opportunities are there currently for young people to earn a living wage?

**Issues**
- individual and business income
- employment rate
- sales and production trends
- any expansions, down-sizing, or closures
- business start-up and failure rates
- state, county and local tax burdens
- local government budget surplus/shortfalls
- infrastructure—transportation options and costs, utility rates and capacities, telecommunication quality and cost
- the social/physical welfare of the community
- the availability of housing
- environmental quality
- availability of health care and emergency care
- availability of child care and elder care
- crime rates
- social problems (i.e., teen pregnancy, drug/alcohol abuse)
- availability of social services

**CASE STUDY: FARMERS TELEPHONE COOPERATIVE & SANTEE ELECTRIC COOPERATIVE**

In 1996, in Williamsburg County, S.C., population 37,217, community leaders at Farmers Telephone Cooperative and Santee Electric Cooperative worked together to create jobs for local citizens. Together they filed applications to USDA-Rural Economic Development Loan and Grant (REDLG) to create an industrial park for Williamsburg County. Santee Electric Cooperative requested a $400,000 grant to purchase the 155 acres of land and Farmers Telephone Cooperative requested a $740,000 loan to construct a speculative industrial building within the industrial park.

Both applications were approved and the Williamsburg Cooperative Commerce Center was born. Several other partners joined the project including the county commission, the city council, as well as the state of South Carolina. This collaborative project won the Rural Partnership Award at the 1996 South Carolina Governor’s Rural Summit. The park now has three tenants and a new spec building was recently sold to a fourth tenant. Plans are currently underway for designing a third spec building and construction will soon begin on a 56,000 sq. ft. building for another project.
Planning

In the planning stage, set aside time to explore the community’s vision for the future. Is there “a dream” that can be communicated to all citizens? Engage both leaders and average citizens in the process of answering:

- Ideally, what would the community look like in 10 to 20 years?
- Given current trends, what might the demographics of the population be in the future?
- Are there limiting factors in existence today that would hamper the dream? If so, what are the steps needed to remedy these potential roadblocks?
- What kinds of jobs would the future hold?
- Who would be the primary employers?
- Are there any steps that need to be taken to attract the most desired types of employers?
- What kinds of opportunities would be available to earn a living wage?
- Can the community take action to eliminate the outmigration of talented people, especially those young people who leave to go to college and never return because of the lack of job opportunities in their home town?

Planners need to identify and be ready to address quality of life issues, such as:

- overall community satisfaction
- climate
- seasonal recreation opportunities
- arts and entertainment
- housing affordability and availability
- access to health care
- education—primary, secondary, and adult

Funding Sources

Rural economic development projects will have funding issues, which will tax the local leadership group participants to be extremely creative. As an example, most rural communities have volunteer firefighter/EMT services. Funding sources are available on the state and federal levels to expand these types of programs. Many states also have funding programs tied to job creation or economic development initiatives. When considering raising funds for an economic development project, it is important to consider on-going operational costs in your budget, not only start-up costs. Using the example above, getting an EMT program operational is only the beginning. Additional funds will be necessary on an ongoing basis to support continuous training requirements, maintenance of equipment, replacement of supplies, and support for volunteer part-time staff. The same would be true of building a speculative industrial building. Ongoing maintenance, landscaping, security and marketing efforts should be included in the project budget.

Each community will differ in needs assessment, so applications for funding sources should be identified based on the eligibility criteria, the risk they are willing to accept, and the willingness to meet matching requirements. Federal and state funding sources are an option, but communities should also research private entities with funding available for economic development. Combining available funding sources is another alternative to explore.
Setting Goals

Setting goals for each individual project is critical to success. For the RLEC involved in community development, focus on goals to support the community’s overall vision and goals while enhancing and maintaining the profitability of the services the RLEC provides. Each community service participant should support community goals while not taking their eye off profitability. From a community-wide perspective, determine why the community exists and can it continue with this purpose? In other words, continue to evaluate the community’s vision, mission and goals on a regular basis. As communities grow or decline, the dynamics change and so should the community. Holding on to old beliefs no longer supported or supportable will only reduce the effectiveness of the community to meet current and future needs.

Connecting with the Community

If there is a single concept that captures what is happening and what needs to be done to make regional development strategies work for all, it is “making connections.” Just as no single focus program can by itself end poverty or retool a declining industry, no single sector of a region can effectively achieve development gains by itself. Integrating and coordinating the efforts of community organizations, city halls, regional planning bodies and town/city/county officials will connect the regional agenda with those of inner cities. Linking economic development finance to workforce development and regional economic development will foster new, collaborative relationships, allowing state, regional and local policymakers to lay the groundwork for positive, long-term social and economic change.*

Each federal, state, or local program or agency shares this common theme of linking, connecting, and cooperation; yet, we continue to have communities in decline. What appears to be missing is the incentive for collaborative action. The onus is with the community to develop a strategic plan with action items that link all the entities needed to succeed. Government agencies should create policies and incentives to promote collaboration between agencies.

Rural economic development is essential in the areas serviced by RLECs. Making connections, as described in the quote above, applies to an RLEC’s involvement in and understanding of the cooperation needed to maximize community development. Recruiting new sources of revenue and retaining existing businesses providing local jobs are critical objectives for planning and development. The community and the RLEC team member should evaluate all financial opportunities to leverage existing assets and the creation of new opportunities. Financing for a livable, sustainable community creates risk, but no greater than other major strategic goals.

Creating Buy-in

There must be open communication among members of the rural economic development project group, and decisions should be based on “the betterment of the community,” not on any one individual participant. It helps to brainstorm a list of potential ideas and prioritize them before getting too deep into the discussion on any one particular idea. Every idea presented has the same value at this point. Have a thorough discussion of all ideas before moving to limit any ideas. If widespread support does not exist for an idea, it should be put to the side and an idea that has widespread support should be attempted. Limit the ideas to those that best fit the mission of the community and can be implemented with resources. Carefully, choose team members depending upon the task and individual expertise or passion. Teams will then work toward a united decision on the best ideas and an implementation plan. The team establishes the work assignments, responsibilities, review periods and schedules, and develops an evaluation process to define benchmarks. All goals must be continually reassessed and refined as elements change.

“Community members must take ownership of the projects in order for them to become reality.”

Direct RLEC staff involvement will need to be included to make a determination of how the company wants to be involved in the proposed project(s), and what resources the RLEC is willing to commit. This could include “in kind” services such as copying, printing, providing facilities and technical assistance, personnel, financial, and management services. Collaboration and communication between private service companies and local government staff will help determine and hopefully reduce the amount of time needed to support community development for each participant.

Be sure all parties have been heard—both those in favor of and those potentially against the proposed goals. Community members must take ownership of the projects in order for them to become reality.

COMMITTING TO SUCCESS

Economic development is critical to the livability and sustainability of many areas serviced by RLECs. Community leaders who embrace a positive attitude toward rural economic development need to include all the assets in the area. The RLEC has a large stake in maintaining the viability of the community, and other entities rely on the RLEC for connectivity to the outside world. Growth for the community means growth for the RLEC.

The attractiveness of the community to entities looking to relocate or expand into the area will be dependent upon depth of telecommunications available in the area as well as other essential services. Existing businesses contemplating change will evaluate remaining in the area if there is a strong environment for growth. RLECs need to be a part of the evaluation process to ensure they are providing the necessary services for the businesses they currently serve.

RLECs are a critical component to any rural economic development project and need to be engaged at all levels of participation. The key to rural economic development success is commitment; commitment from all engaged parties working toward a unified vision. RLECs are in a prime position to take a lead role and set a strong example of commitment.

RLECs must identify opportunities for involvement and encourage others to join. Utilizing a variety of resources, a project group can effectively and efficiently assess the current situation, address any obstacles, and embark on a united plan. Success is attainable with strong commitment.

Discovering a Community’s Treasure

As a participant in economic development planning, be creative. What makes a community distinctive? Perhaps it is its location to transportation or spring water; family farms; a specialty business; a natural resource or a distinct animal, bird or plant; a historical landmark; or a scenic nature trail. Identify what sets the community apart and find interesting ways to capitalize on that feature.
Foundation for Rural Service

The Foundation for Rural Service, along with the National Telecommunications Cooperative Association and its members, promotes, educates and advocates rural telecommunications issues in order to sustain and enhance the quality of life within communities throughout rural America.

For more information on FRS, see www.frs.org

GVNW Consulting, Inc. is a full-service telecommunications consulting firm with offices in four states. For over thirty years, GVNW has assisted its clients with managing all aspects of their businesses from planning strategic direction to day-to-day operations. GVNW management services include regulatory support, business planning, financial, marketing, and personnel services, network planning and deployment, and rural economic development assistance. We also provide a wide range of operations services such as number portability, numbering resource and operating code administration, circuit provisioning, carrier access billing reviews, and advertising.

For more information about GVNW, see www.gvnw.com

The National Rural Economic Developers Association is an individual-member, professional organization dedicated exclusively to the advancement of rural development, the development of member proficiency, and achievement of social and human service objectives in rural areas. NREDA aims to provide education, advocacy and networking opportunities to rural and suburban utilities and affiliated organizations.

For more information about NREDA, see www.nreda.org

The Rural Telecom Educational Series is funded by the Rural Telephone Finance Cooperative.

RTFC is a privately funded, member-owned cooperative finance organization that provides financing exclusively to America’s rural telecommunications industry. RTFC offers loans and financial services to creditworthy telecommunications systems eligible to borrow from RUS, as well as affiliates of these systems.

For more information about RTFC, see www.rtfc.net