



**Regional Innovation Policy:  
Approaches Which Ensure A Commitment to the Rural-Urban Continuum**

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**Introduction**

This is an interesting time for those seeking to advantage rural people and places within the public policy arena, and particularly so regarding economic development. As tectonic structural shifts in our economy have transformed broader economic policy approaches, driven by global competition, policy innovations to adapt to these dynamics in ways which specifically address our nation’s underserved communities have lagged behind, in both urban and rural settings. This challenge has been exacerbated by the Great Recession, which has created unprecedented budget deficits for state and local governments, and reduced available resources to support innovative efforts to address these capacity disadvantages.

For more than a decade, the Rural Policy Research Institute (RUPRI) has been encouraging new public policy and practice approaches to ensure a sustainable future for rural communities, families, and economies, centered around several foundational principles, including asset-based development, entrepreneurship, new rural governance models, and regional competitiveness. It is gratifying to observe

many of these once misunderstood or resisted approaches now becoming mainstream economic development policy components.

Throughout this period, Federal Reserve Bank of Kansas City President Tom Hoenig and his colleagues, notably Jason Henderson and Mark Drabenstott, have provided visionary leadership in advancing these efforts. We have appreciated our collaborations with the Kansas City Fed, and all of rural America has benefited from their leadership, which fostered public dialogue on these innovations in a very effective manner, and significantly enhanced the commitment of our nation's public policy decisionmakers to these new opportunities. This conference continues this commitment, and is very important at this time, for a new challenge exists, and a new framework must be crafted to advance all that has been achieved.

In this paper, we have been asked to assess the current context for economic development in rural and low and moderate income communities from a public services perspective, and to suggest successful approaches at work, with particular attention to regional innovation. In what follows, we suggest that the current challenges facing local rural governments, and the emerging acknowledgement among national policymakers that new approaches to rural policy design must emerge, offer the potential for an important convergence, which must be captured. We then discuss several public policy opportunities which offer the potential to move beyond the historic rural/urban divisions which have long plagued rural policy innovation. The definitions are both inaccurate as discrete categories, and inappropriate as a basis for targeting federal innovation investments in rural America.

If we are to advantage these innovative rural economic development approaches upon which we agree, it is essential to acknowledge that rural and urban people and places are increasingly intertwined, and are becoming ever more interdependent, as are their economies. While this challenges those with entrenched political advantage in assuring continuing reliance only on categorical programs and grants, targeting both rural and urban constituencies, it must be named. While these categorical programs are

very necessary for the sustainability of rural communities, particularly in underserved regions, they are not sufficient. Just as rural communities must seek regional collaboration for innovation across geography, metropolitan policymakers and advocates need to acknowledge the dependence of their citizens upon the rural resources which sustain their urban existence. Therefore, we argue that future regional innovation policy must be framed in terms of the rural-urban continuum, and highlight several federal opportunities to evolve public investments in such a framework. Finally, we conclude with recommendations for future policy re-design, to enhance these regional innovations.

## **Challenges**

In the sections which follow, we discuss two of the greatest challenges impeding the development of a regional innovation policy. One is the continuing dependence of federal and state policymakers on outmoded definitions of “rural” as the sole mechanism for targeting resources to underserved rural communities. The second is the dire circumstances which rural governments face in responding to the impacts of the Great Recession.

### *“Rural” and “Non-Met” Definitions: An Anachronism for Economic Policy Targeting*

Simply put, there is no one definition of rural. In practice, from a policy standpoint, “rural” is a nonspecific, changeable and imprecise composite of a discrete set of variables, differing across federal and state policy and programs, and time, which is used to target specific funding sources. This is not a policy goal; this is an administrative construct... Furthermore, policy arguments regarding the question of what is “rural” deflect attention from a far more critical question, and federal policy failure—the lack of a stated goal for federal investments in non-metropolitan geographies.<sup>i</sup>

Various definitions are used for the tabulation of data by federal sources, including the U.S. Census Bureau and the Bureau of Economic Analysis. Numerous other definitions are used throughout

the federal government to target resources toward rural people and places. While this is an ongoing challenge, recent public policy decisions have returned rural definitions to the forefront in several policy discussions, including implementation of the 2008 Farm Bill and the targeting of ARRA broadband investments in rural and underserved areas. Both policies include complex definitions of rural, which have generated considerable debate during implementation.

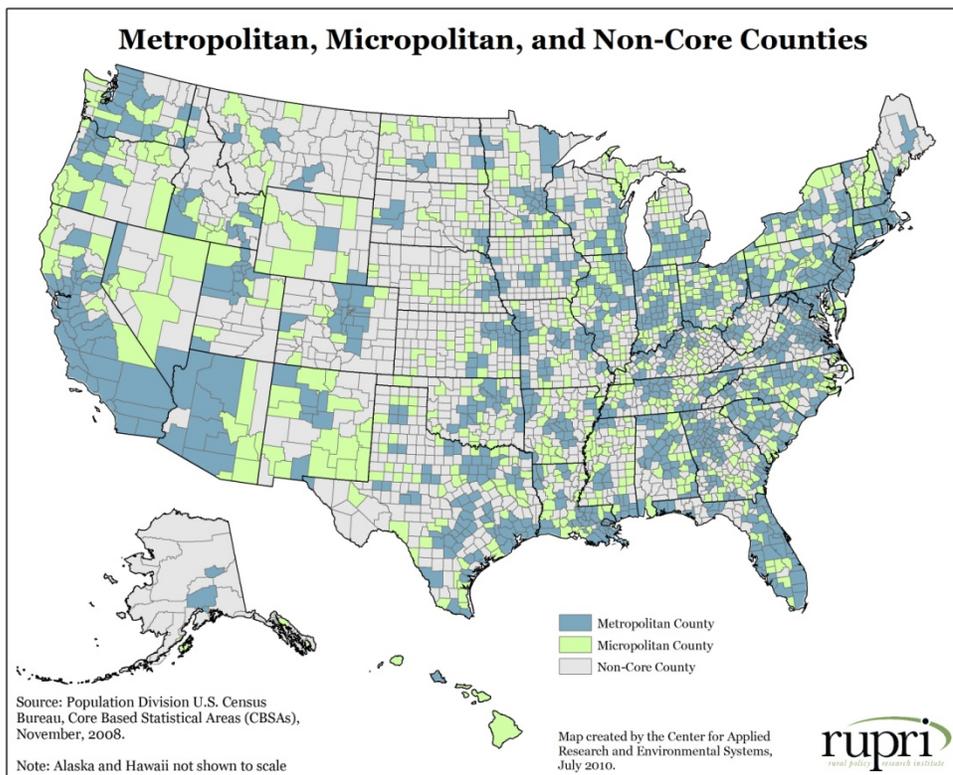
Two major types of rural definitions are used for the statistical tabulation of data, the official designations of “urban” and “rural” by the U.S. Census Bureau, and Core Based Statistical Areas, as defined by the Office of Management and Budget.

The U.S. Census Bureau defines urban areas as core blocks and block groups with an overall population density of 1,000 people per square mile, and surrounding blocks with an overall density of 500 people per square mile.<sup>ii</sup> These urban areas range in overall population from about 2,500 to nearly 2 million. According to this definition, then, anything that is not defined as urban is considered rural. The Census divides these urban areas into two types: urbanized areas with an overall population of 50,000 or more, and urban clusters, with an overall population less than 50,000.

There are significant drawbacks to applying these definitions for policy targeting. First, these boundaries are only defined once every ten years, with the decennial census. In addition, while overlap exists, these urban area boundaries don’t perfectly align with the jurisdictional boundaries of cities and towns. Consequently, policy targeting is difficult, as no specific governmental jurisdiction exists in these Census defined urban areas, to direct resources toward. Finally, there is very limited data at the sub county level, making it difficult to assess more localized conditions and trends, to inform resources targeted towards sub-county areas. This final concern, however, will be allayed somewhat when the American Community Survey data is released later in 2010 or early 2011. At that time, five-year average social, demographic, and economic estimates will be released for every census tract and block group in

the U.S. However, these will be data averaged over five years, which will create additional difficulties in interpretation.

Core Based Statistical Areas build off the Census Bureau’s designations of urban areas. These CBSAs are meant to be “functional regions” around urban centers, and the classifications are based on county boundaries. Urbanized areas of 50,000 population or more form the principal city of a metropolitan area, and the county or counties containing this urbanized area form the core county(ies) of that metropolitan area. Surrounding counties with high levels of commuting flows are included as outlying counties of the metropolitan area. Micropolitan areas are defined in much the same way, with a principal city of population between 10,000 and 49,999, and surrounding counties based on commuting. (See map below.)

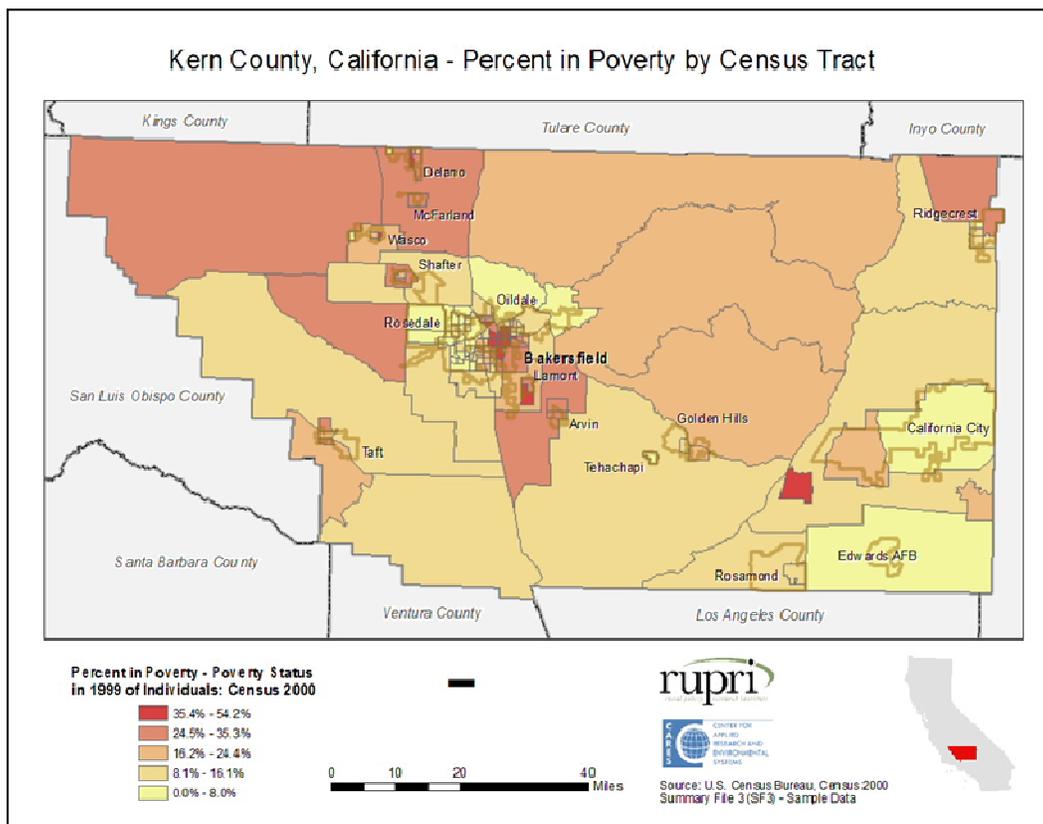


These definitions also have significant drawbacks for use in policy targeting. While the populations of urban areas and of metropolitan and micropolitan areas are updated with the inter-census population estimates, the commuting data which define the outlying counties is only available with the decennial census, as are the boundaries of urban. It is difficult to find a common middle ground that accurately describes this continuum. In fact, the most “rural” states, in terms of population, only account for under 7% of the total U.S. rural population (Vermont, 62%; Maine, 60%; West Virginia, 54%; Mississippi, 51%; and South Dakota, 48%). Furthermore, five states that usually are viewed as urban account for over 25% of our nation’s rural people (Texas, 3.6 million; North Carolina, 3.2 mil.; Pennsylvania, 2.8 mil.; Ohio, 2.5 mil.; and Michigan, 2.5 mil.).

The commuting criterion leads to the inclusion of some very rural counties in metropolitan areas. Many counties contain vast geography, particularly in the Western U.S., with widely varying characteristics across that geography. Coconino County, Arizona, part of the Flagstaff Metropolitan Area and home of the Grand Canyon, is one classic example. A cross tabulation of population across the CBSAs and the urban and rural designations summarize this paradox: over half of the nation’s rural people live in metropolitan counties. Likewise, there are many urban centers within nonmetropolitan counties.

Distribution of U.S. Population					Percent of the Population that is:	
	Urban 50K +	Urban Under 50K	Rural	Total		
Metropolitan	192,064,228	10,338,988	30,176,724	232,579,940	Non-Urbanized	31.7%
Micropolitan	255,305	14,976,437	14,299,972	29,531,714	Rural	21.0%
Noncore	18,588	4,704,763	14,586,901	19,310,252	Small Urban	10.7%
Total	192,338,121	30,020,188	59,063,597	281,421,906	Nonmetropolitan	17.4%
<i>Sources Urban and Rural Population figures from Census 2000; CBSA status for the December 2005 Classifications</i>					Percent of the rural population residing in metropolitan counties	51.1%

The use of counties as a basis for any definition is also problematic. On the plus side, data is most readily available for these geographies. For example, at this time, there are updated population estimates, poverty rate estimates, and employment & income data for all counties, well into 2008 or 2009. However, for small, rural geographies, until the American Community Survey data is available, we still must resort to the 2000 Census for tract level data. The county data also masks a wide variety of trends and conditions within, particularly where counties are large and diverse. For example, in Kern County, California, the county poverty rate was 18.1 percent in 2000. Researchers, and many policies, define any poverty rate of 20 percent or above as “high poverty,” and thus Kern County would not be so designated. However, examining tract level data shows pockets of severe poverty, in the range of 30 to 50 percent of the population. Similar examples occur in many counties.



The obvious question is does all this really matter for policies addressing underserved communities. Yes, it most decidedly does. The reality is that these different spatial designations change “rural” characteristics, which changes resource targeting. For example, consider the statement “*poverty rates are higher in rural areas.*” This statement is commonly seen throughout the literature describing conditions and trends in rural America. Data from the American Community Survey sheds light on the accuracy of this statement. It is accurate when rural is defined by CBSA categories of micropolitan and noncore, but not when the Census Bureau definitions are applied. Definitions matter. As but one example, when considering poverty in micropolitan areas, one benefits from a more defined geographic consideration, with meaningful policy considerations, when assessing poverty rates in female headed households with children.

<b>Poverty Estimates and Definitions of Rural</b>		
Geographic Designation:	Individual Poverty Rate, Total Population	Family Poverty Rate, Female Headed, with Children
Metropolitan Areas	12.6%	34.7%
Micropolitan Areas	15.7%	45.0%
Noncore Areas	16.8%	48.3%
Metropolitan Principal Cities	17.4%	39.9%
Metropolitan Outside Principal Cities	9.6%	30.0%
Micropolitan Principal Cities	20.2%	49.2%
Micropolitan Outside Principal Cities	13.5%	41.8%
Noncore Areas	16.8%	48.3%
Urban Areas	13.9%	36.4%
Rural Areas	11.0%	37.3%
<i>Source: American Community Survey, 2006-2008</i>		

Examining each of these definitions, applied to the poverty estimates, exemplifies the problem. Nonmetropolitan *counties* have the highest poverty rates, in large part due to the extremely high poverty rates in several micropolitan principal cities, while taken as a whole urban areas have slightly higher rates

than rural areas, overall. The extremely high poverty rates of female headed households with children is alarming, particularly in micropolitan and noncore areas.

A variety of definitions are currently in use by the federal government to direct resources to rural people and places. USDA, for example, uses place population thresholds to target eligible areas, and USDA population cutoffs for eligible communities vary from 10,000 to 50,000. Other departments, such as the Office of Rural Health Policy / HHS, use the CBSA county designations, with exceptions included for rural areas within metropolitan counties. Other departments have developed their own unique definitions, such as the Department of Education's "metro-centric locale codes," which are based on school districts. In most policy targeting, additional characteristics are often utilized to target resources toward specific needs, such as poverty rates, depopulation, and disaster declarations.

We have come to appreciate that specific rural definitions should no longer be the most critical question. In fact, all of this suggests that the interdependence of rural and urban people and places, and the spatial continuum from one to the other, should become much more relevant in future policy considerations, to address the economic vitality of both.

### *The Impact of the Global Recession on Rural Governments*

No one has escaped the global devastation of the Great Recession. Its continuing effects reverberate across the landscape, with particularly challenging impacts in rural and underserved communities. Two recent reports paint a dismal picture of the budgetary apocalypse currently facing state and local governments.

A recent report from the Center on Budget and Policy Priorities updates the fiscal crisis in state governments:

“The worst recession since the 1930s has caused the steepest decline in state tax receipts on record. As a result, even after making very deep spending cuts

over the last two years, states continue to face large budget gaps. At least 46 states struggled to close shortfalls when adopting budgets for the current fiscal year (FY 2011, which began July 1 in most states)...States face:

- **Budget problems in 2011.** Fiscal year 2011 gaps—addressed with spending cuts and revenue increases in most states—totaled \$121 billion, or 19 percent of budgets in 46 states. This total is likely to grow over the course of the fiscal year, which started July 1 in most states. It may well exceed \$140 billion, and would be higher still without federal assistance...
- **Uncertainty for the future.** States' fiscal problems will continue in the current Fiscal Year, and likely beyond. Already, 39 states have projected gaps that total \$102 billion for the following year (fiscal year 2012). Once all states have prepared estimates, these are likely to grow to some \$120 billion...
- **The effects of gaps in 2010 budgets...**Counting both initial and mid-year shortfalls, 48 states addressed such shortfalls in their budgets for fiscal year 2010, totaling \$192 billion or 29 percent of state budgets—the largest gap on record...
- **Declining federal assistance.** Federal aid to states provided in the American Recovery and Reinvestment Act has lessened state cuts in services and tax increases. But the aid is almost now gone; only about \$40 billion remains to help with 2010 fiscal problems...
- **Combined gaps of \$260 billion for 2011 and 2012.** These numbers suggest that states are dealing with total budget shortfalls of some \$260 billion for 2011 and 2012. When all is said and done, states will have closed shortfalls of more than \$500 billion since the start of the recession.”<sup>iii</sup>

These challenges move down the federalism food chain, and eventually rest in the lap of county and city governments. A Research Brief jointly released by the National League of Cities, National Association of Counties, and United States Conference of Mayors sums up the depth of the local government impact:

“The effects of the Great Recession on local budgets will be felt most deeply from 2010 to 2012<sup>iv</sup>

Local government job losses in the current and next fiscal years will approach 500,000, with public safety, public works, public health, social services, and parks and recreation hardest hit by the cutbacks...The Economic Policy Institute estimates that for every 100 public sector lay-offs, there are 30 private sector lay-offs.<sup>v</sup>

Further, reported state budget shortfalls from 2010 to 2012 exceeding \$400 billion will pose a significant threat for funding for local government programs.”<sup>vi</sup>

Local governments face a triad of challenges—dealing with the combined impact of decreasing tax revenues, a decline in state and federal support, and a significantly-expanding service need, particularly in social services. Additionally, these cuts have a huge impact upon local economies, which must also weather declining property values, reduced household incomes, and declining consumer spending. As Ashley Swearingin, the Mayor of Fresno, California, commented in a July 19, 2010 article in the *Fresno Bee*, “If City Hall does not have a strong financial position, if our foundation is upside-down financially, we are a hindrance and a burden to other job creators, namely the private sector.”

While these are very trying issues for all jurisdictions, they become particularly so for under-resourced rural governments, which were already struggling with limited capacity, challenging service delivery costs due to geography, diseconomies of scale, and unique socio-demographic circumstances, before this Great Recession. Alison Felix and Jason Henderson address this rural differential challenge,

and suggest alternatives for local policymakers, in a recent “Main Street Economist” publication.<sup>vii</sup> They suggest seven unique structural challenges faced by rural jurisdictions, as a result of this fiscal crisis:

- Local governments are more sensitive to state budget resources, since state revenue accounts for an average of 31% of total local government revenue.
- Intergovernmental transfers from federal and state governments historically have accounted for roughly 45% of local rural government revenue, with most coming from the states.
- In poor rural counties, which experience low employment and persistent poverty, these intergovernmental transfers often account for 55% of total revenue.
- Since Medicaid counts for a larger share of personal income in rural areas, and state and local governments account for a larger share of jobs, reductions in government spending and Medicaid will have a larger relative impact on the local economy, particularly in poor regions. Likewise, these are often counties already experiencing huge increases in social service demand. Medicaid cuts would have a particularly dramatic impact on rural incomes, since government transfers to rural citizens for Social Security, Medicare, and Medicaid have accounted for an expanding share of rural income over the past decade.
- In rural areas, state and local government accounts for almost 18% of rural earnings and 14% of rural employment, compared to roughly 10% of each in metro areas.
- Finally, these fiscal challenges will be particularly difficult in persistent poverty regions, where state and local governments account for 20 and 25% of employment and earnings.<sup>viii</sup>

The authors then discuss a rather limited set of alternatives to address this crisis, including:

- Raising revenue: Although local governments have limited resources to increase tax revenue, as most rely on property taxes, some have imposed or raised local income taxes, sales taxes, or fees. However, these approaches often reduce overall economic activity.
- Reducing overall spending by cutting services: The only choices are service reductions or greater efficiency. While most governments have reduced budgets significantly, through hiring freezes, lay-offs, or delayed or cancelled capital projects, and reduced resultant services, seeking greater efficiency is currently becoming the more popular local government approach.
- Reducing costs by becoming more efficient in service delivery: While these are all difficult choices, a recent study by Mohr and Deller suggests that small cities and villages may be ready to look at new efficiency options. They found that in Wisconsin, local leaders were seeking to improve productivity through better management, regional agreements, and contracting out services.<sup>ix</sup>

Felix and Henderson close by suggesting four potential approaches to increase local government efficiency: consolidation, inter-municipality cooperation or collaboration, internal re-organizing, or privatization.

We recognize the challenges which exist, both organizationally, culturally, and politically, when local government consolidation is suggested. Despite some local successes in achieving this approach, this will seldom be the preferred local option. Internal reorganization and/or privatization are much more likely to be acceptable alternatives. Of all these, however, by far the most promising is the potential for regional collaboration between local governments. Current budgetary challenges may offer a *raison d'être* for these actions, where local resistance has existed previously. Beyond that, however, this becomes much more possible if federal and state efforts incentivize and/or advantage such dynamics. In the following section, we explore these possibilities in greater detail. Since development organizations, councils of governments, regional planning organizations, and metropolitan planning organizations

already exist, and are operational models for such collaboration, this approach already has standing in U.S. federalism.

## **Opportunities**

The renewed interest in regions as a unit of conceptualization, empirical analysis, and policy intervention is a welcomed shift from the sectoral focus that dominated theory and practice for decades. Ultimately, a region is really just a convenient organization of space, and within this space, the component people, homes, farms, natural resources, industries, public spaces, and governments. The terms “urban” and “rural” describe the nature of this space, not types of regions. Space, and thus regions, is best viewed as a system of rural-urban continua. The internal heterogeneity of regions, especially in terms of settlement patterns, land uses, economic bases, governance, etc. is the basis of regions’ uniqueness and economic strength. In the following sections we briefly review emerging opportunities to enhance a more innovative policy to address rural underserved communities, via a rural-urban continuum approach.

### *The Obama Administration’s Place-Based Policy Innovation*

The United States is in the early stages of an enhanced federal commitment to place-based policy. On August 11, 2009, the Obama Administration released a very important “Memorandum for the Heads of Executive Departments and Agencies,” framing a new White House approach to place-based investments.<sup>x</sup> This directive was the first public acknowledgement of an extended internal Administration domestic policy dialogue. While the guidance was preliminary, it presaged growing inter-agency collaboration, a focus on new evaluation of existing place-based policy, and the identification of potential reforms to enhance inter-agency coordination, break down sectoral silos, and create a more effective, multi-level governance framework. Since that time, subsequent legislative and administrative actions indicate this will become central to the future domestic policy approach of the Obama Administration. This commitment to place-based policy is indeed historic.

That White House memo mandated specific actions to incorporate this framework into each federal department's program of work. Each was asked to identify three to five major program areas, before FY '11 budget submissions, which could be redesigned around place-based policy principles, including:

- clear, measurable, and carefully evaluated goals to guide investment and regulation, to achieve economic competitiveness, environmental sustainability, community health and access to opportunity, as well as safety and security;
- an acknowledgement that change occurs at the community level and often through partnership, and that complex problems require flexible, integrated policy solutions; and,
- a recognition that many important domestic challenges demand a regional approach.

To quote directly from the memo: “...*Many important challenges demand a regional approach. The Nation is increasingly a conglomeration of regional economies and ecosystems that should be approached as such. Federal investments should promote planning and collaboration across jurisdictional boundaries. Given the forces reshaping smaller communities, it is particularly important that rural development programs be coordinated with broader regional initiatives. Programs in neighboring zones and within larger regions—some of which connect rural communities to metropolitan regions—should complement each other. Federal programs should reflect better the Nation's economic and social diversity, both in rural and metropolitan areas. To the extent possible, programs should allow for communities to identify distinct needs and address them in appropriate, strategic ways...*”

Since this memo's publication, federal departments have crafted new program designs, and created competitive grant competitions to incentivize regional innovation. Several of these are discussed below. Rural policy scholars have long argued for such a place-based domestic policy framework, recognizing the differential disadvantage in community capacity under which most rural regions struggle, and the fact that categorical grants fail to build integrative, strategic approaches. This is ironic, as most of the major players driving this federal innovation have a decidedly metropolitan world view, and two of the most public innovations are uniquely urban in approach. A new program within the United States

Department of Housing and Urban Development will utilize \$150 million to enhance regional strategic planning and integration, as well as the evaluation of regional programming, and the Partnership for Sustainable Communities supports regional collaboration between HUD, the Department of Transportation, and the Environmental Protection Agency.<sup>xi</sup>

Clearly, a place-based policy framework focusing solely upon metropolitan geography would fail to address critical interdependencies. While metropolitan areas account for over 80% of our total population, and much of our nation's GDP, they only account for 25% of our land area, where most of our nation's food, energy, and national resource activities occur. Thus, a metropolitan-focused place-based investment policy would ignore critical linkages with three quarters of our national resource base and the 20% of the U.S. population which stewards those national treasures.

USDA Secretary Tom Vilsack has created an exciting new approach within his Department, the Regional Innovation Initiative, which seeks to build new linkages with these metropolitan-focused programs at his sister departments. (See below.) Furthermore, a number of national organizations advocating for rural economic development continue to seek a recalibration of these frameworks, to better address the actual rural-urban continuum which should exist in nearly all regional innovation practices. We remain hopeful that this re-thinking will acknowledge the unique rural contributions to our nation's metropolitan areas, including the food we eat, the air we breathe, the natural resources which sustain both, and the cultural, heritage, and environmental assets which contribute to much of urban America's recreational and cultural pursuits.

#### *USDA Secretary Vilsack's Regional Innovation Initiative*

When USDA Secretary Tom Vilsack assumed his position, he came to federal leadership with a distinct vision for addressing rural innovation. As the mayor of a small Iowa town, Mt. Pleasant, and later as a state legislator and Governor, Secretary Vilsack gained a first-hand understanding of the critical importance of public-sector investments in rural economic development. As Iowa's Chief Executive, he

recognized regional approaches were essential for rural economic innovation, and created several new initiatives while in office to frame such efforts.

When he assumed the position of Secretary, he created a new framework for USDA response to the White House Place-Based agenda: the Regional Innovation Initiative. Following months of internal USDA dialogue and national listening sessions, held around the country as part of his Rural Tour, in which other Administration Secretaries also participated, his approach was crystallized. It built upon two prior authorizations within the 2002 and 2008 Farm Bills, the Rural Strategic Investment Program (RSIP) and the Rural Collaborative Investment Program (RCIP). Both sought to create a regional rural innovation framework for federal economic development investments, advantaging multi-sectoral, multi-jurisdictional collaboration, and incentivizing linkages in federal, state, and local public investment streams, as well as alignment with private and philanthropic sector funding. While authorized in both bills, Congressional funding was never appropriated for either program.

However, within the last six months, USDA initiated a new framework within their Rural Business Opportunity Grants (RBOG) program, and created the “Great Regions” competitive grant program. While limited funding was available for this new program, the response from rural communities, cities, and counties was very significant, and bodes well for future USDA regional innovation efforts.

Furthermore, during the Subcommittee markup of the Fiscal Year 2011 Agricultural Appropriations Bills, both the Senate and House allocated over \$175 million to advance this new framework. In House Chairwoman Rosa DeLauro’s comments following mark-up of the FY 2011 Agriculture, Rural Development, and FDA Appropriations Bill, she stated:

“In terms of our investment priorities closer to home, one of the innovative new ideas we have included in this legislation, at a funding level of \$176 million, is the Administration’s Regional Innovation

Initiative proposal. In order to increase the economic viability of rural communities, this Initiative seeks to promote a regional outlook in the planning and coordination of rural development programs at USDA. While USDA Rural Development is expected to provide leadership for this initiative, the Agriculture Marketing Service is also expected to participate, and some of the supporting programs include the Business and Industry Guarantee Loan Program, the Rural Business Enterprise Grant Program, and the Intermediary Relending Program.”

This is a very meaningful acknowledgement that the regional innovation framework, which is becoming the centerpiece of this Administration’s domestic policy approach, will now also advantage rural America, and we fully expect this will influence the Administration’s framing of priorities for the upcoming Farm Bill reauthorization. It is important to note that in this effort, Secretary Vilsack is seeking to move a percentage of some existing programs from categorical funding to regional innovation approaches. While these steps have been incremental, the Secretary’s commitment acknowledges a major new alignment in rural economic development thinking at USDA.

#### *Other Federal Regional Innovation NOFAs*

There are a number of other new federal initiatives responding to the Obama Administration’s Place-Based mandate. Each federal department is in various stages of standing up these programs, but together they represent a significant new federal framework and infrastructure. In addition to the programs mentioned above, the following should be noted, among others:

- The U.S. Small Business Administration has created funding to support economic development and job creation through existing regional clusters. As part of the Regional Cluster Initiative, SBA will accept proposals from local and regional cluster initiatives for funding of up to \$600,000 per cluster, to support up to 15 projects across the country. Two programs have been

launched within this initiative: the Regional Innovation Clusters (RICs) and Advanced Defense Technologies (ADTs).<sup>xii</sup>

- The Economic Development Administration/Commerce has also created a new funding opportunity around Regional Innovation Clusters, as well as a multi-agency initiative to spur regional economic growth through investments in energy efficiency.<sup>xiii</sup>
- The U.S. Department of Energy has a new Energy Regional Investment Cluster (E-RIC), centered around an Energy Innovation Hub, one of three proposed by the Administration and funded by Congress in the FY '10 budget. This is a collaboration between Energy and SBA, the Department of Labor, the Economic Development Administration, and the National Science Foundation.<sup>xiv</sup>
- The Neighborhood Revitalization Initiative is an interagency collaborative designed to improve outcomes for low-income children in inner-city neighborhoods and struggling older suburbs. This effort seeks to align federal housing programs (e.g., Choice Neighborhoods) with federal education programs, health services, and public safety initiatives.<sup>xv</sup>

#### *Moving from Specific Rural and Urban Regional Approaches to a Rural-Urban Regional Continuum*

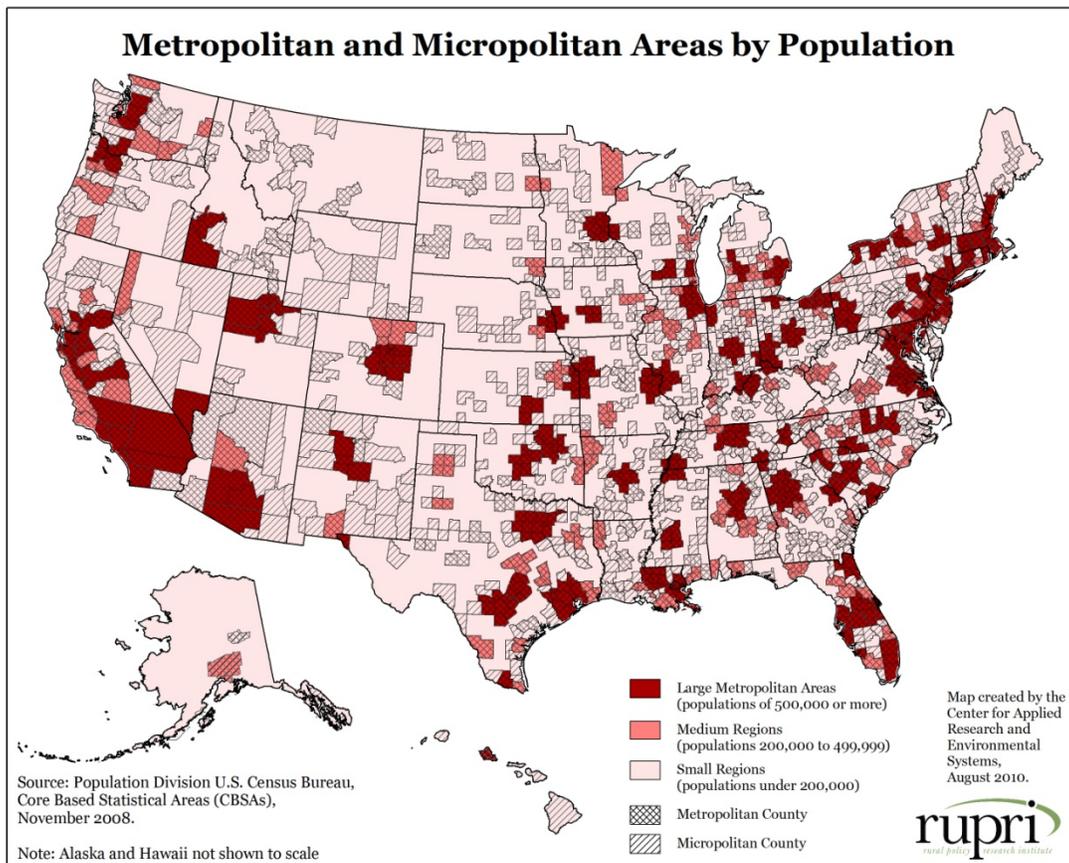
As mentioned above, much of the recent focus in place-based policy is centered on metropolitan regions. Therefore, understanding the population distribution of metropolitan and micropolitan areas creates a necessary context for considering how well these categories fit into intended policy targeting. It is often assumed that the classification of “metropolitan, micropolitan, and noncore” represent a continuum in terms of population thresholds, that the smallest population areas are noncore, followed by micropolitan areas, and then the largest- metropolitan. This is not the case, however. The areas are formed by the size of their urban core, true, but the surrounding populations vary significantly. As noted in the following table, metropolitan areas range in population size from 55,176 to 19,069,796, and micropolitan areas from 11,046 to 192,747. In fact, 40 percent of metropolitan areas have populations less than the size of the largest micropolitan area.

Metropolitan and Micropolitan Areas by Population Thresholds		
Population Range	Metropolitan Areas	Micropolitan Areas
Under 100,000	24	531
100,000 to 199,999	131	43
200,000 to 499,999	109	0
500,000 to 999,999	50	0
1,000,000 or more	52	0
<i>Total</i>	<i>366</i>	<i>574</i>
<i>Source: U.S. Census Bureau, Population Estimates July 2009</i>		

#### A Case-in-Point: The Sustainable Communities Regional Planning Grant

Other Obama Administration place-based initiatives include provisions for both micropolitan areas and noncore areas in their targeting design. For example, HUD’s \$100M Sustainable Communities Regional Planning Grant NOFA states: “not less than \$25 million shall be awarded to regions with populations of less than 500,000.”<sup>xvi</sup> The NOFA divides regions into three population thresholds. Unfortunately, as the following table and map show, no micropolitan area classifies for the medium-sized region threshold, so all nonmetropolitan areas must be included in the small region category, unless they unite in forming a larger regional consortia. Therefore, absent other intervention, this NOFA could potentially bypass all nonmetropolitan areas, despite the \$25 million carve out for the smaller population categories.

HUD Sustainable Communities NOFA – Population Thresholds in Eligibility Criteria		
Category	Population Threshold	Areas Meeting Criteria
Large Regions <i>Grant amounts \$500,000 to \$5,000,000</i>	Population 500,000 or more	102 metropolitan areas; 0 micropolitan areas
Medium-Sized Regions <i>Grant amounts \$200,000 to \$2,000,000</i>	Population 200,000 to 499,999	109 metropolitan areas; 0 micropolitan areas
Small-Sized Regions <i>Grant amounts \$100,000 to \$1,000,000</i>	Population under 200,000	155 metropolitan areas; 574 micropolitan areas

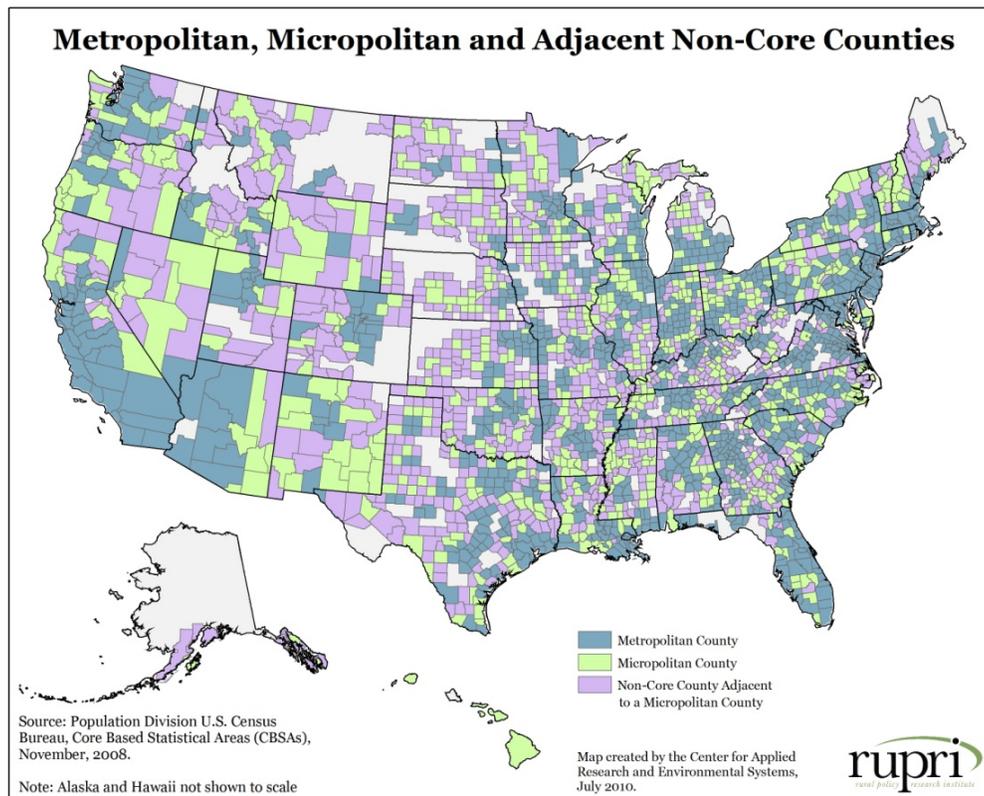


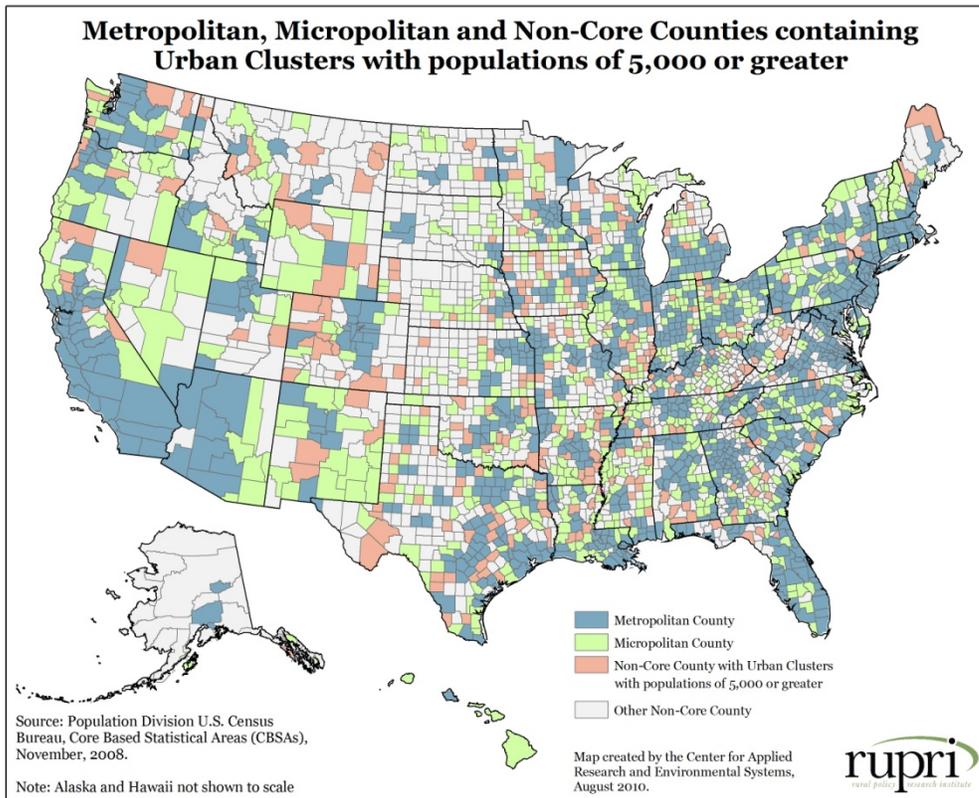
## Other Considerations for Regional Policy Targeting

The challenge with these regional definitions utilized by the Census Bureau and OMB is that they are not designed for policy targeting, but to capture functional areas, reflecting residential density and commuting patterns. Directing resources to metropolitan or micropolitan areas is problematic, as these are not jurisdictional boundaries, so aside from individual county governments, or a possible Metropolitan Planning Organization, where they exist, no specific jurisdiction aligns with the policy construct created. In addition, 40 percent of the counties in the U.S. are noncore counties – not part of either a metropolitan or a micropolitan area.

Again, metropolitan and micropolitan areas are designed as functional regions, but regional formation is based solely on the population threshold of the urban area and commuting patterns between the core and surrounding counties. In reality, many other factors come into play if one is seeking to form a more functional region, particularly across the rural-urban continuum in less populated rural regions. These include access to health and social services, retail centers, and transportation, food, and energy systems. However, policymakers seeking to craft these more optimal frameworks are currently constrained by these geographic area boundaries and federal data sources. Therefore, one must approximate the geography of these functional regions. Examining the micropolitan areas, along with their adjacent noncore counties, could more appropriately capture these regional dynamics, as micropolitan principal cities often serve large geographies in remote, rural territory. When contiguous counties are considered, 967 noncore counties could potentially be included in such a configuration. It is important to note we are not suggesting this as a specific recommendation for targeting resources. Several limiting factors, such as topography, transportation systems that create barriers, and smaller or larger regional hubs that cross service areas, are also relevant. However, this could be a useful starting point for the discussion of how more functional regions might be identified and advantaged.

Another potential targeting mechanism to enhance rural-urban continuum dynamics might link smaller urban hubs in noncore counties to the surrounding geography. The population threshold for micropolitan principal cities is 10,000, so examining noncore counties with an urban cluster with 5,000 population could provide a useful means for targeting continuum approaches in very remote rural geographies. The U.S. has 311 noncore counties that include an urban cluster with a population between 5,000 and 9,999. Again, we are not suggesting this as a specific resource targeting mechanism. In reality, a combination of these two approaches will likely yield a reasonable framework for understanding rural-urban continuum opportunities across less populated rural regions. And finally, there are 122 noncore counties that contain no urban cluster at all and are not adjacent to either a metropolitan or a micropolitan area.





## Conclusion

We have argued that several strategic opportunities must be captured if the economic potential of regional innovation is to fully advantage our nation’s underserved rural communities. These include:

- **Exploiting the current fiscal challenge facing state and local governments**, through approaches which can be shown to either reduce local costs, or enhance local economic opportunity, via regional collaboration. These dynamics are already at work across the rural landscape, but will become more prevalent over the next several years, as fewer and fewer attractive local options remain available to policymakers. Federal or state resources to advantage these approaches would greatly accelerate this trend.

- **Finding avenues to actually align the emerging federal place-based programs.** We run the very real risk of transitioning from a set of federal sectoral policy silos to a new group of place-based policy silos, all working to enhance some form of regional advancement, but not in an integrative framework. In this scenario, we still have “rural” and “urban” silos in federal policy; they just happen to all be regional in scale. There are numerous strategies available to lessen this possibility, including specifically advantaging grant seekers who are linking investments from across federal agencies or specifically designing rural-urban continuum approaches via regional collaboration. Both are very sound strategies for innovation in renewable energy, regional food systems, broadband, and transportation systems, among others.

It is very encouraging that several deputy secretaries with key roles in implementing the Obama Administration’s place-based initiatives are currently discussing opportunities to create joint investment approaches, across their program and funding portfolios, in regions which have committed to regional innovation, across the rural-urban continuum. HUD Deputy Secretary Ron Sims, Commerce Assistant Secretary John Fernandez, and senior Rural Development leadership within USDA are to be commended for advancing these economic development dialogues, across departments. In a very difficult federal budgeting environment, such efforts could mirror for local regions and states the commitment to shared vision and investment which also must be replicated there.

- **Furthering federal place-based efforts and similar state, regional, and local ones, via strategic alignment.** Our federal framework is being severely tested by the Great Recession, and it is badly frayed. Finding place-based linkages which could unite federal, state, local, and regional resources, as well as their program advocates, offers tremendous opportunity. There are myriad extant examples, but these could be significantly ramped-up, should federal departments, governors, mayors, and county officials agree to do so. As but one example, utilizing fungible state or local funding sources for regional leveraging, such as Community Development Block

Grants (CDBG), including that program's Small Cities funds, could be committed as quid pro quo for greater flexibility in federal allocation targeting, or waivers, to benefit an agreed set of regional economic development strategies, locally prioritized.

- **Creating program and funding commitments which advantage micropolitan and small-urban mayors crafting regional innovation alignment with contiguous rural regions.** One very practical strategy to address many of the challenges discussed in this paper would be a specific federal program which advantages micropolitan and small-urban mayors willing to create a regional innovation framework with the contiguous rural regions beyond their municipality. Nearly every micropolitan mayor envisions herself as the mayor of the next federally-designated metropolitan statistical area, and nearly as many mayors in small urban places hope to eventually lead a micropolitan city. Unfortunately, very few of either currently envision themselves as the leader of the regional innovation hub for a multi-county rural region. However, some do, and their impacts are significant. Finding creative approaches to advantage this rural-urban continuum has great potential.
- **Moving beyond rhetoric, to the actual building of rural-urban linkages.** The Federal Reserve Bank of Kansas City is to be commended for creating rural and urban tracks during this conference. However, the advocates for both underserved communities need to unite around a common set of shared commitments. Urban areas need to be the strongest advocates for bringing greater community capacity investments to rural regions, as a result of their understanding that NGOs and philanthropy, which are so important in supporting their urban underserved communities, are much less active in rural settings. And rural citizens, with so much at stake in building viable and sustainable local and regional food systems and renewable energy commitments, need to advocate for these products being available, accessible, and affordable in urban settings.

Many other obvious linkages could unite the citizens in both rural and urban underserved communities, from advocacy to policy design and program delivery, but have yet to be realized. The rural-urban continuum of which we write is expressly formed in this conference's subject areas, and the indicators of need are quite similar across both communities, and quite stark. These linkages need built.

- **Utilizing a regional innovation framework has great promise in both rural health and rural human services delivery**, and this integrated rural service model is framing much of RUPRI's perspective in both of these policy arenas. This conference has clearly addressed the fact that human and social capital development, attendant safety net considerations, and environmental health and safety are all critical prerequisites for building a world-class workforce development strategy in underserved communities and regions. Lifting up these components as necessary building blocks for regional innovation must become a more relevant consideration in federal regional innovation strategies. Social equity indicators must become as important as economic growth indicators in assessing a region's ultimate competitive advantage.
- **Moving Farm Bill Rural Development discussions beyond the futile and trivial search for a "rural" definition.** Instead, a more substantive policy dialogue should concern itself with the challenges and opportunities inherent in the amazing diversity of U.S. "rurals," and how a more creative federal policy framework could address this uniqueness. It should also consider the impact of the growing rural-urban interdependence, which is defining that continuum across our nation's geography, and how the federal government can craft an innovative strategy to link and thereby advantage both of these constituencies, particularly the most disadvantaged families and children among them, the communities in which they live, and the economies they are seeking to build and sustain.
- **Finding creative approaches to support bridge builders, new intermediaries, and new rural governance models.** As with most economic, social, and political innovation, visionary leadership must surface if these possibilities are to be realized. Beyond that, new models of

public, private, and philanthropic integration will be essential, as well as conjoined investment streams, and new evaluative frameworks. Social, cultural, and policy entrepreneurs must reframe the human ecosystem at work in this dynamic. At the moment, much of this occurs in spite of public policy, rather than because of it. Creative leadership can alter this situation. This could occur in the form of “promising practices” grants from foundations; local, regional, state and federal demonstration projects or challenge grants; through private sector investment; or a combination of all the above, among many other possibilities. An amazing entrepreneurship is expressing itself throughout rural America, across all sectors and geographies. Indeed, this may be the greatest potential advantage in crafting a regional innovation. Our hope is that the public sector will acknowledge and advance this rural renaissance.

## Endnotes

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- <sup>xvi</sup> Department of Housing and Urban Development Notice of Funding Availability for Fiscal Year 2010 Sustainable Communities Regional Planning Grant Program, pp. 1-2. <http://www.hud.gov/offices/adm/grants/nofa10/scrpgsec.pdf>