

Federal Reserve Bank of Richmond

Investing in Rural America

Shenandoah Valley Conference Center • October 2, 2019



Agenda

8:00 a.m.

Tom Barkin

President, Richmond Fed

Moving the Needle in Smaller Towns

8:30 a.m.

Kartik Athreya

Executive Vice President and Director
of Research, Richmond Fed

Improving the Rural Fifth:

A Researcher's Perspective

9:00 a.m.

Panel Session I

Connecting People to Jobs

10:30 a.m.

Panel Session II

*Broadband: Connecting the Last Mile
in Rural America*

12:00 p.m.

Luncheon Panel

*What It Will Take To Drive Rural
Investment*

1:30 p.m.

Panel Session IV

*Access to Capital and Community
Absorption*

ABOUT THE COVER

Staunton, which has won many awards for downtown revitalization, is one of several small cities in Virginia's Shenandoah Valley that continue to grow and prosper.

Photograph by Warren Faught

INVESTING IN RURAL AMERICA

Conference Summary

The Federal Reserve Bank of Richmond hosted a conference on the economic and social aspects of growth in rural areas on October 2, 2019, in Harrisonburg, Virginia. Policymakers, community representatives, business executives, nonprofit leaders, and investors came together to discuss examples of successes and barriers, to highlight what may be replicable in other areas, and to shine a light on opportunities for investment.

Richmond Fed President Tom Barkin opened the conference by sharing that while traveling throughout the Richmond Fed's district, he has observed two different economies — one in big cities and one in smaller towns. To close the gaps, he pointed to four key themes identified by the Bank's research: preparing people to enter the workforce, connecting workers to jobs, helping people overcome obstacles to labor force participation, and addressing informational and institutional gaps.

Barkin was followed by the Richmond Fed's director of research, Kartik Athreya, who explored the disparities between urban and rural areas in more detail. In particular, he noted that employment rates and educational-attainment levels tend to be lower in rural areas. He also discussed the costs and benefits of "place-based policies" that try to attract and retain employers and residents.

The first panel session of the day addressed the role of community colleges and technical training in preparing the rural workforce for jobs that match the needs of employers. The second panel discussed the importance of broadband access for rural development. Participants noted the many "last-mile" challenges that persist in providing broadband to rural areas at speeds fast enough for businesses, hospitals, and schools — even for basic residential needs in many cases. The luncheon speakers talked about the history of rural development initiatives and structural challenges that have to be resolved. They shared their ideas about what it will take to drive the level of investment into rural America that is up to the size of the challenges. The final session addressed investment as well, particularly the opportunities and barriers that rural communities face in obtaining sufficient capital.

In closing, Barkin expressed the Richmond Fed's dedication to helping all the communities in the region thrive. "We are deeply committed to this work," he said. "We want to do everything we can to move the needle."

Moving the Needle in Smaller Towns

Tom Barkin (Richmond Fed)



What will it take to move the needle in rural communities? While the solutions will vary from place to place, Richmond Fed President Tom Barkin discussed four general themes suggested by research.

The first was education, or preparing people to enter the workforce. This includes providing

students with the information and preparation they need to choose the postsecondary path that's best for them, whether it's a four-year college, an apprenticeship, or a workforce credential program, among other options.

The second theme Barkin discussed was connecting people to jobs, especially the role community colleges can play bringing students and employers

together. Barkin also discussed the importance of addressing the informational and institutional gaps that can arise from geographic and social isolation. He pointed to the loss of "anchor institutions," such as hospitals and banks, as a particular challenge for many smaller towns. He also highlighted the importance of investing in broadband. "It's expensive," he said. But the benefits "are too big to pass up."

The final theme Barkin addressed was labor force participation, specifically helping people overcome obstacles, such as disability and addiction. In conclusion, Barkin insisted that the challenges of distressed rural communities are *not* too difficult to solve. "From my perspective," Barkin said, "the first step in thinking about the problems of these areas is to approach them as solvable — by good policy-making, by markets, by local leaders, and by small-town residents themselves." ■

Improving the Rural Fifth: A Researcher's Perspective

Kartik Athreya (Richmond Fed)



Economic growth in the United States is solid and the labor market is strong. But Kartik Athreya, the Richmond Fed's director of research, noted that the overall numbers mask regional differences: rural areas tend to have lower labor force participation rates and higher unemployment. In addition, rural areas

tend to attract and retain fewer college graduates.

The latter is important, Athreya noted, because workers with four-year degrees tend to earn more money and are more likely to be employed. Education also drives productivity and innovation and can make an area more attractive to companies looking for talent. The answer, however, is not just to send more students to college since many students who do enroll fail to graduate — perhaps because they

don't have good information about college readiness or college costs. In addition, there are other paths for students to consider, such as community colleges or workforce credentials. Thus, there may be a large opportunity to close information gaps in rural areas.

Athreya also discussed how the "benefits cliff" may create reasonable disincentives for working. He noted the importance of using research to understand the trade-offs of various policies and to more carefully design policies that meet their intended goals.

Finally, Athreya talked about the promise and potential pitfalls of "place-based" policies, which encourage people and firms to locate and invest in a particular area. Successful policies require localities to understand their strengths and limitations, to cooperate regionally, and to be realistic about what's achievable. "If you build it, they may not come," Athreya concluded. "But if you don't build it, they won't." ■

Connecting People to Jobs

Moderator Melissa Lubin (James Madison University), Andy Bradley (Duke Energy), Clark Casteel (Danville Regional Foundation), Glenn DuBois (Virginia Community College System), Thad Harrill (Isothermal Community College), and Duane Yoder (Garrett County Community Action Committee)

The “Connecting People to Jobs” panel was moderated by Melissa Lubin, dean of professional and continuing education at James Madison University. Lubin guided a conversation that addressed questions such as how to move from words to actions; whether localities should focus on supply (training workers) or demand (attracting employers); and how community groups and educators can establish effective partnerships.

Throughout the discussion, participants highlighted the importance of collaboration.

Clark Casteel, president and CEO of the Danville Regional Foundation, talked about the region’s investment in precision machining training: “If all it took were money, it would be easy to recreate.” What’s different in the Dan River region is the collaboration. “It’s the partnership between our training providers, our economic development folks, and business leaders, making sure that all these partners are coming to the table.”

Andy Bradley, a relay supervisor at Duke Energy, collaborated with Isothermal Community College to train new technicians: “I had one technician in the western regional group and I needed ten.” He tried going the traditional job-posting route but wasn’t finding qualified candidates. “I realized we had to do something different. So I went to talk with one of my former instructors at Isothermal, and we wound up creating four separate training programs. We still get together at least once a month to see if there’s anything we at Duke Energy can provide in terms of materials or instruction.”

Thad Harrill, a vice president at Isothermal, elaborated on the partnership with Duke Energy. The program was a success, he said, because “the college and Duke Energy were equally yoked in this initiative. Without a true alliance, this issue would not have been solved.” Harrill also spoke about collaborating with students and parents. “We can teach



Duane Yoder (left) and Glenn DuBois

anything at our college. But many times we don’t have people lined up to take the classes. We have to collaborate with K-12 schools so that people know about the opportunities. We have partnerships with communities, with moms and dads, and with eighteen-year-olds.”

Glenn DuBois, chancellor of the Virginia Community College System, emphasized working with students: “Many of our students come from families that didn’t talk about college. They’re unsure of themselves. They might face food insecurity or housing insecurity. They need help navigating the process. Our most important collaboration is with our students — getting them to be successful, to complete.”

Duane Yoder, president of the Garrett County Community Action Committee, discussed a partnership to improve early childhood education: “We were looking at school readiness as an outcome we wanted to work on. So we said, ‘Let’s pool all the providers together — Head Start, family based, center based, even informal providers — and talk about the services they’re providing to the family and to the child.’ Today Garrett County is one of the lowest per-capita-income counties in Maryland, but we are near the top in school-readiness scores.” ■

Broadband: Connecting the Last Mile in Rural America

Introductory Speaker Ben Cline (U.S. House of Representatives), Moderator Emmett W. Hanger Jr. (Virginia Senate), Harold Feld (Public Knowledge), Roberto Gallardo (Purdue Center for Regional Development), Karen Hanson (National Telecommunications and Information Administration), and Arthur Scott (National Association of Counties)

U.S. Representative Ben Cline opened the panel by praising the contributions of Virginia's rural communities to the state's economic success. Then, state Senator Emmett Hanger led a discussion about the importance of tailoring local solutions, the complexities of funding, the need for better data, and the broader idea of "digital inclusion."

Harold Feld, senior vice president of Public Knowledge, noted that areas in New England, or the South, or the Southwest "are all 'rural' in terms of federal aid programs, but the communities are very different. Programs need local focus and local nuance." Feld also noted that broadband is an issue that cuts across demographic and social boundaries. "When we prioritize broadband deployment, we prioritize everybody. It's a network. We all connect to each other and we all benefit."

Karen Hanson, manager of partnerships and inter-agency affairs at the National Telecommunications and Information Administration, shared a variety of ways her agency is working to expand broadband access and adoption, including providing technical assistance to communities; developing planning tool kits; hosting regional workshops; and collecting information about state-level broadband programs. On the question of funding, Hanson said, "There's room for new patient investors to come in and help communities with the planning. And there's room for encouraging investment through CDFIs [community development financial institutions] so that the conversation can really happen at a very local level. But there's no one-size-fits-all solution. It still needs to be all hands on deck."

Arthur Scott, the associate legislative director and



State Senator Emmett Hanger (left) and Harold Feld

political outreach manager for the National Association of Counties, noted that the available data on broadband access do not paint a complete or accurate picture. But "if grant and loan programs are limited, it's important to make the right decisions using the right data," he said. "If we get a report saying 25/3 [a measure of download/upload speeds] is available, is that during peak hours? How long does someone get that connectivity? Is that only when no one else is on the network? We need a more accurate picture of how people are actually experiencing the internet."

Roberto Gallardo, assistant director of the Purdue Center for Regional Development, emphasized "digital inclusion." He said, "There are three levels to the digital divide. The first level is access. Do you have access, yes or no?

The second level is differences in use. And the third level is differences in economic, cultural, social, and personal outcomes. Here in the U.S. we're still stuck on the first one. It's important to understand that broadband is *one* of the components of digital inclusion." ■

"It's important to understand that broadband is *one* of the components of digital inclusion."

What It Will Take To Drive Rural Investment

Moderator Katharine Ferguson (Aspen Institute), Justin Maxson (Mary Reynolds Babcock Foundation), Lisa Mensah (Opportunity Finance Network), and Bernie Mazyck (South Carolina Association for Community Economic Development)

Katharine Ferguson, associate director of the Community Strategies Group at the Aspen Institute in Washington, D.C., moderated a session that asked what it will take to drive rural investment. She asked the panel to discuss the structural changes that might be necessary, as well as changes to the narrative. “The stories we tell ourselves might need to change,” she said. “Is the field of rural economic development up to the task?”

“I actually think we know a lot about what to do,” responded Justin Maxson, executive director of the Mary Reynolds Babcock Foundation, which is based in Winston-Salem, North Carolina. “If you layer services in a place with strong leadership and good collaboration, you see progress. It’s hard and slow and expensive, but it’s really not that expensive compared to other investments the federal government makes.” Maxson also emphasized the importance of capacity building. “Imagine if a federal goal were to build a strong, flexible, collaborative infrastructure across the country. Imagine how much more effective all the various [federal spending] programs would be.”

Bernie Mazyck, president and CEO of the South Carolina Association for Community Economic Development, noted that it’s not enough to simply increase funding. “As we look at federal programs, we have to make sure that they are accessible, that rural people can engage with them.” Often, he said, “when we look to scale, we end up speaking a language that no one understands.” Mazyck also emphasized the value that already exists in rural areas. “There are so many assets, so many opportunities, so many resources that have yet to attract the interest of investors. We don’t value what we have in our own backyard. It’s about creating the narrative and elevating the story.”



Katharine Ferguson and Bernie Mazyck

Lisa Mensah, president and CEO of the Opportunity Finance Network, talked about bridging the gap between federal money and local programs. Based in Washington, D.C., the Opportunity Finance Network is a national network of community development financial institutions, or CDFIs. “CDFIs exist for that kind of intermediation, to explain, ‘This is what it’s going to mean to move the dollars from a big federal program

into the facilities that we need — into the senior centers and the day care centers and the opioid-treatment centers.” Mensah also said that the poorest areas of the country aren’t poor by accident; they’re poor because of choices the country made.

“There are so many assets, so many opportunities, so many resources that have yet to attract the interest of investors.”

“We have a history of some massive disinvestment and unequal investment, and we have to acknowledge that history. But we also can decide to change our investing choices. We are a very wealthy, fortunate country, and we haven’t quite finished our work. But we can.” ■

Access to Capital and Community Absorption

Moderator Bette Brand (USDA Rural Business Service), Donna Gambrell (Appalachian Community Capital), Deb Markley (LOCUS Impact Investing), and Thomas Watson (Rural Support Partners)

The panel “Access to Capital and Community Absorption” addressed the opportunities and barriers faced by communities trying to obtain capital — as well as the challenges they face putting that capital to work effectively. Bette Brand, administrator of the Rural Business Service at the U.S. Department of Agriculture, asked the panelists to share where they see opportunities being missed due to a lack of capital; strategies for equipping local leadership; and stories of successful community investments.

Deb Markley, senior vice president of Richmond, Virginia-based LOCUS Impact Investing, talked about the challenges facing entrepreneurs in distressed areas. (LOCUS, in Latin, means local and opportunity.) “If you are somebody with a good business idea living in one of these areas, it’s really hard to come up with the equity that even a good CDFI [community development financial institution] would require [to make a loan].” She also advocated for technical-assistance grants to accompany investment dollars. “Organizations need grant dollars to do that really critical wraparound technical assistance when they’re doing small business loans because in rural areas these are often ‘high-need’ entrepreneurs. This is actually a risk-mitigation strategy for the foundation. If you’re putting grant dollars out with investment dollars, those grant dollars are being used to ensure, to the extent that you can, that those entrepreneurs are successful.”

Thomas Watson, owner and executive director of Rural Support Partners, based in Asheville, North Carolina, said that there is actually a great deal of capital available in the Appalachian region. The problem is that “it isn’t working as well as it could, or working together. There are lots of different funders, but the system is not working as a system. It’s all individual



Donna Gambrell and Thomas Watson

parts and we’re not able to blend the money. We need to get investors and foundations working hand in hand. We need to think differently about how we blend technical assistance and grant money and capital to help projects get off the ground.”

Donna Gambrell, president and CEO of Appalachian Community Capital, an intermediary for community development lenders in the thirteen-state Appalachian region, noted that rural investment requires “patient” capital and investors willing to make a “real commitment, to say ‘I’m in it for the long haul, and I know I’m not going to see a return overnight.’” She

“We need to think differently about how we blend technical assistance and grant money and capital to help projects get off the ground.”

also emphasized the nonfinancial returns that can flow from investing in rural areas. “The return may not be financial. But the benefits that you reap are so much greater — how that community grows, how it thrives, how the people become healthier, how jobs get created or retained.” ■



*Valley Pike Farm has been operating for more than 130 years
in Rockingham County, Virginia.*

PHOTOGRAPH BY CINDY PARKS

