

New Governance
for a
New Rural Economy



Reinventing Public & Private Institutions

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— STUDY *of* —
RURAL AMERICA

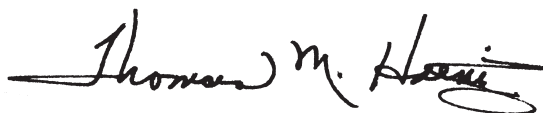
Preface

Globalization presents both challenges and opportunities to rural America. To confront globalization, rural leaders must venture beyond the traditional dependencies on commodity production in agriculture and manufacturing. In this rapidly evolving environment, quick and effective economic decisions are critical—and *governance* is the process through which such vital decisions are made.

Reshaping the private and public institutions through which governance operates is an essential part of successfully reinventing rural regions. What kind of governance structures work best in this new context? What lessons can be learned from past and current experiences?

New Governance for a New Rural Economy: Reinventing Public and Private Institutions drew more than 150 rural policy experts and leaders to Kansas City on May 17-18, 2004, to discuss new approaches to regional governance. This conference marked the fifth year of annual rural policy conferences hosted by the Federal Reserve Bank of Kansas City's Center for the Study of Rural America.

Participants agreed that new models of governance can be valuable catalysts in seizing new economic opportunities. Rural communities historically have relied on cooperation, yet similarly historic jurisdictional boundaries often hamper new economic development strategies. The conference highlighted useful cases of new partnerships, which are helping to spur fresh momentum in regional economies. Higher education and philanthropic institutions often have led the charge, but governments and businesses also are participating. In this same collaborative spirit, we hope that these proceedings help regions better understand and assess their own governance needs as they forge new paths to economic prosperity.



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New Governance for a New Rural Economy: Reinventing Public and Private Institutions— A Conference Summary

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A growing chorus of rural leaders agrees that new opportunities are on the horizon for rural America. Economic consolidation and outmigration need not be rural America's future. The question most rural regions now face is this: *How to claim the new opportunities*. At root, this question is all about governance—how regions make economic decisions quickly and effectively. Simply put, regional governance is about how public and private leaders work together to build new economic engines that can compete in globalizing markets.

More than 150 rural policy experts and leaders gathered in Kansas City in May to discuss new approaches to regional governance at the fifth annual rural policy conference hosted by the Federal Reserve Bank of Kansas City's Center for the Study of Rural America.

Participants agreed that new models of governance are long overdue in rural America. While rural communities value cooperation, all too often, city limits and county lines paralyze new economic development strategies. Participants were encouraged, however, by a number of innovative partnerships now being forged in rural regions. In many cases, these partnerships are being sparked by higher education and philanthropic institutions, but governments and businesses also are participating.

NEW GOVERNANCE 101

The first session of the conference provided a working framework for regional governance. Joe Sertich began with a sketch of the Arrowhead Model of governance. The Arrowhead region of northeast Minnesota is not unlike many other rural regions. It has long been dependent on natural resources as its economic base for generations—in this case, timber and taconite, which are used in making steel. Tourism also has become an important contributor to the area's economy. After decades of decline in timber and taconite, Sertich saw the region at a tipping point at the turn of the millennium.

The region's higher education institutions recognized an opportunity to serve as a catalyst for that change. The first step was reorganizing the region's community college structure. In 1999, five community colleges were brought together under one umbrella to pool resources and reduce costs. The five-college district was renamed the Northeast Higher Education District (NHED), sharing one president. The NHED's mission is "to provide quality higher education to the communities throughout northeast Minnesota by developing a regional structure that will...align programs and services to better prepare residents for learning, employment, citizenship, and life." A unique extension of that mission is the district's active engagement in creating a more robust regional economy. In particular, the college's five campuses work to promote effective relationships with each

community, providing services to business and industry, as well as creating cities with state and regional economic development initiatives.

The NHED quickly realized that new governance for the Arrowhead Region must go well beyond the community college. Thus, it sought new partnerships with the region's businesses and governments. The result was a new commitment to the future of the region. That shared commitment is now captured in True North, the region's new brand that describes the cooperation among higher education, the private sector, and government, literally, the three points of a figurative arrowhead. The interaction among these three key sectors is a critical component of this and any region's new governance.

True North's first major economic initiative is the TechNorth Prep Center Network. It is a system of work sites that matches students seeking training and experience with businesses seeking young talent. The tenants of the TechNorth Prep Centers include start-up businesses, back-office contract service providers to compete with outsourcing, and larger, established organizations. This broad spectrum of tenants illustrates the fresh linkages the centers are making within the community.

The True North experience reveals several perspectives for other regions to consider. Government, higher education, and the private sector each has much to offer, but their differing structures and goals can create challenges. The True North experience found that the business sector has many ideas but simply lacks time to execute them. Government, although interested, has very broad goals. And colleges, while willing and responsive, are sometimes slow to change. The new governance structure has created new recognition for the community college campuses, who are, in turn, serving as trusted links between government and the private sector.

In the case of True North, higher education was the leader in sparking changes in how the region's institutions interacted. Nevertheless, government or the private sector could play that role as well. Regardless of the initial catalyst, the other institutions still need to take on leadership roles to make new governance work. Catalyst organizations should invest their own resources early to illustrate their commitment. Initiatives need to take a long-term outlook, with the understanding that partnerships take time to develop.

In that spirit, True North is still in its infancy, striving to expand the roles of its government and private sector partners.

Chuck Fluharty provided a broad assessment of the state of governance in the United States. He sees governance as "the means by which people come together to identify key problems and opportunities, craft intelligent strategies, marshal necessary resources, and evaluate outcomes." An essential starting point, he stressed, was understanding the importance of *interdependence* among governmental and nongovernmental organizations. Government's role seems likely to evolve into coordinator through multiple policy-related networks comprising public, private, nonprofit, and associated actors. Each player in the governance network brings unique roles, power bases, skills, resources, and values.

Governance is especially important for rural areas because of their disadvantage in community capacity—their limited ability to craft and implement new economic development strategies. Rural communities are small and sparse, and have access to fewer resources than metro areas. Creating new governance structures can be difficult because rural communities are seldom accustomed to working with their neighbors to solve common problems. Rural elected officials often spread their time across many responsibilities with minimal professional support.

“Good” governance, however, actually can help rural areas leverage their scarce resources more efficiently. Fluharty described good governance as engaging people in a democratic process and giving them the opportunity to be included in how decisions are made. He characterized good governance as: policies that give invisible people a voice, crossing traditional jurisdictional boundaries, building and sustaining collaboration, achieving meaningful economic and social outcomes, and applying past lessons to future initiatives. Most rural regions have a good foundation for new governance right in their backyard—a strong base of grassroots institutions and organizations, such as local schools and churches.

Looking ahead, Fluharty outlined three critical questions for rural governance. Who will be the champions for change? Who will be the intermediaries to facilitate innovation in key institutions? What constituencies will support the innovative leaders and institutions? Intermediaries, such as civic organizations and foundations, are particularly important because they serve the role of connecting and supporting initially disparate people and organizations. The role of intermediaries is likely to change over time, and more than one may be involved in any particular effort.

INNOVATING PUBLIC AND PRIVATE INSTITUTIONS

The second session of the conference took a close look at three different models of new governance. Each represented an example of a different institution taking the lead in forging new regional partnerships. The first case examined government’s role in the development of the Austin technology cluster in Texas. The second described Purdue University’s lead role in reinventing Indiana’s economy. The final case discussed the role of nonprofits in sparking new regional development strategies.

Building the Austin Technology Cluster: The Role of Government

The tale of Austin, Texas, and its rise as a technology center is not a rural story, but it still offers powerful analogies that would be helpful to any region. Austin’s now well-known focus on technology actually began more than four decades ago. A chamber of commerce program focusing on the electronics industry launched the long journey that led Austin to become a technology center.

Government initiatives played a critical role in Austin’s tech success. Local and state government recruited companies and assured an attractive quality of life to draw, develop, and retain highly skilled workers. Indeed, workforce training and education has been a consistent theme of state and local governments. The result is that Austin now has one of the most educated workforces in the country.

Pike Powers noted that many policy decisions contributed to Austin’s technology successes. Educational, intellectual, and physical infrastructure capacities were continually upgraded. The University of Texas invested in tech facilities and created new endowed chairs. The city improved its water and electricity networks, and built a municipal airport. City and county government offered tax abatements and utility rate agreements, arguing that such policies went beyond typical “quick fix” incentives to attract complementary new employers within a coordinating strategic goal.

Austin fostered a climate for innovation and entrepreneurship, aided by the university allowing faculty to have a financial stake in commercialized inventions. Finally, business, government, and the university agreed on target areas within science and technology, focusing recruitment efforts on those areas.

Powers stressed that although Austin is doing well, it must be pro-active in adjusting to the

global changes occurring in the science and technology industries. Educating the local workforce to meet the needs of the knowledge-based industries remains critical. And Austin is facing the congestion problems that attend rapid metropolitan growth. All of these challenges will continue to require leadership by local and state government if Austin is to maintain its status as a leading high-tech region.

Discovering a New Indiana Economy: The Role of Higher Education

Purdue University believes it, along with other research universities, should play a leading role in helping rural regions reinvent their economies. Martin Jischke sees new forms of partnerships as the way to do that. "I believe land-grant universities in the 21st century should partner with government, communities, and private enterprise to help both urban and rural areas manage the economic and social challenges of our times."

The changes in the new economy are being driven by science and technology. Jischke argued that the most effective development of knowledge-based economies is happening in states and regions that partner with research universities. He cited three examples of successful initiatives—Massachusetts Institute of Technology (MIT) and the state of Massachusetts, Stanford and Silicon Valley, and the North Carolina universities and Research Triangle. Purdue aims to do the same for Indiana.

In response to the recent economic downturn, partnerships were formed between Indiana businesses, government, and research universities to identify sectors in the state with the greatest promise for future economic growth. Advanced manufacturing, information technology, life sciences, transportation, distribution, and logistics were the most promising sectors. Purdue is taking a lead by supporting these areas with new investments in science and technology.

To help Indiana tap the knowledge economy, Purdue's efforts are becoming interdisciplinary and multi-institutional. The university recognizes that barriers often exist between academic disciplines and is working to eliminate such barriers. By breaking down these walls, researchers from different disciplines can create fresh innovations for the constantly evolving knowledge economy. Purdue's Discovery Park initiative started as a partnership with the state. Now, however, it also has engaged as partners the federal government, philanthropic organizations, alumni, and businesses. Discovery Park is a cluster of research centers that "connect faculty and students from many disciplines." The research at the centers is key in developing market-ready technologies, which have attracted high-tech businesses to the state.

Discovery Park is aimed at fostering growth throughout *all* of Indiana, and rural areas have much to gain. Technology incubators could translate into new high-tech businesses locating in rural Indiana. Indiana farmers already have profited from research that developed disease-resistant soybeans. The state's timber industry has benefited by the development of better species of trees. Beyond Discovery Park, existing rural businesses have access to Purdue's Technical Assistance Program (TAP), which provides assistance with the everyday issues associated with managing a business and developing new products. And the university's Center for Rural Development goes beyond the "what" and addresses the "how-to" of rural development.

The Extension Service programs housed at land-grant universities have long been the connection between the university and the communities they serve. Jischke argued that the existing Extension model must change because there is a "growing disconnect" between 21st century economic needs and the historic focus of Extension programs. Jischke urged working toward a more "two-way" between Extension and communities. He also argued that Extension programs should engage all of the

university's disciplines, not just the traditional ones, such as agriculture. Finally, the focus of Extension programs needs to be more entrepreneurial in exploring new ways to fund activities.

Sparkling New Development Strategies: The Role of Nonprofits

Karl Stauber examined how nonprofit institutions can spur innovations in regional governance. Philanthropic organizations have been a leader in development initiatives, but he stressed they cannot do it alone. Successful rural development requires collaboration with government, businesses, and all private sector institutions. Depopulation and poverty are all too familiar to rural areas. He stated that "if the downward spiral is to be stopped, it must happen in this decade."

He described rural decline as multidimensional—structural and incidental, absolute and relative, and persistent and responsive. For all these reasons, multidimensional approaches are needed for rural development. By contrast, many of the rural development efforts now in place have a single focus, such as programs targeting housing or education. While they may produce narrow benefits, they cannot address the long-term challenges facing all corners of the economy.

Stauber outlined three factors that will determine the future competitiveness and prosperity of communities. First, communities must have a unique competitive advantage to be prosperous. Second, prosperous communities must acknowledge the need to seek new competitive advantages, rather than protecting the old. Finally, prosperous communities must strive to balance economic growth with building social and human capital. All three are crucial to long-term prosperity.

Stauber suggested that four models of economic development currently prevail in rural America. *The commodity production model* concentrates on a single

segment of the economy. This type of development has stabilized after declining significantly. *The branch plant model* concentrates on attracting industrial facilities, often to trade and service centers. This model is in decline as a result of globalization, which has raised the cost of industrial recruitment, while increasing the risk of a company leaving town. *The entertainment and amenity model* tries to exploit scenic wonders. This model is expanding in use but is constrained by the geographical and natural characteristics of a region. *The entrepreneurship model* exploits a region's unique competitive advantages. This model is the most underutilized, but in Stauber's opinion holds the greatest potential for rural regions.

Nonprofit organizations are leading many of the efforts now aimed at changing economic development visions and strategies. In many cases, nonprofits are uniquely positioned to take on this role because they are viewed as trustworthy, while also having tax law advantages that ease the process of raising capital funds. Nonprofits are also usually independent of local politics and thus can tap into a fresh pool of leaders.

The development successes that have been led by nonprofits reveal some common dimensions. The vision must be developed *by* and *for* the entire community, not just a single sector. Efforts should be multidimensional and should seek to exploit a region's new competitive advantage. The effort must be focused on a region, not a single community. Thus, regional partnerships are critical. Finally, development goals should seek to build both wealth and community, not just one or the other.

Nonprofits have faced many difficulties in their rural development efforts. First, federal funding is inflexible and tends to be sectoral in nature. Second, institutional support for entrepreneurship and other means of creating competitive advantage, which he argues are the keys to future prosperity is lacking. Third, rural communities

have difficulty creating a vision for the future because they linger on what worked in the past. Fourth, there are few forums for regions to learn from one another. Finally, institutions devoted to research in rural public policy issues are still too few. They need adequate resources to operate on a national basis; and they must be able to address issues in a multisectoral manner. All partners must tackle these challenges if they are to succeed in years to come.

NEW POLICIES FOR GOVERNANCE

The final session of the conference focused on public policies that can promote new governance in rural regions. The session began by exploring the MidSouth Partnership, where new partnerships between state universities and community colleges in Mississippi are helping to address the needs of rural communities. The overview panel members offered their insights on how rural America can seize new policy opportunities.

New Opportunities for Public Policy: Learning from the MidSouth Partnership

Clinton Bristow and J. Charles Lee described how the MidSouth Partnership forged a new partnership between Alcorn State University, Mississippi State University, and the state's community colleges. The significant challenges facing rural Mississippi started the conversations among these institutions, various foundations, and a Mississippi philanthropic organization. All participants quickly converged on the "need for new and renewed leadership in our colleges and universities."

The resulting public policy was the MidSouth Partnership (MSP) for Rural Community Colleges. Seed foundation grants in turn leveraged federal government funding. Both were key catalysts in developing rural leaders through the allied educational institutions. MSP trains new faculty and administrators to meet the needs of rural community colleges. The training is provided by Alcorn State and Mississippi

State, while leaders of the community colleges actively are involved in shaping their curriculum. Lee noted that the MidSouth Partnership crossed traditional boundaries separating individual state colleges, as well as state and community colleges. True to its founding spirit, MSP also is reaching across state lines in a collaborative effort with Alabama community colleges.

The MidSouth Partnership experience provides valuable insights on partnering and rural development. MSP was characterized as "a shared journey to lift up rural people and communities," although Lee pointed out that the journey was not free of turbulence. Worrying about who receives credit can hinder partnerships; rural regions must remember to "hold hands" throughout their journey. All parties agreed that community colleges are an "underutilized asset" in rural economic development, which can provide both leadership and momentum to underserved regions.

Bristow outlined many areas where public policy can play a pivotal role in reshaping rural areas, particularly in terms of education and workforce training. Flexibility in the policies of a university's governing board allows it to adjust to the changing needs of the region. Flexibility is equally important in creating workforce programs that go beyond training for a specific job or company and help stimulate entrepreneurship. In this sense, workforce policies need to be forward-looking, rather than focusing on immediate or past needs.

As the conference's earlier examples already had shown, regional partnerships such as MidSouth are critical to new regional economies and thus should be a new goal for public policy. Working across jurisdictional lines, as well as the cultures of different institutions, is difficult but not impossible—and can allow overlooked synergies to develop to the benefit of the entire region.

SEIZING THE NEW POLICY OPPORTUNITIES

Conference participants agreed that new models of governance are needed to seize economic opportunities in rural areas. The old model of developing individual programs targeted at single sectors of the economy does not meet the challenges created by a global economy. The models of governance showcased in this conference were all based on collaboration and partnerships across government, businesses, higher education, and nonprofits.

Partnerships, while simple in concept, are painstakingly difficult to develop and sustain. Linda Salmonson cautioned that such collaborations require partners to “leave turf at the door.” Yet engaging multiple partners provides regional development efforts with adequate resources and stakeholder approval.

Champions for change are also central to new governance. In each example presented, one institution stepped up to call for change. Larry Whitaker described champions as those who take risks and accept the consequences, “even if it means losing a vote.” Higher education, the business community, government, and nonprofits all have the ability to be champions in their regions.

Echoed throughout the conference was the need for public policies to support such innovations in governance. John Welty identified seven components that are needed for rural regions to capture opportunity:

- A sense of “place,”
- Engagement by higher education,
- An entrepreneurial culture,
- Collaboration and cooperation among regional leaders,
- Financial investment from multiple institutions,
- Strong leadership, organizational, and economic infrastructure, and

- Educational and training programs that serve the region’s goals.

These seven components cover many of the public policy areas that participants agreed must be addressed to help foster the prosperity of rural regions.

Participants concluded that rural America has good reason to be bullish about its economic prospects, but rural communities must find new ways to think and act together as regions. The consensus view was that new models of regional governance will be the hallmark of prosperous rural regions. The basic premise of policies and governance is people, noted both Salmonson and Whitaker, and meeting the needs of a region’s people should be central to development efforts. One institution or organization cannot meet those needs alone. To build new economic engines in rural regions, higher education, government, business, and nonprofits must all be at the table when strategies for the future are born.

New Governance in Action: The Minnesota Arrowhead Model

Joseph M. Sertich, Jr.

THE ARROWHEAD REGION: A LANDSCAPE TRADITION

At the turn of the century, the Arrowhead Region of northeast Minnesota determined there was no better time to position itself into private/public partnerships. These partnerships would help strengthen communities by working with a new governance model. Driving the urgency was the realization that this rural region was fragmented regarding the future of its economy. A lack of focus in the region resulted in being at a tipping point common to much of the rest of rural America.

The Arrowhead Region, including the Iron Range, has relied on a natural resource-based economy for more than 100 years. The three major drivers of the economy often are referred to as the three T's. The first T is *taconite* and is used in the making of steel through iron mining and ore processing. The second T is *timber* and is predominantly used in papermaking and fiberboard. Both of these industries have experienced tremendous global competition. The third T is *tourism*—bringing millions of visitors to the region each year because of the beautiful lakes and forests.

Over the past two decades, the situation worsened. In the early 1980s, mining accounted for 50 percent of the jobs and 60 percent of the income in

northeast Minnesota. Today, mining represents 10 percent of both. Many ideas for diversifying the economy were discussed across the region but were unaligned with resources, signaling the need for the various threads to be woven into a single plan.

With economic health in decline, higher education saw an opportunity to serve as a catalyst and coordinator for the region, which was ripe for change. Coincidentally, in early 1999, the community colleges saw the need to pool their resources to save administrative costs. Dramatic steps were implemented to reorganize the governing structure under one super-regional umbrella. With one college president retiring and two more retirements pending, the Minnesota State Colleges and Universities Board of Trustees chose to create the Northeast Minnesota Higher Education District, effective Oct. 1, 1999.

Five community colleges were organized together in a district—the only one in the Minnesota State College and Universities system. These five colleges share one regional president. Their mission is to provide quality higher education to the communities throughout northeast Minnesota by developing a regional structure that will preserve college autonomy but also will align programs and services to better prepare residents for learning, employment, citizenship, and life. By creating a balance between local autonomy and regional unity, the member colleges of the Northeast Higher Education District are positioned as resources for the region's communities, employers, and students. In this way, the

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colleges in the district truly will be anchored to their communities and capable of cooperating with other colleges to cost-effectively provide quality education for smaller cells of students.

One of the greatest challenges facing the district of colleges was a lack of vitality in each of its interdependent communities across the region. The economic crisis was challenging to the colleges, and so were the decreasing statewide investments made in public higher education. Because of the heavier reliance on state appropriations, layoffs were imminent at smaller institutions. One advantage of the “consequence of challenges” was that it gave the followers the motivation to turn collective problems into progress, rather than just solve each of the problems as it arose. And with LTV Steel Mining Company closing in 2000, it became obvious that there were serious regional problems. Fourteen hundred LTV workers lost their jobs. These workers and their families lived in communities across the entire region. Other mines, paper mills, and wood product plants also announced layoffs or were threatening to close. Because of these and other catalytic events, in June 2000, the founding president of the Northeast Higher Education District floated in his boat around a chain of lakes with a trusted colleague/consultant imagining how his new college district structure could and should be more than supervising provosts to run efficient colleges. It was concluded that as communities go, so go the colleges and vice versa.

The plan for the proposed Northeast Higher Education District included five principles to guide its future direction. The first was to ensure appropriate measures of institutional autonomy. The second assured student and community access to quality educational programs. The third ensured meaningful institutional cooperation. The fourth ensured institutional stability. The fifth—perhaps most distinguishing principle—promoted effective relationships with the community, including

advocacy and service to business and industry and connections to regional and statewide economic development initiatives. These five colleges currently serve between 8,000 to 10,000 learners per year or about 5,000 full-year equivalent (FYE) students. The region served is just over 13,000 square miles, making it larger than the state of West Virginia. With a population of about 130,000 residents, it means the region averages 10 people per square mile.

Drabenstott (2003) believes rural regions are influenced by two important forces. They are globalizing markets and regionalizing strategies. Rural economies work best in a self-defined region, where communities recognize their interdependence. The concept of community is often based on a shared sense of place, enabling regions to be defined as a community. A sense of place involves relationships with people, cultures, and environments, both natural and built, associated with a particular area (Flora and others, 2004). Thinking regionally may be the transcending answer to the question of how regions reinvent their economies. The Arrowhead Region had the advantage of being recognized for decades as a shared sense of place.

Once a region is identified, five critical components leading to healthy communities should be assessed. The operative word for rural people is access. Access may have multiple descriptors, but, at the end of the conversation, what's important is whether or not rural citizens can get what they need in a reasonable period of time. Whether a community is defined as a town, village, city, county, or larger economic region, it is still necessary to the residents to have access to all five critical components. The first one is *government*. People want a say in their own destiny and have a sense their voices are being heard, especially as it relates to how people live together. Good government can be measured by voter turnout rates, numbers of candidates running for political offices,

or attendance at government meetings. The second critical component is *health and social services*. People want to sense they are taking care of one another for their collective and individual physical, social, and mental well-being. When unexpected circumstances arise, communities want safety nets to assure appropriate responses to health and welfare issues. This means rural people can get into clinics, have an ambulance to respond to an emergency, as well as have access to a wide portfolio of hospital and social services. The third component is *education and training*. This should start in the early ages of child development and extend through Elderhostel programs for people in the twilight of their life. There should be strong coordinated higher education programming articulated with compulsory education. And incumbent workers and businesses need customized training so companies and organizations can become or remain globally competitive.

The fourth critical component is *community infrastructure*. This isn't limited to streets, utilities, and broadband internet access. It also includes the many groups of people who make up the fabric of those communities, like service and faith-based organizations. Finally, the fifth, and probably most critical component, is the *economy*. Some would argue that without an economy, the other four critical components would need not exist. Today, the economy should receive a disproportionate amount of emphasis because most rural communities are witnessing how this critical component is slipping the fastest and is the most difficult to reinvent or turn around. The challenge is not to just improve each of the components of a healthy community, but it is the art of balancing the five components. Even though the economy should be emphasized and focused on, it's important not to focus on the economy exclusively at the expense of the other four critical components. Often the first four components are strengthened as solutions to improving the economy.

After identifying assets in the region by listening to the private sector, it became obvious the region needed to move from the three T's of taconite, timber, and tourism toward the fourth T of *technology*. Technology supports the infrastructure that allows individuals to be more productive in the workplace and in their pursuit of opportunities as lifelong learners. Technologically trained and equipped individuals can be at the cutting edge of the changes and innovations that will serve the region. The greatest danger to the viability of rural communities is not globalization but a retreat into isolationism and protectionism, so the fourth T, *technology*, was used as a tool to create living wage jobs across the region. This was the best way for communities to preserve their local control and become more competitive globally. An existing public private initiative called doIT! (do Information Technology) of Iron Range Resources had been operating since 1997, and the new regional college president had been serving as chair of its 20-member board. As the *Harvard Business Review* advocates, strong regional planning and economic growth at the community level work best when communities thrive locally in the global economy.

But it was still obvious the region did not have its act together. A new economy demanded more from a historically independent region. So, before new governance could be implemented, there needed to be agreement on how the future was going to affect the region. True North would become a regional branded term for public, private, and higher education institutions as they looked at one another from different perspectives. While regional planning for post-secondary education programs and services is being presented here as a relatively new concept for Minnesota's community colleges, it is not new nationally among community colleges. Whereas Minnesota began a network of municipally funded junior colleges prior to the Great Depression and added additional junior colleges and technical colleges in the baby boom era,

other states adopted a more comprehensive approach to statewide planning that incorporated regional community colleges in rural areas from the date of establishment.

Leading community college pioneers including S.V. “Marty” Martorana, James L. Wattenbarger, and Raymond J. Young recognized the efficacy of regional planning to locate and establish statewide community college systems as early as the mid-1950s. In the early 1950s, while helping to establish a rural-serving community college in Freeport, Ill., Young discovered people would drive about as far to “purchase” community college services and programs as they would to obtain durable goods, such as refrigerators or washing machines. Young then incorporated this regional approach to planning for the delivery of community college services in his chapter on junior colleges in the 1957 report, *Illinois Looks to the Future in Higher Education, the Report of the Illinois Commission on Higher Education*. The plan Young recommended—which was based upon an intensive study of population patterns and growth from the U.S. Census—bears a remarkable resemblance to where the community college districts are located today. Today, adult educational attainment rates across the Land of Lincoln rank a close second behind only California (Katsinas, Johnson, and Snider, 1999). Thus, long ago, leading community college experts recognized the need for new rural-serving community college districts to cross county, city, and school district lines.

During the baby boom era, many governors and legislatures justified the establishment of new statewide community college systems on the basis of providing economic development to their state’s entire citizenry. Gov. Fritz Hollings’ work to create a state technical college system in South Carolina in the early 1960s was a good example of this. In their analysis of the state summaries contained in Tollefson and others’ *Fifty State Systems of Community Colleges: Mission, Governance, Funding and Accountability*, Katsinas, Opp, and Alexander found that

economic development justified the establishment of community college systems in virtually every state (2003). The idea of a comprehensive community college, possessing a capacity to deliver both general education for baccalaureate transfer and technical programs to serve local economic development needs is not new. Writing in 1989, former Mississippi Gov. and American Association of Community Colleges Board Member William F. Winter noted:

In an era of unparalleled change in both the techniques and objectives of economic development, the role of America’s community, junior, and technical colleges has never been so vital. Increasingly recognized by political and business leaders for their unique capabilities, these institutions in the decade of the 1980s have had thrust upon them a myriad of missions looking to the solution of the nation’s social, economic, and education problems (Winter 1989, foreword in Katsinas and Lacey).

Also, during the 1980s, new collaborations and partnerships emerged among business, industry, labor, and community colleges. Katsinas and Lacey documented this in their 1989 AACC-published monograph *Economic Development and Community Colleges: Models of Institutional Effectiveness*, which included seven case studies, five of which were about rural-serving community colleges.

Thus, for rural-serving community colleges, the “new regionalism” may not be new. So, why now is there such renewed attention? First, there is a growing recognition that county government cannot serve as a 21st century intermediary to provide the training and retraining to produce a skilled workforce that rural America desperately needs. The rural-serving community college can play this role in rural America. Second, there is an ever-growing recognition among economic development experts, scholars, and policymakers of the need for regional approaches and thinking related

to rural development strategies. As truly *regional* providers, the rural community colleges can get past the rampant “turfism” that exists within other structures of local government in rural America. So, regionally, True North happened not because it was the right time or the right place, but because it was both the right time and the right place.

TRUE NORTH: NEW PERSPECTIVES

In November 2000, True North was launched as higher education’s invitation to the private sector and government to align under one umbrella, in much the same way the Northeast Higher Education District colleges were modeling their interdependence. For this bold new model to work, *visionary* leaders who had clear economic development strategies needed to step forward. They included private entrepreneurs like Jim MacNeil of Knowledge River, Jerry Johnson of Superior Edge, local municipality economic developers like Kirk Bustrom of Itasca Technology Exchange, and Bill Henning from the Ely Area Development Authority. They also included higher education leaders like the provosts from each of the five colleges: Mike Johnson, Itasca Community College in Grand Rapids, Minn.; Ken Simberg, Hibbing Community College in Hibbing, Minn.; Jill Peterson, Mesabi Range Community & Technical College in Virginia, Minn.; Tom Weegar, Rainy River Community College in International Falls, Minn.; and Sue Collins, Vermilion Community College in Ely, Minn. The pattern of interaction among leaders needed to change so collaboration between higher education and government and the private sector would improve business performance. The experiences for Arrowhead demonstrate that when government, private sector, and higher education work together, a new governance frontier can be created. The Arrowhead Model or True North shows there is much to learn and more progress to be made, but perhaps

this experiment is an example of how one region discovered this frontier a little earlier than others.

True North as a concept grew out of the existing regional community college education model. The mission of True North is to ensure that northeast Minnesota remains a viable place to live, learn, work, and grow. This is best accomplished when local autonomy is preserved because most economic development begins in communities. But planning is done regionally. America’s rural community colleges offer unique “place-based” capacity to engage rural people and institutions in the process of building and sustaining healthy communities.

As a way of encouraging people in the region toward an “I can” state of mind, True North literally took its story on the road in 2001. A thoughtfully produced presentation was shared with more than 60 groups of private sector and government people across the region, with other college administrators and leaders of the Minnesota State Colleges and Universities system, and at national meetings. The regional alignment concepts and strategies were unanimously acknowledged, as people also agreed that in order for the region to achieve lasting results people needed to learn to relate to each other in new ways. More importantly, True North advanced the belief that the region should trust the strong northeast Minnesota tradition of independence and hard work to make things happen. Along the way, True North leaders made it clear that this was “a low threshold, inclusive, and collaborative” strategy for the greater good of the region. True North was not interested in replacing, removing, or taking over for any of the people or organizations currently serving the region in many valuable ways.

Being pro-active, planning for constructive change, and getting in quickly behind the economy as it evolves are characteristics of True North that have become assets clearly not recognized before the

new governance process began. Iron Range Resources, a regional economic development agency, actively partnered from the beginning with True North to align regional leaders in support of local initiatives, many of which are tied to global opportunities. True North also engaged with the Arrowhead Growth Alliance, a northeast Minnesota leaders forum for aggressive new business initiatives. True North was one of the sponsors of the Arrowhead Growth Alliance's Northeast Minnesota Economic Leadership Conference in October 2002 and the district college president was selected as the master of ceremonies for this two-day event that included 65 private business leaders. Additionally, starting in 2002, the Rural Policy Research Institute, a multisector advocate for more pro-active federal policy provided invaluable connections to national partners and collaboration. This connection started attracting national attention. The Northeast Higher Education District was selected as one of 36 participants for the Ford Foundation funded Rural Community College Initiative. The Blandin Foundation, with a mission of strengthening rural communities, provided intercommunity leadership development and start-up financial resources to the Grand Rapids, Minn., site called the Itasca Technology Exchange, the first TechNorth Prep Center. And, of course, the initial investor, the Northland Foundation under the leadership of President Tom Renier, has been a valued partner from the days of initial launch. It must be remembered that regional planning is a team sport, and most of the action takes place face-to-face at the community level.

Among government, higher education, and business, one of the three must take the lead as a catalyst to convene meetings to show willingness to change traditional practice and ignite a spark to create a new governance structure. In northeast Minnesota, higher education provided that opportunity by building off of the unique college district structure and past national models that

illustrated the emerging role for community colleges. Modeling interdependence, preserving autonomy, and creating a new place-based framework would advance regionalism. To allow higher education to take the lead, the college community gave its "permission" for its college president to invest up to half of his time externally to the organization to connect the colleges to the communities for purposes of economic growth.

The initial reaction from the business and government constituents was positive because of the effects of mine layoffs, general economic decline, and a recognition of the outmigration of young brain-power. The commitment by all three parties at a local and regional level accelerated the process, but they also complicated the relationship building. The government showed great interest but had broadened goals. Businesses were short on commitments of time but were capable of leading opinions. The colleges continued to be nimble and responsive, so they could be viewed as willing to reach beyond education and training to accomplish their unfunded mission of community development, leading to economic growth and wealth creation. But, at times, they were slow to change. This kind of lead role by higher education worked as long as it wasn't viewed as a positioning for power over the other two sectors. Interestingly, in hindsight, no one observed or found it strange that a college president was leading a "town meeting" on regional thinking and economic and community development. Caring about the region seemed to be the characteristic people needed to see from the person willing to tell the story and carry the vision. Apparently, a college president could do that.

The role colleges and their leadership can play in community development continues to get more attention. In a report titled "Capitalizing on the Potential of Minnesota's Rural Campuses," prepared for the Center for Rural Policy and Development, (Manning and others, 2004) found that rural regions across the nation are currently

threatened by declining populations, slowing economies, and legislative power transfers to urban and suburban regions. The report goes on to say that the very survival of colleges located in these rural regions is at stake and the potential for these rural campuses to survive will depend on collaboration led by college leaders with their communities and better focused missions. Questions about rural colleges reflect not only concerns about the campuses themselves but also about rural Minnesota in general. Rural counties with colleges are doing better than rural counties without a college. Minnesota has 33 campuses in rural regions. For purposes of the Manning report, rural Minnesota is defined by exclusion. Not included in the definition are campuses located in eight counties in the greater Twin Cities area, in regional center cities outside the Twin Cities having more than 30,000 residents, and those within 30 miles of one of the regional center cities. True North was an example of meaningful collaboration with communities and a better focused mission that included community development.

MYTH MAKERS AND AGENTS FOR CHANGE: HOW DID THE CREATION OF TRUE NORTH CHANGE THE REGION?

True North was branded as a regional initiative to gauge community thinking and promote economic growth. In the summer and fall of 2003, the first major project called the TechNorth Prep Center Network became the flagship enterprise for True North. It contextualized all of the progress made to date, and True North moved beyond process development. This \$1 million opportunity was the result of an earmark appropriation through the Department of Labor, a favored project and success of the late Sen. Paul Wellstone. The TechNorth Prep Center Network of sites began by focusing on the college communities of the Northeast Higher Education District. The TechNorth Prep Center Network is a wired and unwired system of training

and work sites that provide a seamless “go-to place” for regional learners/workers and business clients. It provides a context to examine the challenges and barriers needed for growing and financing rural entrepreneurs on main streets in rural communities. One might imagine a center as a place of bricks, mortar, and steel, but the TechNorth Prep Center vision would be better described by seeing it as a “designation” for cells of workers and businesses who want to compete globally. This model relies heavily on economic developers at a local level finding and creating the physical surroundings. The physical surroundings are arranged to support the activities of computer programming, code writing, and software design. Community distinctive industry clusters are being emphasized to promote diversity in the TechNorth Prep Center portfolio.

To better understand the TechNorth Prep Center Network, a description of the five prospective tenants of a center will begin to describe connections to the community and the synergy expected to exist among those who work through these centers. The *first* tenant of the TechNorth Prep Center Network is the start-up business. The Northeast Entrepreneur Fund, under the direction of its founding president, Mary Mathews, plays a key role by promoting entrepreneurship, along with the Small Business Development Corporations co-located at the colleges. Business development over the past century has centered around natural resource-based industries with absentee landlords.

Young northeast Minnesota residents have grown up for years wondering who they will work for and whether they'll get a good job. Small business start-ups attract people who are willing to take risks. They understand that a less popular answer to the question “What are you going to be when you grow up?”—could be “an entrepreneur.” Drabentstott and others (2003) recognized the role small entrepreneurial companies have in the U.S. economy. Entrepreneurship education is crucial in community

development work and leads to economic growth. The intellectual capital will come from a region's workforce being continually up-skilled in partnerships with community colleges.

Some start-up businesses could move beyond conventional entrepreneurship by owning and operating a business through its college. Rivard (2002) used Hocking College as an example of one such business that opened in 1968. It owns and operates a variety of businesses, which are open to the public, supervised by faculty, and operated by students enrolled in business, natural resources, hospitality, and eco-tourism programs. This idea is being explored at Mesabi Range Community and Technical College, where one of its instructors, Aaron Kelson, is investigating a start-up business at the Quad City TechNorth Prep Center in Mt. Iron, Minn. The *second* tenant of the TechNorth Prep Center Network is back-office contract service providers who compete with current offshore outsourcing for larger businesses. In some instances, large corporations strategized offshore outsourcing as more than just seeking inexpensive labor. They want to establish markets in countries like China and India, where access to large population cells could lead to consumers.

Competing in outsourcing means cells of workers will need to be ramped up for three-month, 18-month, or even three-year contracts. These workers typically need an employer like the Northeast Entrepreneur Fund, unless the workers want to be independent contractors. For this strategy, the employee will work in a rural community, but the work is being done for a business located in a metropolitan area. Contracts are negotiated at a reduced rate; high productivity is expected; and the worker enjoys exemplary quality of life amenities. Henderson (2003) found that while the presence of quality of life amenities can help attract individual high-skilled workers or firms, the challenge for communities is to leverage

these amenities into larger economic gains. Owners were more likely to cite a peaceful and friendly atmosphere rather than traditional low-cost advantages as their reasons for locating their firm in a rural place. And according to Schrock (2004), business executives considered quality of life to be Greater Minnesota's strongest asset. In Minnesota, this is significant when coupled with 32 percent who said they would likely invest in a new or expanded facility next year. Currently, high-skill workers in *existing industries* are the primary driver of rural high-skill job growth.

The *third* tenant is the high school intern who provides inexpensive brainpower, innovation, and creativity. Having fresh new ideas from a high energy source not only improves the climate of the workplace but also advances awareness in the community. These high school students can walk from their local high school to a TechNorth Prep Center throughout their regular daily schedule, giving them the opportunity to contextualize their learning while receiving credit in a technology-related field of study.

The *fourth* tenant is the college intern. These learner-workers are on a conveyer belt pointed at one of the full-time jobs established in a TechNorth Prep Center and are working their way toward a coordinated and articulated degree program or fulfillment of a post-graduation internship. Whether it's a traditional short-term internship or a degree program, the learning timeline may double because the application component is designed around independent study. This experience could be coupled with on-line learning and frequent visits from the college or university professor. The benefit would go three ways. The company, the worker, and also the higher education institution will keep up-to-date with the fast-paced technology environment.

The *fifth* tenant is the larger organization looking for all the advantages previously described. This

“home run” opportunity wasn’t the initial strategy of marketing efforts, but it must be accommodated should the opportunity present itself. Currently, any of the above tenants would receive free education and training from the Department of Labor grant for TechNorth Prep Centers. And college interns could have up to half their wage matched by the grant. Currently, two TechNorth Prep Centers are open in college towns across northeast Minnesota, and plans for three more are under way.

When the TechNorth Prep Center Network was launched at a large resort/conference center in northeast Minnesota, more than 70 invitees from government, higher education, and the private sector from around the country shared in the excitement of this regional milestone. On a broader level, True North continues to invite all perspectives to the planning table, and it asks each for their most appropriate investment in this economic, education, and workforce development enterprise (See Appendix).

Looking back, there were pockets of change evident in government, higher education, and the private sector as a result of new governance. The most obvious change for higher education is recognition. Whenever economic development is being discussed or promoted, the college is at the table and usually leaves the conversation with a dominant role for next steps. An example is the Ely Area Business Development Symposium. Vermilion Community College was a sponsor, was integral to the planning, and the event was held at the college on a Saturday. The provost from Itasca Community College serves as co-chair of JOBS 2020, a two-year-old private sector initiative responding to the layoffs at a paper mill. This is a clear sign of including higher education in meaningful ways. All college employees are asked to change their pattern of interaction with those external to their college organization as one way of reinventing our public institutions.

For government, these employees see higher education as an appropriate intermediary when working with the private sector. An example of how government would behave differently than prior to new governance could be illustrated by the recruitment efforts of the JOBZ Program, a tax forgiveness business recruitment tool. Triangulating the conversation allows government to highlight quality of life issues, not just tax forgiveness.

The private sector has diversified examples of how it changed its interaction. Once a private entrepreneur sees the “value added” by partnering with higher education and government, there is a higher probability of supporting government programs and higher education investments. There is an appreciation by all parties for government to be fair, for business to move quickly, and for higher education to be thoughtful and focus on the learner-worker as much as the business plan or the tax base.

Now, True North is referred to as much as a philosophy of working together as it is an initiative to pull the region up by its bootstraps. One evening, the Blandin Foundation asked 50 community leaders in seven groups what currently was going on in the region that their Community Advantage Leadership Program could attach to. Six of the seven groups had “True North” as one of their responses. The only limitation in moving the concept toward acculturation for business development is that True North is still in its infancy and associated primarily with the colleges. Government and the private sector will need to demonstrate their increased willingness to also lead and more actively and regularly engage in the new governance.

LESSONS LEARNED: A WORK IN PROGRESS

Three-and-one-half years of experience have resulted in preliminary lessons learned. One of these lessons is timing. On a national level, rural America is at a *tipping* point that is very real. There is a congealing set

of forces to combat the sense of hopelessness rural people are experiencing (Fluharty and Scaggs, 2003). Regionally, the economic decline signaled a threatening disaster, which pulled people together to reinvent how its people interact. Further, Chuck Fluharty, executive director of the Rural Policy Research Institute, is right in proposing three major changes in rural coalitions: 1) move from sector to place-based frameworks to improve linkages; 2) move public sector investments from subsidy to a *Regional Competitive Advantage*; and 3) create a governance structure that will exploit the forces needed to advance regionalism.

The traditional, historic sector and governance lines were blurred in northeast Minnesota. This resulted in building trust among partners for a shared vision of a new economy. Additionally, local visions within a regional context have had national and international implications. When the True North story is shared, whether at the Rural Community College Alliance Annual Conference in San Antonio or the Post-Secondary International Network Meeting in Canberra, Australia, immediate reactions result in new relationships and collaboration, which are both supportive and practical. One example is the planning for a business exchange between the Northeast Higher Education District and the Canberra Institute of Technology.

Hoenig (2003) sees rural America on the frontier of a new economy and also views entrepreneurs as crucial to claiming that frontier. Entrepreneurship has built the past as we know it across rural America. But unless new ways of building partnerships and interacting among opinion leaders and entrepreneurs become more natural, the chances for continued entrepreneurship are slim. The role small entrepreneurial companies play in the U.S. economy created more than two-thirds of new jobs and accounted for two-thirds of the innovation in the last 20 years (Sampson, 2003). Sampson called these small entrepreneurial companies "engines of innovation," transforming new ideas and technology into real products

and services sold to real customers in real markets, creating real jobs. True North focuses like a laser beam on entrepreneurship, especially small companies, and successes are becoming more frequent.

Henderson (2003) observed many rural communities as missing the opportunity to capture high-skill jobs. In 2000, just one-tenth of rural earnings came from high-skill wage producers. One approach to leveling the playing field is to tear down the barriers around access and focus on rural broadband and advanced technology as tools to be used to pull rural areas up by diversifying their economy away from the single dependence of a natural resource-based industry. New technologies have emerged that promise to help rural areas bridge the divide. These new technologies offer alternatives to traditional cable and phone lines. Multipoint, multichannel distribution systems; broadband satellite; and third-generation wireless all promise to give rural areas, and even remote areas, affordable access to high-speed data services (Abraham, 2003). True North has partnered with Iron Range Resources' doIT! Program to assure connectivity across the region. The first barrier technology-based companies must overcome is not having access to high-speed connectivity.

Another lesson learned is the idea that business, education, and government working together is not a new idea. As a matter of fact, Katsinas points out that collaboration took place as early as the mid-50s and was accelerated in the '80s. Martinez (2004) also points out that leaders began meeting in January 2003 in North Carolina in an area called The Triangle when independent consultants criticized a lack of vision spreading its prosperity to rural areas. A new partnership was formed and plans were developed to raise \$5 million from economic development organizations to build relations with universities and community colleges to support home-grown businesses and attract new businesses.

Rosenfeld and Liston (2000) feel that rural community colleges are continuing to reinvent themselves in the face of changing demands and lagging support. They point out that rural community colleges around the nation have emerged as powerful economic catalysts for the communities they serve. Because community colleges give students the skills desired by local industry, they have become the educational institution of choice for many rural businesses. Others can make mistakes, so you can learn from their mistakes, as well as your own.

Another example is the Colorado Rural Development Council that was created in 1993 to build education and business relationships for rural schools (Morelli, 2002). The Council created an annual plan for mountain communities, using colleges in these rural locations. Yet another is the I-99 Corridor Alliance, which is a collaborative tri-county effort consisting of key business development, education, research, government, and corporate partners in south central Pennsylvania (Kormanski, 2002). Holyoke Community College has long made connections between its students and area employers. Now, a \$15 million business center set to open in 2005 is expected to take those efforts further, easing the transition from higher education to higher salaries (Bednar, 2004). Some legislators have an appetite for these partnerships. Rep. Jess M. Stairs, who serves as the chair of the House Education Committee in Pennsylvania, passed in December 2003, House Bill 1174 that would create liaisons between business and education by establishing the Office of Community, Business and Education Partnerships (Ruff, 2004). These partnerships can be hard work, but the long-range support for the importance each sector plays in the congealing force, the better positioned rural America will be to respond to future challenges as they arise.

Others have accelerated the steps for public/private partnerships. In Tug Valley, W. Va., a community college is involved in a downtown revitalization program (Burgraff, 2003). This partnership closely replicates TechNorth Prep Centers. Rural communities suffer from a communitywide lack of leadership—an ongoing challenge for smaller towns because of their need for 17 times more leaders per capita. Their Mainstreet Program was successful as a grassroots effort through the Tug Valley Economic Development Institute. It served as a rural communities' leadership forum and improved its region through effective collaboration between business and a community college. In this case, the government took the lead—demonstrating it's the process and trust that really matter. True North found that it paid off to tell others that they should not lead—but rather are interested in a collective movement toward the new economy. Being a catalyst or coordinator is different from proclaiming yourself as the leader.

Another lesson learned is to take the long view. True North was rolled out as an eight- to 10-year initiative expecting it would transform to a culture change for the region so new economies would continually reinvent themselves. The new economy should build off of assets already present in the region. "E-learning" has been promoted through a five-year Title III Grant at Hibbing Community College, making it a natural to partner with business. Two of the first businesses in a TechNorth Prep Center had on-line learning as a primary component of their business plans. Kasper (2002) found that the development of partnerships involving on-line learning was opening another opportunity for academic institutions to provide corporate training even though community colleges increasingly face competition from a growing number of organizations that provide "e-learning" services. The sooner colleges recognize that education is business, the sooner they will think

about entrepreneurship and the importance of creating more alliances with corporate clients. Once business entrepreneurs are involved, it doesn't take long for the language in the business plan to change from *e-learning* to *innovation acceleration*.

To date, there is little solid evaluation of the effectiveness of business outreach and technical assistance programs, especially among partnerships. It would be helpful to document baseline regional economic indicators, which include: 1) Employment; 2) Wages; 3) Incomes per capita and household; 4) Changes in population; and 5) Tax base. These continually could be monitored as the project evolves. Currently, a broader range of data is collected by the Minnesota Department of Employee and Economic Development. The University of Minnesota will continue documenting the accomplishments and lessons learned, so mistakes aren't repeated and better practices can be shared.

Hill Libraries also provide valuable research to advance development of True North projects. Fitzgerald (1998) concludes that intermediaries are effective in facilitating intrafirm and interfirm learning, reducing the cost and risks. Other lessons include that we must never throw money at a problem—hoping to hit a solution. Partnerships take time, but they pay off. Everyone wants clear communication.

Producing quality communications is essential, including finding many ways to tell the story—preferably with a sense of humor. This can help to invoke the blessings of all higher powers. True North learned to get support from people who have bully pulpits.

Finally, it is important to invest your own time and resources first. Be clear about your people, your communities, your jobs, and your future. This will enable you to be aggressive in getting real things to happen. Otherwise, too much process can suck the

lifeblood out of the momentum critical to the beat of progress.

Rural communities must not be left behind. The shared interest of all people should result in policies to benefit smart growth for densely populated areas while removing barriers that prevent rural economies from thriving. Community colleges are in a position as place-based institutions with the capacity to serve as catalysts charged with pulling up rural regions. Unique partnerships, especially private/public partnerships will serve as models for effective collaboration bridging fast-paced advancements and leading to new governance. Globalizing markets and regionalizing strategies can influence rural regions for positive change. There is a need for communities to become or remain healthy. We have evidence of success across rural America and elsewhere across the globe. Innovation, typically driven by entrepreneurial thinking, must be encouraged and implemented. Now is the time for leaders to play forceful roles in community development that leads to economic growth for the rural regions they serve and be rewarded for doing so.

APPENDIX
ORGANIZATIONS PARTICIPATING IN TRUE NORTH

American Health Education Consortium (Career Ladder for the Education and Advancement of Nursing).	First Annual Governor's Golf Outing at Giants Ridge (A Strategy to Recruit Business to the Region).
Arrowhead Economic Opportunity Agency (55 Plus Leadership).	Gov. Tim Pawlenty (Technology Diversification Endorsement).
Arrowhead Growth Alliance (Strategizing Private Sector Involvement).	Iron Range Resources (Connectivity Grant to the TPC Network).
Arrowhead Manufacturers and Fabricators Association (Business Development).	Itasca County (Jobs 2020).
Arrowhead Regional Development Commission (Tax Forgiveness JOBZ Program).	Itasca Development Corporation (Itasca Technology Exchange).
Arrowhead University Consortium (Upper Division and Master's Programming).	Itasca Engineering Initiative (Alumni Business Recruitment).
Bill J. Priest Center for Community College Education (Research and Advocacy).	Knight Foundation (Duluth/Arrowhead Leadership Assessment).
Birchem Logging (Professional Forest Harvester Program).	Knowledge River (TechNorth Prep Center Tenant).
Blandin/McKnight Foundations (Rural Economic Development Grant).	Koochiching County (Economic Development Partnership).
Blue Cross/Blue Shield of Minnesota (Minnesota Job Skills Partnership).	Laurentian Educational Ventures (Land Acquisition).
Center for the Study of Rural America, Federal Reserve Bank of Kansas City (Initiative Actualization).	Liaoning University in China (Student Exchange).
Central Iron Range Initiative (Intercommunity Leadership).	Lifelab Learning Institute (Project Management).
Congressman Jim Oberstar (Department of Labor Earmark—\$500,000 Professional Forest Harvester Program).	Local Economic Development Agents (Business Recruitment).
Continental Solutions (Outsourcing Recruitment).	Local Municipality Partners (Making the TechNorth Prep Center Sites Possible).
Crossroads Communications (Video and Event Development).	Local School Districts (High School Interns).
Delta Dental (Minnesota Job Skills Partnership).	MacNeil Environmental (TechNorth Prep Center Tenant).
doIT! Program (Tech Center Development).	Minnesota Campus Compact (Service Learning Grant).
Experienced Based Solutions (TPC Network Design and Metro Recruitment).	Minnesota Center For Rural Policy and Development (Research).
	Minnesota Department of Employment and Economic Development (JOBZ Program).
	Minnesota Power (Rural Resources Roundup).

Minnesota Rural Partners (Dissemination of Lessons Learned at 2004 Summit).

Minnesota Sen. Mark Dayton (Northern Border Homeland Security Training Program).

Minnesota Sen. Norm Coleman (Rural Renaissance).

Minnesota Sen. Paul Wellstone (Department of Labor Earmark—\$1 million TechNorth Prep Center).

Minnesota State Colleges and Universities (MnSCU).

Motherlode (TechNorth Prep Center Tenant).

MP Telecom (Connectivity).

Natural Resource Research Institute (Business Lead Development).

Navigant Travel (Minnesota Job Skills Partnership).

North Central Regional Center for Rural Development (Vision to Action Process).

Northeast Entrepreneur Fund (Co-located TechNorth Prep Center and Higher Education Curriculum Design).

Northeast Minnesota Office of Job Training (Workforce Investment Board).

Northeast Training Unit (Customized Training).

Northern Tier High Tech Corridor (Data Acquisition and Business Connections).

Northland Foundation (Start-up Grant).

Northland Institute (Minnesota Community Capital Fund and ESOP).

Northspan (Baseline Economic Data).

Northstar Center for Violence Prevention (TechNorth Prep Center Tenant).

NOVA Group (Rural College Mission Enhancement).

Post-Secondary International Network (Better Practice Exchange).

Range Association of Municipalities and Schools (Pre K-12 and City Council Partners).

Rural Community College Association (National Best Practice Sharing).

Rural Community College Initiative (Participating Member and Coaching Grant).

Rural Policy Research Institute (Task Force for Multisector Coordination).

Savvy Pack (Technology Solutions).

St. Louis County (Area Partnership Expansion).

Superior Edge (TechNorth Prep Center Tenant).

Svendborg Technical College in Denmark (Student and Faculty Exchange).

Ten Rivers (TechNorth Prep Center Tenant).

True North Investors Board (Communication).

United States Department of Agriculture (National Telework Center Development).

United States Department of Labor (Grants Management).

University of Minnesota (Project Evaluation, Research, and Development).

University of Minnesota-Center for Economic Development (Small Business Development Corporations On Campus).

VOX Pop (Communication Advancement).

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New Governance in Action: The Minnesota Arrowhead Model—Discussion

Moderator: Mark Drabenstott

Mark Drabenstott: Joe, thank you very much. As an avid fisherman, I was heartened to learn that you didn't allow this conference to get in the way of the walleye opener.

We are going to take time now for some of your questions. We'll take two or three and give Joe an opportunity to respond.

J. W. Ballinger, Moberly Area Chamber of Commerce: I work with community colleges in our area. In your community and region, are community colleges given a region to supervise or to provide classes to, and who gives them that responsibility? For example, do a number of counties under your supervision provide community college services, and did the state provide that authority?

Nancy Stark, Rural Governance Initiative, Rural Policy Research Institute (RUPRI), and Corporation for Enterprise Development: Joe, you said that True North has a federal appropriation to advance its agenda. Since federal appropriations are hard to come by, to what degree did you feel that it was essential to move things forward or what advice do you have for other regions that may not be so lucky?

Andrew Skadberg, Texas A&M University: I was curious if there were a lot of players involved and a lot of entities? What is the vehicle for communicating and coordinating all of the different decisionmakers and players in this process?

Mr. Drabenstott: We have three great questions. How do you define a region? Where can the dollars come from (federal point of view)? And how do you get this whole chorus in northeast Minnesota to sing together?

Joe Sertich: I went through a training session a long time ago through Wilson Learning. There was a thing called the "Ben Duffy" for which you try to anticipate the questions. Fortunately, at least for the first three, I did anticipate them.

J.W., I didn't get into a lot of the structure during my presentation because it is different in every state for higher education. We don't have counties. We don't have local taxing districts. We have a state system. So, I didn't know whether there would be great transferability by explaining the peculiarities of Minnesota. We do have the seventh largest higher education system in the country because all of our community colleges, technical colleges, and state universities are under one chancellor and a 15-member board. The board has three students on it. In October 1999, the students were the ones who said: "Let's take this whole region. Let's take the seven-county region of northeast Minnesota, and let's put it together under one regional structure—one governance structure." That is how that happened. I think you'll find that to be different. That is why I included some of the national information and research that has been done on how colleges are put together. No one said these are hard lines, but that is how it was run.

Nancy, if I could go back, True North is the branded initiative. The TechNorth Prep Center is just one project. It has a federal appropriation, and so does the cut-to-length, professional forest harvestry. You saw the piece of equipment that reaches out to grab trees and harvests them, doing minimal damage to the environment. That is another federal appropriation. Frankly, once we became branded, money came in from all over, especially from philanthropic organizations who wanted to advance the True North initiative. My short answer to your question is—I don't think this is all about one federal appropriation. However, as I pointed out, that is when things became real. You need to identify and find some resources, so you can textualize a project or it does not work.

Finally, Andy, I actually put a sheet together that would describe the complex relationships that we have with a number of organizations. Without getting into too much detail, what I have here are private, government, and the president information sessions that represent higher education. We have 48 member advisory committees, 18 member executive committees, and a 12-member core team. All of these grew out of a 70-member launch investor group. Everyone is organized. They are supposed to know where they fit, unless they belong to more than one group. The “doIT!” (do Information Technology) initiative was another piece that played a part of that. The private sector was the hardest part. Government is a little easier. We have an organization called the Range Association of Municipalities and Schools that helps put together school districts and municipalities. Of course, we have the Rural Community College Initiative, of which we are a part. There is an investors group, a True North Investors Group, and a core team there. Without getting into the details, yes, it is difficult to manage. That is why I contract with a project manager. Communication is critical to making this happen. That is why we have videos. Incidentally, I have one available here if you want to learn more about the TechNorth Prep Center and how we recruit companies.

Mr. Drabenstott: There are a couple of key issues here that will keep coming up throughout the conference. One is how you define a region. One can think of those percolating up from the bottom or coming down from the top. I suspect there will be further discussion about that. The Minnesota State Colleges and Universities (MnSCU) was a definite champion of this initiative.

Mr. Sertich: Mark, could I just say one more word on that? I threw a slide up there that showed what we call “the Iron Range delegation” of legislators. We have 201 legislators in our state. There is a group of about a dozen who had a lot to say. As a matter of fact, Jerry Janisch—who later ran for the U.S. Senate and lost to Mark Dayton—was probably one of the architects who said: “Why do we have pockets of things that are working pretty well? Why don't we try to pull this together with some synergy?”

Mr. Janisch spoke directly to our chancellor at the time, Maury Anderson. That is when it started to happen at the board level. The board still questions whether or not this is a good idea. The board doesn't see the efficiencies it was hoping to get because rural colleges are more difficult to operate. We don't have the economy of scale. We have 10 people per square mile.

Mr. Drabenstott: Let's take our next round of questions.

Sandy Scofield, *Nebraska Rural Initiative*: I would like to ask you to expand on the last question—the number three question. As you convened this large group of people, it seems to me, it would be useful if you had people agree on roles they were going to play so you could have the maximum effort put forward without people getting into each other's sandboxes. Have you been able to do that yet and, if so, how? I know the higher education system is different in Minnesota than in Nebraska, but how do you relate to any other higher education institutions other than community colleges?

Ken Reiners, AgStar Financial Services: We, among other things, finance loggers in northern Minnesota and Wisconsin. One of the issues that we deal with a lot of our clients about is a perception that many people view the resources of the Arrowhead Region as best reserved for tourism and environmental protection. They believe strongly there can be a sustainable forestry initiative, but yet they feel frustrated with some of the public policy decisions. My question of you is, as True North, how do you balance appropriate environmental, as well as industry initiatives?

Crispin Moor, Countryside Agency, United Kingdom: As I understand it, a lot of the background to your work involves your having half of your time to spend on it, which is obviously very farsighted of your employers. How unique is that arrangement in community colleges and perhaps in your peer group within the Rural Community College Alliance?

Mr. Drabenstott: Those are three good questions. First, how do you herd all the cats up there? How do you forge the partnerships among all the players? Second, how do you balance what could be competing economic alternatives for the region? Last, is the time that you spend on True North unique among community college presidents?

Mr. Sertich: Let me start with the last one because that is the one that is fun to talk about. What should a college president be doing? Should a college president be running around and getting into the micromanagement of all these institutions? What is our problem? We have a lack of public support for higher education. If I am not spending half of my time externally for the organization, then shame on me. That is when I said: “Why not economic development?” Because as communities go, so goes their colleges and vice versa. So, it was easy. Do I have permission? No. Does the board of trustees really know what I am doing? No. We are a big system. Does my chancellor care? Yes, but he is too busy to micromanage it as well. I feel it when something goes wrong on one of the campuses. I feel a lot of pressure,

but I have enough support. In fact, we will have a fish fry Tuesday night when I get back with the chair and the vice chair of the board at a house in St. Paul. It is relational; you have to keep it going. Is it unusual? I don’t think so. College presidents spend a good deal of their time externally. That doesn’t mean I do it all the time. It varies with the time of year and whatever else. My answer is perception. Create a perception that you are spending a lot of time externally, even if you can’t.

Secondly, I love the question about the tree huggers. We have a renewable resource here. That is just wonderful. What better place than higher education to have that debate. We are the perfect ones. We open the doors. I have been called by “Good Friend Logger.” I can’t say the words he said to me on the phone that Saturday afternoon when he learned we were going to have environmentalists use our college to talk about logging in northeast Minnesota, but it was along the lines of: “How dare you do that.” I responded: “If you want me to keep the environmentalists out, then do I keep the loggers out when you want to come in and have a conference as well. It doesn’t make any sense. This is the role for higher education—to be right at the center of the heated debate.” Yes, we do lean a little more toward industry. But at Vermilion Community College it is all environmental programming. That is where we have the professional forest harvester program. We have a congressional earmark there. But we understand that thrashing and the rest of the traditional logging need to take place. I just try to balance them. In fact, three Mondays ago, I was at Louisiana Pacific, a fiber plant in Two Harbors (Minnesota), walking around and getting a good sense for what kind of challenges the company has for fiber supply. You have to be sure you are paying attention to both sides.

To go back to the other question, I don’t want to make it sound—even though I have charted this out on a sheet of paper—like we have the big group that only meets once a year. Some of those other groups will meet perhaps twice a year. We have been at this

for three-and-a-half years. It is the core team and the executive committee that continue to move things forward. On a national level, there are a lot of conference calls made to stay connected. I don't want to make it sound like it is government or bureaucracy. Yes, we keep records. We have mailing lists. People can come in or out. That is why I said it is a low threshold and inclusive. Somebody asks, "Why am I not on an investors committee?" And you turn around and say: "You are. Just give me your card. You just became part of the investors group."

Mr. Drabenstott: Do we have two more short questions?

Mark Okrant, Plymouth State University: I would like to know with regional planning commissions, economic development entities, and land and conservation groups, each representing a particular issue and competing for funds, how are you able to come in and get these groups to join your initiative rather than fight you?

Peter Hoffner, Department of Agriculture, State of Missouri: You talk about five critical points that you work on. How do you sketch out the vision and then, working with your state legislature, fund the pieces as they are needed to fulfill that vision?

Mr. Sertich: Let's start again with the second one on the five critical components of a healthy community. Again, it isn't that formalized. What I will do is promote with the government those things by working with groups. In my paper, you will see the 70 groups listed there. As a matter of fact, the Arrowhead Regional Development Commission was planning to be here at this conference today and couldn't make it. When you work with the state government, you stay active in all the things that are going on. Central Iron Range Initiative and Jobs 20/20 are initiatives that are going on that need government support. I don't coordinate that, but I am a part of it.

The first question, if I could go back to that, is about the planning commissions and the economic development groups. You saw in my presentation information about an organization called the Arrowhead Growth Alliance. On Thursday, 15 or 20 of us will get together at Bluefin Bay on Lake Superior in Minnesota for a two-day meeting. We do that four or five times a year. This is where, with our tight relationship, we make decisions informally. We have no bylaws; we elect no chair; we get together and pay all of our own expenses; and we sort through the tough issues so it doesn't become competitive. Do we get crossways with people? Yes, those are the risks you have to be willing to take. Higher education representatives, however, usually are not at the table fighting with someone else. They end up in the middle of two others who are perhaps jockeying for state resources or are in the middle of either a planning commission or an economic development battle.

Sandy Layman and John Schell will be at the meeting. (Sandy Layman is the economic developer for the region and commissioner of the Iron Range Resources, and John Schell is from the Arrowhead Regional Planning Commission.) We meet informally to take care of most of that.

Mr. Drabenstott: Let's thank Joe for getting us off to a great start this morning.

Assessing the State of Rural Governance in the United States

Charles W. Fluharty

INTRODUCTION

I have been asked to assess the state of U.S. rural governance. This is a rather daunting challenge. However, this issue is central to all that we must do in creating a more place-based, cross-sectoral regional framework for rural policy. So, we must begin somewhere. I'll briefly review the term "governance," in an attempt to place it within the lexicon of recent public policy and practice innovation and then address the dynamics that enhance its current relevance, nationally and, more particularly, in its rural dimension.

Then, I will move to the question of governance's current rural expression in the United States, discuss outcome measures with which to assess progress, and focus on the critical role of intermediary organizations in expanding its effective replication across the rural landscape. The closing section will provide an eclectic scorecard, reviewing hopeful models to watch and the challenges that still must be addressed.

NEW GOVERNANCE 101: WHAT IS IT?

In spring 2004, the Rural Policy Research Institute (RUPRI) and Corporation for Enterprise Development (CFED) announced a new joint effort, the Rural Governance Initiative (RGI), focusing on how the future of rural America and its people might be enhanced through more effective and collaborative governance. In a working draft of the first position paper from this initiative, Director Nancy Stark offers these framing observations:

. . . The RGI focuses on how rural people and institutions make decisions about their collective well-being, in other words, the process of governance. While *government* speaks of formal institutions of the state (e.g., cities, counties, special districts, school systems, states, and Indian reservations), *governance* evokes a variety of decisionmaking practices by a wide range of people and organizations (e.g., nonprofit groups, faith-based organizations, community foundations, citizen alliances, and business associations). *Government* is the most recognized form of *governance*, but it is not the whole story.

The RGI believes that when people look exclusively to government to make critical decisions about their collective well-being, the decisionmaking process is flawed. And, when citizens put all of the blame for bad choices on the backs of government officials, they are disregarding the decisionmaking power and responsibility of other people and organizations, including themselves.

The idea for a Rural Governance Initiative emerged from RUPRI's analysis of public policy impacts on rural people and places, and CFED's on-the-ground work in expanding economic opportunity. Equally so, the RGI grew out of a series of meetings and dialogues on rural policy and practice held during the past four years. At these gatherings, diverse groups of practitioners, policymakers, and private sector leaders examined the nation's rural development policy and considered how to build a more rational and integrated policy agenda. Their thinking was informed by participants' own

research and experience and by studies of rural policy in the United States and abroad. . .

Indeed, many of the innovative leaders who participated in these various convenings, which RUPRI co-hosted, have presented, participated in these past Fed conferences, or are with us today. Governance is about integrative action and empowerment hope, addressing the challenge of asset-based development in communities lacking strong institutional capacity—these are all elements. But “new governance” is more than this, and it presents many very real challenges.

. . . People engaged in governance describe the process as frequently slow, frustrating, messy, and unpredictable because it pushes people and communities beyond their routine. Governance means collaboration: crossing sectors, recognizing regions, and sometimes establishing formal agreements among service providers. It also means sustained citizen engagement: seeking new voices, surfacing new ideas, and reaching new consensual goals. *Effective governance is the overlap of the two—the experiences of institutions and jurisdictions not only collaborating, but also engaging diverse citizens in meaningful and sustained ways.* This is the governance that lays the foundation for private and public entrepreneurship, and yields better social and economic outcomes for rural people. . . (Stark, 2004).

These developments in rethinking relationships across sectors and levels of government mirror an ongoing reassessment of the role, scope, and practice of the federal government and stand at the end of a nearly 20-year period in which public sector practice was heavily influenced by public management literature and practice framework continually in search of new and innovative models through which government might occur. While this was not necessarily a deficit-based model of public sector development, there remained at the core of all these public management “movements” a very real acknowledgement that the structure and practice of government was in serious need of

renaissance. This began with the new public management, was interwoven with attention to the issues of “devolution”—a 40-year process still unfolding—reinventing government, and now new governance. In all these incarnations, a new accountability focus, through performance measures and outcome-based evaluation, sought to improve the working of public sector organizations and move them toward a more entrepreneurial and less bureaucratic orientation.

Generalizations regarding complex institutional change are always dangerous. In assessing whether rhetoric or reality dynamics are at work here, one cannot ignore a growing agreement within the field that contemporary conceptions of governance reflect a new reality, the increasing interdependence of governmental and nongovernmental organizations—with the federal government’s role reducing over time. As Lovan, Shaffer, and Murray point out, this leads to a greater need for coordination, facilitation, and negotiation across and through policy networks that are diverse, often overlapping, and comprised of not only government but also private sector, nonprofit, and associational actors, each with unique power bases, roles and responsibilities, values, skills, and organizational resources (Lovan and others, 2004).

THE IMPORTANCE OF A NEW GOVERNANCE FRAMEWORK

While these dynamics have been more and more evident over the past decade or so, several additional factors are coalescing to make new governance particularly critical at this time.

The National Perspective

The federal government is not going to stop pushing responsibilities down to the states and localities, states are not going to stop pushing responsibilities down to the localities, and localities are not going to stop pushing responsibilities out to nonprofits. Nor are

federal, state, and local governments going to stop contracting out to private firms. Driven by unrelenting pressure to stay small, governments at all levels have created an ever-growing shadow of private and nonprofit employees that produce many of the goods and services once delivered in-house (Light, 1999).

Paul Light's insightful book *The New Public Service* offers a detailed examination of how our nation's most influential schools of public policy, public management, and public affairs are addressing this new governance phenomenon. It provides stunning, market-based validation that these trends are entrenched within American public sector training and practice. Light's analysis of the career tracks and professional satisfaction levels of five graduating class cohorts—the master's degree graduates of the classes of 1973-74, 1978-79, 1983, 1988, and 1993 from our nation's most prestigious schools of public policy, administration, and public affairs—chronicles this emergent reality. Recent graduates are at least as likely to desire and enter a career in the private or nonprofit sectors as they are to enter government service. These new career paths also tend to be much more fluid, with far greater career switching across the three sectors than occurred in the careers of earlier classes in this study. Likewise, satisfaction levels in traditional government service tended to be lowering over time, although it still is viewed as positive by graduates whose careers had centered there.

In summary, Light's study shows a new governance orientation driving the career paths of the next generation of our nation's public servants, and it challenges our most elite schools of public policy to build curricular innovations, which address these realities. If a nation's future is in the minds and hearts of its children, then public policy and practice in this country will be about new governance for some time to come.

The trend lines described in this book are clear. Government is no longer the primary destination of choice for graduates of the top public policy schools.

The nonprofit and private sectors are providing more than half of the first jobs for graduates of the class of 1992. When the destinations were divided by levels of government, the federal government ran dead last as a first job for members of the class of 1993, while the nonprofit and private sectors ran first and second, respectively. Government is not out of the running, of course, but it most certainly now faces very strong competition. If government cannot recruit a majority of students who have made public service the centerpiece of their graduate work, one can easily imagine where it stands among students who have chosen law or business.

At least as measured by the career choices of the graduates interviewed here, the new public service has four other characteristics of note:

The first characteristic is diversity. The new public service is much more diverse than the government-centered public service of old. The second characteristic of the new public service is the rising interest in nongovernmental destinations, particularly in the nonprofit sector. The third characteristic of the new public service is switching. Members of the new public service simply do not stay put. The fourth and final characteristic of the new public service is its deep commitment to making a difference in the world. This is the one characteristic in which the new public service is indistinguishable from the old public service (Light, 1999, pp. 126-128).

Bob Lovan, Ron Shaffer, and Michael Murray offer another valuable perspective in their new book *Participatory Governance*. These long-time thought leaders and accomplished practitioners in rural development approach this subject from a rural perspective in a conceptual framework whose origins were developed in an international convening, which RUPRI co-sponsored in 1998. This book also speaks to the national drivers, which are forcing these developments: "Participatory governance is now part of the mainstream. Because public sector resources and capacities are now

inadequate for the scale of public problems, solutions also require the mobilization of effort from the business and associational sectors” (Lovan, Shaffer, and Murray, 2004, p. 250).

Don Kettl reinforces this perspective, but he also argues that while these structural realignments in government’s functioning have been well-intentioned and quite ambitious, compared to other nations, the United States must overcome systemic challenges that other nations are not forced to cope.

This really is a truly global effort. There are enormous similarities in the questions that people are asking, and resonance in the strategies that people have tried... The United States has adopted some of the most aggressive, ambitious, and sweeping efforts compared to all the other nations. It has launched more battles on more fronts than virtually any other country. On the other hand, our system of government makes it difficult to initiate and sustain that kind of change. By almost anybody’s measure, we have a more complicated environment to work in (Roberts, 1999, pp. 2-3).

All these analysts point to the fiscal, structural, and market forces driving this trajectory. The new governance framework now is widely recognized as a dominant new “given” in American public policy and administration. Responding to the political economies and intergovernmental dynamics at the heart of the current experiment with federalism in America, new governance is a reality.

The Importance of Rural Governance

These developments are particularly critical in rural America. Because the federal government will continue to devolve roles and responsibilities down to states and localities, often in block-granting structures, the capacity of rural jurisdictions to compete for these funds is increasingly important. However, compared to their colleagues in urban and suburban governments, rural public decisionmakers are significantly

disadvantaged. Most rural jurisdictions have relatively few or no research staff, grant writers, technical assistance funding bases, or economic analysts. Many are led by part-time public servants, with few or no paid staff at all. On this uneven playing field, urban and suburban counterparts will almost always be victorious in competing with rural jurisdictions for scarce, competitively awarded state block grant funds.

Sadly, current federal policy exacerbates this structural disadvantage. The “Consolidated Federal Funds Report” for 2001 (the most recent reported data) shows that the federal government returned \$6,131 on a per capita basis to urban areas, while returning only \$6,020 to rural areas (W.K. Kellogg Foundation, 2004). This amounts to a nearly \$6 billion annual federal disadvantage to rural areas.

However, an equally challenging issue is the difference in the nature of these federal funds. In rural areas, 71 percent of these funds are transfer payments sent to individual citizens in the form of Medicare, Social Security, Farm Commodity Program payments, etc. In urban America, only 48 percent of these federal funds are transfers. This 23 percent differential builds the community infrastructure and capacity of urban America. This challenge is further heightened by the fact that Metropolitan Statistical Areas (MSAs) have a “place entitlement” to Housing and Urban Development (HUD) Community Development Block Grants (CDBG) from the federal government, which assures that these funds will be available each year, allowing multiyear capital and program planning—an excellent aggregation tool for integrative cross-sector public capacity building. This is also one of the most flexible federal funding programs. Unfortunately, rural towns and cities with populations under 50,000 people and counties with populations of less than 200,000 must compete against one another for a smaller, state-administered CDBG program. The program is not assured, nor does it have multiyear funding.

These capacity disadvantages are stark and additive. Each year from 1994-2001, the federal government

spent two to five times as much per capita on urban than rural community development and one-third as much on community resources in rural areas—an annual \$16.5 billion rural differential disadvantage (W.K. Kellogg Foundation, 2004).

Unless or until these federal structural disadvantages can be addressed, rural America must look internally to better its competitive advantage. Given this challenge, how clear it is that rural regions must better aggregate and articulate a common vision; pool resources, talents, and capacities from all sectors; and develop an assets-based approach for new institutional partnerships in the private, nongovernmental organization (NGO), and philanthropic sectors to link with underresourced rural governments. Unfortunately, even here, rural areas are challenged by the lack of technical assistance funding available for such efforts and the relative lack of philanthropic capacity and grant making in rural regions. So, the case statement for robust rural governance is easily made.

The necessity for building this more integrative framework for rural policy and practice is gaining global attention. More than 120 senior policy officials, analysts, and practitioners gathered near Washington, D.C., March 25-26 to discuss the future of these efforts. The Organization for Economic Cooperation and Development (OECD), the Federal Reserve Bank of Kansas City, The Countryside Agency (United Kingdom), and RUPRI co-sponsored this international dialogue. It built upon deliberations regarding these challenges that have been ongoing within OECD's Division of Territorial Reviews and Governance.

Specifics of place, culture, and governmental structure vary across nations. However, there is a growing consensus within the OECD community that three major shifts must occur if a new rural policy framework is to succeed:

1. Public policy attention to rural areas must shift from a sectoral to a more integrated regional framework, in which multisectoral policy and program opportunities are coalesced within a place-based framework.
2. To accomplish this, public funding commitments must be realigned, shifting from a subsidy/dependency orientation toward one that captures and supports inherent regional competitive advantages.
3. A new rural governance framework must be developed in and through, which the above two shifts can be expressed.

Clearly, these are emergent understandings, and we should fully assume that this process is at least a decade-long journey. However, many countries already have embarked on such a course. The United States has a lot of ground to make up. Likewise, the journey to this new governance across the rural policy landscape may be much more difficult than the challenge governance faces in urban areas. Nonetheless, the rewards may be even more meaningful. As Stark points out:

Practicing good governance in rural areas presents particular opportunities and challenges because many rural communities have:

- Strong loyalty to grassroots organizations and institutions (e.g., local school, churches, and service clubs),
- Access to fewer, or more scattered, resources,
- Part-time elected officials shouldered with multiple administrative and financial responsibilities and little professional support, and
- Minimal experience in joining forces with neighboring communities to solve common problems (Stark, 2004).

The *raison d'être* for action to support this new model seems clear. Given its current structural disadvantage, rural America must rise to this challenge. It has no other options. In the next sections, an assessment framework to evaluate rural governance progress will be suggested, and an eclectic perusal of promising U.S. policy and practice models will be highlighted.

ASSESSING RURAL GOVERNANCE IN THE UNITED STATES

Defining Effective Outcomes

Attempting to assess the nature and scope of any new model is challenging. Rural governance is no exception. In undertaking this task, one must be particularly careful in the selection of early stage evaluative criteria. Are the values within the outcome measures appropriate? Are there hidden values unexpressed? Are there cultural and/or community values, which have not been taken into account? Are these precise enough to matter, yet general enough to encapsulate the fluid dynamics of such a social and organizational reality? These are all difficult questions. Nonetheless, one must begin somewhere.

Lovan and others offer an excellent starting point. They state that effective participatory governance:

- Is interactive,
 - Is strategically driven,
 - Comprises joint working,
 - Is multidimensional in scope,
 - Is reflective,
 - Is asset-based, and
 - Champions authentic dialogue
- (Lovan, Shaffer, and Murray, 2004).

Stark offers a similar perspective, with a slightly differing emphasis and language:

Through interviews with rural government officials and community practitioners,

the Rural Governance Initiative (RGI) identified the following seven principles of effective rural governance. By December 2004, the RGI will flesh out these principles in greater detail and develop illustrative case studies. The seven principles of effective rural governance include the following.

Cross-border collaboration: Forming a regional collaborative that crosses geographic borders (towns, cities, or counties) and institutional fault lines (private, public, and philanthropic sectors).

Analysis of competitive advantages: Examining the region's competitive advantages using current, reliable, and intelligible data.

New, inclusive leadership: Bringing forward new voices, including ethnic minorities, newcomers, youth, and others, who are typically absent or marginalized from the community's leadership.

Involvement by key intermediaries: Engaging at least one intermediary institution that can act as an honest broker, facilitate dialogues, and catalyze action.

Grassroots visioning: Undertaking a collective, pro-active visioning process to generate ideas, surface and address conflicts, and start building trust among diverse participants.

Public entrepreneurial development: Enriching the capacities of local elected officials and helping them to grow from caretakers to public entrepreneurs.

Solid achievements and celebrations: Tackling a few concrete projects with identifiable and measurable outcomes and celebrating these first achievements before embarking on new efforts (Stark, 2004).

Are these appropriate evaluative criteria by which to assess the rural new governance model? I would argue these are sufficient to begin the dialogue, and serve as a basis for this cursory, introductory treatment. Rigorous theoretical and analytic attention must be given to these phenomena, and I feel certain our academic colleagues will bring the needed critical depth and breadth to this important work in the years ahead.

THE CRITICAL ROLE OF INTERMEDIARIES

As I began to assess this task and consider how this new model is expressing itself across our nation, I was struck again and again by the critical role “intermediary” organizations are playing in enabling this development. Xavier de Souza Briggs has authored a thoughtful monograph, as a contribution to the work of the *Art and Science of Community Problem-Solving Project* at the Kennedy School (Harvard University). The monograph offers the following definition of an intermediary: “Intermediaries are people and institutions that add value to the world indirectly, by connecting and supporting—i.e., by enabling others to be more effective. Intermediaries may act as facilitators, educators, capacity builders, social investors, performance managers, coalition builders, and organizers of new groups” (Briggs, 2003, p. 2).

Briggs identifies five types of institutions or organizations that serve as intermediaries in promoting the public interest: government, civic, funder, issue-focused, and capacity building intermediaries.

1. *Government-as-intermediary.* Convene parties, lead civic process, educate the public, and find resources inside and outside the community.
2. *Civic intermediaries.* (Non-governmental) play similar functions, typically without the regulatory or public spending authority of government.

3. *Funder intermediaries.* Some charitable foundations or multifunder pools, which screen, validate, match, and allocate.
4. *Issue-focused intermediaries.* Conduct research, advocate, do policy or program design in health, education, employment, housing, or some other field or public issue.
5. *Capacity building intermediaries.* Emphasize developing other organizations or building up new capabilities in the community (Briggs, 2003, p. 11).

In attempting to further delineate the role these intermediaries play, Briggs draws apt comparisons with the role played by brokers in the private sector. He suggests five lessons from brokers in the business world that apply to these public intermediary organizations:

1. The brokers’ “core currency” is held in relationships, through which useful, trustworthy information can flow.
2. Recognized rules and standards, such as licensing, laws and regulation, and ethical codes of conduct, help protect buyers and sellers from unprepared and unscrupulous brokers.
3. Brokers often occupy an unstable niche in the market.
4. The brokers’ “value added” is generally priced into the transaction between buyers and sellers.
5. A broker’s role may be temporary, depending on the dynamics of the market (Briggs, 2003, p. 7).

While this comparison may be less than satisfactory in all dimensions, this perspective reinforces the rather profound challenge faced by institutional innovators providing leadership for the rural governance efforts emerging across our nation's rural landscape. Briggs further underscores this tension, suggesting five specific strategic challenges for public intermediaries.

1. The most useful specific functions of an intermediary will often be ambiguous and will likely change over time.
2. Intermediaries may have to develop the market for what they wish to provide.
3. A given community may be home to multiple intermediaries with diverse and overlapping functions.
4. Broad community change—social, economic, and political—shifts the “market” for what intermediaries should contribute, and how and with what support.
5. Showing value added—credibly demonstrating the intermediary's contribution is an ongoing challenge (Briggs, 2003, pp. 11-13).

THE THREE CRITICAL QUESTIONS

These summarize well the “dirt truth” faced by change agents seeking to build and sustain new rural governance models. Each of these challenges is very real and perhaps even more pronounced in its rural dimension. It is indeed true that leaders developing governance innovations in rural America often must create a market for their visions, ideas, and processes; sell them to voters, boards, customers, clients, or stakeholders; risk being challenged by other like-minded visionaries in other intermediaries; see

the interactional context for change flex, morph, or disappear before their eyes; and risk all this with very few mechanisms to validate the worth of the “glue” they are attempting to provide. Unfortunately, it also remains true that rural public entrepreneurs lack the risk management tools that are readily available to entrepreneurs in the private sector—one of our most difficult structural challenges.

Yet, thankfully, courageous community leaders and public servants across rural America continue to take these risks every day. As this model gains expression in rural policy and practice, three overriding questions must be answered, if such initiatives are to eventually gain traction, reach scale, and be replicated:

1. Who will be the champions? Where are the change agents, in both the public and private sectors, with sufficient standing to create the necessary support for this emergent new public entrepreneurship?
2. Where are the intermediary organizations to shoulder the burden of the difficult institutional innovations necessary to make this a reality within and across these organizations, institutions, and governments?
3. Where will we find the constituencies to drive and sustain these champions and intermediaries, as this paradigm shift occurs?

THE CURRENT RURAL GOVERNANCE SCORECARD: HOW ARE WE DOING?

Hopeful Starts and Models to Watch

Where are the champions, the institutional innovations, and the committed constituencies

supporting these exciting new models? In this section, promising new models and hopeful start-ups will be highlighted. Many local, county, and regional efforts are under way across rural America, and many rural governance successes at this level could be showcased. However, in this brief overview, I have chosen to offer hopeful institutional innovations, which offer the potential for moving these efforts to scale. Therefore, this delimited snapshot focuses upon those institutional actors with sufficient aegis to provide support for a multitude of these local and regional “promising” practices, if so inclined. Admittedly, this is an eclectic listing, with apologies to the many public entrepreneurs, institutions, and organizations not mentioned in this necessarily brief overview. All do equally meaningful work to lift up rural governance practice in their organizations, communities, regions, or states.

The following exhibit most or all of the criteria listed above, some to a more inclusive extent than others, owing to structural or institutional settings and/or dynamics. These promising models are grouped into three prevailing expressions of rural governance.

1. Innovations in federal, regional, state, or local policy design, development, or administration;
2. Innovations in intergovernmental relationships; and
3. Innovations in nongovernmental organizations, cross-sectoral policy and practice, and public/private/philanthropic sector collaboration.

Policy Design, Development, or Administration

It is most encouraging that serious attention is now being given to governance innovations in rural policy design, development, and administration. A

number of initiatives have begun across federal and state governments, many of which offer great promise. Although all remain emergent, they offer hope that lessons might be learned, and initiatives scaled, over time.

The Rural Strategic Investment Program (RSIP). This program, passed within the Rural Development Title of the Farm Security and Rural Investment Act of 2002, is one of the most innovative rural legislative initiatives in recent history (<http://agriculture.house.gov/issues/farmbill/fbconfixt.pdf>). This program resulted from an amendment during final floor action in the U.S. House of Representatives by Rep. Eva Clayton (Democrat, North Carolina). It was the only House amendment passed on the bill, and through later conference committee action. The RSIP offers many unique rural governance opportunities:

1. Creates a new National Board on Rural America to administer this program and expand attention to regional strategic investment opportunities, which provide flexible funds for public-private partnerships to pursue innovative development strategies.
2. Enables self-selecting regional collaborations to craft entrepreneurially based, regional competitive advantaging initiatives for consideration by the national board, which would certify these new Regional Investment Boards.
3. Encourages cross-sectoral, multi-institutional, and government/NGO/private sector collaboration, while not duplicating existing federal agency funding programs.
4. Provisions strongly were recommended by the bipartisan Congressional Rural Caucus and had the support of most of

the organizations in the National Rural Network, including the associations of state and local governments. This broad level of support from so many significant national associations and NGOs seldom has been found for major rural development initiatives.

5. Enables the crafting of a regionally-appropriate, cross-sectoral strategic vision; provides technical assistance funding to assure rigorous analytic support for assessing regional approaches; and provides flexibility and accountability while also exploiting identified opportunities for innovative public-private collaborations within regional strategic investments. It also assures performance oversight by the national board in each step of the development, implementation and evaluation of these innovative regional strategies.

While this initiative's mandatory \$100 million program funding level was eventually diverted to other Farm Bill programs, its support remains strong, and it stands as a statutory exemplar of what rural regional new governance could be.

Department of Health and Human Services (HHS) Secretary Tommy Thompson's rural initiative. One of the most innovative rural program design and administration initiatives in years was developed at Thompson's request in an effort to craft a more integrative framework for HHS programming. It particularly focused on the community and economic development implications of HHS policy, program, and funding. This initiative was staffed by a cross-departmental interagency working group, with primary responsibility housed within the Federal Office of Rural Health Policy/Health Resources and Services Administration (HRSA). As a first step, this team spent over a year building a rigorous, substantive assessment of all rural programs within the

department. This process has resulted in increased integration across the HHS portfolios, influenced the secretary's Rural Advisory Board to increase attention to governance concerns, and offered hope that these significant efforts will ultimately lead to increased integration of HHS rural programs (<http://www.hhs.gov/ruralinitiative/intro.html>).

The Critical Access Hospitals (CAH)/Medicare Rural Hospital Flexibility Program (HHS/HRSA). The Critical Access Hospital program is one of the most innovative "place-based" federal programs of the last 20 years. The program was designed initially to assure that rural hospitals—which are the only point of health care access in many rural areas—are offered enhanced Medicare reimbursement levels assuring continuation of hospital care service across the rural landscape. This program received strong bipartisan congressional support and strong support throughout the rural health sector communities. The CAH program has evolved over time into a much more integrated, regionally-based practice framework, "The Flex Program." For the program the State Offices of Rural Health, HHS/Office of Rural Health Policy (ORHP) research centers and technical assistance organizations, and the national and state rural health associations all collaborate to build expanding awareness and support for regionally-based, flexible program dynamics—to support a continuum of services across the rural landscape (<http://www.raconline.org>).

USDA rural development programs and administration. As the programs administered by the under secretary of Rural Development and the USDA continue to evolve and gain flexibility, additional potential for targeted, state-level governance initiatives are emerging. The last two Farm Bills have expanded the discretionary authority of the state USDA/Rural Development (RD) director. Under the current Bush administration, Under Secretaries Tom Dorr and Gilbert Gonzalez have provided leadership for the creation of several unique regional initiatives, in which USDA/RD funding has enabled

unique regional governance efforts in development in collaboration with a number of other federal agencies. In addition, these regional approaches have sought to exploit opportunities for greater collaboration with state and local governments and NGOs, as well as the private sector, in these efforts. While funding levels for rural development programs within the USDA remain meager, this evolving structural flexibility offers great promise and sufficient funding for this portfolio to be realized.

The Economic Development Administration's (EDA) Regional Competitiveness Framework. EDA Administrator David Sampson has begun a major effort to re-examine the competitiveness of U.S. rural regions and to build a research and development agenda that reflects these understandings. Mark Drabenstott and I were responders in a recent Washington, D.C., symposium. It highlighted the release of a major EDA-commissioned study by Harvard Professor Michael Porter, initiating this process (http://www.eda.gov/ImageCache/EDA_Public/documents/pdfdocs/eda_5frural_5regions_5ffinal_2epdf/v1/eda_5frural_5regions_5ffinal.pdf). EDA's interest in addressing the need for rigorous, substantive analysis of rural regional competitive advantage is most promising. Should this focus be continued, and the analyses taken to sufficient scale and sensitivity across rural areas, it could provide an excellent opportunity for targeted assessments of regional competitive advantage to become a much more critical component of public and private sector investment, to create sufficient decision-support tools for local elected officials, who are undertaking such a development approach.

State-level rural policy and governance initiatives. Mirroring these federal initiatives, significant additional attention is being paid by state government to the need for a new rural policy model. Numerous governors have initiated efforts to address this challenge in the past five years. Several states have long-established programs to build more integrative rural policy programs and assessments. Among these are the North Carolina Rural Economic

Development Center, the Center for Rural Pennsylvania, and the Office of Rural Community Advancement in Texas. All these efforts vary structurally, but each seeks to build more integrative, cross-sectoral attention to rural issues.

Recently, this activity has ramped up significantly. In fact, in the last year, a number of new initiatives have emerged. In Utah, Senate Bill 50, offered by Sen. Thomas V. Hatch, created an Office of Rural Development within the Department of Community and Economic Development, along with supporting committees and boards in the executive and legislative branches. The House sponsor was Rep. Gordon E. Snow (codified as Utah Code Annotated 1953, Title 6, Chapter 16, Sections 101-106; Title 36, Chapter 25, Sections 101-104; and Title 63C, Chapter 10, Sections 1-1-103 and 201-202). In Virginia, House Bill 1213, offered by delegate Steven Landes and others, created the Center for Rural Virginia as a 501(c)(3) corporation. Sen. Frank Ruff was the Senate sponsor, with numerous co-sponsors (Code of Virginia, Title 2.2, Chapter 27, Article 7, Sections 2720-2724). In Oregon, Executive Order No. 04-01 created the Office of Rural Policy within the office of the governor. In Louisiana, House Bill 1220, offered by Rep. Francis Thompson, created the Louisiana Center for Rural Initiatives at the Louisiana State University Agricultural Center, in partnership with Southern University. Since 1990, Louisiana has had an active Office of Rural Development in the governor's office. The Senate sponsor was Sen. Mike Smith and numerous co-sponsors (Louisiana Statutes Annotated—Revised Statutes, Title 3, Sections 331-332). All these efforts reflect the potential for enhanced state level attention in addressing the rural governance conundrum.

Intergovernmental Relationships

The last decade has seen significant new attention given to governance issues within state and local practice. Almost every state has some unique

experimentation under way, and there are multiple initiatives in several states. At the national level, a unique set of intergovernmental relationships is evolving, and new public/private/philanthropic/NGO collaborations are under way. These are far too numerous to mention. However, below are a few collaborations that offer the potential for sustaining structural support.

State and local intergovernmental dialogue. As governors and state legislatures turn new attention to issues of rural policy and governance, associations representing state and local levels of government are doing the same. In November 2002, Karen Miller, a commissioner from Boone County, Mo., and then president-elect of the National Association of Counties, provided leadership in developing a three-day dialogue among the key leadership of our state, regional, and local governments to establish a new framework for thinking about governance from a rural perspective. The senior leadership and executive staff of the League of Cities, the Council of State Governments, the National Association of Counties, the National Association of Development Organizations, the National Conference of State Legislatures, and the National Association of Towns and Townships participated in this discussion. It has evolved into ongoing, collaborative efforts across these organizations regarding rural governance issues.

State legislative dialogue. For the past three years, RUPRI has collaborated with the National Conference of State Legislatures and the Council of State Governments in co-hosting a convening of the chairs of agriculture of the states' Houses of Representatives and Senates. This historic collaboration has brought together for the first time

elected agricultural leaders in state houses, built a partnership between these two associations of government, and created a dialogue centered on a new awareness on the part of these legislators that agriculture must reach out in new ways to build regional rural economic drivers that move far beyond their sector. This Ag Chairs Summit has become a significant national event, and rural governance issues have been among the more significant components of this discussion.

Rural policy academies. During the past year, emanating from interest generated by discussions at the Ag Chairs Summit, the National Conference of State Legislatures and the Southern Legislative Conference (SLC) have developed two Rural Policy Academies. The academies are one-day events held in conjunction with national meetings of these associations, in which rural legislators meet to discuss a more focused, integrated, and regionally-based rural governance agenda. The SLC event, which was recently held in Little Rock, Ark., resulted in the formation of an SLC Rural Task Force, to advance this work institutionally and to focus ongoing legislative attention to a growing concern for a new rural governance framework.

National Association of Counties (NACo) rural initiatives. The National Association of Counties has evidenced a decade-long interest in rethinking the role of county government in rural policy dynamics. Early in the last decade, Colleen Landkamer, Blue Earth County, Minn., commissioner and current second vice president of the National Association of Counties, chaired a Rural Action Task Force within NACo. The task force evolved into a Rural Action Caucus (RAC),

a complementary organization to NACo's Large Urban Caucus. RAC has provided a central organizational locus within NACo for rural issues. It currently is chaired by Jane Halliburton, Story County, Iowa, commissioner. NACo has been central in many of the developing new governance initiatives outlined under the intergovernmental and NGO/ philanthropic sections of this paper, and the leadership provided by these strong and committed rural women has been a significant force in moving this agenda forward. During Karen Miller's reign as NACo president, she co-hosted with Wayne Myers, president of the National Rural Health Association and past director of the Federal Office of Rural Health Policy/HRSA/HHS, a multisector national rural policy dialogue. This two-day discussion brought together 30 leaders from many sectors across the rural landscape. These relationships have deepened and expanded since this retreat. That dialogue resulted in the development of a number of common projects for expanding the cross-sectoral opportunities within the new rural governance agenda.

National Association of Development Organizations (NADO) initiatives. Likewise, NADO also has provided significant leadership and vision for recent efforts to build more common intergovernmental attention to regional approaches and rural governance. Gary Gorshing, director of the South Western Oklahoma Development Authority (SWODA) and immediate past president of NADO has represented leadership in councils of government and regional development organizations in many of these national discussions. At this year's NADO training conference in Florida, the organization unveiled an exciting electronic civic discourse process to assess the opinions of the nation's leading regional development pro-

fessionals. With support from the W.K. Kellogg Foundation, this e-forum, "The Pulse of Small Town and Rural America," clearly indicated the will of this leadership community to reach out and expand interaction with other sectors and organizations. Results of this polling process are available on the NADO Web site, <http://www.nado.org/>.

The impact of regional authorities. As interest in regional approaches to development has expanded, new federal attention has been paid to the potential of regional and multistate governance entities. The Appalachian Regional Commission (ARC), the Delta Authority, the Denali Commission, and the newly formed Great Plains Authority all offer intriguing and different models for multistate collaboration in regional development. Many other multistate regional efforts are emerging. The Southwest Regional Border Authority, the Southeast Crescent Authority, and the Northeast Regional Development Commission all have been proposed and are awaiting congressional action. The inland Northwest Economic Adjustment Strategy, a regional consortium, already has received federal funding for regional strategic development efforts. The ARC experience offers the longest standing model of this governance framework and has the most storied past. In recent years, ARC has increased efforts to enhance public and private entrepreneurship and asset-based development within its portfolio to support regional competitive advantage capture. While the structure and dynamics of these authorities vary, fascinating new experiments are emerging in each.

The National Rural Development Partnership (NRDP). The National Rural Development Partnership and State Rural Development Councils, initially formed early in the

administration of former President George H. W. Bush, were designed with the principles of rural governance in mind. Both NRDP and the State Rural Development Councils have evolved and changed over time, and most state councils have created unique governance structures of their own over the last decade. While current funding for this program remains weak, unique governance programs have been developed by state councils, and the NRDP continues to function as a national organization, although its federal funding remains at risk (<http://www.rurdev.usda.gov/nrdp/index.html>).

NGO/philanthropic initiatives. An exciting new array of nongovernmental initiatives in rural governance is under way—many linking to private and philanthropic sector activity. As with the sections above, this listing will be limited to those initiatives offering structural or institutional aegis to local and regional efforts within this sector.

Foundation community interests. The foundation community has increased its attention to rural policy/rural governance issues significantly over the past five years. Several of our nation's largest foundations now have an active rural grant-making portfolio, and many of these investments are designed to enhance rural governance, in one form or another. The work of the W.K. Kellogg Foundation, the Annie E. Casey Foundation, the Northwest Area Foundation, and state and regional foundations, such as the McKnight, Blandin, Bush, and Mary Reynolds Babcock foundations, and the Duke Endowment, are all addressing the governance dynamic within the rural policy equation. Some of these programs are specifically targeting cross-sectoral or regional approaches, and most are challenging grantees to articulate and implement strategies designed to enhance public/private/NGO sector integration. The W.K. Kellogg Foundation's new national

competition to create several regional rural entrepreneurship initiatives specifically seeks proposals that highlight systemic and integrative dimensions of this work. The ongoing rural poverty work of the Northwest Area Foundation also targets integrative community-based approaches, and the Annie E. Casey Foundation's Family Economic Success Model and Rural Kids Count programs both are designed to increase understanding of the essential role of new governance in changing rural outcomes for children, families, and communities.

National Rural Funders Collaborative. The National Rural Funders Collaborative is another example of the strong philanthropic community interest in new rural development approaches. This initiative, supported by national, regional, and local foundations, is in itself a new governance model. The grant making of this collaborative is now focused in four or five specific regions, seeking to lift up rural governance policy and practice frameworks within regional rural development (<http://www.nrfc.org/>).

Community foundations. In addition to the work of national and regional philanthropic groups, community foundations also are targeting the rural governance issue. While many outstanding examples exist, the Nebraska Community Foundation is doing some of the most creative programming regarding cross-sectoral systemic change. In this work, they are collaborating with two unique and innovative Nebraska-based NGOs, the Heartland Center for Leadership Development, and the Center for Rural Affairs, among others (<http://www.nebcommfound.org/>).

National Rural Health Association (NRHA) initiatives. The rural health sector has been a leader in moving a more

integrated governance framework to practice within rural communities and regions. While federal and state agencies have played a major role in this leadership, the National Rural Health Association (NRHA), the national advocacy organization for the multiple constituencies within the rural health sector, also should be given significant credit. NRHA has been blessed with enlightened and reflective leaders since its inception, and, over the last decade, it has moved to rethink its primary mission and focus. Recently, it increasingly has been guided by a realization that the rural health sector is only as healthy as the rural communities in which it serves. Consequently, major attention is now being given by NRHA to “healthy communities.” NRHA leadership has provided strong support for RUPRI’s ongoing governance initiatives, and NRHA has provided bridge staff and leadership support for many of the Office of Rural Health Policy’s most innovative new programs (<http://www.nrharural.org/>).

Rural Community College Alliance (RCCA). The Rural Community College Alliance is a new national association of rural community colleges and an outgrowth of the Ford Foundation. It is funded by the Rural Community College Initiative and coordinated by Making a Difference (MDC) Inc. in North Carolina, and now is supported by the North Central Regional Rural Development Center and the Southern Rural Development Center. RCCA is seeking to build a collaborative framework in which rural community colleges can create awareness of and support for the critical roles they play in rural governance, while building a leadership cadre among rural community college presidents. This would increase focus and attention on the critical community and

economic development missions of their institutions (<http://www.ruralcommunitycolleges.org/>).

National Rural Network (NRN). The National Rural Network, which was reformed as the Congressional Rural Caucus and reorganized four years ago, is a collaboration of nearly 40 of the nation’s most important rural advocacy organizations with government affairs offices in Washington, D.C. The NRN has provided a wonderful occasion for building multisector collaboration in policy development and advocacy. It provides an important platform for positioning rural governance issues on the national policy stage.

National Organization of State Offices of Rural Health (NOSORH). The State Offices of Rural Health and their national organization also have provided senior leadership for building a more integrative rural policy framework within the rural health sector. These efforts have resulted in many state rural summits and ongoing policy and practice. The directors of the State Offices of Rural Health also have played a key leadership role in moving the health sector to the forefront of a more integrative rural policy framework.

Rural policy consortia/state policy institutes. Over the last decade, as state and local policies have become more critical in the continued devolution of federal policy, a number of state and/or regional rural policy institutes or organizations have been formed—within state government, state or regional universities, or NGOs. Recently, RUPRI has assisted in the development of the National Rural Policy Consortium, an effort to better integrate this work, capture synergy, and enhance substantive analytic support for state and local public policy

decisionmaking. These institutions and organizations are all champions for the new rural governance framework and are collaborating in new and innovative ways in many states. For example, the Illinois Institute for Rural Affairs and the Center for Rural Policy and Development in Mankato, Minn., are two unique and different models, and both are doing outstanding state policy work in governance. Other rural research centers, often targeting sector-specific analysis, are all searching for ways to build more integrative regional governance frameworks.

The recognition of the necessity for a new rural policy and practice framework is quite evident. These rural governance examples are but a few of the many new models at work across rural America. In this brief overview, I have chosen not to list the many specific community, or regionally-based efforts. These are myriad and offer great hope that this process is taking hold at the community and regional level. However, for this perspective and work to move to scale in policy and practice, champions must move institutions, and constituencies must support public entrepreneurs in these efforts. While there is much work to be done, promising models exist.

CONCLUSION

Challenges to be Addressed

While promising practices are evident, significant structural challenges to rural governance remain. Among the more pressing are the following.

Decision support tools for public sector action. Rigorous quantitative analysis to assess local and regional competitive advantage. As mentioned above, finding appropriate risk management tools for courageous public servants, who are seeking to support new development models, remains troublesome.

Public decisionmakers have no dearth of consultants willing to extract dollars from the public till with “black box” solutions. Likewise, many sectoral actors offer ulterior-based solutions, which quite often lack the integrative perspective necessary for truly effective regional reassessment. Lacking this quality analysis, public decisions often will remain incremental and less than optimal. Several land-grant universities offer these services as a public good, and the dedicated regional economists working at these institutions, all of whom collaborate within RUPRI’s Community Policy Analysis Network (CPAN), comprise this cadre of public servants. However, scaling this public sector presence would require significant additional investments from either state governments or state universities, and those do not appear to be forthcoming.

Public sector leadership development. Educating the next generation of rural public sector leaders, regarding this model, is critical. In most of the organizations mentioned above, a significant intergenerational leadership transfer will occur over the next decade. This provides a phenomenal opportunity for an institutional renaissance, but it also harbors the risk of the loss of significant institutional capacity and human resource investments in these current leaders. Our nation’s university systems, Extension Services, public policy institutions and schools of public policy and management all are well-positioned to address this rural differential challenge. Each also could build capacity to provide objective regional analysis for public servants, at the scale necessary. Both are among our greatest challenges in implementing rural governance.

Support for boundary crossers. Until these institutional commitments are forthcoming

ing, we must find ways to sustain and support the “boundary and border crossers” among us. Each of the participants in this conference, and most particularly the presenters, are examples of the public entrepreneurs we must support. However, this remains a huge challenge, particularly at the local level. Building of reflective leadership opportunities, peer mentoring and support structures, and risk management tools for our boundary and border crossers must be accomplished.

Keeping place in space. Building regional approaches, while remaining sensitive to culture and community, is a huge challenge. The dialectic between regional and community development remains difficult. We must assure we continue to allow “the place” to be in “space,” and that community and context remain nested within new regional approaches. Our future must not be constrained by the perspective of an 1860 surveyor, as Mark Drabenstott opined, or the site of our Friday night football games. The cultural context and community framing, which inform these myopias also are a storehouse of great wisdom, passion, and commitment. As we seek to build an expansive world view for policy and practice, these realities must not be ignored.

Bridging the rural/urban divide. The rural/urban dichotomy so often imposed by others must be consciously acknowledged and challenged in our work. This always has been a central challenge for public policy decisionmakers. While I remain hopeful in this regard, these constituencies continue to be deeply divided in our nation. We have not yet found an operational framework to link their common futures. This must be done, and the regional framing offers such an opportunity.

Bridging the public policy/community practice chasm. There remains a chasm between the public policy and community practitioner communities within the United States. While this is closing, often we remain challenged to even find a common language. As we move forward, we must continue to build a very inclusive framing for this work, not an exclusionary one.

THE URGENT NEED FOR INNOVATIVE INSTITUTIONAL LEADERSHIP

What does the scorecard look like? As Thoreau observed, “The question is not what you look at, but what you see.” Rural governance is happening. There are many successful models at work, and there are many potential champions. These “promising starts” are expressed in each of our public sectors, throughout nongovernmental and community-based practice groups, at all levels of government and in all regions of our nation. One can observe both phenomenal successes, and, sadly, continuing forces of resistance to change. Our challenge is moving from unique instances or programs—which are often driven by the courage of charismatic leaders, or an institutional, organizational, or community crisis—to systematic, structural shifts, which can scale these opportunities and replicate these successes across the breadth and depth of rural policy and practice.

Until this outcome can be secured, sufficient risk management for true public entrepreneurs will not exist. It is clear we are building a “community of change” across space, and that this is a journey, not a destination. I would caution us that our first principle should be to do no harm. Bringing together disparate constituencies with very diverse values, power bases, skills, and organizational resources remains a tremendous challenge. While we risk both waiting too long for organic change to occur, we also can damage future opportunities with precipitous action, where trusted brokerage has not yet emerged. In these instances, as in all others, mean-

ingful commitments to these processes from established rural institutions significantly would enhance the chances of success. This remains both our greatest hope and greatest deficiency.

As we survey the current rural policy and practice landscape, we see rural governance champions at work and constituencies are poised for action in their support. Both await the serious institutional commitments necessary to sustain them. These are yet to be developed. As Cassius observed, “The fault, dear Brutus, is not in our stars, But in ourselves, that we are underlings” (William Shakespeare, “Julius Caesar,” I, ii, pp. 140-141).

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Assessing the State of Rural Governance in the United States—Discussion

Moderator: Mark Drabenstott

Mark Drabenstott: Chuck, you have laid out a great overview and a terrific challenge to us. Thank you.

Let's take time for some questions, as we did in the first round. Who has the first questions for Chuck?

Ken Reiners, AgStar Financial Services: In working with farmers a lot, a question that is often difficult to discuss in a public setting is the future of the government transfer payments to commodity agriculture and whether that should continue as it has been or whether—as some argue particularly when you get outside of production agriculture—it should be reallocated to other things including community-based rural development. What are your thoughts on how to get that on the table for discussion?

Nancy Berliner, New Hampshire Rural Development Council: I noticed in your list of national players across the country who are doing good deeds in terms of rural policy development that you did not mention the National Rural Development Partnership (NRDP). I wonder if you might have some comments about that entity as part of policymaking and regional governance.

Mr. Drabenstott: Chuck, there are two questions. One goes to the heart of your farm/rural chasm, and a second is about the role and the future of the National Rural Development Partnership.

Charles Fluharty: I think the ag/rural dialectic requires three framings. First of all, in understanding that 90 percent of income comes off the farm for the

average farm household in the United States, the reality is a vibrant regional economy is more critical to sustaining farmers on the land than farming is to vibrant rural economies. Secondly, the challenge around the recent cotton decision by the World Trade Organization (WTO) is the first crack in the armor. When heat is applied to the armor, it is going to create what I fear could be a phenomenally contentious and not particularly constructive dialogue. My fear is that adults and serious, conscientious dialogue builders will rise up.

It is clear that a transition period for commodity payments must be taken into account. However, the greatest indicator of county economic lag in this nation is the extent to which your county is dependent on commodity agriculture. We need a new governance dialogue between the leaders of commodity agriculture, the private-sector supporters of commodity agriculture, the voices of new agriculture, and the voices of regional competitive advantage. If that does not occur, I feel we will head into a discussion of the next farm bill that could be phenomenally divisive, not helpful to any of those communities, and harmful to our nation. I believe that \$26 billion per year is not sustainable. I believe the ag committees now understand that. Frankly, in the iron triangle of government, they are going to be seeking a way to sustain that portfolio. Natural resources, new uses, and new energy are wonderful occasions to figure out a way where that historic leadership on Capitol Hill doesn't go away from the rural agenda.

The other thing I would say is that state ag chairs clearly understand it is broke. They clearly understand they want to link state policy more effectively in a federalism structure. They don't have a dynamic right now. The federalism question gets raised.

President Bush had a phenomenal idea when he created the NRDP. However, there were two problems with it. It was essentially a federal-oriented program that was seeking to reduce transaction costs. The NRDP also was more about convening and doing away with what was bad than building what was good.

Also, the NRDP was constructed in a political dynamic, which killed it from the start because of its champion. Rural development councils are some of our greatest new governance examples. We must think about why that has not been replicable across the landscape of rural America, rethink structurally what is wrong, and recreate it.

Mr. Drabenstott: Let's take the next round of questions.

Michael Reyna, *Farm Credit Administration*: Just as a follow-up on that, could you talk about the U.S. Department of Agriculture's (USDA) role in helping forge that partnership or provide the leadership that is necessary?

David Eppich, *Fort Lewis College*: Chuck, one of the things that was not addressed in total is the state (i.e., governor, acquiescence to the new governance). When you get engaged in border crossings, there is a primary obstacle because there is no leadership that appears from the governors. I haven't heard anything coming out of the National Governors Association on that. Could you comment on that?

Thomas Johnson, *University of Missouri*: Chuck, your presentation really was a "101." There was so much that you could have gone into much more depth about. One thing I would like to hear you talk about is the constituency issue. It seems to me that the lack of a constituency has been identified for many

years, but no one has really figured out how to deal with that issue. I would like to hear more about that.

Mr. Drabenstott: There are three questions. What is the USDA's role in all of this, particularly as it relates to the rural development/ag chasm? How do you get governors to support border crossings? How do we build a new constituency of rural stakeholders?

Mr. Fluharty: The USDA is a very large building that will hold a lot of corn. If they are not careful that is what is going to be in it some day. We have phenomenal leadership now to assure that does not occur. I lifted up Gilbert Gonzalez's program with rural development. I would also lift up some of the programs that Tom Dorr initiated to take a look at private-sector linkage. If you want to hear the horror stories about rural development in the USDA, Karl Stauber will be pleased to do a seminar shortly after this convening.

My question with the USDA is whether it is structural. Until mandates come from those ag committees to change, turf dependencies will remain. Until dollars move across the mall, we will do nothing. Until constituencies for both of those change and come together, I see no reason that path dependencies will change. However, that is why I underline the "aegis" of the dialogue. You represent a wonderful organization that could be a leader in doing that. I believe we are at a moment where border crossings can occur here. Those committees don't want to give away that portfolio. Those bureaucrats don't want corn stored in those silos. We have an occasion extramurally to begin a dialogue for doing something.

I want to lift up the work Sally Maggard has been doing to raise a community and economic development cadre in Cooperative State Research, Education, and Extension Service (CSREES) of the USDA—the organization for Extension and research—and link that to rural development, analysis, and practice. A constituency for that does not exist. Internal in the

beast, it is easy to turn it off. It is to the constituency question, Tom.

To answer the governors and government question, I believe governors are doing some of the more unique work right now in regional economic rethinking. I had a whole list I wanted to go through. If I mention one, I am going to miss others. Their ability to move an agenda is phenomenal. Their resistance to the rural component of that is real because of political dynamics in states. The challenge over the next three to five years for us as a community may indeed be how we take those 592 *micropolitan* communities, which are designated federal places now and suggest there should be a federal commitment to those. Now Commerce is going to have to add seven metropolitan statistical areas (MSA) and begin to think about a dialogue where those communities would not get block grant dollars. A region would for economic development. I believe that sending governors for action from the private and philanthropic sectors offers our best hope. We have done some interesting policy academies in collaboration with the Kauffman Foundation in our Center for Rural Entrepreneurship with eight or nine governors. They support it. We need to understand their power dynamics. Again, it is back to constituency.

The last question was about constituency. To me, this is our most critical question. We have phenomenal intermediaries in the room that are doing great work. I'll answer this question three ways. For economic development and community development, our strongest allies are our central city sisters and brothers, who have exactly the same indicators of need structurally, organizationally, from a funding standpoint, and from a capacity and isolation standpoint. Regional economic development is our greatest hope of linking that. The reason that health care works so well is everyone has to use it. The reason economic and entrepreneurship as organizing principles work so well is everyone can benefit from them. That would be the first thing. We are down to 25 percent. How do we leverage ourselves higher?

Secondly, how do we overcome the fact that 25 percent of the population is divided into about 60 interest groups, none of whom collaborate? Let me tell you why the Rural Strategic Investment Program failed with a billion dollar commitment by the federal government to self-designated regional entrepreneurship. It failed because a constituency in the rural development portfolio believed it was disadvantaged in that program. The constituency was effectively able to kill that federal commitment to rural America. Some of its concerns were real. The fact that we did not have a convening framework to resolve that constituency dichotomy harmed us all. The real question is how we build a governance framework where that dialogue can begin to allow that constituency, Tom, to emerge from the dirt. I believe it must come that way. I applaud the Kellogg Foundation and the National Rural Funders. The 8055 Campaign is an interesting campaign. Many of you know about that. The Center for Rural Strategies, Dee Davis' work in Whitesburg, Kentucky, is rather phenomenal. We are starting to see we need to do this.

We need to be careful because language means everything. The governance question needs to precede the constituency building question. If we get it wrong, we are going to go down the trail in negative ways, Tom. We are getting closer to having the ability to do that as a community in a lot of ways.

Mr. Drabenstott: Let's take this opportunity to thank Chuck for his outstanding presentation.

Building the Austin Technology Cluster: The Role of Government & Community Collaboration in *the Human Capital*

Pike Powers

Austin, Texas—*the Human Capital*—is one of a handful of American cities that has become a true center for technology innovation. For the past three decades, the city's leadership—in business, government, and academia—has collaborated on a vision of Austin's future that solidly embraces science and technology. Austin is not a secret any longer. With more than 30 years experience attracting (and keeping) technology companies, Austin is home to more than 2,200 technology companies, employing approximately 120,000 of the region's workforce. With technology as the future (for Austin, the United States, and the world), it is essential to stay competitive and collaborate. Redefining the role of government and community collaboration at all levels has made a huge difference for Austin. It can do so for other communities, too.

Why was Austin given the name *the Human Capital*? The capital city of Texas, with world-class higher education and a regional quality of life, attracts and retains the most important resource for 21st century business: an abundance of educated and skilled people. Austin, *the Human Capital*, positions people and the capital city cache as the region's greatest competitive advantage. *The Human Capital* is an epicenter for intellectual capital, power, policy, and politics; is geographically central with Texas and the Americas; and offers a stable and diverse public/private sector employment base. Austin's quality of life is highly ranked—noted for its environment, size, attitude, amenities, and unique style (See Charts 1 and 2).

THE AUSTIN, TEXAS STORY

What's Unique and Why?

Historically, Austin's economy has had two primary sectors: (1) The University of Texas at Austin; and (2) state government—Austin is the capital of Texas and home to virtually all state agencies. In the 1960s, the business community recruited an emerging and fledgling electronics industry, adding a third artery to the economy.

Over the past 30 years, Austin has attracted a diverse array of technology activities which include, among others:

- Corporate headquarters and manufacturing operations for Dell Corporation, which started in Austin and is now the largest seller of computers in the world, holding 16 percent of the PC market worldwide.
- Headquarters for Freescale Semiconductor, a publicly traded spin-off of Motorola's Semiconductor Products Sector (SPS), with 6,000 employees in Austin.
- IBM operations, employing 6,300 people in research and manufacturing.
- Advanced Micro Devices (AMD), employing 3,000 at its Austin site, which is more than at its headquarters in Sunnyvale, Calif., where 2,000

Chart 1

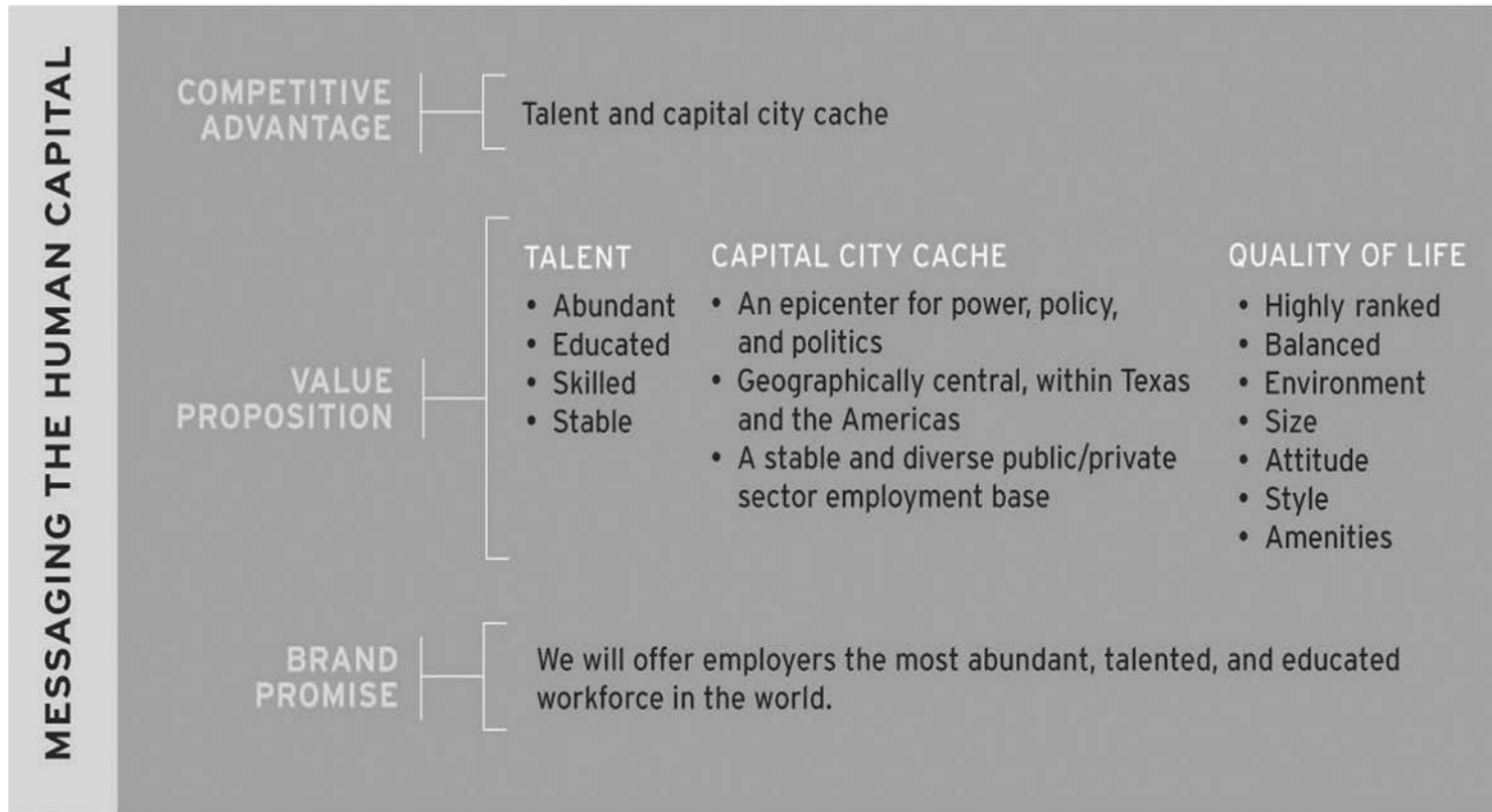
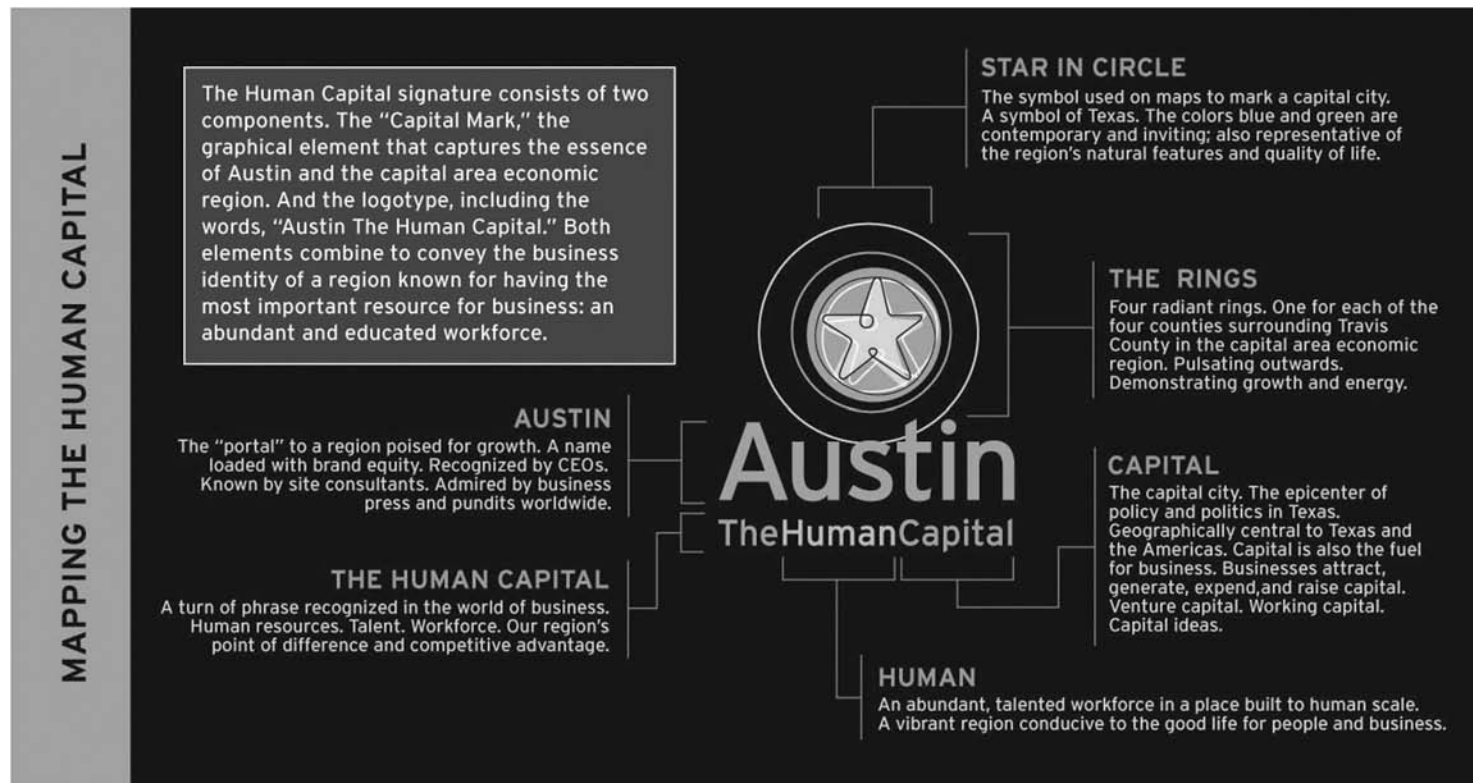


Chart 2



© 2004 TateAustin and partners: Dandy Idea, I.D. University, Milkshake Interactive Marketing, Wilson Research Strategies, and Ketchum

people are employed. Hector Ruiz, AMD CEO, lives and works in Austin.

- Major operations for Samsung, the company's only semiconductor plant located outside of Korea. A 35,000-square-foot expansion of this plant will prepare the Austin plant to produce next generation nanoscale semiconductor technology.
- Wafer fabrication facilities for Samsung, Freescale, and AMD, with facilities each representing a capital investment of more than \$1 billion.
- In 1983, 3M Company, with five divisions headquartered in Austin and with 1,100 employees—the company's first headquarters operations away from Minnesota.
- In 1988/1989, site location decisions that led to major manufacturing operations for Applied Materials, the world's largest manufacturer of equipment for the semiconductor industry.
- Headquarters for the two research consortia dedicated to U.S. technological leadership, Microelectronics and Computer Technology Corporation (MCC) in 1983 and SEMATECH in 1988.
- National Instruments: University of Texas spin-off and a quiet, but major success story.
- More than 120,000 central Texans are employed by the array of technology research, development, and manufacturing companies and consortia, and many start-ups are serving as the basis of a homegrown economy.

World Knowledge Capital

Austin is second among the world's knowledge regions, according to a 2004 study conducted by Robert Huggins Associates. Important criteria include number of patents, IT manufacturing,

spending for education, and strong economic activity. Of the 740,000 people employed in the Austin metro area, approximately 120,000 work in technology industries. Such success in attracting technology research, innovation, and entrepreneurs led Presidential Medal of Science winner and renowned business thinker George Kozmetsky to label Austin a "technopolis, and one of few such regions in the world." Austin also has been accorded the title *the Human Capital*, indicating a strong pool of educated residents (and an ability to draw talent to Austin).

A HISTORY OF EFFECTIVE COLLABORATION

In 1983, Austin charted a distinctly new course. Before then, Austin had achieved some early success as an outpost for manufacturing operations notably IBM, Texas Instruments, Motorola, and Advanced Micro Devices. The groundwork was laid for what would become the next phase in Austin's economic development: positioning Austin as a center for advances in research, information, and technology.

The unusual opportunity was presented when Microelectronics and Computer Technology Corporation (MCC) conducted a national site selection search. An unprecedented venture, MCC was the country's first private sector, high-technology consortium. MCC chose Austin, after a vigorous national sweepstakes competition over 57 other cities in 27 states.

The key ingredient to Austin's victory was careful collaboration among government, business, and the University of Texas. The MCC experience dramatically brought these forces together, for the first time in Texas, to develop incentives and present a very aggressive bid. Among the key MCC participants were the governor's office, The University of Texas at Austin and its College of Engineering, and the Greater Austin Chamber of Commerce.

Gov. Mark White believed that winning MCC was critical to charting the future for the state in terms of new and emerging technology rather than continuing to rely upon oil- and gas-based economy. A statewide task force was created to focus on and ensure the commitment of financial resources and talent that MCC required. In a show of solidarity, Henry Cisneros, then mayor of San Antonio, threw his city's support behind Austin's bid when it was clear San Antonio could not be a finalist in the competition. Unselfishly, Texas A&M University and its engineering school stepped up to support and collaborate with The University of Texas at Austin.

Texas' bid for MCC, with more than \$20 million in incentives, raised and altered forever the stakes for such economic development competitions in the United States. Major incentives in Austin's bid package, among others, included: (1) a facility and laboratory on the University of North Texas campus leased for \$10 a year and financed by university and private statewide contributions; (2) the creation of 32 \$1 million endowed chairs in engineering and natural sciences; and (3) other benefits to MCC employees, including fellowships, teaching positions, and job-hunting assistance for spouses.

Neal Spelce, an Austin business leader, later summarized the dramatic impact on the sleepy college town of Austin. "The die has been so strongly cast in the direction of super-charged, high-tech economic growth that the economic significance of MCC's site selection decision of Austin may truly equate to the economic impact of state government and the university on the Austin area."

In early 1988, Austin again won a similarly much heralded national sweepstakes competition to become the site for a second national research consortium. SEMATECH, a consortium of most of the U.S. semiconductor manufacturers, chose Austin over 137 other competing cities. The MCC collaboration team, still in place, marshaled its resources, creating a new university research park in

South Austin (converting an unused Data General facility) and financing a manufacturing facility via the specially created Travis County Research and Development Authority. Once more, in 1988, Austin was picked as one of four finalists for U.S. Memories, another semiconductor manufacturing consortium that was not ultimately implemented. No other city in the world had fared as well with three big economic development competition prizes. The same collaborative team was in place. Success bred success.

ECONOMIC BLUEPRINT(S) OR STRATEGIC PLANS

In 1985 (after the MCC experience and sandwiched between the two big consortium wins), Austin *began to realize the true magnitude of possibilities*. The Greater Austin Chamber commissioned a new long-range economic plan that became the blueprint for Austin's economy. Stanford Research Institute International, known as SRI International (Palo Alto, Calif.), was retained to "tell us what we need to know, not what you think we want to hear."

SRI's plan charted a new direction for Austin, stressing, for the first time, the significant linkage between quality of life and economic development. Science and technology were at the heart of SRI's blueprint. SRI's recommendations included:

- Continuing collaborations among business, government, and educational institutions, especially the University of Texas—using the MCC experience;
- Creating a climate for science and technology innovation and start-ups by creating business incubators, encouraging spin-offs, and increasing venture capital availability;
- Developing programs to attract, recruit, and grow technology information firms (e.g., software, electronic publishing); and

- Providing training through educational institutions that is more aligned with industry.

Later, in 1998, the chamber commissioned the ICF Kaiser Consulting Group to conduct a similar review or study that led to the next economic blueprint that emphasized “industry clusters,” including information technology and software. By 2003, the chamber had retained yet another firm, Market Street, to perform a fresh economic analysis in the wake of the economic downturn that involved the technology sector, particularly Internet-related “dot.com” investments. At the time of this article’s publication, the business community has substantially completed raising \$11 million for an economic development program, *Opportunity Austin*. Now in its first year, it is a four-part strategy that includes the following efforts:

- Retain and assist expansion efforts of existing businesses;
- Recruit new businesses (this year), targeting automotive suppliers, medical products and pharmaceutical manufacturers, and wireless and company headquarters;
- Stimulate entrepreneurship and emerging technology sectors, such as biosciences, digital film and entertainment, and clean energy;
- Market Austin effectively; and
- Improve regional competitiveness.

With more financial support pledged than ever before, a truly regional collaboration model is the lynchpin of a solid future economy.

WHAT WERE THE KEYS TO AUSTIN’S SUCCESS?

Guided by a belief in the power of collaboration, Austin business and community leaders have

worked together on building the ongoing elements of the city’s success:

- *Capacity building.* Austin business, government, and university leaders have focused on building to capacity to compete for investment and jobs. Examples include:

- *Physical infrastructure* in the form of transportation (transit and roads), schools, and billions of dollars in city/county capital investments.

- *Intellectual infrastructure* as the university has acquired faculty, invested resources, and built facilities to house new laboratories and attract talent.

- *Capital formation infrastructure* in the form of venture capital funds led by Austin Ventures. Austin and central Texas did not have to make the long trek to Sand Hill Road any longer to beg for precious seed capital money for start-ups. At the height, in 2000, more than \$2 billion was being put to work by more than 30 venture capitalists in Austin. Today, there are about a dozen active venture capitalists who invested nearly \$400 million this past year. This is comparable to the national trend, which has seen an 80 percent drop in funding (\$100 billion to \$20 billion). Since 1990, a robust angel investor network also has contributed widely to start-ups through seed investing, catalyzed by the work of the Capital Network (now known as CN Group).

- *Smartly applied and focused incentives.* Well-designed, timed, and placed economic incentives have been crucial to Austin’s success. The largest money offer does not mandate a specific conclusion. Foremost, among them are those offered by the University of Texas, which have focused on:

- *Space and facilities* for research consortia and start-ups;
 - *Investments to accelerate research programs*, such as adding faculty endowments and advancing the schedule for the centers for microelectronics and high performance computing;
 - *Technology commercialization* and transfer with provisions to allow faculty to retain ownership in companies fostered by their inventions; and
 - *Incentives by city and county government* have focused on property tax abatement, utility rate agreements, special agreements (such as agreements not to annex and not to tax for a specified time), and expedited permits and construction approvals where time, in the semiconductor industry, is of the essence. Critically, there is a continuing need to demonstrate to a given industry sector that a community understands the sector's specific needs and challenges.
- *Climate for entrepreneurs and innovation.* Entrepreneurial successes are quite legendary in Austin. Michael Dell began PC's Limited (later called Dell Corporation) in 1984 in his dorm room, while he was a freshman at the University of Texas. Engineer Frank McBee founded Tracor in the 1950s, which eventually spawned a cluster of technology companies totaling more than 20 spin-offs, creating 5,467 jobs by 1985 alone. From these experiences, Austin leaders recognize the potential for start-ups and have supported them, accordingly.
 - The Austin Technology Incubator (ATI), a part of IC² Institute, is a research institute at the university, with support from the chamber and business leaders and nurtures technology companies that have high-growth potential. Over the past 15 years, the Incubator has graduated more than 75 companies, five of which have gone public, and generated more than \$1.5 billion in revenue and 3,000 direct jobs. More than \$720 million in external capital has been raised.
 - While the early 1990s were a difficult time, as Austin experienced the fallout from the dot.com bust, the entrepreneurial spirit burns brightly. Austin leaders are working to reinvent and diversify the economy, having experienced the loss of 13,000 jobs in the dot.com aftermath. But the Austin community continues to recognize that the next waves of significant economic contributors will be advanced technology-based and generated companies, nurtured and researched in Austin. The commitment to encouraging and supporting entrepreneurial ventures remains strong.
 - Austin is an "early adopter community" with an entrepreneurial spirit. Its entrepreneurs were early in the software boom, in the semiconductor boom, in the dot.com boom, etc. Austin rides the next waves, cresting and crashing with them, always rising with the next wave of technological enthusiasm. Indeed, Austin is clearly one of the leaders in creating the next wave (e.g., digital convergence technology).
 - *Targeted marketing and recruitment.* The chamber has invested considerable resources in leading efforts to target and recruit companies and operations that would complement Austin's economy. Among current targets are next-generation semiconductor research and manufacturing, the wireless industry, nanotechnology, biotechnology, and software. While the chamber has provided the social memory and organizational glue, The University of Texas at Austin has been a ready partner with its ability to mobilize faculty, administrators, and a wide range of human and financial resources.

- *Natural resources.* In addition to its highly qualified human resources, Austin has been blessed with abundant supplies of water. Unlike some cities, which have faced constraints by limited water supplies, Austin has the benefit of the Highland Lakes, northwest of the city, to provide a plentiful, long-term source of water. In 1999, the city helped to ensure its water future by acquiring from the Lower Colorado River Authority a secure water supply for its customers for at least 50 years, even during a severe drought. Recognizing the long-term significance of the water agreement, then-Mayor Kirk Watson said: “There is probably no single factor more instrumental to the long-term health of a city—including quality of life, the economy, public safety, etc.—than the supply of water.”

WHAT’S NEXT FOR AUSTIN?

Big Challenges Ahead

The good news for Austin is that it has made legitimate progress (to be repeated over and over again) toward its strategic vision to become a globally-significant center for technology research, development, and business.

The bad news is that the task doesn’t get easier. It is imperative that Austin:

- *Compete nationally.* Competition among U.S. cities and regions as centers for technology development has stiffened. The same incentives that set a new national standard and raised the bar in 1983 would not be adequate today. To attract and encourage expansion of technology industries, cities, regions, and states now routinely offer financial incentives that would have been considered extraordinary just a few years ago.
- *Compete globally.* The pack of cities and regions competing for jobs and investments is stronger and more global, with more financial resources.

They are prepared to and do offer sizable economic incentives.

- *Continue to attract the “creative class.”* People in the creative class can be defined by innovation. They are an elusive target because they are mobile and are comfortable with relocation. They easily can be lost if not carefully nurtured by their community.

- *Provide opportunities for local residents.* UT Austin’s enrollment is capped, and central Texas’ population growth challenges the capacity of area colleges and universities. More job-training programs still are needed. With jobs increasingly requiring advanced skills and education, Austin and central Texas are challenged to ensure that its local residents have a chance for the best employment opportunities. To avoid leaving behind local residents in the technology and information sectors, Austin’s social and educational institutions—public schools, community college, and job training organizations—must realign to prepare and train residents for actual jobs.

- *Plan to accommodate urban growth* (envision central Texas). A community discussion has been triggered without resolution about the future of Austin and its urban land planning. Land use and environmental land regulation remain among the most hotly contested local political issues today. A creative tension over these issues, despite some angst, does help to ensure a higher quality of life. For Austin to continue to succeed in science and technology and research and development, it must develop a true urban master plan or adopt a decision process, which allows the city to accommodate new technology growth in a way that does not compromise the persistent quality of life—however defined.

Fortunately for Austin, The University of Texas at Austin continues its strong institutional commitment and partnership. Its contributions to technology and economic development—both strong initiatives in recruiting research and devel-

opment, accelerating schedules for research programs, commercializing technology, incubating technology businesses, and supporting several research parks in Austin—are valuable, long-term commitments. Clearly, The University of Texas at Austin is a vital catalyst and continuing force in Austin's long-term economic development.

- *Expand and protect water supplies.* The six-county area around Austin (Bastrop, Burnet, Hayes, Lampasas, Travis, and Williamson) is expected to grow from 1,269,478 people in 2000 to 2,301,156 in 2030, according to the U.S. Census Bureau and Texas State Data Center. This growth will put pressure on the existing infrastructure (roads, utilities) and will require significant expansion of water and wastewater utilities in the six-county area to sustain the quality of life that has attracted many businesses and families to the area. In the early 1980s, when Austin was undergoing significant growth, some people felt that the way to stop growth was to oppose funds for expanding the utility infrastructure. The tactic backfired. Inadequate wastewater treatment facilities polluted the river, and farmers downstream claimed that their cows would not drink the water. The city came under attack from the state, environmental organizations, and downstream communities. Fortunately, the city cleaned up its act and the river. That lesson must be told over and over again, so the same is not repeated.

For Austin, *the Human Capital*, to achieve its long-term economic development vision, institutional commitments must be secured, renewed, and strengthened among all of the players critical to success: city and county government, the chamber of commerce and its economic development arm, businesses and industries, and other educational institutions at all levels. All have a direct and critical role in realizing Austin's future as a collaborative center for technology and knowledge advances for the nation.

As an example, after the SRI report in 1985, Austin became a national center for software development with more than 500 software companies already present and employing 28,000 software developers. This does signal the successful execution of the information industry development program initially recommended by SRI. Finally, the magnitude of accelerated investments by the University of Texas exceeds \$165 million when endowments and new capital investment are totaled.

AUSTIN—YOU CAN CHANGE THE WORLD FROM HERE

On other technology fronts, Austin is driving the build out of a digital convergence future, where voice, data, and digital media converge on open wireless, broadband, and computing platforms. People throughout the world will connect using new devices, intelligent networks, and rich media. Austin's semiconductor, software, and wireless knowledge combined with its digital media, music, video game, and motion picture industries offer a unique location to take advantage of the digital convergence revolution.

A world-class workforce, entrepreneurial spirit, and extraordinary collaboration among industrial, academic, and government sectors help decrease the time to market and build the bottom line. In the past, these same assets gave birth to the semiconductor and software industries in Austin. Digital convergence assets in Austin reach across the entire value chain from research and development to materials and chips, hardware, software, systems, and services.

A diverse economic mix and skilled workforce were key factors in *Business 2.0's* ranking of Austin as one of the top four "Boom Towns" among 318 U.S. metro areas. In wireless alone that boom already has grown to nearly 100 significant companies in Austin, employing 4,000 people and more on the way.

COLLABORATION IS STILL ALIVE

Collaboration is still alive in Austin with the most recent and future innovations as driving forces in the future economy of the region. The semiconductor industry in Austin (Freescale, AMD, Silicon Labs, Vitesse, and several others) is experiencing rapid growth and higher margins in wireless products than in conventional integrated circuits. This will continue. The world only has less than 15 percent of our population on the Internet, and less than 4 percent of the world's population has high-speed (beyond dial-up) rates. This all will be built out wirelessly in the coming decade in countries like China and India, and third world nations.

WI-FI/TECHNOLOGY—COMMUNITY SUPPORT AND INVOLVEMENT

Austin's wireless cluster—numbering nearly 100 firms ranging from new ventures to names like Freescale Semiconductor, SBC Laboratories, and SEMATECH—has formed partnerships for collaboration. The Austin Wireless Alliance (AWA) is working with academic, business, and government sectors to develop, sustain, and promote Austin as a global leader in business activity, technical innovation, and community participation within the wireless industry. The AWA is a leader in the development and coordination of the major strategic wireless initiatives in Austin and the central Texas region. The AWA is composed of key leaders from all primary stakeholders in Austin, including the business, academic, community, and government sectors. The successful spread of strategic wireless initiatives in the central Texas region has stimulated the economic splash of much more.

- The Austin Technology Council's (ATC)—formerly the Austin Software Council—mission is to ensure Austin's position as a world renowned technology community, with outstanding

university-based research, an entrepreneurial culture, venture funding, a broad array of support services, and a rich pool of intellectual talent and leadership. The ATC is a member-driven association of more than 200 technology companies, business support firms, education institutions, and economic development groups. The ATC has a history of developing and providing the programs and services needed to support business growth. By focusing on companies that have emerged from the start-up phase, ATC brings together senior industry executives to share experiences, exchange ideas, and network. Sharing best practices is one of the ways emerging growth companies can create fast-track expansion. As the technology sector grew in Austin, the name of the organization was changed to reflect the growing interdependencies of software, silicon, and computing. Now, the increasing convergence in Austin of wireless, entertainment, and security technologies will build on this proposition, further positioning Austin as an emerging global technology business center, recognized for state-of-the-art innovation, creativity, and leading technology growth businesses.

- The Austin Technology Incubator is one of the most successful technical business incubators in the United States, and it is taking an active role in accelerating the development of wireless companies in Austin.
- The Austin Wireless City works to improve the availability and quality of public, free Wi-Fi in Austin.
- The Austin Wireless Group experiments with wireless protocols and promoting the expansion of wireless Internet gateways.
- The City of Austin supports wireless by deploying hotspots in public spaces and takes a pro-active approach with wireless stakeholders to plan the course of future wireless infrastructure.

- UT Austin's Digital Media Collaboratory (DMC) focuses on applied research projects, new interactive technologies, and digital content.
- The Future Media Institute is a workforce training collaboration focused on digital and wireless media.
- The Greater Austin Chamber of Commerce (Opportunity Austin) facilitates the growth of the wireless industry in the city through several economic development programs. The chamber holds a seat on the AWA governing council.
- IC² aims to establish Austin's national (or global) wireless presence and create opportunities for interregional networking for researchers, policymakers, and business professionals. IC²'s Austin's Wireless Future report maps Austin's wireless assets and outlines action items for regional development in wireless technologies and services.
- UT Austin's Office of Technology Commercialization is working to make UT Austin a leader in the arena of technology transfer and commercialization while creating a serious impact on the Austin and Texas economies.
- The World Congress on Information Technology (WCIT 2006) is the world's premier IT forum. The mission of WCIT 2006 is to be a catalyst for social and economic development through the exchange of policies, ideas, and technology. WCIT 2006 will provide unprecedented dialogue and networking opportunities with world leaders from Texas- and U.S.-based companies. An estimated 2,000 global leaders from business, government, and academia will attend WCIT 2006 to discuss IT policy, to learn about the future of technology innovation, and to drive social and economic development. Led by CEO Fred Mapp this global forum will be held in Austin from May 1-5, 2006.
- Wi-Fi Alliance is the international association that certifies interoperability of wireless products. It relocated its headquarters to Austin in 2004.
- The Wireless Networking and Communication Group (WNCG) at UT Austin is the largest wireless research center in the country. Because of WNCG's corporate-sponsored research programs for public-private research and development technology is coming to market faster. Dell is moving aggressively into wireless and recently has joined the WNCG Research Center.

BIOLOGY AND TECHNOLOGY MEET UP— IN AUSTIN

Austin is a metropolitan region of 1.4 million people that thrives on a balance of technology, business services, education, and government. As the geographic center of Texas and the home of The University of Texas at Austin and the University of Texas System, Austin is the technological driver for biomedical and pharmaceutical innovation around the state. With its highly trained workforce, well-recognized quality of life, and vast experience in manufacturing, research, and development, Austin can serve the needs of the medical device and pharma industries in a unique way. Today, the Austin region boasts approximately 85 companies in the medical product, pharmaceutical, or bioscience areas. Located in Austin, the Texas Healthcare & Bioscience Institute (THBI) is composed of biotechnology, medical device, pharmaceutical companies, universities, and private research institutions, as well as companies that provide goods and services to core organizations.

The purpose of THBI is to promote health care and bioscience research, development, and manufacturing in Texas. THBI accomplishes this by developing solid information about the health care technology community in Texas, and making that

information available to political leaders, the news media, venture capitalists, investment bankers, and the public.

Already, THBI has demonstrated that medical research and manufacturing are major contributors to Texas' state and local economies—with great potential for financial growth and job creation. The Texas Workforce Commission reports that the state is home to 121 pharmaceutical manufacturing companies and 1,715 firms involved in research and development in the physical, engineering, and life sciences. These companies and their partners in academic institutions are developing hundreds of new products to improve treatment for all major diseases, as well as using biotechnology principles to solve agricultural and environmental problems.

By demonstrating a firm correlation among the biomedical industries, universities, and research institutions, THBI assures potential investors that dynamic entrepreneurship in Texas is complemented by some of the world's finest scientific minds. At the same time, THBI affords the Texas medical research and manufacturing community unparalleled grassroots opportunities to communicate effectively with elected officials.

GETTING YOUR ACT TOGETHER: SIMPLE RULES OF THE ROAD

Austin has faced important economic challenges. How can the city assure that it continues leadership in the highly competitive global sphere of advanced technology research and manufacturing centers? How can collaboration among organizations be institutionalized to ensure continued success as individual leaders change? The city's success in science and technology owes much to the faithful, "can-do" execution of long-range strategic economic plans. The first was developed in 1957, followed by the second in 1984-85, third in 1998, and the fourth in 2003. Perhaps the key economic question for Austin continues to be: How the

five-county region, *the Human Capital*, can stay on course with its long-range plan and fully realize its vision as a global center in new science and advanced technology development.

HOW DOES AUSTIN CONTINUE TO REINVENT ITSELF AND ITS PUBLIC/PRIVATE INSTITUTIONS?

Quality of Life

What better balance can a city offer than being both the "Best Place for Business and Careers" and the "Live Music Capital of the World?" Austin placed well in rankings ranging from "Best City for Relocating Families" to "Best Cities for Singles." Other assessments consistently recognize the region as among the most inventive, creative, wired, educated, fit, and loved.

- Affordable and diverse neighborhoods, from urban lofts to hill country estates,
- A climate made for outdoor enjoyment and recreation nearly year-round,
- Many professional and amateur sports venues and events, and
- More fine restaurants and clubs per capita than any other U.S. city.

Workforce—Young, Creative, and Productive

Fast growing, largely because of its draw as a destination for migrating talent, metropolitan Austin's population reached 1.4 million in 2003.

The 1990s saw a 47 percent increase in population, and growth has been averaging 3 percent annually since the *2000 Census*. The *Census* indicated that only four U.S. metro areas saw greater total net migration than Austin between 1995 and 2000. The median age of the Austin metro area is four

years younger than the national median (31.8 years vs. 35.9 years). Nearly half the metro's population, 47 percent, is the working age between 18 and 44 (compared to 39 percent nationally).

Workforce Training Resources

The Austin area features several organizations and training providers including Bio-Link at Austin Community College, the Capital Area Training Foundation, and WorkSource. These organizations have developed customized training programs for high-tech industries including biotechnology. The Austin area workforce training community has shown a unique ability to adapt to the training needs of the private sector and has funding systems in place to support the changing needs of business in the future.

Ask CEOs, entrepreneurs, educators, and research why the Austin region has stayed hot through more than two decades of business trends,

and the one common theme is workforce. It's all about people, and Austin's supply of unmatched employee talent is certainly no accident. As the business and government epicenter of Texas, Austin is a highly efficient workforce generator—*the Human Capital*.

Education

The Battelle Institute's latest state-by-state assessment of bioscience initiatives showed that Texas is one of the leading states when it comes to bioscience education. Texas ranked second in the nation for the number of bioscience graduates and ranked third for university expenditures in biosciences. Within a 100-mile radius of Austin, one will find 25 colleges and universities, including a world-class research institution, The University of Texas at Austin, the nation's largest public university—previously described and appreciated for its key impact role.

Highly Educated Talent

Educational Attainment of Persons 25 Years and Older, 2002

	Austin MSA (Percent)	United States (Percent)
College Graduates	38.4	25.9
High School Graduates	86.2	82.6

High-Tech Employment Base

Employment in High-Tech Industries, Fourth Quarter 2003

High-Tech Manufacturing	34,513
Health Services	45,620
Information	20,455
IT Systems Design and Services	9,718
Engineering	8,020
Research and Testing	3,892
Total	122,218

The University of Texas at Austin

Since its creation by constitutional mandate in 1876, The University of Texas at Austin has evolved into one of the most distinguished research universities in the country. With 14 Colleges and 333 degree plans, UT Austin has kept a strong research focus in engineering and mathematics, as well as the physical, biological, and computer sciences.

Annual research expenditures at UT Austin exceed \$320 million. Federally funded research and development expenditures in FY 2002 were approximately \$220 million, placing UT Austin second in the nation in federally funded research among universities without a medical school.

The university ranks in the top 10 for the number of science and engineering doctoral degrees. UT Austin's world-class programs include bioengineering, nanotechnology, bioinformatics, and pharmaceutical research. UT's College of Pharmacy is one of the premier institutions of pharmaceutical education and research in the country. The university supports more than 90 organized research units. A sampling of those impacting Austin's future in bioscience technology development and commercialization include:

- The Department of Biomedical Engineering
- The Center for Biological and Medical Engineering

Austin Metro Area Colleges and Universities, Fall 2002 Enrollments

Four-Year Institutions	
The University of Texas, Austin	52,261
Texas State University, San Marcos	25,025
St. Edward's University, Austin	4,266
Southwestern University, Georgetown	1,260
Concordia University, Austin	1,045
Hutson-Tillotson College, Austin	642
Total	84,499
Austin Community College	29,156
Grand Total	113,655

Degrees Awarded in Selected Science Fields, Austin Metro Area Institutions, 2002

	Bachelor's	Master's	Doctoral	1st Professional
Agricultural Sciences	25			
Biological/Life Sciences	640	35	39	
Computer and Information System	454	80	12	
Engineering	816	431	136	
Physical Sciences	169	45	73	
Health Professions	409	193	31	109
Total	2,513	784	291	109

- The Center of Molecular and Cellular Toxicology
- The Microelectronics Research Center
- The Center for Nano and Molecular Science and Technology
- The Institute for Cellular and Molecular Biology
- The Institute for Computational Engineering and Sciences
- The Institute for Neuroscience
- The Institute for Theoretical Chemistry

Infrastructure

Austin boasts proven telecommunications, transportation, electric, and water capacities to satisfy diverse operations ranging from sensitive data center operations to semiconductor manufacturing, as well as Fortune 500 firms and international businesses. A major metro economy, combined with the seat of Texas government, also means Austin businesses enjoy world-class business services in legal, accounting, and public relations. The University of Texas at Austin supplies businesses with the fundamental framework for innovation and growth.

A NEW START FOR A NEW CHALLENGE

The United States faced a national competitive threat in the 1980s when the Department of Defense and private industry collaborated to create the government-industry consortium, Austin's SEMATECH, which is widely credited with regaining U.S. leadership in semiconductors. Joint government and industry have invested around \$3 billion in SEMATECH programs and facilities. The United States must transform this success model to address converging advanced technology R&D challenges.

Our solution to stay the course is the Texas Technology Initiative (TTI), located in Austin. TTI was established in 2002 as yet another collaboration among the government, academia, and private industry. Austin (and Texas) has been challenged to a new start, most notably by New York, Europe, and Asia, to reinvent, redefine, and improve the Technology Collaboration Model.

In response to the TTI strategy and the need to be globally competitive with incentive programs, the state of Texas created a \$295 million Enterprise Fund, under the leadership of Gov. Rick Perry, that led to the retention of SEMATECH and the creation of Advanced Technology Development Facility (ATDF) and the International SEMATECH Manufacturing Initiative (ISMI). Successes followed with the co-location of Advanced Processing and Prototyping Center (AP²C) and the operational Advanced Materials Research Center (AMRC). The co-location already has received industry- and university-matched \$40 million from the Enterprise Fund.

The Texas Technology Initiative will provide a cost-effective, leveraged technology platform available to advanced technology innovators in conjunction with a unique, world-class 300mm/200mm semiconductor capability. TTI also will provide support for advanced integrated technology research programs in nanotechnology, microelectro-mechanical systems (MEMS), biotechnology, IT/wireless, photonics, energy, and other emerging technologies. It will retain and expand targeted corporate R&D and manufacturing with direct high-tech jobs in the region and will accelerate commercialization of emerging Technology research.

The Human Capital's National Technology Initiative (NTI) will provide unique, leading-edge processing and prototyping universities; a cost-effective, leveraged technology platform available to advanced technology innovators; and a completely unique, world-class 300mm/200mm capability. NTI will support advanced integrated technology research programs in MEMS, nanoelectronic

mechanical systems (NEMS), biotechnology, and other new and emerging technologies. It will retain targeted corporate R&D and manufacturing with direct high-tech jobs in this country and will ultimately accelerate commercialization of emerging technology research—a true convergence of advanced technologies (the waves of the future crashing in true Austin tradition).

CONCLUSION

The critical issues necessary to make an economic development plan work (hum) are as follows:

- 1) *College education ranks*—the power of knowledge cannot be underestimated. A skilled workforce will aid in the development of an area. An area with a well-ranked college is proof of a pool of skilled workers.
- 2) *Science/technology*—Texas slipped from 13 to 24 in this year's *Milliken Report on Technology*.

It happens fast. The telecom corridor in Richardson, Texas, evaporated before our eyes. Staying on top of the game is vital and slippery. Colorado is the only truly competitive state in the Midwest. Pay attention to this annual report. Get a copy and read it carefully. It is a valuable yardstick.

- 3) *The economy is cyclical*. There always will be booms and busts. Try to be as comfortable with it as you can and be patient. Things do not happen overnight.
- 4) It takes *sweat, blood, tears, and luck* to just stay in the game. A lot of hard work and luck will help a regional community become a thoughtful part of the future economy.
- 5) *Most magazine and book ratings* or other ratings lists are fine, but be wary of them as applause can hide structural flaws in a program. Enjoy

them briefly, and let them pass. They are not a grounding basis for successful economic development, but they can be a part of the outcome.

- 6) *Technology changes*—the speed of change is dramatic. One half of all we know occurred before 1950, and the rest has been discovered since that time. The pace continues to quicken every day.

AUSTIN HAS DARED TO DREAM AND DREAM BIG

Will you join us?

- 1) Have a *long-term strategic plan* and stick with it—through thick and thin (and ups and downs).
- 2) Always *press the envelope* do not be content to sit on the status quo answers from academia, research and developers, etc. What are the next, and the next, and the next big things to change the economy of your region? There is always something new on the horizon. Do not be the last to know. Disrupt.
- 3) *Be bold*—ignore the pundits who say, “It cannot be done. That won’t work.” Press on. Those who make history move forward in spite of the appearance of obstacles. There is always a way around an obstacle. Find it.
- 4) Support the *bonding of key players*—through shared experience(s). Economic development competitions bear a striking resemblance to boot camp experiences—creating a positive memory track for participants. Participants will develop a bond that will strengthen the group and the overall process. Every good community has lasting and valuable ties.
- 5) *Celebrate* the good news and the victories (even the small ones). Promoting teamwork keeps spirits high. Those involved will be

stronger during the tough times if they celebrate the high points when possible.

WHAT DOES THIS MEAN FOR THE REST OF US?

What is the value of the Austin experience for the Kansas City Federal Reserve Conference Midwestern states attendees? The ingredients of successful economic development *must* include bright people, a willingness to change course as technology progresses, a commitment to advanced technology-based research, a team spirit that leaves private agendas at the door, a strong university/academic presence, and a passion about the intrinsic value of getting the job done. These values do not and will not change with geographic location. Educate. Adapt. Innovate. Collaborate. Find the strengths in your regional community and elevate them to new levels. Take a gamble. Risk your time and energy for the potential payoff of a solid future. The real risk is in not acting, not collaborating, and assuming that a good economy is not a product of hard work and great risk.

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Building the Austin Technology Cluster: The Role of Government—Discussion

Moderator: Gary Gorshing

Gary Gorshing: In keeping with the format of this morning, we will accept questions for Pike.

Jack Geller, *Center for Rural Policy and Development, Minnesota:* As Austin grew from a sleepy college town to a tech center, talk a little bit about whether or not it lifted all boats in the community or created graded disparities within various cohorts in the community?

Pike Powers: That is a very good question. It did create a disparity, not only on the educational attainment level but also on the occupational income levels. It exacerbated some pre-existing conditions or situations. It made it difficult for us to address some of the social concerns or changes. As a consequence, the business community had to pitch in and work harder to try to live through some of those issues. It became acute in the 1990s, which was a time of great prosperity in our community. A number of companies locally grown and developed took initial public offerings (IPOs), and people became outrageously wealthy overnight. The newspaper, of course, would publicize those stories on the front page with pictures showing celebrations and bottles of champagne. The gap became wider.

With the dot.com crash beginning March 2000, people got back on a more reasonable communications keel. The humbling of the technology community actually made possible more serious social consequences discussions. You are absolutely right, Jack. We don't have a perfect answer to it. I don't think there is one. There was a great disparity, and it drove some wedges that weren't there before in the

community to have some people doing well and other people not catching up at all. That is the ugly underside of the technology success story. This is no surprise to anyone in this room, I suspect.

Andrew Skadberg, *Texas A&M University:* I am actually at an advantage because I lived in Austin for five years. In looking at the opportunity that you were part of in Austin, do you think Austin was in a unique situation? I know Austin is a great town. It has a lot of natural resources. It is at the center of things. In comparison with other places that might be more challenged, did you have to, as part of your initiative, try to draw that story of Austin out or do you think people knew it was a great place?

Mr. Powers: Certainly, all of us who have been involved more than 25 years would be reluctant to say it was our efforts that did it. It is a wonderful place, as you know, Andy. It has a magical feeling of quality of life. People love being there. It is the city of choice for Texans when they can get away from wherever they are living because of job opportunities.

On the other hand, we faced some big challenges in terms of persuading some members of the environmental community that the technology scene was the way to go. We had others who were skeptical and antagonistic about incentive packages. They were asking how we could pay so much for so little and saying that the project really would not make a long-term difference. All of the traditional economic development struggles did go on. What was positive and a real learning experience for us over the last 25

years was that when the chips really got down everyone rallied to the cause. Everybody basically said, through unanimous votes of the city council, county commissioners court, and state legislative delegations: “This is bigger than we are.”

The real lesson in all of this is—if presented properly and there is the right buy-in from all segments of the community—is that it can be an enormous community builder, in addition to being an economic builder. That is what happened for us. I give the people of the city—*the human capital*—and the university great credit for that. You are right. We had a head start on a lot of other communities, given our natural beauty, natural assets, and the university. Still, we had some tough days in the middle of that along the way.

I am very fond of Texas A&M. Had it not been for the A&M engineering school in 1983 and Microelectronics and Computer Technology Consortium (MCC), who came and made pitches and presentations, we would not have gotten there a number of times on various projects.

We have recently repeated all that one more time and have a new project in place called the Texas Technology Initiative, which emphasizes advanced technology platforms. Austin continues to grow, change, expand, and be competitive.

Mr. Gorshing: Thank you, Pike.

Mr. Powers: Thank you.

Discovering a New Indiana Economy: The Role of Higher Education

Martin C. Jischke

America's rural heritage has been the cornerstone of this nation throughout its history. The impact of rural America continues to be great in this new century. But rural America is changing, and our institutions must change to meet these new 21st century needs. Our failure to respond to change could place an important aspect of the American way of life at risk.

Although our businesses and government are headquartered in urban centers, my state, Indiana, like all others, has a strong rural heritage. One of the great songs of our state is "Back Home Again in Indiana." We hear it often from band and choral groups at Purdue University in West Lafayette.

It is interesting to note that in spite of the urbanization that has taken place in Indiana during its 188-year history, Hoosiers do not sing with emotion about their skyscrapers and asphalt highways. They certainly don't sing about their love of traffic jams. Although Indiana is a national leader in manufacturing, they don't romanticize their steel mills or auto plants.

When they long for their Indiana homes, people from my state sing about open fields, gleaming candlelight, sycamores, new-mown hay, and the moonlight on the Wabash River. These are rural images. Indiana is very proud of its rural heritage. And it should be.

This nation is also proud of its rural background—the amber waves of grain, purple mountains, and

fruited plains that Katharine Lee Bates captured forever in "America The Beautiful." Not long ago, a W.K. Kellogg Foundation report surveyed members of the U.S. Congress. The report discovered these national leaders believe there is something special and unique about rural America—something very much worth preserving. They believe it is an incubator of traditional values and vital part of our national life and economy.

The Main Street Economist, a publication of the Center for the Study of Rural America, Federal Reserve Bank of Kansas City has reported: "An informal study asked people where they wanted to live in the future. All their answers were couched in small-town values—a sense of place, of belonging to one another, of interdependence, and responsibility for each other's kids. People sense the nation has lost those values, and now they want them back."

These feelings are especially strong across America, following the events of September 11, and all that has transpired since. Our rural communities are important to our country, to our economy, and to our national sense of who we are. But as it is everywhere in our country today, these are changing, challenging times in rural America.

In Indiana, 35 percent of our 5.8 million people live in rural areas. As reported by the Indiana Rural Development Council, these people expect and need the same services from the government and schools as residents of urban areas. But they sometimes lack the tax base to support these expectations.

They need jobs, but they struggle to recruit and maintain the businesses and industries necessary to sustain economic growth. Rural America has seen a drain in human capital—the very asset that made it so great in the first place. These are all troubling problems. But they are not unsolvable. They are merely challenging.

I believe the time is right for America's research universities, such as Purdue, to step up to the next level in helping rural communities face their economic, social, and environmental issues. That is exactly what Purdue is doing today. And in doing this, we are fulfilling our historic mission as a land-grant university.

Higher education has played a major role in developing rural America for nearly 150 years. The real promise and opportunity that are the hallmarks of America emerged from one of the most remarkable pieces of legislation ever enacted: The Morrill Land-Grant Act. Justin Morrill was a Vermont congressman who believed that higher education should not be limited to the few and elite. Morrill, and others like him, believed higher education should be available to the masses, including those people in rural communities. In fact, Morrill and his supporters were especially interested in opening the benefits of higher education to the rural population that dominated the mid-19th century American landscape.

In 1862, there was a turning point in history when President Abraham Lincoln signed the Morrill Land-Grant Act. The year was a difficult one in American history because there was a solemn realization that the war would be long, that peace would not come easily, and the cost in human lives would be devastating. Yet, that was the very moment in history when our forefathers looked optimistically to the future and approved this landmark piece of legislation. It reshaped education and ultimately changed the face of America.

The Morrill Land-Grant Act provided the means for states to create new universities that were dedicated to serving the public and serving communities through three missions, which today are called learning, discovery, and engagement. With the Morrill Land-Grant Act, a young person growing up on the farm in rural Indiana had as much right and access to a college education as the son of a wealthy banker in Boston or New York. This act further established that, in addition to educating the young people of America, land-grant universities would use their expertise to improve the life, welfare, and economy of their states.

By 1870, 37 states had initiated land-grant institutions, and Indiana was among them, establishing Purdue. Today, there are more than 100 land-grant colleges and universities across the breadth of this great country, offering promise and opportunity to all. The Morrill Land-Grant Act helped to provide the spark this young American republic most needed to flourish—an educated people. It also sparked the American economy by using land-grant institutions as tools of change and progress, taking science out of the laboratories and into the farms and factories. Land-grant universities revolutionized agriculture in the 19th and 20th centuries, and they are about to do it again in the 21st century.

Land-grant universities helped to spark the industrial development that swept through the 20th century, as our learning, discovery, and engagement built manufacturing into the backbone of today's economy. Land-grant colleges and universities played a major role in developing rural America into a vital part of the American landscape. And, today, they have the resources to influence dramatic change to reinvigorate this important national asset.

In 1996, the Kellogg Commission on the Future of State and Land-Grant Universities was created by the National Association of State Universities and Land-Grant Colleges. The commission was charged

not only with defining and bringing to public attention the types of changes occurring at public universities today, but also with analyzing necessary reforms, suggesting ways to accomplish them, and monitoring the results. I was one of 25 university presidents named to the commission, and I served as chair of the Engaged Institution Committee.

Five committees issued written reports. All were well-received, but the “Engagement Report” was far and away the most popular. More copies of it were distributed than of all the other reports combined. It struck a huge chord. We found that universities, states, communities, businesses, industries, and people all wanted higher education to become more involved. The report stated: “The clear evidence is that, with the resources and superbly qualified professors and staff on our campuses, we can organize our institutions to serve both local and national needs in a more coherent and effective way. We can and must do better.”

I believe land-grant universities in the 21st century should partner with government, communities, and private enterprise to help both urban and rural areas manage the economic and social challenges of our times. The new economy that is sweeping the world today is driven by science and technology. Science, technology, and engineering are revolutionizing lives. These are the fields that are driving the development of new products, services, knowledge, and needs. States and regions that are most effectively developing this knowledge-intensive economy are succeeding by partnering with major research universities.

The Massachusetts Institute of Technology (MIT) is responsible for 1,000 companies being headquartered in that state. In Seattle, an amazing 70 percent of all companies have a direct relationship to the University of Washington. We know the impact of Stanford on Silicon Valley and Duke, and the impact of the University of North Carolina and North Carolina State on the Research Triangle. My

state of Indiana has been hard hit in the recent economic slowdown. Since 2000, Indiana has lost more than 136,000 jobs. Manufacturing, the largest sector of economy, has been most severely hit, losing 90,000 jobs. Many of these jobs are not coming back.

In response, several years ago in our state, partnerships were formed between business, government, and research universities. These partnerships began looking at our state’s economy to determine the greatest potentials for growth. For example, in March 2001, the Central Indiana Corporate Partnership in Indianapolis released a study by the Battelle Memorial Institute. That study identified three economic clusters that held great promise for the region’s economic future: First—advanced manufacturing; second—information technology; and third—life sciences. Transportation, distribution, and logistics were later added to the list. A second Battelle study—supported by the Indiana Health Industry Forum and completed in February 2002—confirmed that the life sciences represented an exciting intersection of existing assets and growth potential in central Indiana.

Purdue is playing a leading role in these partnerships, which now are working to foster economic development in these important sectors. The university also is focusing its land-grant missions for learning, discovery, and engagement on these key economic sectors in our state. We believe Purdue must serve as the source of both talent and ideas that will drive Indiana’s economic, social, and cultural progress. To do this, Purdue is realigning itself to help support Indiana’s new economic ambitions. To meet the needs of the 21st century’s knowledge-based economy, Purdue is moving into interdisciplinary and often multi-institutional initiatives.

Today’s research increasingly is influenced by the convergence of scientific and technological advances in different academic disciplines. Throughout the university, we are breaking down

barriers that separate disciplines and bringing our researchers together to collaborate on this exciting work. This marks a transforming moment at Purdue. This is an enormous change in the culture at Purdue, and this new approach has attracted top faculty and researchers for our students and state. We are building state-of-the-art facilities to foster this interdisciplinary work in Purdue's signature fields.

I believe the area that provides the single greatest promise for economic development in Indiana is Discovery Park at Purdue. Discovery Park started as a partnership between Purdue and Indiana. It has grown to become a partnership among Purdue, the state, the federal government, philanthropic organizations, Purdue alumni, friends, and the businesses and industries of Indiana. We believe Discovery Park is a model for the kind of economic development that can grow out of solid cooperation between the public and private sectors and research universities.

I arrived at Purdue as its 10th president in August 2000 with a clear mandate from the Board of Trustees to draft and implement strategic plans for the Purdue system—plans that would take the university to the next level in a way that would advance Indiana's economy. The board members already had invested considerable time in a detailed study of the institution. They determined Purdue was in solid shape and ideally situated for a large step to the next level of excellence. Plans and strategies were needed for that success.

Through input from the entire university community, strategic plans, with a vision of preeminence, were proposed, and the board approved them. These plans were based on our land-grant missions for learning, discovery, and engagement. We are increasing faculty by 300; increasing diversity; increasing faculty salaries to attract and retain the best people for our students and state; investing nearly three-quarters of \$1 billion in new and upgraded facilities; increasing engagement with

our state; increasing scholarships and student aid; and investing in programs that will expand our research capacity in interdisciplinary, signature areas that are aligned with the needs of our state.

To help us accomplish all of this, we have launched a \$1.3 billion capital fund drive. In the midst of a sluggish, uncertain economy, we moved forward, and our friends and alumni responded with incredible support. Four years into the seven-year campaign, we have raised more than \$925 million, and that total rises weekly.

Discovery Park is a central focus of our efforts, and it will have an impact not only in urban areas but also in the rural communities of our state. In 2001, we approached our state with plans for Discovery Park. We asked for \$5 million to start us on our way toward building a new nanotechnology center. It would open possibilities for Purdue and Indiana in one of the most exciting areas unfolding in this new century.

We told government leaders that if the state would give us \$5 million, we would at least double that investment through fund-raising for this new center. We were true to our word. In fall 2001, we announced plans for a \$58 million nanotechnology center, named for Michael and Kay Birck, our lead donors. We leveraged the state's investment more than *elevenfold*. Then in fall 2003, we announced that a bioscience center named for William Bindley, its lead donor, would be added to Discovery Park. The \$15 million Bindley Bioscience Center is 100 percent privately funded.

The Birck Nanotechnology Center and Bindley Biosciences Center are now under construction and scheduled for completion in 2005. Already open in Discovery Park is a \$7 million Burton D. Morgan Center for Entrepreneurship. This center is 100 percent privately financed. This facility and its programs are focused on moving Purdue research off the campus and into the marketplace. We believe

we are unique in tying our signature research to a facility focused on transferring our discoveries into the marketplace.

We also are preparing to build a \$10 million e-enterprise center in Discovery Park with private funds. Even as we are completing phase I of this interdisciplinary research area, phase II is already under way. We have partnered with the state on a \$25 million Discovery Park biomedical engineering facility that has enormous economic development potential for the state. We are planning a new \$15 million cancer research center (privately funded) in the park. We are planning a \$30 million structural biology building.

The cluster of centers in Discovery Park is designed to connect faculty and students from many disciplines. Bringing everyone together will foster the discovery of new methods, ideas, technologies, and products. Faculty and students from every school at Purdue are able to participate. Already, a growing number of faculty members is engaged in research projects with faculty and students in other schools and disciplines. Discovery Park research is developing technology that will be moved into the marketplace. Discovery Park is already attracting some of the most talented researchers in the nation, and it is helping attract high-technology business to Indiana, benefiting from the research and development at Purdue.

All of the economic sectors that have been shown to have great potential in Indiana are being served by our work in Discovery Park. The needs of advanced manufacturing can be met through our nanotechnology center and e-enterprise centers. The life sciences will be advanced in our bioscience and nanotechnology centers. Information technology will be moved forward in nanotechnology research and our e-enterprise center. The e-enterprise center also will be a key in transportation, distribution, and logistics. This already is having an impact. Thanks to a \$26 million grant from the Lilly

Endowment, our Discovery Park Centers are up and running even before the facilities can be completed. At Discovery Park, we already have a NASA Specialized Center for Research and Training in Advanced Life Support; a NASA Institute for Nanoelectronics and Computing; and a National Science Foundation Network for Computational Nanotechnology.

A combination of many efforts in Indiana—including some tax restructuring—is working. In April, *Site Selection* magazine placed Indiana number one among the 50 states for competitiveness in economic development. We believe what we are doing at Purdue is contributing to this success, and Discovery Park is an essential component of future economic growth.

Developments at Discovery Park will help to attract and create businesses and industries that will benefit urban and rural areas. Rural communities have a great deal to offer emerging businesses and industries, and we are working on economic development plans with counties throughout our state. These plans include technology incubators, modeled after a highly successful program at Purdue.

At Purdue Research Park, we have created 150,000 square feet of incubation space, making our technology centers among the largest in the United States. And we are enlarging them. Last fall, *University Business*, a publication for presidents and senior officers at colleges and universities throughout the United States, cited Purdue as the top business incubator model in the nation.

Our research also has enormous impact on rural, as well as urban areas. For example, a group of Purdue scientists has developed a strain of soybean that resists the soybean cyst nematode. Nationally, this will save farmers \$270 million a year, and \$30 million to \$50 million in Indiana alone.

Our research is helping Indiana businesses in rural areas grow and compete. For example, Red Gold has been an Indiana family-owned and -operated

business for over half a century, specializing in high-quality tomato products. From 1942 to 1986, the company operated seasonally. Few employees were needed during the nonproducing months. In the mid-1980s, Purdue Food Sciences developed container and aseptic processing technologies that allowed Red Gold to purchase tomato paste and keep it yearlong. This allowed it to make products during the off-season. Today, the company has more than 1,100 employees and operates year-round.

Purdue's Technical Assistance Program (TAP) is working at the cutting edge of Indiana economic development. More than 5,550 companies have received help from TAP in areas such as advanced manufacturing and logistics, business management, information technology, product development, quality, manufacturing processes, and human resource issues and interpersonal skills development.

Since its inception 17 years ago, Purdue's Technical Assistance Program has resulted in \$290 million in increased sales by Indiana businesses; \$45.5 million in new capital investments; \$24 million in reduced business costs; and 3,900 Indiana jobs created or saved. That has had a huge impact on our state. More than 90 percent of companies that use TAP services say that the assistance they received helped them to compete and thrive.

At Purdue, we are using our missions to advance the hardwood industry. Hardwood is a major aspect of Indiana agriculture and the state's economy. Indiana's wood products manufacturing is the fifth largest industry in our state—a \$5.7 billion a year industry. It employs 59,000 people. Many rural southern Indiana counties derive more than 50 percent of their revenue and wages from forest product manufacturers. Southern Indiana has the most productive hardwood sites in its region of the United States. But this vital part of Indiana's economy is facing increasing pressure from international markets.

In response, Purdue has partnered with the United States Department of Agriculture Forest Service to establish the Hardwood Tree Improvement and Regeneration Center. This center is using cutting-edge scientific methods to improve the black walnut, red oak, black cherry, and American chestnut species. We are working specifically on these trees because of their vital importance to the forests of Indiana and to the fine hardwood furniture industry in this state. We are learning how to grow better trees, producing the straightest trunks, and doubling growth rates. These results are having tangible, significant economic benefits for the Hoosier hardwood tree industry and to the rural communities of Indiana. The traditional rural industries—agriculture, forestry, and mining—are becoming more concentrated and capital-intensive.

The traditional rural industries are vital parts of the rural economy, but they are employing fewer and fewer people. Agriculture is entering another period of dramatic and exciting change with advances such as those in proteomics and genomics. This is opening up whole new areas of opportunities, as well as challenges.

Purdue's School of Agriculture is deeply involved in using missions for learning, discovery, and engagement to improve all aspects of agriculture, forestry, and mining in Indiana. We are educating students in these fields. We are helping people in these businesses to grow. We are using our discovery to improve production. Last fall, Purdue received a \$1 million grant from the United States Department of Agriculture to establish an Agricultural Innovation and Commercialization Center. The goal of this center is to aid rural businesses and producers in developing value-added companies that promote greater use of agricultural commodities.

A person interested in establishing or investing in a new agriculture-based industry will be able to work with the Agricultural Innovation and Commercialization Center to help test the

economic potential of the enterprise. For example, Jose Morales, an entrepreneur in Jasonville, Ind., had an idea to transform a dormant industrial facility in Greene County. Morales originally wanted to produce burritos. But with the help of Purdue Extension, he discovered that pizza was the most viable option for him. His first product was personal-size pizzas for the Dade County, Fla., school system. Thirty people in Southwest Indiana now have a job thanks to Morales and Purdue Extension. These are the types of business plans the Agricultural Innovation and Commercialization Center will help evaluate.

Purdue's Extension Service also has a New Ventures team that helps groups and individuals develop sustainable, value-added enterprises in Indiana's food and fiber system. The Extension Service is working in every county of our state, and it is an important aspect of rural economic development. It serves farmers, people, businesses, and communities.

The "Purdue Extension Five-Year Plan" addresses critical issues, such as youth issues, land use, leadership, financial management, career development, agricultural awareness, community and economic development, food safety and quality, nutrition, health and wellness, and environmental stewardship. Doing more through and transforming the Extension Service is important to the future of rural America.

The Land-Grant Extension Service model was developed in 1914. It was created through a partnership between counties, states, and the federal government. It also focused on meeting the traditional needs and concerns of our communities and states in early 20th century America—needs that grew out of agriculture, home economics, and veterinary medicine. America was a rural nation in those days—a nation of small, mostly struggling family farms. Americans needed the training and knowledge that was available at the state land-grant universities. The Extension Service activities

included youth programs such as 4-H, rural development, and other issues of great importance to rural America. This is the same basic model that continues today, almost 100 years later.

But the rural communities that the Extension Service traditionally has served are changing dramatically as the efficiencies of agriculture grow and the demographics of rural communities shift. Rural communities are facing new and difficult issues, such as population decreases, an increasingly diverse population, the loss of business and industry, and jobs and tax revenue. The traditional engagement agenda of agriculture, home economics, veterinary medicine, 4-H, and other Extension activities is becoming inadequate to meet the needs of 21st century urban and rural American communities.

Non-agricultural economic development, management of diversity, and health care are examples of issues that are becoming increasingly important to our rural communities. There is a growing disconnection between the issues and needs in 21st century rural communities and the historic land-grant Extension model. What can we do to reconnect? First, we need to find a new language and begin acting in a new way. We need to replace the traditional model of Extension with the modern engagement model and all that it implies. By engagement, we mean redesigning our research and outreach to become involved even more sympathetically, productively, and broadly with communities.

Additionally, by engagement, we mean working with those outside the university on a two-way street, where ideas and information flow in both directions. The historical outreach model of Extension is one in which the university, in its wisdom, tells people what it knows. When we move to engagement, we are doing something quite different. Engagement is more mutual. It provides an explicit and participatory role for those outside the university. In engagement, the university and

the external groups not only come to a mutual understanding, but, more profoundly, there is recognition by the university that we can learn from those outside the campus. They can influence what we teach, and they can influence the research that we undertake. In a knowledge-driven society, not all knowledge is in the university. We must learn from others. In my view, this is a profound change in the historical model of university outreach.

Second, we need to broaden the engagement agenda beyond agriculture, home economics, and veterinary medicine to a universitywide model. All of our schools and departments should be looking for ways to engage our communities and states. Many people believe that our nation's research universities have lost touch with the communities they exist to serve. The public has become frustrated with what it sees as *ivory tower* unresponsiveness. There is a perception that despite the resources and expertise available on our campuses, we are not bringing them to bear on local problems in a coherent way.

Third, we need to develop a much more entrepreneurial approach to funding our engagement activities. Formula funding won't do it. These are among the suggestions that emerged from the Kellogg Commission on the Future of State Universities and Land-Grant Colleges. What we are talking about in all of this is reconceptualizing engagement as a mechanism for facilitation of access to a broader range of knowledge, rather than serving as the single source of all knowledge to a narrow constituency. As the world becomes more specialized and more complicated, our engagement agents need to see themselves as facilitators to reconnect to the larger university and to others outside the university.

These are all large changes, and there is always a natural resistance by some people toward change. But there is one thing we all know. We cannot get better; we cannot improve; and we cannot meet the new needs of a changing society, unless we change

ourselves. Purdue is addressing the needs of rural Indiana in other ways beyond agricultural production, research, and Extension. Since 1989, Purdue has operated a Center for Rural Development within the School of Agriculture, which is administered by the Department of Agricultural Economics. The center has four objectives:

- Bring university resources together to assist public and private sectors as they work to solve rural development problems;
- Provide a broad range of educational programs that contribute to the development of Indiana's human and physical capital;
- Coordinate and support research that improves our understanding of economic and community development issues, problems, and opportunities; and
- Provide issue-relevant information to individuals and groups interested in rural development.

In addition, the state of Indiana has established a fund to promote economic growth, and Purdue is involved in this work. The Indiana 21st Century Research and Technology Fund, created by the Indiana General Assembly in 1999, is aimed at assisting Indiana ventures that are focused on the commercialization of advanced technologies. In order to be eligible for 21st Century Fund grants, ventures must include both an Indiana company and an Indiana university. Since its inception, the fund now has awarded more than \$110 million in grants to 85 projects. Purdue is involved in 70 percent of these grants.

The fund already has led to existing business expansions. For example, Zimmer Inc., in Warsaw, Ind.—which is surrounded by rural areas—has recently initiated the 15,000-square-foot

Minimally Invasive Solutions Institute to train orthopedic surgeons. The surgeons are being trained in techniques and technology developed through a partnership between Zimmer, Purdue, Notre Dame, and the Indiana University School of Medicine, using a 21st Century Research and Technology Fund grant.

While universities work on economic development, we also must invest our learning, discovery, and engagement efforts to develop human capital. Purdue has a number of programs focused on public schools, improving the reading, math, and science skills of Indiana K-12 students. We have a statewide program that takes technology degree programs to locations throughout Indiana—even into individual businesses and industries that request assistance. This allows people to advance their skills and careers while studying in their home communities and continuing responsibilities (e.g., jobs and families).

Our regional campuses serve urban and rural areas and have strategic plans focused on economic development in their communities. Finally, university involvement is vital in helping rural communities in planning for the future. We play an important role in helping communities identify, develop, and articulate long-term objectives and plans. We can help communities by bringing together their leaders and citizens to look down the road and identify a common vision and the high-priority issues that must be addressed to accomplish that vision.

A great deal is happening in our rural communities today. Even more is being positioned just on the horizon. Land-grant universities have historically had a major impact on the growth and development of these communities. We continue to do so today. But we can do even better and even more. Universities today need to realign themselves to the needs of rural and urban areas. We need to transform the academic culture to meet the needs of states and communities.

British writer W. Somerset Maugham said: “It’s a funny thing about life. If you refuse to accept anything but the best, you very often get it.” We must refuse to accept anything but the best for the people of our states. The future of rural America is tied to the future of higher education, and our ability to transform ourselves to the emerging needs of this new century.

Discovering a New Indiana Economy: The Role of Higher Education—Discussion

Moderator: Gary Gorshing

Gary Gorshing: Are there questions for Mr. Jischke?

Holly Woelber, *New Mexico Rural Development Response Council:* Mr. Jischke, you spoke of having incubators in your Discovery Park. We have found companies that incubate in an urban type of environment don't want to move out to rural areas. What have you done to provide incentives or encourage these companies to move away from the incubation center and into the rural communities?

Martin Jischke: We are doing a couple of things that speak directly to that question. First, we have begun a process of business competitions that come typically from our students but not exclusively. Our idea is to take those business plans for new enterprises and annually hold a conference. Economic development people from around the state would be invited to come in and literally bid or compete for these new businesses. We are trying to evolve a model by which students as part of their education and research, including at the graduate level, are not only interested in developing their research capacities and publishable materials but thinking about the commercialization potential of all this.

I have a wonderful example. Two years ago, some Ph.D. students in analytical chemistry defended their theses in May, came to commencement two weeks later and received their Ph.D.s, and then went to the research park to start a company. That company today is alive and well. The company has gone through two rounds of funding. It is developing a miniaturized mass spectrometer. We want to pro-

vide the opportunity for communities all across the state to compete for the locations of those businesses.

The second thing we are doing is trying to take the model of an incubator at the university. We have a little more than 100 companies and about 2,500 employees at the incubator in West Lafayette, and we are involved in a number of places that are developing incubators away from the university. With federal help, we are developing one in northwest Indiana in the town of Maryville. It is under construction as we speak. The big challenge, dilemma, or test is whether we can find entrepreneurs in that part of the state who would be advantaged or helped through such an incubation process and then would stay in that location.

We are working with communities all across the state to help them develop that kind of incubation capacity. Shelbyville, Indiana, has developed an interesting niche for which it is building an incubation capacity—medical records and, in particular, backup for disaster recovery. Where does the hospital or the insurance company store its records so they are safe from various natural disasters, but with the infrastructure in terms of information technology capacity, safety, and so on is well-developed? We provided expertise from our faculty in designing a wide network. It is through that kind of support.

Anderson, Indiana, is trying to build on the history in the electric power area for automobiles and other kinds of transportation. It is starting an incubator. We serve on its board of directors.

We are trying to find out if we can help export some of the developments in West Lafayette and, second, help other communities develop their own incubation capacity. My bias is that kind of deliberate effort at strategic economic development that goes on beyond the spec building and the industrial development model of 20 years ago is exactly what companies have to do. It is hard for us, from a distance, to drive the economic development of a community. We can help. We can support it, and we must. But the local leadership is really the key. One of the ideas we have is that these incubators around the state must be locally led, and they must involve a local institution of higher education. We will do everything we can in terms of our expertise and experience to help them grow. But there must be local ownership.

David Sears, U.S. Department of Agriculture: This was a real interesting presentation today. I would assume that you have probably made a similar presentation to your colleagues—other land-grant institution presidents. To what extent have you been able to energize them and get them moving in the same direction that Purdue is moving?

Mr. Jischke: I would guess you could get every university president in the country to give a speech about economic development. We have sort of all gotten it. The reasons are fundamental. Some of them are fundamental in the sense there is a widespread view that the future of our economy is driven by knowledge. Universities are repositories of people with knowledge, people gaining knowledge, and places that can develop new ideas and new knowledge. There is something absolutely fundamental at work in terms of what drives the economy.

Second, many of us are doing this for very pragmatic reasons. Our states are struggling for finances. We, like a lot of other public enterprises, are being asked to justify our existence in terms of today's and tomorrow's needs in our states. It is quite clear, as I travel around Indiana, that the people in that state want us to do this. It is reflected in our ability to

sustain our funding for the university. I happen to believe beyond that it is great training and education for our students. These great public universities exist at their core for public purposes. The extent to which we can demonstrate it to our students, as well as ourselves, through this kind of engagement, we become more vital institutions and then we fulfill Justin Morrell's promise.

As far as how other institutions are doing—you have heard an example from Texas, where the University of Texas is absolutely central to the strategy of Austin. You have heard an example in northeast Minnesota, where the community college is playing the leadership role in convening all of this. That is happening more and more around the country. The people who don't get it are the exception. The dilemmas are some of the fundamental challenges that have been talked about here.

Resources are a major issue. Where do you get the initial investment to kick this off? In Austin, it is my understanding that it was a group of private businesspeople, who literally put some money on the table. One of the reasons our institutions often have the opportunity to provide leadership is we—particularly the largest of us—command significant resources. We can make some investments. We put some of our own risk capital at work.

That research park I described to you is probably today a \$20 to \$25 million investment, and there is not a nickel of state money in it. It was all funded by the Purdue Research Foundation, which is private and is affiliated with the university. We have been able to bring resources, both human and financial, and that gives us an opportunity.

The challenge for a lot of institutions is this question of initial resources. There are some tough strategic issues about what you choose to focus on. You cannot be all things to all people. How do you show early success, so that you begin to create the momentum and excitement behind this so that

others will get on board? Clearly, some of us are either lucky, clever, or some combination of the two. Some are not so clever and not so lucky, and you can make bad bets initially.

It is important that these are thought of as sustained initiatives. Building it into the fundamental mission of the institution is gaining the support of the governing board. At Purdue, I can speak directly to this. Those were the terms under which I was brought to Purdue, not just to take the university up a notch in academic terms but to do so in a way that it had a direct impact on the future of Indiana. That was consciously part of our plan.

What most people are perhaps a little surprised at, reassured, or pleased is the response within the university has been enormously positive. Our faculty and staff want to do this. They see it not as an assignment from the president's office that they would just as soon not do, but I think they want to do it. Making it relatively easy and fluid, and making it a positive sum game is part of the challenge of leadership.

Thomas Steen, *Cybus Capital Markets*: What are the roles of corporate partnering and the identification of successful business management teams to go along with incubated companies in regards to sustainability of separate businesses?

Mr. Jischke: The private sector plays many roles. One of them is giving legitimacy to all of this, not just the incubated companies. There needs to be a view that this role for the university is an important one and deserving of support. If the only people talking about it are those of us in the higher education community, there is a certain self-serving nature to it or it can appear to be self-serving. The extent to which you can gain allies, who don't have narrow self interests or are motivated by larger community concerns and statewide interests, is absolutely essential to creating a sense of legitimacy.

More specifically, with regard to the incubated companies, we by and large do not do much equity investing in any of these companies, so they have to compete for private sector capital. One of the things we are working on is trying to bring in some private sector expertise in a way that is appropriate and would stand scrutiny on the evaluation of the intellectual property of the university and what the smartest business strategies would be for its development. We are reasonably well-organized internally for finding out where the intellectual property is. The faculty is cooperative. We know what things are potentially patentable, and we know how to do that process, both in terms of gathering it and pursuing the patents.

The harder questions for us are business plan strategies. The question of whether you actually pursue a patent depends in part on whether there is a reasonable business plan out there. How we gain access to expertise to help us make those judgments without losing competitive advantage or compromising the proprietary nature of some of this is a tricky issue. One possibility is to develop the expertise in-house. That would be rather expensive, and it is not clear we can do it across the full range of technologies that we are interested in. We are looking to see if there are people in the private sector, typically alums of the university, who would be willing to join with us and sign confidentiality agreements. They could review the intellectual property for the purpose of helping us make sure the policies under which we develop and pursue commercialization are wise, informed and for specific technologies where they have real expertise. This would help us understand what the business options are as we pursue them.

John Leatherman, *Kansas State University*: In your presentation, you talked a little bit about the need to revitalize the Extension program in your state and bring it on board with the community economic development programming. Could you elaborate on that a little bit more? I would imagine that is a lot easier said than done. What do you envision your

Extension program being? How are your local partners going along with your ideas? How is the institution itself responding to these ideas?

Mr. Jischke: You start with asking the most fundamental question. What does the state of Indiana, in my case, need from Purdue and specifically what do rural communities need from Purdue? Historically, if you go back 100 years, agriculture, home economics, and veterinary medicine were almost synonymous with rural communities. Now you look at rural communities today and—while many involve agriculture, 4-H, and such programs—the needs of those communities go beyond that. My view is that we need to, on the one hand, preserve the support and connection we have to those traditional areas, help them compete, and find value-added opportunities like Morales in Jasonville, Indiana. But we have to do more.

We have done a couple of things at the university that speak to this. One is we are talking about economic development more broadly, and I would use the term for extension of community development. While the economy is a major driver in all of this, there are other issues as well.

Second, we have tried to organize our outreach efforts at Purdue under an office of engagement. We tried to make the case that everybody at Purdue has a responsibility for, in an appropriate way, engaging all of Indiana. We have also done some new things experimentally. I mentioned the commercialization center.

A second thing we did was to begin developing in rural communities that do not have a higher education establishment. Indiana has 92 counties. Almost exactly half of them do not have a university, a community college, or a vocational technical institution. They have no higher education institution in that county. They are almost all rural and very low population densities. We started through Extension learning centers. We have seven or eight of them now. They are partnerships with counties, and

they are built around giving these counties access to educational resources.

The first one started in Clinton County, headquartered in Frankfort. The community tried to start a learning center on its own. It failed after a year because it didn't have the organizational capacity. At that point, Frankfort asked Extension to help it. What Extension brought was more organizational capacity, rather than specialized expertise. Today, Clinton County has a learning center. It uses Extension facilities. It has enrollments that approach 1,000 a year.

You will never guess what the most popular first offering was—conversational Spanish. Why conversational Spanish? There is a hog processing plant near Frankfort that employs several Hispanic workers. They settled in Frankfort because a large Catholic church was the home for the first Hispanic family to settle in the area. All those who followed decided to live in Frankfort. Out of this came a Hispanic community in Frankfort. The social service providers of Frankfort wanted enough conversational Spanish, so they could clean teeth, cut hair, and fill prescriptions. The second most popular offering was introductory computing, so that grandparents could communicate with their grandkids through e-mail.

We now have six or seven of these. It is very much a partnership. The community has to put up some of the money. Extension has reallocated some of its resources. It speaks to a couple of fundamental issues, including gaining access to educational resources. More and more of these rural communities understand their ability to continue to prosper as communities requires access to education. They are not all in a position to create a whole institution. Second, it is part of the community taking charge of its future. It is part of the community organizing itself for that future, be it through learning conversational Spanish, word processing, or whatever necessary. Those are a couple of examples.

I believe it is important for Extension to evolve because the challenges I have described in these settings for rural communities have their counterpart in Extension. Extension also must evolve into this globalized, knowledge-based, and partnered society we are all a part of. We have to get beyond the old model.

Mr. Gorshing: I think we may have time for one more question and answer.

Charles Fluharty, Rural Policy Research Institute: In Washington State, Extension shares common positions with community colleges and development organizations in workforce programming for regions. With the transformational leadership you are providing, when we rethink formula funding for Extension, do you see a colleague community coming to a discussion about that within your presidential colleague base, given it is on everyone's table now? Do you have any hope that might become a more structural and directed discussion, given the phenomenal turf that exists in this arena?

Mr. Jischke: I think it will come. I will share an experience that we've had in Indiana. We have struggled like a lot of states with our state's budget. Many constituents and stakeholders were considerably at risk: higher education, K-12 education, farmers through property tax, and organized labor. You could go down the list. What was interesting about two years ago is that we came together in what we called an Alliance for Indiana's Future for two reasons.

First, we knew that if something wasn't done about the state's tax structure and the economic development posture of the state that we would all lose big time. Second, none of us had the political assets to drive the debate. We could not get it done alone. K-12 educators could not get it done alone. It had to do in part with the details of the political environment in the state, but it also was a recognition by the leaders that we had to partner in order to prosper. An amazing thing happened. We completely restructured Indiana's tax structure and essentially eliminated

inventory taxes, gross revenue tax, and increased sales tax. It was a massive restructuring.

We also changed the state's priorities for funding from an emphasis on Medicaid and corrections to an emphasis on education and economic development. One of the consequences of that is our budget at Purdue has gone up a little bit over the last two years. There aren't many public universities in the country that can say that. We learned that by working together we can get things done that are not only in our narrow interest, but move an agenda of the state. It is very clear it could not have happened in the old way.

I would tell you that I don't think higher education across the country has come to this realization yet. Going separately, we are likely to get chewed up or, at best, it will be a holding action. We don't have the political resources to gain enough votes and to create a cover for those who want to do the right thing. But I have faith that people can learn. That is why I have been in this profession for 35 years. This is my business—educating people. It will come to us. You are seeing some examples of that around the country. This kind of partnering is absolutely the key to breaking down the old political gridlocks and arrangements that are not going to allow us to move forward. I have become almost messianic about this—a zealot.

Part of what ails a lot of communities at every level—locally, regionally, and statewide—is they haven't quite gotten over forming new partnerships that are essential to solving problems. This alliance we put together included the Farm Bureau, the AFL-CIO, rural interests, urban interests, mayors, realtors, K-12, and higher education. There is an amazing coalition so broad that it transcended the normal Republican, Democratic, urban, rural, House of Representatives, and Senate politics. We got very positive things done. People will learn this lesson sooner or later. In that sense, these partnerships within higher education are going to become more and more important.

In our state, we are still struggling with these financial issues. There is a group we refer to as the Indiana Grace Commission that is looking at the question of how efficiently and effectively the state spends its money. One of the conclusions that the commission has tentatively come to is that each of the institutions within Indiana higher education is relatively well-managed and efficient. There is not a lot of money to be gained by ratcheting down the institutions. What the commission thinks it has found is a system that doesn't come together in an efficient way to meet the needs of Indiana. If that is a signal of how those outside higher education are viewing us, they are going to find a way to get us to work together. Either we will do it voluntarily, or the commission will simply reorganize the governance structure for higher education and enforce it. The commission is looking for those efficiencies because that is a prelude if we are going to get any kind of relief on the budget. We have to demonstrate that we are efficient—not only institution by institution, but as a collective group.

Mr. Gorshing: Thank you.

Creating New Rural Development Strategies: The Role of Nonprofits

Karl N. Stauber

INTRODUCTION

John Barry begins his fascinating book *The Great Influenza: The Epic Story of the Deadliest Plague in History* with the story of the transformation of medical education and practice. Approximately 130 years ago, virtually no American medical schools required their applicants to demonstrate any qualification to gain admission—except the ability to pay tuition. Almost all medical schools were run as for-profit entities and were owned by faculty members. None had a regular requirement that students perform autopsies or see patients. Most doctors graduated from medical school after attending eight months of lectures. “In 1870, even at Harvard, a medical student could fail four of nine courses and still get an M.D,” Barry writes.¹

In 1873, Johns Hopkins, a New England Quaker, died and left instructions for the founding of a new type of university. Over the objections of the presidents of Harvard, Yale, and Cornell, the trustees of Hopkins’ estate moved to create an American university modeled after the best universities in Germany, filled “with men consumed with creating new knowledge, not simply teaching what was believed.”² Johns Hopkins University opened in 1876, and its medical school opened in 1893.

By 1900, with strong collaboration from the Rockefeller Institute (founded by John D. Rockefeller), American medical practice was starting to undergo major reforms. The Rockefeller Institute championed the idea that doctors must make research an

active component of their practice. In 1904, the American Medical Association began to inspect medical schools. In 1910, with support from another foundation, the Carnegie Corporation of New York, a report was issued calling for the closing of 120 of the approximately 150 medical schools in the United States. Many medical schools were seen as “without redeeming features of any kind ...[having] general squalor...clinical poverty.”³

By the time the United States entered World War I, the transformation was well under way, and the best medical schools in America were beginning to surpass the best in Europe in the quality and quantity of research and education.⁴ In less than 30 years, a small group of farsighted leaders, using ideas imported from other regions of the world and other fields, transformed the teaching and practice of medicine. This was done despite strong objections from the vast majority of practitioners of medicine and producers of medical doctors in America. In the beginning, it was done with virtually no public resources.

And it came at an absolutely critical time. Between 1918 and 1920, waves of influenza killed between 50 and 100 million people—approximately 5 percent of the world’s population. It was the new type of researchers and practitioners from institutions like Hopkins and Rockefeller who helped to defeat the disease.⁵ Institutions can be renewed and transformed. And, once transformed, they can play critical roles in expanding the well-being of larger societies. But this requires vision, courage, fortitude, and resources.

RURAL DECLINE—AND DEVELOPMENT

For significant portions of rural America, time appears to be running out. Some rural areas have lost so much population and economic activity that further decline puts their survival at significant risk. If the downward spiral is to be stopped, it must happen in this decade. Many rural communities in more remote and commodity-dependent areas have been experiencing structural, not cyclical, change for the last few decades. Nowhere is this more apparent than on the Great Plains. Citing the “2000 Census,” a publication of the Federal Reserve Bank of Minneapolis notes that “almost 90 percent of North Dakota counties lost population in the 1990s. So did most of the eastern counties in Montana, half of South Dakota counties, and most of the southwest region of Minnesota.”⁶ Except for a few fortunate counties in the 1980s, this trend has continued for decades.

Not only have many rural communities lost population, they have lost a disproportionately high number of people in their “maximum earnings” years, between the ages of 19 and 64, and in their “optimal childbearing years,” between the ages of 20 and 34. In 2000, 62 percent of the national population consisted of people in their maximum earning years. In some northern Great Plains counties, in comparison, 90 to 100 percent of the population was either younger than 19 or older than 64, with barely 0 to 10 percent in the maximum earning period. And the picture is as bleak for those in their childbearing years—in the 1990s more than half of North Dakota’s counties lost at least 40 percent of their population between the ages of 20 and 34.⁷

Poverty, especially childhood poverty, is becoming more concentrated in rural areas. In 2001, 20 percent of rural children lived in poverty compared to 15 percent of urban children. According to the “2000 Census,” 48 of the 50 counties with the highest child poverty rates were rural. And minority children are almost always worse off in rural areas.

Forty-two percent of rural black children live in poverty, compared to 32 percent of urban black children; thirty-six percent of rural American Indian children live in poverty, compared to 27 percent of urban Indian children. The 32 percent poverty rate for rural Hispanic children compares to 27 percent for urban Hispanic children.⁸

Population loss, economic decline, and increasing poverty emphasize the need to move swiftly in developing new policies for rural America. But they are not the only reasons for urgency. America is now a suburban nation.⁹ Put bluntly, rural areas retain significant influence in Congress and state legislatures, but not for long. We need to move quickly if policy change is to come in time to help and to be politically feasible.

America is in the middle of a transformation of its rural areas. It does not have time to find perfect or guaranteed solutions. It must take the best ideas where it can find them and begin to adapt and adopt those ideas. The practice of revitalizing rural America is roughly where medical education and practice were 100 years ago: most institutions were resisting the good ideas that a few were adopting.

In an ideal world, we would have the time and resources for an ideal approach that would make our politicians and academicians happy, while helping communities to transform. We would have the time to base decisions about what we do on a full exploration and discussion of what we *believe* and what we *know*. But we don’t live in an ideal world; we live in a real world with many desperate communities. So, we must use a real world model, where we learn by doing at the same time as we consider what we believe and what we know.

If rural communities are to survive and then prosper, we must develop multidimensional approaches. Single dimensional efforts—for example, those focusing solely on housing, job training, branch plant strategies, or early childhood education—have all

produced important benefits, but they have not reduced the decline facing many rural communities.

Our interventions must be multidimensional because community decline is itself multidimensional. Decline is both *structural* and *incidental*, resulting from underlying economic conditions and from changing events in individual lives. It is both *absolute* and *relative*, reflective of the degree to which a community can provide a minimal quality of life for its inhabitants and one community's resources compared to others. Most frustrating, it is both *persistent* and *responsive*, as community decline in one instance defies interventions, however robust and clever, and in another, responds to even modest efforts. As we plan interventions, we must realize that "artificially simplifying these dimensions or imposing an order on this complex condition can lead to responses that are incomplete and thus deficient."¹⁰

Rural community decline must be analyzed on numerous planes, in addition to these characteristics, all of which intersect, but not always in predictable ways. The use of a single characteristic to describe or predict a tendency toward community decline can initially be attractive, but it can as easily be misleading. A mill closure, for example, might have only modest impact on a rural community where wage earners have high education and skill levels, making them eligible for other opportunities. Confronting one condition (changes in local economic structure) without the other (human capital) can be dangerously limiting.¹¹

While many factors affect the decline—and development potential—of rural communities, three factors are critical:

- Communities and firms without competitive advantage will not prosper—they will lapse into decline or subsistence.
- Nations, communities, and firms that prosper continually invest in creating new competitive

advantage rather than protecting old advantage. Risk-taking entrepreneurs are one of the keys to the development of new competitive advantage.

- Economic improvement and growth alone are not adequate enough to sustain communities. They are necessary but are not sufficient. Communities that survive and prosper also invest in building the social and human capital of their institutions and people. But communities with high social and human capital and declining economic opportunity are not likely to have positive futures.¹²

Communities differ. Too often government and private institutions find it easiest to work where the needs are the least and the opportunities the greatest. The following table, developed by Joan Lipsitz and David Dodson, helps us illustrate the challenge of targeting interventions to communities where they will be most effective.¹³

Table 1 COMMUNITY TYPES			
		Social and Political Linkages	
		High	Low
Economic Resources	High	Advantaged	Alienated
	Low	Disadvantaged	Deprived

The danger is that we will give up on rural communities that are not "advantaged" or design interventions that are only fully successful in advantaged communities. It is no coincidence, for example, that the rural areas prospering in the 1990s were primarily those advantaged by proximity to urban areas or beautiful amenities such as mountains, lakes, and coastline.¹⁴

MOVING AHEAD—AN INSTITUTIONAL CHALLENGE

How do we find and create community competitive advantage? Here we are in a landscape littered with economic development institutions that no longer meet the needs of rural communities. Looking at existing institutions, particularly those receiving significant, ongoing government support, one would think that the majority of rural people make their living in farming and ranching. While farming remains a major economic force in some rural areas, only 4 percent of rural workers are employed in agriculture.¹⁵

At the current time, there are four models of economic development operating in rural America: commodity production, manufacturing and service centers, entertainment and amenities, and entrepreneurship. The table below indicates the key institutions, distribution, and economic status for each type.

Many of our rural economic development institutions are designed to support commodity production and branch plants. But, increasingly, the greatest opportunities lie outside those areas. While much of the political power is concentrated around those two approaches, the greatest opportunity can be found in entrepreneurship, based on competitive advantage.

Table 2
FOUR MODELS OF RURAL DEVELOPMENT

TYPES OF DEVELOPMENT	KEY INSTITUTIONS	DISTRIBUTION	ECONOMIC STATUS
Commodity Production— Agriculture/Forestry/Other	<ul style="list-style-type: none"> • Land-Grant Universities • USDA Commodity and Export Support • USDA Forest Service 	Highly concentrated, containing small percentage of workforce	Stable after significant decline
Branch Plant Manufacturing and Service Centers	<ul style="list-style-type: none"> • Community Colleges • Economic Development Administration Programs • USDA Rural Development Programs • Local Tax Abatement • Chambers of Commerce 	Distributed nationally with regional concentrations	Declining
Entertainment and Amenities	<ul style="list-style-type: none"> • Indian Tribes • USDA Forest Service Lands • U.S. Park Service • Local Tax Abatement 	Concentrated by physical characteristics and proximity to urban centers or regional airports	Expanding
Entrepreneurship—Based on Competitive Advantage	<ul style="list-style-type: none"> • Some Regional Universities • Some Regional Development Organizations 	Highly distributed	Underdeveloped

This leaves rural development institutions with two great challenges:

- How to lead the transition from the “old” approaches to the “new,” without losing political credibility and resources; and
- How to re-create the institutions, so they focus consistently on increasing competitive advantage, rather than on low-wage jobs or incremental increases in productivity.

DEVELOPING NEW MODELS—RE-CREATION IN MOTION

In virtually every state, work is under way to find new ways to revitalize rural areas. These efforts are not academic exercises; they often are a fight for survival. Many are led by nonprofits, including foundations. Most are significantly underfunded.

All too often, these efforts are caught between the strategic needs and opportunities at ground level and out-of-date or inadequately targeted federal and state programs. Organizations are faced with the dilemma of doing what they can with the funding they receive—delivering training programs that are no longer relevant, for example—so they can continue to survive versus undertaking the work they know is needed to move the community in a positive direction. Foundation funders can make this situation worse by providing resources for an individual project rather than for core capacity. Particularly in poorer rural areas, nonprofits may have no sources of private capital to cover core operating costs.

In many rural areas, nonprofits have undertaken the critical work of changing the community’s vision of itself and its future. Nonprofits are particularly well-suited for this work because they are easy to create; trusted by many other sectors; advantaged by tax law that makes raising capital somewhat easier; and highly flexible. They are often independent of the traditional local power base, thus they create opportu-

nities to develop new community leaders. Despite these advantages, it is difficult to overestimate the challenge of community transformation. Nonprofits and communities need models and lessons to help guide their work.

Tupelo, Miss., is perhaps the best-known example of rural transformation, thanks to the wonderful account by Vaughn Grisham. But we need a hundred or a thousand similarly well-documented and well-told stories. The work of the National Rural Funders Collaborative, supported by foundations from throughout the United States, is one example of an effort to better identify what works and share those learnings across the country.¹⁶ Similarly, some of the work of the Center for the Study of Rural America at the Federal Reserve Bank of Kansas City and the Rural Policy Research Institute—a joint endeavor of Iowa State University, the University of Missouri, and the University of Nebraska—is addressing the need for better examples of successful rural revitalization. The Northwest Area and The Annie E. Casey foundations are sponsoring a national conference in September 2004, “Grassroots and Groundwork,” designed to share practical models of how communities can reduce poverty and rebuild.

Three recent books that help to identify and tell stories of success are:

- *Rural Communities: Legacy and Change*, 2nd ed., Cornelia Butler Flora, Jan L. Flora, and Susan Fey. (Boulder, Colo.: Westview Press, 2004.)
- *Boomtown USA: The 7-1/2 Keys to Big Success in Small Towns*, Jack Schultz. (Herndon, Va.: National Association of Industrial and Office Properties, 2004.)
- *Better Together: Restoring the American Community*, Robert Putnam, Lewis Feldstein, and Don Cohen. (New York: Simon & Schuster, 2003.)

There is always a risk in focusing on a few success stories: communities turned into “hero communities” may never be able to meet the expectations others hold for them. This paper will instead capture a few dimensions of successful rural community transformations, based on a review of “works in process.” The following appear to be important dimensions of these new, emergent models:

- Development of a vision for the future by the whole community, not just the traditional leaders;
- A focus on the community as a whole, not just on individuals or firms;
- Pursuit of competitive advantage, not protection of the existing dominant sector;
- Multidimensional, not single dimensional;
- Multisectoral, not single sectoral;
- A focus on regional connections, not on the community in isolation;
- Cooperation among organizations, not consolidation of them; and
- Building wealth and community, not just building wealth.

The Northwest Area Foundation in St. Paul, Minn., is one of the largest funders of comprehensive community initiatives (CCIs) in rural settings in the United States. CCIs are multidimensional approaches to community development that usually include economic development, related training and skill development, strategies to increase social capital, and capacity development. The foundation focuses all of its work on helping communities reduce poverty. It believes that poverty reduction is critical to revitalizing rural communities, rather than assum-

ing that community revitalization automatically will have the effect of reducing poverty.

After approximately six years of work, the foundation has come to the following preliminary conclusions:

1. Communities must decide if *they* want to reduce poverty. This is a value decision that cannot be imposed from the outside. Some communities say they want to change, but in reality they are so stuck in the old way of doing business that outside resources make little difference.
2. The foundation can best support community revitalization efforts by identifying, sharing, and advocating what works. Identify/share/advocate is how the foundation adds value to community revitalization efforts. The foundation invests its resources so as to produce information and knowledge to be identified, shared, and advocated.
3. The transformation of communities can be observed based on progress in producing four long-term community outcomes:
 - Increased assets of the community and those who have been in poverty;
 - Development or expansion of economic opportunities that benefit those who have been in poverty;
 - Increased capacity of the community to reduce poverty; and
 - Development or expansion of the community’s decisionmaking processes in ways that create meaningful participation for those traditionally excluded.
4. The foundation can add value to its work with communities by focusing on six

capacities. There is no claim that these are the six “keys” to community revitalization; instead, the foundation believes that it must focus limited resources where it thinks it can make the most difference.

- Identify, share, and advocate inclusive approaches to critical community decisionmaking;
- Identify, share, and advocate community approaches that lead to regional impact;
- Identify, share, and advocate asset development approaches;
- Help communities find, create, and expand economic engines;
- Find, develop, and build local and regional leadership; and
- Actively transfer knowledge (related to the four outcomes) between communities.

The Northwest Area Foundation is three to four years away from being able to share conclusive findings about the comprehensive community initiative approach to helping communities reduce poverty. However, based on preliminary results coming out of urban settings, it appears that CCIs are more likely to produce transformative results in declining rural areas than the existing single-sector, single-mechanism approaches that are more commonly receiving governmental support today.¹⁷

GAPS

Several serious gaps limit the ability of regional nonprofits to be fully successful in using a comprehensive community initiative approach to rural revitalization. First and foremost is the *lack of flexibility in federal funding*. Large amounts of governmental resources flow into almost all rural communities. But these federal resources often

operate based on program characteristics that are out-of-date or are designed to meet the needs of another part of the country. Often, these programs have a sectoral or institutional emphasis, such as commodity payments for farmers who produce certain crops or support for rural hospitals. On occasion, these single-sector or single-institution approaches are appropriate, but most often they are not. Regional initiatives that meet certain criteria should have access to the equivalent of the “638” program for American Indian reservations. Under “638,” tribes can take control over a wide variety of federal programs operating on their reservation. If regional groups had similar authority and responsibility, they could take over direction of national forests, farm programs, and economic development activities typically overseen by federal or state agencies. The regional efforts, while fulfilling all requirements of appropriate federal or state law, could customize activities to better meet local opportunities and needs.

A second important gap is the lack of major institutional supports. Public resources are available to support agriculture and branch plant relocations, but there is no comparable support for entrepreneurship development and little institutional support for other approaches to creating new competitive advantages that benefit communities. Every state has at least one college of agriculture or equivalent at its land-grant university. No state has a college of rural development. There are individual institutions in some states that focus on rural development, such as the North Carolina Rural Economic Development Center Inc. and the Rural Development Initiatives Inc. in Oregon. There are also initiatives under way in Nebraska and West Virginia that are placing a major emphasis on small town revival. But these important efforts are exceptions, rather than the norm. Great work is being done at the regional and local level in places like the Redwood Coast region of California, western North Carolina around the Cherokee Reservation, Clallam County in Washington, west central Minnesota, and many more. But

this work often occurs with almost no broad-based support from major institutions, including government agencies and research universities. Clearly, communities and regions are ahead of the major institutions, but institutional support could make a huge difference.

A third gap is *the inability of rural regions to understand how their economy operates*, including how it can produce living-wage jobs and the inability to see how regional economies fit in the national and global marketplace. Urban areas are using tools developed by Michael Porter and others to analyze how to expand and create competitive advantages to form economic engines for the revitalization of low-income areas. Rural areas need these capacities even more than urban ones. All too often, rural areas understand their regional economy, based on what it used to be, and based on who the competition used to be. Rural communities are hampered by navigating the new economy by looking in the rearview mirror. If rural areas are to become more competitive, they must have access to economic information that is as good as the information available to highly competitive companies. But almost no institution is systematically helping communities to understand their economies and how to become more competitive.

Next, regional communities lack *systematic ways to learn from each other and to build on the knowledge of others*. America needs a nationwide, bottom-up capacity to discover what works in rural regional development and why it works—to capture and transfer lessons learned and best practices so each area does not have to reinvent the wheel. To do this will require real agreement about what it means to be a “best practice” or a “lesson learned.” And knowledge must be captured in ways that are usable by people at the community level, not just by university-based academics. America used to have a system to do this for agriculture—experiment stations and the Extension service. Today, we need public support of a system that provides meaningful experiments to

produce knowledge useful to rural communities, and we need a contemporary system to distribute that knowledge with appropriate technical assistance. The regional centers for rural development within the land-grant university system might be the starting place to build such a system.

Finally, America needs a *rural equivalent of the Brookings Institution or the Urban Institute* (both located in Washington, D.C.). The lack of adequately supported national rural public policy research organizations contributes to rural policy that is:

unfocused, outdated, and ineffective...is not the product of contemporary, thoughtful, and informed public debate...is not based in carefully crafted, desired, public policy goals...is largely a “one size fits all” approach to the significant diversity that is rural America...consists of isolated elements of sectoral policy created without regard to extrasectoral effects...is often urban policy that is poorly modified to nonurban settings...is often national policy that has been created with little or no thought for its implications for rural communities...[and] is based on the erroneous assumption that there are public institutions that serve the unique needs of rural areas...¹⁸

Both the Rural Policy Research Institute (RUPRI) in Columbia, Mo., and the Center for the Study of Rural America at the Federal Reserve Bank of Kansas City represent promising starts. But they have neither the national multisectoral mandate nor the resources to adequately develop or analyze significant federal and state rural development policies. Without such capacity, the rural component of the national policy debate always will be weak. The capacity to conduct high-quality, timely, and relevant rural public policy research need not be invested in a single institution based in an urban area. With appropriate support, today’s technology makes it possible to have a “distributed” policy analysis capacity, better reflecting the regional variations in the United States.

CONCLUSION

Kathi Jaworski, executive director of Rural Development Initiatives, does an excellent job of summarizing America's rural challenges.

- Without a new generation of civically engaged people, rural communities will most certainly wither and die. Thus, we must increase attention on engaging youth, new residents, and new immigrants in community affairs—not only as beneficiaries but as decisionmakers.
- Without a strong sense of and value for the uniqueness of each place, rural communities will not succeed in reinventing themselves as economic underpinnings shift. Thus, helping rural communities to understand and build on their unique place and culture is critical in creating a clear, shared vision about the desired future that builds on their assets.
- Without businesses to generate income and provide jobs, rural communities will continue to depopulate or become concentrations of people of nonworking ages. If the market has failed rural communities in terms of attracting venture capital and investment, then rural communities must create innovative ways of generating jobs and income. Thus, attention must be focused on growing jobs locally through entrepreneurship, with a specific focus on building organizational capacity for social ventures that form the local foundation for such innovation.¹⁹

Throughout America, nonprofits and foundations are working to fulfill these challenges. But nonprofits, even with their substantial abilities and advantages, cannot do this without support and commitment from community people, all levels of government, and major institutions.

Thomas Rowley, in a recent editorial for RUPRI, pointed out two quotations inscribed on the walls of the Science Committee Hearing Room in the U.S. House of Representatives. Those quotations are challenges to us all, regardless of institutional responsibility:

From Tennyson, “For I dipped into the future, far as human eye could see, saw a vision of the world, and all the wonder that would be.”

From Proverbs, “Where there is no vision, the people perish.”²⁰

Which of these describes the future of rural America? While nonprofits can play—and indeed are playing—a leadership role, they alone cannot answer that question. Policymakers—state, tribal, and national—also must step up to the challenges with new solutions.

ENDNOTES

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⁵ Barry, p. 397.

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Creating New Rural Development Strategies: The Role of Nonprofits—Discussion

Moderator: Gary Gorshing

Gary Gorshing: We have some time for questions.

Martin Jischke, *Purdue University*: I enjoyed your presentation enormously. Back to the four models of development, I made two observations that I'd like your reaction on. The USDA is involved in the first three. The USDA does not show up as an enabling or a supportive institution. Is there a role for the USDA, in your view, in this fourth model of knowledge-based and competitive-advantaged regional development?

Second, what you didn't show on the four types is some measure of the quality of life. Let me use a simple surrogate that is inadequate, but it gets to it—average wages. My sense, as you go down the list, is that the first three are not particularly high-wage either because of seasonality or other factors, such as global competitiveness on the branch factory—the measure of wages of what China and India do. There is a desirability scale on those four that, unless I misread the chart, is pretty overwhelming in the fourth one.

Karl Stauber: I think there ought to be a role for the USDA in the fourth type. But in reality there is not. Chuck was joking earlier about some of the battles that some of us in this room have engaged in. The USDA is an organization that is dominated by the commodity groups. It is dominated by less than 10 commodity groups. If the appropriating committees don't say "go this way," the probability that USDA will go that way is extremely low.

The current secretary of Agriculture put together the Farm Bill at the beginning of the Bush administration. On a commodity basis, I thought it was one of the best

Farm Bills that has been written in the last 50 years. The only one that I think is better is the one that Senator Lugar wrote and was never able to get out of the committee he was the chair of at the time.

Ann Veneman's Farm Bill on commodities was a courageous act, and it is an act that she has been seriously punished for. I am not optimistic the authorizers and the appropriators will have the political will to move the USDA. There have been several proposals, including one in the Clinton administration, to move the USDA from being the U.S. Department of Agriculture to being the U.S. Department of Agriculture and Rural Development. Every time that happens, the ghost of Jamie Whitten starts to wander the halls of the building that is named after him. It is interesting that some of the most innovative leadership in rural development is coming out of the Department of Health and Human Services (HHS) rather than coming out of the USDA. That is the response to the first question.

For the second question, I think you are absolutely right. The criterion that we use in our organization is 200 percent of minimum wage. You are moving jobs to your town. You want them to be living-wage jobs. You want people to be able to support their families and pay for health care. Right now, that is, on average in rural America, 200 percent of the living wage. In looking at the first three, agriculture could produce very good returns one year out of three. It's interesting to see what happens if you average it across that period of time. One of the things I was astounded by when I was at the USDA was a study put out by the Economic Research Service. It showed that if a farmer went to

work at McDonald's in 1970 and retired in 1990, he would have earned more money working at McDonald's than he would have earned as the average U.S. farmer in agriculture during the same time period. The growth opportunity—the opportunity to create the living-wage jobs—is based on constantly re-creating competitive advantage. The best way to do that in rural communities, in general, is by focusing much more on an entrepreneurial model than a commodity production model.

Mr. Gorshing: Are there any other questions?

Ken Reiners, AgStar Financial Services: How would you define this region? How do you think you should go about identifying competitive advantage? I use the analogy of our former governor of Minnesota. His idea of competitive advantage was attracting Hollywood to make movies in Minnesota and ignoring some of the other occurring aspects of Minnesota's economy and natural resources. It seems to me it is such a politically charged type of thing, as opposed to the old "Forest Gump": "competitive advantage is as competitive advantage does." Could I have your thoughts on that, please?

Mr. Stauber: It is a great question. It is a question that ought to be debated. Clearly, a competitive advantage means that you can compete in the marketplace without subsidy. It may not mean that you start without subsidy, but it means that you have to be sustained over time without subsidy. There is a new paper out by Michael Porter and the Economic Development Administration. Porter is the "Doctor of Competitive Advantage" at the Harvard Business School. There are a number of things in the paper that I struggle with, and if I had the opportunity, I would like to challenge him about them. But it lays out a pretty good profile and analytic template that we could use as a starting place to help communities think about how to create competitive advantage. How do they do what Purdue did? You start to figure out where is it that we want to invest for the long term. There are some good beginning products out there and some good ideas out there,

but it would be dangerous to suggest that it is a simple formula, such as recruiting more movie companies to come into your state. Although one could build a competitive strategy around that, it has to be sustained.

Nancy Stark, Rural Governance Initiative, RUPRI, and Corporation for Enterprise Development: You said—and I totally agree with you—that rural communities need to understand their regional economy. You need to have those data. I agree with you because it seems so often communities are told that they need to create their vision. So, a bunch of people—usually the people who have always been doing it—get together. They come up with some ideas, so it is not collaborative. Also, that vision isn't based on data. It is not based on a lot of information.

This is just an idea I want to throw out to see your reaction. It seems that you can get people in a region to look at things like watershed protection. A lot of this comes from Sally Maggard. The genesis of the idea is Sally's, but I have been talking with some other people and I really think it is intriguing. People who cannot get together to talk about their economy and economic development seem to be able to sometimes come together and talk about other things regionally, like watershed protection. They have a map, and they see where the watershed begins and ends. I am just wondering what your reaction is to the idea that maybe one of the things we need to do is to help communities see economic data about themselves to help them focus their efforts.

Mr. Stauber: For me, one of the first rules of organizing is you have to start where the community is, not where you want it to be. If the community can talk about watershed issues, then that is where you start. My great fear is, having seen this happen with the National Resources Conservation Service (NRCS) on numerous occasions, the community stops there. The community members have a great conversation about the drainage area, but they don't say: "How do we build competitive advantage that maintains the quality of life that we want to maintain?"

That is one of the reasons communities stop there. It is ironic to me that we know how to analyze a regional ecosystem. That is pretty transferable. However, we don't know how to analyze a regional economy in a way that is useful to communities. Many of you have probably run into the farm management systems that a lot of Extension Services operate around the country. If you want to do an economic profile of your farm, they will come in and help you do one. There is great software that is available that has been created by land grants. If you want to do the same thing for your regional economy, there is nobody who knows how to do it, especially an economic profile that focuses on creating future competitive advantage.

From an organizing point of view, you are absolutely right. You start where they are. From an institutional leadership point of view, which is my perspective, communities that don't have economic engines are going to decline. How we can come to see this as a series of building blocks, rather than simply doing "one is enough" particularly across institutional jurisdictions, is very challenging.

Mr. Gorshing: We have a question right here in the middle.

J.W. Ballinger, *Moberly Area Chamber of Commerce.* My question might be parochial to Missouri. But there are 114 counties and the city of St. Louis, Missouri, and most of them do not have the economic resources to be a critical mass. The problem I see appears to be with the state statutes not allowing the counties to either contract with each other or to collaborate with each other and save tax dollars. Do you have any advice for a not-for-profit who would like to propose that? I do not want to eliminate the boundaries of counties, but I would sure like to get them to cooperate together.

Mr. Stauber: There are patterns of multicounty cooperation in rural areas throughout the United States. They go from things as mundane as snowplow service and ordering toilet paper for school districts to

six community colleges sharing one president and coming together with one vision. Those patterns are clearly out there. But you are absolutely right. This is a great example of a public policy.

One of the things I didn't get to say was there is a desperate need for the equivalent of a Brookings Institute for rural issues, where we could do a good analysis of cooperation and its impact on efficiency and the delivery of services. I work in a lot of counties in the northern Great Plains, where some of the counties are the size of Connecticut and have populations of 3,000 people. Think about delivery of service in that environment. We have to figure out more efficient and effective ways to cooperate. At one level, it is not about mechanisms. It is about political will.

My advice to you is find 20 or 30 other people, get them all on the same page, and sally forth. That is the only way. I was intrigued by Martin's description of rethinking the tax structure in Indiana. Probably two-thirds of the states I work in desperately need to rethink their tax structure, but, because of parochial interests, no one is allowed to have that conversation. My guess the only reason they had it in Indiana was things got so bad. And some people had some courage and stood up and said, "We need to have this conversation."

Mr. Gorshing: Thank you, Karl.

Innovating Public and Private Institutions— General Discussion

Moderator: Gary Gorshing

Gary Gorshing: As we come to the close of the afternoon session, we have time for some general questions.

Eric Thor, *Arizona State University*: One of the things from sitting on four boards of nonprofits that has always amazed me is that nonprofits, historically, by definition, have the advantage of not having to pay taxes but know little about revenue and cost. They just aren't trained that way. Most of their managers come from different schools. They may come from social work, or they may come from some other discipline. What kind of models have you seen to direct them toward the revenue sources, as well as understanding how to manage costs? There are literally thousands of them in the United States and around the world. Do you have any suggestions?

Karl Stauber: There are a whole lot of folks running around saying there are thousands of sources. There are not. I get about 500 letters a year from people who have bought some service that is advertised on late-night television about free grants. We haven't given a grant to an individual in 70 years, and yet we are listed in that book. I have two pieces of advice. One would be you need to raise the first money at home. Nonprofits are not that different from for-profits in the start-up phase. It is family, neighbors, and you. That is where a lot of the initial seed money needs to come from.

Then you need to pay close attention to who are the larger-scale funders. One of the reasons that Indiana is so blessed is because it has some major funders. Minnesota is similarly blessed. The McKnight

Foundation in Minneapolis has created a series of major rural initiatives around the state. The Blandin Foundation in Grand Rapids, Minnesota, has created initiatives. The Bush Foundation (based in St. Paul, Minnesota) also has created initiatives in North Dakota. However, the distribution of philanthropic dollars is not fairly distributed by a long shot.

If you want to take it to the next stage, one of my notions would be that you get the potential funders involved in the conversation as early as possible, so you get their buy-in as you develop it. This would be better than waiting until you have it 95 percent designed, and then taking it to the funders and asking whether they would be interested.

Martin Jischke: One of the observations I would make is there is an enormous variation in those who fund such activities. Typically, nonprofit funders do to the extent of assessing the sustainability of the activity after the initial grant expires. It turns out to be a really hard question and enormously difficult. At least in a lot of the activities, they are funding people who are quite idealistic and committed at a personal level. The hard, bottom-line look at the sustainability of the enterprise—the thing that venture capitalists do in the private sector—tends to be absent. There are some exceptions, but it is not a part of the culture universally.

An interesting way we have tried to help nonprofits in our part of the world is to provide them with fundraising council pro bono. We try to help them think through a strategic approach, for the purpose of prepar-

ing the case statement in the fund-raising so they can make an effective pitch. But we also help them think through whether they can sustain the activity and how it fits the mission. This is strategic thinking 101, but we get at it from a fund-raising point of view. There are a gigantic number of nonprofits. We have 120 arts organizations in the county I live in, and they are all struggling to finance themselves. We try to provide this professional advice. It sounds to them like fund-raising, but it is about the issue of sustainability financially. Revenues and costs are an important part. Can you afford to ask for the money? Because if they give it to you and it doesn't pay the cost, you are in trouble. You could undermine the purposes of the organization. It is that kind of thinking we try to give people. As somebody who raises a lot of money, there are certain variables that different nonprofits that we raise money from hold us accountable to. They also test the sustainability of the idea.

Pike Powers: A couple of things come to mind. Applied Materials—the world's largest manufacturer of semiconductor manufacturing equipment—has consciously decided in our community to put on a program called Charitech in Santa Clara, California; Richmond, Virginia; and other places where the company is located. The program brings the entire nonprofit community together with the for-profit business community for a day or two a year. It is a complete “open the kimono” dialogue. It has been helpful to match or merge the two communities. An event like that might be something you could consider. I don't know whether you like that idea or not, but it has really worked for Applied Materials. It imputed a lot of goodwill to Applied Materials as part of its corporate culture.

I have also seen a second thing that has worked pretty well and admittedly dovetails with the passion in Austin, Texas, for the environment and environmental concerns (other alternative forms of energy rather than some of the traditional forms of energy). Austin has environmentally generated for-profit and not-for-profit ventures that sustain the passion of

local investors because of the environmental issues. It permits an ability to raise money in a way that I haven't seen. It is an environmental thing to keep the air and water clean. So, Austin is able to make a pitch that is business-oriented, has a business plan, has a commercial venture side, and all the while it is more of a nonprofit-type venture. That is the model I have seen that is the most successful in trying to address the concerns you have.

Mr. Stauber: I have one additional comment. There is a new survey out. The average age of nonprofit executive directors in America is 56, and 82 percent of them do not plan to take another job as an executive director of a nonprofit. There is a large window of opportunity to do a lot of reeducating, but it is going to come pretty quick, within the next 10 years. I keep looking for that intergenerational transfer of wealth that everybody keeps talking about. I would like to see the intergenerational transfer of leadership in the nonprofit community because it is upon us.

Jack Geller, *Center for Rural Policy and Development, Minnesota:* Throughout the day, I am not sure if it has been said explicitly, but certainly implicitly, the idea that we need to move the paradigm of rural economic development from the community paradigm to a regional paradigm. If in fact you believe this, do we somehow have to start engaging in a conversation that says we can have a robust and economically vibrant region? But that doesn't necessarily mean every community within that region will be equally robust. If in fact you believe that, and I don't know if you do or not, how do you engage in that conversation? That has to be difficult and painful at the grassroots level.

Mr. Jischke: I don't know if this is relevant, but we have the same challenges at the university. At Purdue, we have 10 schools. They all have different histories, stages of maturity, and opportunities, and some are more advantaged than others. I see my role in developing the whole university—if you will, the region—is to create an opportunity for all to grow. But I have absolutely no illusions that they will all

grow similarly. There is (I hope it doesn't happen) the risk that some may actually fall behind. That is not the game plan, but it is a possibility. In my role as president, I shouldn't disadvantage those who have the competitive advantage and opportunity by trying, in some artificial sense, to level the field. I don't think that works. It doesn't make sense.

Similarly, for regional economic development, you would like to have a vision and a strategy that provide opportunities for everyone. It would be foolish, in my view, to condition any progress or seizing of a particular opportunity by asking the question of whether everybody gets advantaged. That will paralyze you. You can't give them the veto on the rest of the region. My experience is if some start to move, the others get the message, and they learn from the experience. Over the long run, it really does move most of the ships in the rising tide. But some may have holes in the bottom, and they just sit there.

Mr. Stauber: One of the things that is powerful about starting with an analytic frame, whether that is an ecological analytic frame, an economic frame, or even a historic analytic frame, is people need to understand where they are. It needs to be an informed discussion.

How many places have we all worked where the regional conversation is made difficult by who won the football game in 1969? It is still out there. It is still a topic of conversation. I was just back in my home county in North Carolina not long ago, and I ran into a friend. What he wanted to talk about was the other school in the county that stole the regional championship, which then led to that school winning the state championship. I was sitting there, looking at this guy, and I was thinking: Has nothing else happened in his life since 1969?

Having an analytic framework presents an opportunity to have a conversation. It can start off in a sectoral mode. It can be about health care, for example. There are some good examples within health care

where this has been done. If the only way to have the conversation is around telling stories, then you don't get there. On the other hand, you can begin by having a combination of analysis, storytelling, honoring that, and capturing it, while still driving the analysis to a regional conclusion. I don't think it is that difficult. I have seen it done in quite a few places—sometimes starting with a sectoral approach and then moving on from there. We have helped to do it in seven or eight communities. This sometimes has included transcending across 15 to 20 languages. It is challenging, but people who are afraid their communities are dying are motivated. If you can create that sense of urgency without creating the sense of panic, using the analytic frame, then you can get people to start thinking in a more regional way.

Mr. Powers: I am going to come at it, Jack, in a slightly different way. We have a local organization that was designed to be an alternative to the chamber of commerce and be a CEO-led and member-only organization called the Austin Area Research Organization. It would write white papers about long-range issues. It had the word "research" and it had the word "area" in its name, but it did not do anything that was regional.

A funny thing happened on the way to the forum. One day about a decade ago, all of us suddenly woke up and realized this wasn't working. Our problems weren't getting addressed. We needed to change this organization to do what it was supposed to do by virtue of its name. So, we embarked on a broadening of the scope and made it truly regional—meaning five counties. What happened is that we really addressed transportation, education, health care, and a number of other issues successfully through this organization because it was an honest broker and the "keeper of the flame" regionally. It was a bunch of trusted people. The big debate we had early on was about qualitative versus quantitative. We discussed whether or not data should overpower the situation and drive people's opinions, conclusions, reactions, impressions, and actions, or whether we should be serving up a lot of

beer and barbecue to take down barriers between people and build trust. If they get to know each other, then anything is possible.

Ultimately, we resolved we needed to do both. We needed to have the data to be sufficiently advised about the right things. Our experience with all that, once we got the data, got the beer and barbecue, and took down a lot of barriers, was that we had been quite active in addressing those concerns.

Literally, in our five-county standard metropolitan statistical area (SMSA), one county is very poor. It does not have the money to play with everybody else, but we have found ways to get it funded and involved. Boats have risen as a result of a true regional focus. Admittedly, I am a regional buzz saw person. I think you ought to be about regionalism, whether that is a rural issue or not. You need to be thinking about taking down those barriers and going across jurisdictional lines. Problems don't stop at county lines, as we all know.

Russell Weathers, *Agriculture Future of America*: Karl, you had in one of your points the terminology "human capital" and throughout the day there have been references to the age of the leadership through various infrastructure discussions. I would be interested in hearing the panel's or individual thoughts on how we attract the future human capital. I don't see a whole lot of effort being directed in addressing that issue. We talk about infrastructure, policy, and practice, but the human capacity seems to be a bit void.

Mr. Stauber: That is one of the places where our education institutions can play a huge role. Sometimes it requires them to step out of their sectoral, disciplinary approach. That is easy to say and hard to do in some cases. How do we create the next generation of nonprofit leaders in "x"—whether that is a region, state, or whatnot? Northwest Area has created a rural leadership development program that works with communities of 5,000 or less. We work with

three of them within 50 miles of each other, so we get the regional effect. We are doing 10 of the programs. Four of them are run by land grants. Four of them are run by traditional nonprofits. One is run by a tribal college. One is run by a Native American organization in the Pacific Northwest.

One of the things we are most worried about in running a rural leadership development program is we are training people to lead, but we are not training people to stay. If you look at the evaluations that have been done of a lot of rural leadership development programs around the country, they have had an unintended consequence. Kellogg never intended to train people to leave when it ran a wonderful rural leadership development program for more than 30 years. But it helped create networks that made it much easier for people when they couldn't make it on the farm or as a forester anymore. They were able to connect and move to a metropolitan area.

We are trying to figure out how you create leaders who stay. I would say the same thing is a real challenge in the human capital field. How do we create the next generation of leaders in this room? Who is going to be in this room in 10 years in the key leadership roles at some of the institutions we have all talked about? How do we do that in a way that, instead of them being in Chisholm, Minnesota, they are in St. Paul? It is a real dilemma. It is a place where higher education institutions, particularly the ones that are willing to cross the disciplinary divide and truly be transdisciplinary and place-focused, can provide a huge benefit to the rest of us who are struggling with it.

Mr. Jischke: We try to do a couple of things that have had a positive impact. I mentioned the Technical Assistance Program (TAP) in my presentation, where we help small- to medium-sized businesses around the state. We do that with students, typically a team of students led by a faculty or staff member. Out of that, students have taken jobs in these smaller communities as a result of the experience. It is a way of infusing some younger people into a community.

I would tell you in the surveys we do of our students, the big issue is jobs. This is a case where those who have attractive jobs will attract talent, thus creating a virtuous cycle. It is a sorting out. This is an area where the strength of an economy has a lot to do with the future strength of the economy. You are building on strength. For those who cannot attract these young people, it is a major dilemma.

I do know of one effort in Iowa that Stan Johnson, who is the vice provost for Extension there, started after I left. It has been an interesting program. It is called “Life in Iowa.” Students who apply to this program go through a course in the spring semester about rural Iowa and about the history of the state. They try to acclimate to these issues. Then, they spend a summer in a small community. They are hosted typically by alum of the institution. They live there, work there, and receive a modest stipend. Stan tells me that it is transformative for some of these kids. They literally change their view of where they want to live and where their future is. It is a chance for these communities to show their strength. At least for the students who participate in this Iowa State program, it has had a very positive effect.

We have had some success in Indiana in keeping more kids in the state by helping companies and others become more sophisticated in the way they recruit students. We also have helped them to understand the national marketplace and the things their competitors are doing to recruit students. That might also help with communities. They need to find out what the competition is for this kind of talent; what goes into attracting talented young people and retaining them; and what they are concerned about. This is better than simply sitting back and lamenting the difficulties of the recruiting process. This is something the placement services of these land grants can help with. Find out what they are saying; talk to them; and test the customers.

Mr. Powers: My short and snappy response is “feed the passion.” My experience tells me that. I have lis-

tened to lots of people who have approached me with every imaginable crazy idea in the world, most of which were about as crazy as some of mine. It is remarkable what ideas can occur out there in the marketplace if you feed the passion. I am on the nanotechnology board at the University of Texas. There is a new nanotechnology group that is multidisciplinary. It has been in existence three years and has 62 professors from biology, chemistry, physics, and other areas. At our last meeting, a young man took an hour to make a presentation on how to construct buildings from nanocarbon materials, as a way to design and manufacture the buildings of the future. We all wondered where he came from, since his presentation wasn’t typical of the classic, traditional departments. The leader of the team said, “He is in the architecture school, but he wants to come over here and work with us.” So, I invited him to join us. Feed the passion. Nobody has a perfect answer to this. Clearly, I don’t, but if you feed the passion then you have a chance to grow passionate and committed human capital. Hopefully, I emphasized that enough as being important to us in Austin, Texas, during my earlier discussion.

Mr. Gorshing: We can take one final question.

Kimberly Pontius, Ivy Tech State College, Indiana: I would like to ask the panel if you could help me out a little bit. We keep talking about regional governance. In looking at the article, “Innovations in Rural Governance,” we talk about 17th century technology and how the lines were drawn. I am interested in getting your view on how new lines would be drawn. What are we talking about when we talk about regional? Who do you think would determine these lines? Do you think this new and emerging technology will soon overtake those new parameters? Should we be thinking further out?

Mr. Stauber: I would suggest that new technology has already overtaken those lines. There was a wonderful sociological study done in the 1960s that looked at the spacing of towns, based on how far apart

steam engines had to have water put in them. Then, diesel technology came along. The spacing changed by a factor of 10. Instead of water and coal fueling stations every 50 miles, it was every 500 miles.

Look at Iowa. It was one of the most progressive states in the country on its matter of state policy when it was first developed. It said that all residents of the state shall be no more than a half-day's buggy ride from the county seat. This was a highly innovative idea. The further west you go, the bigger the counties become. Part of that is things like rainfall that John Wesley Powell talked about. But part of it is was people realizing they needed more advanced technology.

Part of it is attitude. I increasingly feel the counties that are doing a mediocre job are becoming irrelevant. The counties that are doing a great job are becoming the centers of these new types of clusters. But I also think that if we try to impose this from above, it will be as successful as prohibition. We have to somehow incentivize it to emerge from the county level. You see things happening like groups of people getting together to bring high-speed Internet access to their area. Most single counties cannot afford to do that. Suddenly, five or 10 counties in western Iowa are working together. It is happening.

Minnesota just joined the states that have restructured Extension. It is no longer a county-based system. It now is a region-based system. There is a reason for that. It has to do with affordability. You see these little things happening out there that say it is going on. I would argue that technology is driving it even faster.

"Distance Med" in health care is another example of changing the role of the tertiary and the secondary health care facilities. We are in the middle of the transformation right now. In a number of areas, we are past the tipping point. Local leadership ends up making, in my opinion, a critical difference. The communities that have a vision of where they are going and how

they want to get there, and are willing to try different things are the ones that are doing better. The communities trying to drive full speed, while looking in the rearview mirror, are not doing very well. It doesn't matter whether they are a county of 3,000 or whether they are a county of 50,000. That is my take.

Mr. Jischke: Karl is right. It is happening in Iowa and similarly in Indiana. If you look at the community college structure, it is not county-based. In Iowa, there are 15, so it is automatically clustered. Similarly, in Indiana there are 16 in the vocational technical system. He is correct in saying that technology is going to drive it even faster.

An interesting thing has begun to happen in our state. People are beginning to question the cost of the old system. It is another consequence of the tough budget situation. A credible, but admittedly contentious estimate in Indiana is that \$150 million would be on the table if you could do away with township government, which is even smaller than county government. As these issues of cost, benefits, and difficult budget circumstances present themselves, there is going to be more and more pressure.

I, however, don't give speeches about reorganizing this. My view is life is short. I look for willing partners. A lot of it now is regional, and I join in. But Karl is ultimately right. This has to come from the local level. It is just not worth devoting a lot of time. There are too many other interesting and important things to do than to advise county governments on how they should organize themselves.

Mr. Powers: It is hard to add much to that. They are both right on target, and that is why I mentioned the two books *The Death of Distance* and *The Future Catches Up with You*. Those books confirm what my colleagues have just articulated. I would say, though, one other piece of advice that is a practical day-in and day-out living experience. The technologies made these changes, but what drives the equation is maximum flexibility in whatever we need to do to get the

project accomplished. It may mean teaming up with 21 counties south of Austin to go to San Antonio and being part of south Texas. I don't care if we call that a region or whatever we need to do to make it work. Even if it means we need to team up somehow with the schools of the Big 12 Conference to skin a few cats, bag a few lions, or do whatever we need to do, let's do it. Let's be flexible. Let's be able to deploy and move on a dime rather than sitting around talking about what precisely might be right in any given instance. I would say to vote with practicality—with your feet first.

Mr. Gorshing: Pike, Martin, and Karl, you have been an excellent panel. We sincerely appreciate it.

New Opportunities for Public Policy

Clinton Bristow, Jr.

The theme “New Governance for a New Rural Economy: Reinventing Public and Private Institutions” is quite apropos; and this discussion—“New Opportunities for Public Policy”—could not be more timely and relevant, when this nation and, indeed, the entire world are facing some of the most grievous challenges and exciting opportunities ever known to mankind. This period in our history certainly causes us to reflect on the time that Charles Dickens described in his book *A Tale of Two Cities*, published in 1859. In the chapter titled “The Period,” Dickens made the following observation:

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way—in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only.

We are faced with a similar period; however, it is much more sophisticated, with the potential for much greater positive and negative consequences from our individual and collective behaviors than Charles Dickens could have imagined. We are fortunate; however, in that, to a great extent, we can exercise control of the period, based on the efficacy of our public policies. Many of us share the view that few, if any, positive and sustainable outcomes

happen by chance or accident—notwithstanding an old and hopefully outdated theory that suggests that careers/occupations are selected by accident.

If we, for a moment, subscribe to the notion that desirable, sustainable outcomes must be intentional, then there are significant implications and opportunities for public policy and a definite role for public officials to form public policies that encourage, facilitate, and promote equity and sustainability in our society, nation, and the world. I suspect that there are some individuals who are convinced that to paraphrase Adam Smith in *Wealth of Nations*: “an invisible hand” should guide policy to the same extent that Smith thought that “an invisible hand” would guide the economy and all would acquire wealth.

We do not share the belief that some invisible hand or no hand at all—meaning little or no local, state, or federal governmental involvement—will result in the application of policies that will foster equitability and sustainability in our society, nation, and the world. Rather, we believe, to paraphrase Plato’s writing about law in *Plato: The Republic* that a “policy” is supreme and good because it is just and an unjust policy is no policy at all. Many of us subscribe to the view of Stephen R. Covey—as conveyed in his bestseller book *The 7 Habits of Highly Effective People*—“that any worthwhile” thing created by man was created twice, first in the mind and then physically.”

If my basic premise is policies that result in equitable and sustainable outcomes must be

intentional, then we can appreciate the urgency with which we are compelled to exploit new opportunities for public policy. The opportunities are great because the challenges are mind-boggling. As Napoleon Hill taught in his classic bestseller *Think and Grow Rich*, published in 1937, “every challenge or problem is accompanied by an equal or equivalent opportunity—just need to know where to look for the opportunity.”

What are the excruciating, current, and emerging challenges that provide new opportunities for public policy? They are numerous—at the local, regional, state, national, and global levels. Since the theme of the conference is “New Governance for a New Rural Economy: Reinventing Public and Private Institutions;” and my particular assignment is on “New Opportunities for Public Policy,” I will focus primarily on public policies that could foster economic development in rural communities. This topic is of particular interest to me because my institution, Alcorn State University (ASU), is located in a “real” rural community. Our approximately 3,300 students and approximately 650 employees together have a population that is seven times larger than the population in the 14-mile radius community (Lorman) in which the university is located. Rural means that the Lorman (Alcorn State) campus is 35 miles from the closest McDonald’s or Burger King and 15 miles from the closest bank.

Furthermore, the university is the largest employer in a 45-mile radius and serves as the epicenter for the community. You can see why I have become a student of rural development. Among the challenges affecting rural communities, which beg for effective public policies are: 1) education and workforce training programs, 2) public transportation (e.g., highways, roads, or farm roads), 3) communication (information technology) and land-use planning (zoning), 4) industrial parks, 5) housing, health care, and recreational facilities, 6) human resource development—leadership and management, and 7) crime prevention. These issues or factors and associated

deficiencies affect rural communities and community and economic development in these areas.

In fact, one of my first actions on being appointed president of the university was to designate the institution as a “communiversity,” academically strong and community-oriented. It was clear to me that if the rural communities that are served by the university are to experience sustainable community and economic development, the communiversity has to be a real partner with those communities—not just a traditional “catalyst for change” that effectuates change, but also remains unchanged. Rather, the communiversity has to be a dynamic learning and growing partner with the communities—being pro-active, as well as responding to their needs.

We could say then that a new public policy was initiated at the communiversity, whereby the communities knew that the institution is there to serve them, not simply to confer degrees. While the state university makes programs and services available to all residents of the state, including elected officials, the institution, by local public policy, cannot receive financial support directly from county governments, even though community colleges are able to and do receive substantial financial support from such governments. This suggests an opportunity for a public policy change. It would be of interest to determine if this is a common phenomenon. Four-year institutions in rural communities contribute significantly to the economies of their communities through direct expenditures, as well as through the multiplier effects. Therefore, public policy should enable such institutions to have access to public funds that are accessible to other higher education institutions.

Now, I will comment on a public policy, which resulted in Alcorn State University and Mississippi State University (MSU) collaborating in offering degree programs geared toward the needs of community colleges in Mississippi and neighboring states. This is an instance where the governing

boards of the two higher education systems in Mississippi—State Institutions of Higher Learning (four-year state institutions) and the Community College System—through research under a Ford Foundation grant and a Phil Hardin Foundation grant came together. They developed working collaborations between four-year universities and community colleges to meet a unique educational need of the community colleges for new faculty and administrators to be trained to effectively work in community colleges, particularly rural ones.

Two graduate degree programs, a doctorate in community college leadership and a Master of Science in workforce education leadership, were developed in phase I, which was to build the capacity of ASU and MSU to meet the needs of rural community colleges. Recently, another joint degree, the Master of Arts in teaching for community college instruction, was approved and the Master of Science in technology management is being developed. The academic programs jointly are sponsored by MSU and ASU. The degree programs are designed for students currently working in community colleges and in workforce training programs. This public policy also allows the two state universities to collaborate with each other in our agricultural research and Extension programs. I will address these programs later. Community college teachers who already possess a master's degree may earn a certificate in community college teaching by completing 12 hours of specialized courses.

Through the leveraging of foundation dollars, a federal grant was obtained for phase II of the partnership, which is enhancing the capacities of Alcorn State University and Mississippi State University to further strengthen the (organization) MidSouth Partnership for Rural Community Colleges. More specifically, the partnership is incorporating cooperative Extension into its activities, strengthening relationships with the leadership of community colleges through professional development and technical assistance, and conducting a comprehensive study of public, legislative, and local policies that impact the

development of critical leadership that the community colleges address in meeting the needs of local communities. In addition to working closely with the Alcorn State University Cooperative Extension Program and the Mississippi State University Extension Service, the partnership also works closely with the Southern Rural Development Center, which is housed at Mississippi State University.

NEW OPPORTUNITIES FOR PUBLIC POLICY

The literature is replete with studies on public policy related to rural communities and on factors affecting and/or related to community and economic development. According to Mark Drabentstott, director of the Center for the Study of Rural America and others: "Ten policy experts and 250 rural leaders from throughout the nation who met in Kansas City for the Center for the Study of Rural America's Second Annual Conference [April 30-May 1, 2001] on rural matters suggested that "the United States needs a new rural policy." According to Drabentstott and others, "Perhaps the most challenging discussion at the conference centered on building a new overall framework for rural policy and a new slate of policy options."

In a paper by the Rural Community College Initiative (RCCI), published by MDC Inc. in September 2001, the observation is made that: "In recent decades, global economic forces and technological changes have caused many rural communities to lose their historic job base of mining, farming, timber, or low-wage manufacturing." The paper goes on to indicate that distressed rural regions are diverse racially, ethnically, culturally, and economically. Low education levels seem to be a characteristic of the regions. This means that, in general, rural communities tend to experience low levels of educational, economic, and leadership development. Deficiencies in these areas tend to lead to or at least inhibit or slow down development in other areas, which are essential to economically viable and sustainable communities. We must now

consider some opportunities for public policy that would benefit rural America, especially as related to community and economic development, with higher education serving as a partner in the process.

EDUCATION AND WORKPLACE TRAINING

State colleges and universities must have the flexibility of developing programs and services to meet the needs of the community without undue restriction from their governing boards. This includes the offering of degree programs when applicable. A case in point is the instance where Alcorn State University and Mississippi State University collaborated to offer a Master of Arts in community college teaching (as an outcome of the MidSouth Partnership for Rural Community Colleges) to meet the needs of community colleges in Mississippi and neighboring states. Since Alcorn State University and Mississippi State University are land-grant institutions, their cooperative Extension program is intricately involved in the partnership. It is also important to point out that Alcorn State University and Mississippi State University, through voluntary policy and agreements, jointly have been preparing plans of work for their agricultural research and Extension programs for many years. Therefore, their collaboration with the rural community colleges is consistent with their local public policy.

Public policy on workforce training must be visionary and strategic. No longer can community colleges and four-year institutions train current and potential workers simply to fill existing employment opportunities. Public policy must reflect strategic thinking in a futuristic manner. Consequently, such public policy must make it possible for colleges to make investments in training programs to prepare individuals for employment opportunities that are likely to be available in two or so years down the road and market this new training to out-of-the-area potential employers. Public policy on workforce training tends to focus on

meeting the immediate workforce needs of the now, rather than creating critical mass of trained workers that may attract potential employers—even though there is a belief that employers are attracted to regions where a skilled workforce is available.

Workforce training and public policy in rural communities also must have the flexibility of preparing entrepreneurs, rather than the tendency of preparing people to work for others. Such public policy must allow for thinking out of the box and should enable individuals to obtain training without necessarily having to demonstrate that there are employment opportunities available at the end of the training. Such thinking out of the box must be rooted in the belief that a critical mass of properly trained individuals will attract employers to the area or the trained individuals will create their own employment opportunities. Because some individuals like to live in rural areas and with advanced technologies, public policy should make it possible for individuals to physically locate in rural communities while they are working for companies in urban and/or suburban areas. This change would reduce traffic congestion in cities, reduce fuel consumption, and reduce pollution in urban areas resulting from the burning of petrochemicals. In summary, new public policy on education and workforce training could have a positive impact on rural communities.

Public policy should encourage and facilitate collaboration, shared facility use, and partnership between institutions of higher education and K-12 schools. This should include adequate public funding to support the activities of such collaborations. For example, one of the most successful partnerships at Alcorn State University is our Saturday Science Academy for middle school students. We found that middle school students are not doing well in the sciences and mathematics, so we established an agreement with neighborhood school systems to offer hands-on science and math programs for approximately 100 students each year

on Saturday at the university campus. The program, which was funded by a federal grant, has been highly successful so far.

LAND-USE PLANNING (ZONING)

A significant challenge in many rural communities is the lack of proper land-use planning or zoning regulations. Such lack of land-use planning prevents the orderly development of commercial property versus residential areas. It is, therefore, not uncommon to see a few residential houses interspersed in an area that contains commercial businesses and in a way retards the further development and/or expansion of the commercial businesses. Similarly, the reverse is often observed when inappropriate small commercial businesses are interspersed in a residential area and essentially become blighted (a liability) rather than an asset to the residential area. Consequently, there is an urgent need for public policy relative to land-use planning in rural communities. No individual wants to build a fine home and then months later discover that a pig or poultry farm is being established next door. Conversely, no individual wants to establish a manufacturing plant, only to find that months later the property owner next door builds a fine home and starts complaining about the odor from the plant.

In many instances, it is difficult, if not virtually impossible, to get local elected officials to address the issue of land-use planning (zoning). Many elected officials are more concerned with winning the next election, rather than with making hard decisions that would ultimately foster and promote sustainable community and economic development in rural communities. Public policy could encourage the development of industrial parks, residential areas, and recreational areas in ways that would complement one another. This is a must for rural communities. The pride of rugged individualism must cease.

TRANSPORTATION

It is a well-known fact that adequate transportation is essential for the economic development of any area, yet, there seems to be a lack of public policy relative to transportation in rural communities. Public policy should ensure that federal and state funds are used in building and maintaining highways and roadways that will benefit rural communities. Such public policy must be intentional—taking into consideration the big picture—that rural communities are part of America and should benefit from the nation's rich resources. In other words, rural communities, in general, do not have the influence with their state legislatures and with federal agencies, as do the affluent urban and suburban areas. Therefore, unless there are intentional public policies to develop/maintain highways and roadways to serve these communities, they are likely to be “left behind.”

In addition to highways and roadways, public policy also should address the need for public transportation in rural communities. For example, public schools and community colleges provide transportation for students from strategic points in communities to and from these institutions. However, this is seldom the case for students attending four-year colleges and universities. If such transportation were provided by public support or a combination of private and public support, it would certainly increase the accessibility of four-year college education to economically disadvantaged students in rural communities.

Public policy relative to transportation in rural communities also should address the elderly, physically disabled, and low-income individuals who need transportation for work and so forth. Some of the aforementioned services are provided to some extent in some rural communities; however, public policy should encourage and foster adequate services as appropriate.

COMMUNICATION/INFORMATION TECHNOLOGY

Rural communities did not obtain extensive sustainable benefits from the industrial revolution and the manufacturing era. They were left behind. This concept of “left behind rural communities” will occur in the informational technology era unless purposeful and intentional public policies are developed and implemented to ensure that these communities participate in the information technology revolution. Providing rural America with a technology infrastructure rapidly can help close the “remote” location gap because all data is instantaneous regardless of locale. Rural areas could become great hubs for electronic outsourcing.

As pointed out in the section on workforce preparation, one does not have to reside in urban or suburban areas to be employed in occupations that require the use of high technology. Consequently, public policy should encourage and facilitate rural communities’ access to high information technology as a means of communication, as well as a medium for employment and economic development. Public policy may provide incentives to businesses that seek to use rural communities in the information technology arena similarly to how incentives are provided to businesses in the manufacturing arena. ASU is working with local leaders in southwest Mississippi to develop a digital imaging high technology industry in the region to replace rapidly closing smoke stack industries. It is important to note that ASU and Copiah-Lincoln Community College have built a joint campus in Natchez, Miss., to lead the way in establishing a new economy in the area. Policy-wise, we want to set the pace to spur local government.

HEALTH CARE AND RECREATION

The application of some publicly supported health care programs does not promote pro-active health maintenance or early intervention in the case of illness.

Consequently, many rural residents wait until they have emergency situations before seeking medical assistance. Ultimately, emergency situations are more costly than preventive care/health maintenance, early detection, and treatment. Public policy should encourage and facilitate health maintenance and early illness detection and treatment to reduce the actual cost of health and collateral costs related to missed work and school for the patients, as well as family members.

Public policy could provide incentives for health care facilities, which are successful in health maintenance and sickness prevention, rather than on curing illnesses in rural communities. Research has shown that there is a close relationship between lack of physical activities and some health conditions, such as obesity, cardiovascular diseases, and diabetes. This is particularly true with the elderly in rural areas. Often in rural areas, there are little to no recreational facilities, and roadways are not constructed with sidewalks that encourage recreational walking or jogging.

Because physical activities are so important to people’s health, public policy should encourage and facilitate opportunities for physical activities in rural communities. For example, incentives (e.g., tax breaks) may be provided to businesses that construct recreational facilities that are accessible to their employees and to other members of the community. Public policy also may encourage public institutions to make their recreational facilities accessible to members of the community, including those who may be physically challenged. Public policy may provide public funds for physical activity training and supervision. Again, by way of example, the university is using a federal highway grant to create a four-mile bike path around campus and connecting to the federal Natchez Trace, which is four miles from campus, to encourage rural physical fitness.

NORTH AMERICAN FREE TRADE AGREEMENT

The North American Free Trade Agreement (NAFTA) is one public policy that has been strongly praised and equally criticized. Interestingly, both praises and criticisms come from people in the United States and in South America. Public policy must ensure that NAFTA is beneficial to rural communities, including to small farmers and small businesses, rather than a liability to them. Objective studies must be done to find ways of enhancing the beneficial attributes of NAFTA to rural communities while minimizing negative consequences. Public policy should accentuate the positive impact on rural communities.

HOMELAND SECURITY

Homeland security has potential and significant ramifications for rural communities. As urban and suburban areas become increasingly more secured and protected, potential terrorists may see rural communities as “good” targets. Consequently, there is a need for public policy that reflects concern for homeland security in rural communities. Public policy also may be geared toward enabling rural communities to be prepared to provide services to the nation in case of disruptions in urban and suburban communities because of terrorists. Such public policy may, in fact, promote some level of economic development in rural communities. Public policy also must be in place to ensure that children attending schools in rural communities have places of safety in case of threats or actual terrorist activities. Public policy must ensure that farms, food-processing facilities, water supplies, and other necessities in rural communities have the highest measure of safety that is practical.

CONCLUSION

The suggested public policies cited above are in place to some degree in some rural communities; however, a more collaborative and comprehensive approach is needed to ensure that all rural communities have opportunities to benefit from the collective resources of this great nation, including through training institutes for rural leaders and policymakers. There is no shortage of resources in the United States to make rural communities viable and sustainable. The question is whether elected officials at all levels (local, state, regional, and federal) have the vision and intestinal fortitude to develop and implement public policy that, in the long run, will benefit rural communities and, by extension, benefit the nation and the global society. I think they will if we insist and persist. Furthermore, if this paper raises questions among professionals and scholars, I will have achieved my goal.

The MidSouth Partnership for Rural Community Colleges: Building Public Policy while Building Rural Communities

J. Charles Lee

The MidSouth Partnership (MSP) for Rural Community Colleges is a collaboration of Alcorn State University (ASU), Mississippi State University (MSU), and the rural-serving community colleges served by the MidSouth. Planning for the Partnership was initiated in 1995 as conversations between representatives of several Mississippi community colleges, Mississippi's land-grant universities, The Phil Hardin Foundation, in Meridian, Miss., a Mississippi philanthropic organization, and program officers of The Ford Foundation (New York).

Reflecting on the role public policy actions at the federal and state level played in launching our partnership, our institutions, like the rural regions we serve, swim upstream against currents of public policy neglect; struggle against the shifting tides of economic realities; and bear the weight of consistent underfunding. The policy impacts on rural communities are an afterthought—if they are given any thought at all. It could be said that policy inactions or dysfunctional policies led to the launching of the MidSouth Partnership.

The founding partners of the MSP were motivated by the continuing decline of our rural communities and by outflows of people, jobs, and resources. At the outset, state or federal policies, which contributed to or ameliorated these conditions, were not discussed. Those discussions came later and are ongoing. The conversations were about issues impacting the people served by our state's community colleges. The topics included underdeveloped human capital and

lifting people and communities from poverty. The multiple challenges of rural economic development were explored. A major concern was the need for new and renewed leadership in our community colleges and universities.

The planning team explored more effective ways of linking the community development mission of land-grant universities and the community service mission of community and junior colleges. This has not been an easy journey. We have not achieved our destination. But we are firmly and mutually committed to pursuing our dream of making place and culture count in the process of building *sustainable* rural communities.

I am a latecomer to the story of the MidSouth Partnership for Rural Community Colleges, having assumed the presidency of Mississippi State University in January 2003. While the MidSouth Partnership was launched during the administration of my predecessor, I quickly discovered that this initiative was well-aligned with my personal priorities of:

- Access and excellence in educational opportunity,
- Expansion of outreach and community development, and
- Leadership in research and economic development.

Last spring, MSU celebrated 125 years of leadership and service to the state. Founded in 1878 as authorized in the Morrill Act of 1862 and known for

many years as Mississippi A & M, the “People’s University” has been and remains a major force in improving the quality of life and economic prospects of the people we serve. Today, MSU serves more than 16,000 students. With a presence in every county, the university is well-positioned to support community development activities across our state.

As part of its renewed and expanded commitment to outreach, the university has co-aligned the Division of Continuing Education with the Mississippi State University Extension Service to make better use of scarce resources. It also has added an Industrial Outreach Service to better serve the small and mid-sized industries across the state and to help communities recruit more manufacturing and technology jobs.

Without a definition of “rural,” Mississippi is definitely a rural state—geographically, psychologically, and economically—and in the level of educational attainment. Mississippians, like many rural people, have a profound pride in place. But we also are a people encumbered by:

- Underinvestment in human capital,
- A history of racial division and strife, and
- A last-place psychological complex—a perspective reinforced as one does the numbers of economic and educational analysis.

The weight of 49th and 50th place rankings continually challenges, as well as burdens the people. The Rural School and Community Trust (Arlington, Va.) recently asserted: “Rural education is more important in Mississippi than in any other state.”

Mississippi State University is engaged in supporting educational improvement across the state. We are the largest producer of primary and secondary teachers in Mississippi. We host a nationally funded early childhood education initiative on

enhanced learning potential for young children, and we maintain a variety of programs and services, supporting our public schools at every level. We also collaborate with Alcorn State University and the community colleges of Mississippi and our neighboring states in operating the MidSouth Partnership for Rural Community Colleges.

Last year—through the leadership of Mississippi’s senior senator, Thad Cochran, and 3rd District Congressman Chip Pickering—we were able to secure congressional support for the MidSouth Partnership. This support has allowed the partnership to invest in a research agenda defined by the community colleges participating in our work. For Mississippi’s land-grant universities and its community college partners, linking the policy research agenda to the community and economic development issues facing our state and region is a high priority. Implementing our findings is an equally high priority.

Our colleagues at Alcorn State University bring the experiences, expertise, and vision of a fellow land-grant university to the MidSouth Partnership. Both ASU and MSU operate campuses adjacent to community colleges. Alcorn’s Natchez campus and Mississippi State’s Meridian campus are closely linked to the community colleges of their regions. Additionally, significant portions of the total students enrolled at the universities begin their higher education journey at the state community colleges. MSU also now has a joint on-line degree program with a community college for preparing teachers.

Mississippi’s community and junior colleges and our land-grant university grew from the same rural agricultural environment. A majority of the state’s two-year colleges emerged from agricultural high schools between 1910 and 1925. Most, like MSU and ASU, were located away from population centers. Today, the community colleges, which grew out of agricultural high schools, shape the quality of life in Mississippi’s small towns, such as Scooba,

Moorhead, Decatur, Ellisville, Utica, Wesson, Perkinston, Goodman, Booneville, Fulton, Poplarville, Summit, Coahoma, Raymond, and Senatobia. The average population of these communities is approximately 2,600 people, including students residing in campus housing. Considered “mislocated” by many champions of suburban America, Mississippi’s community colleges are well-located to serve as trusted intermediaries in rural regional development.

One of the benchmarking reports on our region titled “The State of the South” is developed by MDC Inc. of Chapel Hill, N.C. The Southern Rural Development Center (SRDC)—a collaboration of the 29 land-grant institutions of the region with headquarters at Mississippi State University—accepted a lead role in producing a Mississippi version of the most recent edition of this report. Other partners for this project were three Mississippi philanthropic foundations, the MidSouth Partnership for Rural Community Colleges, and the state’s community colleges.

SRDC and MDC partnered to conduct research focused on Mississippi that was shared in three daylong, strategically located gatherings, and in an executive briefing that followed these sessions. The report is titled “Rural Responses to the New Economy.” It calls for:

- Reaching across old boundaries;
- Retooling communities, as well as workers;
- Overcoming old mindsets; and
- Building and sustaining leadership capacity.

MSU and the MSP are committed to “reaching across old boundaries.” To paraphrase a line from Mark Drabenscott: “Twenty-first century opportunities are no respecters of lines drawn by 19th century surveyors.”

In one of those “reaches across old boundaries,” last January, we participated in the second annual “Summit of the Commission on the Future of East Mississippi and West Alabama.” The event was held at the University of West Alabama, in Livingston, Ala., a neighboring regional institution. It included participation from four Mississippi community colleges, and two Alabama community colleges. Alabama Gov. Bob Riley and Mississippi Gov. Haley Barbour were featured presenters.

One of our community college presidents, Phil Sutphin, chairs the commission, which includes representation from six west central Alabama counties and 10 east central Mississippi counties. The John C. Stennis Institute of Government at Mississippi State University has assisted the commission in numerous ways, including the creation of a prototype regional benchmarking system called “The Cycle of Prosperity.” We look forward to hosting the third annual summit at the Meridian campus of Mississippi State University next January.

We also look forward to reviewing our regional report card based on the “Cycle of Prosperity” benchmarks. We believe our actions reflect our mutual acceptance of the challenge of “reaching across old boundaries.” The MidSouth Partnership is committed to developing and sustaining leadership capacity within our community colleges. We believe that leadership capacity and vision must be built simultaneously. We know both must be grounded in the life of the communities we serve.

In the early 1990s, business leaders, community developers, and community college leaders joined to suggest a major repositioning of Mississippi’s community and junior colleges. “The Mississippi Millennium Report” issued in 1993 concluded: “There is no strong program for training community college leaders in Mississippi or any contiguous state. A program should be initiated with a strong emphasis on economic, community, and workforce development, rather than on school administration.” The

consultants also noted that leadership development should focus on rural issues.

In 1994, our MSU colleagues collaborated with the community colleges of our state in a leadership development program. To date, the revamped MidSouth Community College Fellowship Program (MCCFP) has served more than 300 community college leaders from eight states. The emphasis of the fellowship program is the role of the community college in rural community development. Fellowship program alumni include two new college presidents in Mississippi and campus deans in Mississippi, Alabama, and North Carolina.

Building upon the MCCFP, the partnership worked to create several degree programs including a doctorate in rural community college leadership. This program has been hailed as a model of interdisciplinary programming, addressing the silos of interest that we build within our universities and community colleges. Today, more than 150 doctoral students are engaged in the study of rural development, rural government, and regional economics, in addition to the professional higher education courses in law, finance, management, and institutional governance. Master's degrees in workforce education leadership and a Master of Arts in community college teaching have been developed at the request of community college leaders.

Our colleagues in the community colleges of our region have been enthusiastic and encouraging in the development of the partnership. Much of that support has been driven by waves of retirements of key faculty and administrative leaders. This leadership turnover has been accompanied by enrollment growth, changes in programming demands, and the need to provide a staff that effectively serves diverse student populations.

Several parallel programming activities are under way that support and reinforce the thrust of the MidSouth Partnership. In 2002, the Southern Rural Development Center at Mississippi State University

and the North Central Regional Center for Rural Development at Iowa State University accepted the responsibility of carrying forward the Rural Community College Initiative (RCCI), funded by the Ford Foundation. A major goal of the RCCI is to strengthen the capacity of rural community colleges and land-grant Extension personnel, so they jointly can serve as catalysts in advancing the community and economic development agendas of rural places within common services areas.

Capitalizing on the resources of land-grant universities and community colleges in collaborative community and economic development is a huge opportunity. Educational institutions and the communities they serve are being called on to do more with less. The RCCI and the MSP model of cooperation and collaboration represent a new way of doing business. The MidSouth Partnership and the Southern Rural Development Center provide direct support to the Rural Community College Alliance (RCCA), a membership organization that grew out of the national demonstration phase of the RCCI program. The policy research interests of the RCCI, the RCCA, and the MSP are strongly linked. We are committed to taking up the challenge of examining the impacts of public policy decisions on the rural communities we serve.

The MidSouth Partnership is supporting research and addressing funding equity and rural community colleges. A nationwide study of the barriers, incentives, and best practices regarding the community development role of rural community colleges has been launched. We are reviewing the impact of student aid policies on rural-serving community colleges. A national program to encourage graduate study of rural community college issues, the Rural Dissertation Research Initiative, will provide financial support for up to 20 dissertations per year.

Issues of workforce development, student retention and success, program articulation, student financial aid, developmental education, welfare

reform, and others are being addressed by the partnership. The first formal publication of the MidSouth Partnership examines opportunities to improve education and training for recipients of Temporary Assistance for Needy Families (TANF) in Mississippi. The goal is the creation of policy research that leads to action.

The MSP is not a destination and not a single program. Rather, it is a shared journey to lift up rural people and communities. Building bridges across the cultural and economic fault lines of the communities that ASU, MSU, and the community college partners serve occasionally tests each partner's resolve.

Working around institutional arrangements created to serve single and complex public institutions frequently slows our progress. Developing the discipline to ground our work in the needs of those people and communities we serve and maintaining our customer focus is not easy. We've learned that our nation's rural-serving community colleges are an underused asset in stemming the tide of rural decline. People in Mississippi tend to trust their local community college.

However, as we move forward, we increasingly are aware of the significance of the need for public policies that reflect the realities of life in contemporary rural America. Rural America is burdened by a heritage of quick fixes, followed by long spans of inattention. Much can be accomplished if we don't worry about who gets the credit. Rural Americans must learn how to hold hands as they cross the bridge to the future.

What have we learned about the role public policy can play in the regions we serve? There are many yet-to-be-resolved issues for policymakers committed to integrated, balanced, and sustainable rural development. Place-focused coordination of programs requires continual rethinking by public policymakers and by those of us engaged in program delivery. Creating an environment that encourages communities to join

forces in recruiting and accommodating industry is essential for success. Likewise, old fiefdoms for workforce development are beginning to yield to broader, multicounty approaches.

Working across jurisdictional lines created by 19th century surveyors is difficult. Program compartments created by public policymakers tied to the past offer equally challenging barriers. Working across program interests, agency structures, and institutional cultures is frequently as difficult as reaching across county and state lines. These boundary lines of sector and program, created to facilitate delivery of government services, are especially burdensome in the small, distressed rural communities we serve.

We believe our colleagues at ASU, our team at MSU, and our partners at the regional community colleges *together* share an opportunity to demonstrate model leadership that gives priority to people and place. Certainly, we share a work in progress. The partnership embraces the challenge of building rural communities while building public policies. The land-grant universities of Mississippi and our community college partners are greatly encouraged by others' interest in their story.

New Policies for New Governance—Discussion

Moderator: Mark Drabenstott

Mark Drabenstott: We now are going to take time for some questions.

Let me offer the first question to the two of you. You talked about the federal grant that was a critical source of funding for this new partnership. Let me ask two questions. Were there partnership strings attached to the federal funding? Did the federal funds require that you partner in new ways? More generally, do you see this as a new and emerging role for federal funding, whether it is for higher education or for other types of regional collaborations? Do you see the federal government playing a role of putting monetary incentives on the table that say: “We’ll fund this initiative, *if* partnerships ensue?”

Clinton Bristow: The answer to all of your questions is yes. There was a stipulation that Mississippi State and Alcorn State partner.

Mr. Drabenstott: Was that the first time that federal funds had required that?

Mr. Bristow: Yes, from that, it led to incentives for Mississippi State and Alcorn State to do joint degree programs. From the joint degree programs, we hope to continue to do a number of other collaborative efforts. Charles can talk about a number of the collaborative efforts that we currently have at the extension level.

J. Charles Lee: Our congressional delegation is about leveraging resources, and thus, there is the expectation that we will work together with other

institutions within our state and across our region, or, for that matter, beyond our region. I think we will see more of that kind of thing. We were fortunate to have good support from Senator Cochran, who has spent so much of his life on Capitol Hill working on behalf of rural Mississippi. We do have a lot of other partnerships that had the same kind of basis, if not the same sorts of funding, like sharing of extension offices and other kinds of programs.

Mr. Drabenstott: Let’s turn to the audience for your questions.

Mark Okrant, *Plymouth State University*: We were Plymouth State College until a short time ago. Now we are in the process of trying to lead the way toward helping communities, particularly rural communities in northern New Hampshire, do some of the things you are talking about. We are not a land-grant institution, however. The administration, in a very small cadre of faculty, is committed toward this effort.

The vast majority of faculty members on campus are set in their ways. For years, they were primarily expected to be very effective teachers. Some are involved in scholarly research. What recommendations do you have to create the necessary campus culture to move this kind of issue forward?

David Sears, *USDA*: One of the things you spoke about was moving into a new industry in southwestern Mississippi. You talked about the fact that you had a couple of underused supercomputers. Could you tell us a little bit more about that initiative?

There are two pieces to the puzzle that I really didn't hear you talk about. One is the human skills you will need in order to make that industry a success. In terms of your two educational institutions, is part of the plan for you to have a program or do you already have a program in place that will basically train the people who will be able to be employed in that industry? The other piece of the puzzle, it seems to me, is the entrepreneurs. I am assuming this would be a private industry, not one run by the public sector. Do you have entrepreneurs lined up who are ready to jump in and move this industry forward?

Andrew Skadberg, Texas A&M University: I am very impressed with the initiative. My question relates to your experience or the greatest challenges that you had to deal with. Maybe Mark identified one—the culture of universities, professors, and people who are really going to carry the torch of this thing. How have you been navigating communication or coordination or whatever those issues might be?

Mr. Drabenstott: Those are three great questions. First, we had a revelation that I am sure all of us found shocking that university faculty members sometimes have inertia in their programming. How do you overcome that and provide new incentives for your faculty? Second, could you provide a little more elaboration on your supercomputer initiative? Finally, what is the culture of collaboration? How do you create an environment in which these partnerships begin to happen naturally? Charles, would you like to lead off?

Mr. Lee: Let me answer the question about faculty involvement. If you are going to be committed to an outreach mission, you need at least two fundamental things. You must have a reward system that reflects the merit of good outreach activity. Secondly, you need to have a source of funds to support that outreach that does not diminish your teaching or research responsibilities. Those are two absolutely essential ingredients in your success.

We just recently have restructured our Extension Service. We have moved the Division of Continuing Education over with the Extension Service in an administrative sense to improve our economy. We also are looking at a revision of our criteria for the service or outreach role as part of our faculty promotion and tenure (P&T) process.

I will go ahead and give you the rest of my answers now. One of the greatest challenges is, first, an institutional culture. Those parts of the institution outside of agriculture and natural resources tend to be more inward looking than agriculture is. In our case, our goal is to create an outreach service that wraps around all of the institution, recognizing that issues particularly in rural America are no longer just agricultural issues.

The second part of that is, in partnering with community colleges, more than 51 percent of our graduates start at community colleges. We have a lot of built-in relationships with them. In fact, many of their faculty members come from our institutions. When it comes time for funding of the institutions, there is sometimes the potential for some competitiveness in the state House of Representatives between the community colleges and the senior colleges. I don't guess that happens in very many states, but it does in every state I have worked in. That is something you always have to get past.

Also, the issue of culture in the community colleges is a challenge. Most of the people who are now on the faculty are people who may have come from industry. But now they are at the community college to teach, not to do outreach and other things. That is where the merits of combining the strength of the extension services with the community college outreach function pay great dividends.

Mr. Bristow: Charles is absolutely correct. With regard to changing expectations of faculty, let me start with our joint degree program for preparing rural community college professors and use this one as an

example of a real situation. Charles and I went before our governing board just last month. Our governing board asked why we needed a program to train rural community college faculty members.

The response that Charles just gave gets to the heart of that. The faculties working in the rural community colleges have to understand the sense of culture and sense of place, and they have to be committed to doing those outreach activities. We had to even convince our own governing board—that should understand rural America—what is needed in order to train professionals for rural America. Fortunately, we won that argument, and they approved the degree program in this day and age of cutting degree programs.

Next, our governing board spent a lot of time—about four years—working on universities’ mission statements. Charles and I didn’t really appreciate it at first because it wasn’t going in the direction we thought it should go. Finally, something that was very important is that we were able to put in our mission statement our “communiversity” concept that says faculty members must be engaged in that outreach-type activity. The mission statement driving it down to the incentives that Charles talked about has enabled us to get faculty members very committed to reaching out.

The third piece, which is interesting as we talk about new policies and the way they are developed, is that most of our faculty lives near the university. We have housing on campus, and we are getting ready to develop a new extended housing complex on campus for faculty. So, their lives truly will be intertwined with our community. I want to commend you at Plymouth State. The answer is yes, you do not have to be a land-grant institution to do the kind of things that Plymouth State is talking about. For other universities that are not land-grant universities, thank you, Plymouth State, for stepping up.

Digital imaging was the question asked by Dave. Napoleon Moses is our dean of Agriculture who has been working on this with me. Very briefly on human skills, we have a grant from the Department of Labor to do the workforce training, Dave, to get individuals in rural America in our community ready for that industry. We do have a private entrepreneurial group that is working with us on this. Linking to new public policy, we went with our school of business to the Economic Development Authority, to the local leaders, and to others who were bemoaning the fact that we lost our only manufacturing plant. We said: “Here is an opportunity to develop a new policy position. Here is an opportunity for regional cooperation. Let’s think about an industry. Let’s put together the long-range plan for this industry, and let’s go after it.” Napoleon Moses has provided the leadership on that. Napoleon, would you like to respond?

Napoleon Moses, Alcorn State University: I just have a quick comment. First, we were looking at moving from an industry that is forest-based and replacing it with an information technology-based industry. We already have two-plus-two degree programs in place. In one case, we were depending upon the local community college to strengthen this information technology associate degree program. We have gone to our college board to seek approval for a computer network and information technology degree program. We also have a master’s of science graduate degree program in information technology to support the digital imaging initiative. We have also gone to our congressional leadership and gotten another grant from the U.S. Department of Labor to help develop an information technology digital imaging incubator for southwest Mississippi. Our notion is that we can grow our own digital imaging industries.

The Stennis Space Center that Mr. Bristow mentioned and the U.S. Army Corps of Engineers’ Waterways Experiment Station each has a major shared resource center supercomputer. We also have in the institution of higher learning community a

supercomputer located at the University of Mississippi. In each of those cases, we found there is idle capacity. That capacity is available for us to leverage to help build out the digital imaging industry in southwest Mississippi. We also are adding a center for digital imaging technology at Alcorn State University and adding faculty in that center to help provide the technical support.

Mr. Bristow: We will not build this on our campus. The other part of using our resources to help improve rural America is to build our facilities away from the university. I saw some very excellent examples, Mark, in a lot of the literature about what is happening at Purdue with its Discovery Park. What we try to do at Alcorn is just not build everything right on our campus because everybody is not going to come 30 to 35 miles. So, we try to take some of this elsewhere. For example, the digital imaging center we are building is going to be in Adams County, so we are closer to the hub of where we think we need to give impetus to the development of a new industry in rural America. We had to get out of the mindset of we want a new building with all of this equipment sitting in front of the president's office for photo opportunities. Now, I have to get in a car and drive 35 to 40 miles for this new photo opportunity.

Mr. Bristow: The last question is from our Texas A&M colleague. I think Charles might have already effectively responded to the challenges of cultural change that were asked.

Mr. Drabenstott: We have time for a few more questions.

C. Edward Harshbarger, *Farm Credit Administration*: This may be premature, but you mentioned you have 150 Ph.D. students working on rural development issues with the idea that they will ultimately find job opportunities in rural areas. Can you share with us what the experience has been? Are you far enough along in the program for these people to be working in rural America?

Eric Thor, *Arizona State University*: We are in the process of putting together a regional plan involving what we will call the Nogales Corridor, which runs the NAFTA corridor north all the way to Canada. What we are finding is there are a number of challenges of combining the Native American population, the Hispanic population, and what we will call the old style Arizonian residents, who basically feel they still own the Wild West. I thought, maybe having come from the South, you could offer some ideas about how you overcome the challenges of what I'll call the ethnic and other barriers that exist because of old-standing traditions.

Holly Woelber, *New Mexico Rural Development Response Council*: Do you have any suggestions that you can make to nonprofits that are outside of a university system on how we might broach the subject of what you all have done to encourage our university and community college systems to shift gears and to look at the opportunities they are missing to assist rural communities?

Mr. Drabenstott: Those are three excellent questions. What are the prospects for the new leaders that you are training? New governance implies a much more inclusive participation by all segments of the region. How do you foster collaboration across fences that may be built fairly high? Third, how do we take your model to the rest of the country?

Mr. Lee: On the first question about the Ph.D.s, we may not have made this clear, but the primary mission of that Ph.D. program is to prepare the next generation of potential leaders in the community college system. We have the oldest community college system in the country, and we have, as do many other states, an aging population of administrative leaders in these community colleges. There is a great deal of concern about that in terms of what type of people we will need to take the places of those who are going to be retiring over the next decade.

Most of the people enrolled in this program from across the southern states are associated with a community college. They are on the faculty, they are deans, or they are in some role already within that. This program is designed to help them get that additional educational experience, without necessarily having to spend a lot of time in residence on our campus or at Alcorn State. It is a program that is designed more specifically for community college positions than it is for the general workforce.

Bill, do you want to stand up? You probably all know Bill Scaggs. He is our senior consultant for our MidSouth Partnership and is very involved in the Ph.D. program and a number of other leadership development efforts.

Bill Scaggs, *Rural Community College Alliance:* I watched Mr. Lee “robe” at least three of these people in the Ph.D. program a week ago. All three of them worked in rural community colleges.

Mr. Lee: The second question was about overcoming barriers. I think there are two things there. You just have to work hard to build trust. It helps a lot if nonprofits, foundations, state, or federal government sources can help provide some resources. You make a lot of progress in bringing people together if you have something to grease the skids.

Finally, there was a question about the role of nonprofits. Responsive institutions are looking for guidance about how to deal with some of these issues that are out there today. I am not sure we always have the best and most sophisticated dialogue about changes in rural America and how it affects the ag dimension of land-grant universities today. We need a lot more of that. I would encourage you to get involved in that sense. Helping people to see the opportunity and finding a couple of missionaries to go with you are powerful first steps.

Mr. Bristow: The Ph.D. program is going to be really outstanding. As Charles indicated, it is

focused primarily on preparing individuals for leadership positions in the community colleges. There is an opportunity to expand beyond that and begin to look at county administrators and others that will be on the front lines in policymaking positions in rural America.

Second, let me talk about the nonprofits. I want to compliment you for asking what role nonprofits can play. Often, nonprofits can step up to the plate because they provide objectivity. They provide forums for competing sides. For instance, in rural America, where lines are drawn in the sand, a not-for-profit can bring parties together and have the discussions take place, without people thinking there is some financial incentive.

In our counties about 10 years ago, the discussions were so heated that you had to take guns away from people at the door before they had metal detectors. People would come to county board meetings. They were really very serious discussions. I had to stop posting meetings. On a serious basis, the university as a neutral party was able to bring the sides together because we weren't trying to make money off of people. We weren't trying to get the highway to go this way because we had land over here that was going to be bought in the process. Not-for-profits can provide that neutrality, and we strongly encourage not-for-profits to do that, even in terms of pushing the universities. I want to compliment the Phil Hardin Foundation of Mississippi. It pushed the two universities closer to collaboration with some of the initial start-up grants it provided for the MidSouth Partnership.

Now I will answer the question of diversity. I slightly disagree with Charles on this. Sometimes, you don't need money to make things happen that ought to happen. That should be right. Again, we had a great discussion on this yesterday at the dinner table about Brown versus the Board of Education—the 50th anniversary, the history, and all this information on television. In a state like Mississippi where we have had a great racial divide

for years, the coming together now is based on the fact we see that our economic life is inextricably connected. My success is going to be contingent upon Charles' success and vice-versa. Ole Miss has done something that is really unique, and I compliment Ole Miss in terms of doing this. It established a Racial Reconciliation Institute. Robert Kyett, the president up there, thought it was necessary to have such an institute to look at history, to have open discussions, and to move forward.

At Alcorn, just last month, we had a conference called Multiculturalism at Historically Black Colleges and Universities (HBCUs), so that we could get more comfortable with a diverse environment at a historically black college. Understanding that, yes, we are proud of being a historically black college and a land-grant university. But, in this day and age, we have to serve rural America and the counties I talked about. I have to serve all people that walk through the door, whether they are African-American, non-African-American, or Hispanic. We have a growing Hispanic population.

We had the conference to have the open discussion to get the comfort levels going. Sometimes, you have to do things, even though there is no money on the table. But you understand that moving forward, bringing the diversity, and bringing the different constituency groups together is going to lead to a higher quality of life and a growth capacity in your respective communities.

I refer you to the Ole Miss Racial Reconciliation Institute as a great model, if you are looking for a Web site activity. And I refer you to the Alcorn Web site, www.alcorn.edu. We actually have a multicultural initiatives icon right on the Web site. You can go there, and you can get information that talks about what we are trying to do to bridge the racial divide.

Mr. Drabenstott: Charles and Clinton, you have given us a fascinating inside view of an impressive innovation. We wish you much success with that, and thank you for taking the time to share it with us.

Overview Panel Comments

Linda Salmonson

The overall theme echoing throughout the conference has been “Reinventing Public Education.” The presenters have offered specific examples and models that appear to have significant potential for replication. However, support from both the private sector and government sector will be essential to future success. What follows is a summary of key points and recommendations gleaned from the presentations, plus some challenges and opportunities I feel bear mentioning.

The presenters demonstrated that rural America can grow its economies through regionalism and cluster-based economic development. Ideally, these regions should be self-defined and autonomous but fully cognizant that they are interdependent. Rural decline is a motivational factor in bringing people together, and collaboration offers the opportunity to increase efficiency, translating to decreased costs.

It was said that rural regions operate as a continuum of government, health and human services, education and training, community infrastructure, and the economy. In a strong economy, these areas support each other, using the economy as the engine for growth. However, in a declining economy, it is the government that is called on for support, including offering the incentives to “jump-start” the economy. This is a truly tall order in a declining economy, especially one where there is a decreasing number of people to pay the tax bills and an increasing need for services.

To truly collaborate, we were told we must leave turf at the door and learn to build trust. Ideas must

come from the bottom up, as well as the top down through increased communication, follow-through, and new leadership. To achieve this ideal, we must put outcomes first, well ahead of organizational self-preservation. This could mean overcoming our loyalty to existing organizations—and organizations near and dear to us like the USDA and the Extension Service, or commodity groups.

I suggest that rather than simply overcoming our past loyalty, we should consider supporting these same organizations to reinvent themselves to better meet community needs. I heard a speaker state that “institutional memory” is approaching retirement age, and that the average age of nonprofit executives is over 55. What a wonderful opportunity for us to nurture and support new leaders. In order to do so, we also have to learn to let go. We must accept that change is positive and will lead to future growth and development. We cannot continue with business, or organizations as usual.

Here’s a challenge from Chuck Fluharty’s remarks. He stated that the ideal rural government is efficient, participatory, interactive, strategic, inclusive, reflective, evaluative, action-oriented, sustainable, crosses boundaries, learns from its mistakes, and is asset-based. We have a long way to go here, and to achieve this in rural America will truly require energetic new leaders.

The key is to be “asset-based” and build on assets, like the marriage of education and economic development discussed by many of our presenters. Also,

there is a need to investigate the link between economic development and health care (tire salesmen and newspaper publishers, notwithstanding). Rural America has wonderful anecdotal success stories that need to be compiled and shared. It has a great quality of life, as illustrated by the True North example of fishing and hunting in beautiful, northern Minnesota.

I also agree that stories and quality of life need to be supported by hard data, but a new kind of data are needed that tell the real rural story. Instead of median family income (MFI), we need data on number of jobs per family member (e.g., how many three-, four-, or five-income families contribute to the MFI). Instead of county and state population data, we need population change by age group and by self-defined community. Instead of nonfarm unemployment data, we need data on all citizens—not just those in W-2 jobs or those receiving unemployment compensation. We need data on the self-employed, sole proprietors, and ag producers as well.

In South Dakota, 70 percent of farm family income comes from nonfarm employment, and, in many cases, one of the off-farm jobs is primarily used to cover the cost of health insurance. In rural communities when an employer closes her doors and there are not jobs available, people move because they want to be productive and contribute to the community. Generic data do not address the underemployment and out-migration we see on a daily basis.

Another recommendation is to “embrace the brokers.” These brokers are advocates for change. They are the public and nonprofit entrepreneurs and organizations that are willing to overlap, compete, and collaborate with each other. They are willing to adapt and change to meet new markets and challenges. They seek and demonstrate impact; and they rely on their ability to meet community/market needs to insure their longevity. Embracing them takes *risk*. But isn’t that what all change requires?

In addition to giving these change agents our support, we need to hold them to high standards, such as fiscal accountability and environmental stewardship. For example, the nation’s electric cooperatives have come together under a single brand called Touchstone Energy Cooperatives. Touchstone Energy Cooperatives holds itself to the standards of integrity, accountability, innovation, and commitment to community. I suggest that the public must hold the public, nonprofit, and private institutions to similar high standards.

If change is to be effective, the fourth standard, commitment to community, must be maintained. As public, nonprofit, and private entities, we must all keep our eye on the ultimate goal—growing a vibrant rural economy. We must learn to collaborate for the community’s benefit and understand that doing our part to support a growing economy will do more to strengthen our organizational longevity than will seeking self-preservation in the name of community development. An integral part of that commitment will include supporting public entrepreneurs—the elected officials that are doing the right thing at the expense of risking re-election—and organizations that take risks to meet market needs.

Access is a word that I heard from many presenters—access to education, access to capital, and access to technology. Something else we have access to in rural America, in a way our urban counterparts don’t, is our elected leaders. Where else but in rural America are policymakers so accessible that we can have open dialog with them on a wide variety of issues? We can call them, and they return the call. They seek our opinions. Let’s make that a competitive advantage.

How can we capture new opportunities? Here are a few ideas gleaned from the presentations:

- Stop asking for permission.
- Use our resources to build true collaboration across traditional boundaries.

- Be part of the solution, not part of the problem.
- Feed the passion of entrepreneurs—make them welcome.
- Invest our own time and resources first, before asking for public support.

I commend the Federal Reserve Bank of Kansas City, Rural Policy Research Institute (RUPRI), and others for their research and opportunities for dialog on the state of rural America over the past few years. The challenge before us is to use the data and dialog to create a changing and vibrant rural economy.

In closing, what we are really talking about when we speak of a vibrant rural economy is people—who are moving a rural community and economic development agenda forward despite significant obstacles. We can demonstrate the strong work ethic that still exists in rural America.

People want to be productive, so they don't balk at working two or more jobs to support their families. They understand the need to earn a living, so when companies close and jobs disappear they relocate to a place where there are job opportunities. And if opportunity knocks, they come back to rural America. We have to create the opportunity.

If we want a vibrant rural economy where people can live, learn, work, and grow—as the mission statement of True North suggests—we must focus on meeting the needs of our people. To remain in rural America, we need an economy that offers opportunities to grow business, build wealth, seek stable employment, and enjoy the superb quality of life.

Overview Panel Comments

John D. Welty

This article is a synthesis of some of the findings of this conference. Together with our experiences in central California, I believe we have provided some rich and enlightened thinking about how key institutions can work together to build a new economy in rural regions.

As we begin to think about this daunting issue, it is important to recognize Seth Godin's statement: "The first 100 years of our country's history were about whom could build the biggest, most efficient farm. The second 100 years were about the race to build efficient factories, and the third 100 years are about ideas" (Godin, 2000).

OPPORTUNITIES FOR RURAL REGIONS

Based upon what has been presented at this conference, and my experience, I would like to suggest that the following seven key components are important to seize the opportunities, which are available to rural regions: the importance of place, involvement in the rural region, building an entrepreneurial culture, spirit of collaboration and cooperation, financial investment, strengthening infrastructure, and alignment with regional goals.

The Importance of Place. Place does matter. However, more importantly, as Doug Henton points out, it's the "quality of place that matters." Places need to be distinctive and characterized by quality of life, innovation, and an entrepreneurial culture. It also pays to be hip and able to move fast (Henton, 2003).

Certainly, the presentations on northeast Minnesota and Austin, Texas, reaffirm the importance of place.

Involvement in the Rural Region. It is essential to have an institution of higher education involved in the rural region. The actual existence of a college or university is not sufficient alone. It is essential that the college or university is fully engaged as Jischke points out. As described by Jischke, engaged means that there is a two-way flow of ideas and information between the college or university and the region (Jischke, 2004). It is also important to recognize that a community college, regional university, or research university can play a unique role.

If a region does not have a research university, the regional university can play a significant role, but it does require the regional university to access research and ideas, which can play a key role in the region. Obviously, we have seen the northeast Minnesota example to demonstrate that community colleges can play a major role. As the Milliken Institute points out: "The single factor with the greatest power to explain differences in per capita income between states is the percentage of college graduates" (DeVol, 2002). This is also true of regions.

Building an Entrepreneurial Culture. Building an entrepreneurial culture in the region is essential. This culture must exist in the private and the public sector. The local institution of higher education should play a major role in teaching entrepreneurial principles and in encouraging entrepreneurial behavior. The entrepreneurial

approach taken in Austin, Texas, by the public sector included the use of bonding authority, tax abatement, special agreements, and tax policies.

Building a Spirit of Collaboration and Cooperation. A spirit of collaboration and cooperation is essential. The importance of collaborative efforts needs to be recognized and embraced by a region. This approach may seem self-evident, but it is often lacking, especially in rural areas where rugged individualism is often a strong value.

Financial Investment. A financial investment must be made in the region if efforts to transform the region are to be successful. These investments can come from government, foundations, private support, or from a combination of sources. A region must be creative as it seeks the support it needs to launch a transformational effort. Without sufficient investment, almost all efforts will fail.

A key ingredient in obtaining an investment is the willingness of government to modify existing programs or waive certain requirements. For example, workforce investment funds should support training of entrepreneurs. Finally, investments must be made in the nonprofit sector. This investment is essential in poor communities.

Strengthening Infrastructure. The leadership, organizational, and economic infrastructures of a region must be strengthened. Leadership in rural communities is often unstable, unskilled, and in short supply. Steps must be taken to develop and identify leadership. While key leaders may be college or university presidents, chamber executives, and CEOs, it is also important to identify other talent in the region. Positional leadership is important, but talented leadership is more important.

Organizational infrastructure is very important. In almost all of the examples we learned about there was one or more organization that was capable of

supporting or initiating efforts. The strength of the nonprofit sector is also important.

Finally, attention must be paid to the economic infrastructure. This infrastructure includes information technology, industrial space, water capacity, and other support mechanisms, such as workforce development, financial capital, and small business support.

Alignment with Goals. The region's educational and training system must be aligned in support of the region's goals. Often there is not curricular alignment within the educational and training systems, much less alignment with the region's goals and aspirations. Alignment is not an easy task because of the myriad of districts and the overabundance of state regulations in place.

As we address new mechanisms and policies for supporting the development of rural regions, it is essential that the above components be in place in order to begin the transformation of a region.

TRANSFORMATION OF CENTRAL CALIFORNIA

The following is a brief summary of the transformation, which has begun in central California. This region is home to more than three million people, is the world's most productive agricultural region, and has some of the highest unemployment rates and lowest educational attainment rates of any state in the nation.

In the early 1990s, Fresno State consciously adopted a vision to become known as one of the premier interactive universities in the country. The university community also set a goal to work with the region to transform the entire area. The initial task was to get the region to begin thinking of itself as a region. Through the Central California Futures Institute in Fresno, Calif., and later the Great Valley Center, in Modesto, Calif., efforts were undertaken to gather the data necessary to describe the region. This description was followed by efforts to

begin visioning for the future and encouraging awareness about the region's future.

Simultaneously, work was under way within the university to build a program in entrepreneurial studies, launch a business incubator, and develop key centers and institutes around problems in the region. In addition, work began to link the university much more closely with the school districts within the region. More importantly, the university culture began to change as faculty sought ways to get involved with the region and efforts were made to reward faculty behavior for such involvement.

After several years of effort, the region's business leadership began to understand the importance of regional thinking and behavior, and efforts began to flourish within the business community. The most significant effort was the development of the Fresno Business Council, which is an organization of 125 chief executive officers. Among the initial efforts of the council was the adoption of a set of community values. These values included:

- Stewardship;
- Boundary crossing and collaboration;
- Commitment to outcomes;
- "Art of the Possible" thinking;
- Fact-based decisionmaking;
- Truth telling;
- Power parity;
- Commitment to resolving conflict; and
- Asset-based approach.

The next step was the development of a partnership between the Fresno Business Council and

Fresno State to create the Collaborative Regional Initiative (CRI). The CRI was designed to bring together the best talent available to craft a comprehensive plan for the region. Several task forces were created to address particular issues, which included technology infrastructure, innovation, economic development, education, and nonprofit sector, to name a few. The work of the CRI was financially supported by the university, the Fresno Business Council, and the Irvine Foundation.

As the CRI was unfolding, the newly elected Fresno mayor sought the help of business leaders to examine how local government could be transformed. The work of this group concluded that if the city continued on its present course, it would only be able to fund police services and nothing else by 2008. Clearly, the cycle of unemployment and poverty had to be broken.

Discussions between CRI leaders and the local government led to the conceptualization of the Regional Jobs Initiative. The Regional Jobs Initiative seeks to create 30,000 jobs over the next five years by consciously building clusters of economic growth around the assets of the region that can be further developed.

The university is convening leaders from nine sectors and seeking to determine how these sectors can grow and expand. The most advanced sector to date is the water technology cluster. The region includes approximately 70 to 80 firms, employing 6,000 people in this sector. As industry leaders came together, they identified the need for help in certifying their products, with research and development, and training of prospective employees. This group of water technology leaders has agreed to create an International Center for Water Technology, which will be located on the Fresno State campus. More than \$10 million dollars has been raised through federal government, earmarks, state government, and the private sector. The first initiative to create a certification facility will be completed by next year. In the

meantime, the university is building its faculty strength in this area, as we plan to launch a research and development effort in water technology.

Other clusters are under way, but they are not yet as advanced. The university has recently partnered with the National Institute for Strategic Technology Acquisitions and Commercialization (NISTAC), located at Kansas State University in Manhattan, Kan., to access patents. The patents may be available to link with these clusters and help them to advance new technology transfer.

The next major task of the region is to align the educational and training systems. This alignment project is a huge task because the region serves diverse students who speak more than 100 languages or dialects. Already, an innovative high school has been launched as a cooperative effort between the Fresno and Clovis districts, which offers a project-based curriculum. The school—which is known as the Center for Advanced Research and Technology (CART)—has been enormously successful to date and has become a national model.

POLICY IMPLICATIONS

As business and education leaders and public officials consider these components, there are some key public policy issues, which should be addressed to help support the transformation of regions. These issues are:

1. State governments should encourage regional universities to conduct applied research and technical assistance for the regions they serve. This is especially true in cases where a region is not served by a land-grant university. The Mid-south Partnership for Rural Community Colleges (Mississippi State University) is a good example of what can be accomplished by land-grant universities who seek to address the needs of the region they serve.
2. State and federal governments must be willing to address regions as regions. It is imperative that state and federal agencies work together to determine how programs can be assimilated and integrated to help address regional problems. Existing programs may need to provide waivers to some regulations in order for a program to help the region.
3. Public policy must encourage private-sector investment in regions of need. For example, there should be inducements for private enterprise to expand broadband width in rural regions. Public policy must support innovation. Methods for providing incentives to regions to promote innovation and related activities should be examined.

CONCLUDING DISCUSSION

Several steps are necessary for building a new economy in rural regions. Recognizing and seizing opportunities in a systematic and deliberate way, looking at current models in place, and understanding and pursuing policy initiatives are all essential in the transformation process. This process is not easy or without complications. However, with collaboration and cooperation of education and business sector leaders, enlightened thinking may be the pathway to realizing success

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Overview Panel Comments

Larry B. Whitaker

Governance first must be about meeting the needs of people in the community. This conference has given each of us the opportunity to rethink how we become part of, as well as how we sustain such a dynamic process. This is the very essence of building our rural economy and gaining support or “buy-in” participation from our communities.

I would like to acknowledge, at this time, the effort and vision of the Center for the Study of Rural America and the Federal Reserve Bank of Kansas City. Undertaking such an event requires untold hours of preparation and planning by many unsung heroes whose job it is to just make it happen.

We especially should recognize the vision that Mark Drabenstott and his staff have exemplified in choosing the topics and the presenters to synthesize the issues that present themselves when devising a solution for rural governance. I would like to use one of the comments Drabenstott made in the opening remarks on Monday morning, then perhaps we can all gain a greater perspective of the challenges facing rural America. I have used a phrase that “sometimes governing is like keeping frogs in a wheel barrow.” But I like Drabenstott’s analogy even better when he said, “This is something comparable to herding cats.” I like that because the intended direction of moving public policy and governance forward does not always coincide with our best efforts or even the wishes of those who are being moved (or herded, as in most instances of governance).

There are five elements that are reoccurring themes among all the presentations:

1. Constituency,
2. Champions,
3. Capacity,
4. Community, and
5. Compassion.

CONSTITUENCY

Our conference began with an overview by Joe Sertich and his experience in devising a strategy that had merit because his community deployed an Arrowhead model. This model built constituency through public and private partnerships, with higher education taking the initiative. Each side of the Arrowhead had a specific purpose, where each partner was given a task to accomplish that moved the community agenda forward.

Chuck Fluharty later emphasized the importance of a participatory form in developing rural governance—which is both dynamic and competitive between rural and urban economies. Given the scarcity of resources, in terms of both human and monetary capital, perhaps this single element in the development of a true constituent base should be real and apparent to us all.

Karl Stauber noted that a true constituency base is built upon a foundation of “what we know; what we believe; and what we want to do.” Constituencies emerge in a multidimensional paradigm that exists in a geospatial concept and includes the needs of people and their desires to prosper and enjoy a quality of life within a given region.

In reading the list of attendees at our conference, representatives from multiple entities of rural America can be noted. Throughout this country, local councils of government or area development districts (ADDs)—such as the ADD in my hometown, Green River Area Development District—work with both the public and private sector to build a constituency. The seven-county consortium is composed of elected officials and community leaders, who collectively define and then move our agenda forward for the betterment of our region, without regard to personal or geopolitical agendas. In the commonwealth of Kentucky, this is replicated 15 times through our ADDs.

CHAMPIONS

Who are the champions in your community? This question was asked or implied numerous times during our conference. Whether they are the national affiliates, such as National Association of Regional Councils (NARC), National Association of Development Organizations (NADO), National Association of Counties (NACO), Northwest Association of Accredited Schools and Colleges (NASC), or others promoting and collectively working for their constituents as noted above, they are nonetheless “Bold, tenacious, and always ready to push the envelope,” according to Pike Powers in his presentation of a working model in Austin, Texas. These organizations are about the people who assume leadership roles and become the decisionmakers or the “public entrepreneurs,” who takes the risk for the community at large. Rural governance requires champions. Reinventing public and private institutions compels these champions to take the risks and consequences, even

if it means losing a vote from a constituent or an election. They are about putting community before themselves, even when the community is pondering which direction to take or whether to change at all. These champions are ethical; they are bound by regulations and order; and they become the true “brokers” of the new rural economy they envision.

CAPACITY

Rural communities must build financial capital or wealth; invest in the stock of professional scholars or visionaries; create space for the anticipated new development or the place where the exchange of ideas may occur; and recognize that knowledge-based economies are how rural America now must sustain themselves in a global market. Jischke challenged us to work toward such a goal—something Purdue University has been successful at doing. Rural communities are driven by strong economies that are, in fact, the engines that often must adjust to the loss and outmigration of venture capitalists, professional and academic individuals, and the general workforce.

When I took office as McLean county judge and executive in 1994, our county had the third highest unemployment rate in the commonwealth of Kentucky at more than 16.5 percent. What we were experiencing was not uncommon within that region of western Kentucky. We are a collection of agrarian communities within the fertile bottom lands of the Ohio and Green rivers—the breadbasket of Kentucky. However, we were “shipping” more of our youth (the future of our communities) out of the region than we were bushels of corn and soybeans. This scenario had gone unchecked for nearly a decade. That had to be replaced with a reinvented solution to public policy issues.

Today, more than 3,000 new jobs have been created in just over eight years in ongoing construction, management, and the general workforce. Our community and technical schools are partnering with local governments and the use of tax incen-

tives to retrain displaced workers in agriculture and coal mining.

Technology now is becoming the cornerstone of all public policy—from broadband, telecommunication advantages, robotics, and experimental pharmaceutical facilities for transferring the capacity of land and personal expertise (what once was dedicated to tobacco production) to the knowledge and production of manufactured enzymes for cancer research. Gov. Ernie Fletcher made a commitment to technology when he addressed the Kentucky General Assembly during his state of the commonwealth address earlier this year. He insisted on legislation and funding for technology, including rural broadband, in order to grow Kentucky's economy and work toward the quality of life we all desire. He succeeded when members from both political parties and from geographic regions (with caucuses that represent rural and urban communities across our diverse state) agreed to move his agenda forward. Capacity, which was derived from a constituency and at the willingness of champions in the legislature, is yet another example of new governance in Kentucky. This was echoed from our presenters.

COMMUNITY

Our presenters emphasized the theme “A sense of place” when they described their communities. A close friend shared his personal “sense of place” when he learned I was going to be in Kansas City, Mo. His grandparents operated what was once well-known as “Adam’s Dairy.” This facility was in the community near Blue Springs, Mo., east of Kansas City, and it was one of the first to use stainless steel in its dairy operations. Growing up on a farm gives a person a value that only rural Americans can appreciate and pass on to their children. Those values learned in rural America are what shape our work ethic to honor and give back more than we take.

A sense of community arises from those memories of the hard work, joy of family, reward of finishing a

task, setting goals, and more importantly, the desire to preserve that sense of place for future generations. We think of these places across the landscape of rural America as crossroads (e.g., Guffie, Parson’s Corner, Ozark, Buel, or Possum Trot). These places are direction signs to where our visions and public policies should best be redirected. Otherwise, they will be only memories, such as Adam’s Dairy and Guffie, Ky.

I have never been fishing in the Northwest, but after listening to several of the presenters from there, I want to go fishing. I remember the excitement of standing on the 45th parallel in northeast Minnesota and text messaging my daughter that I was “half way to the north pole.” Later I drove along the shoreline of Lake Superior in Minnesota and witnessed the feeling of many of the communities—that real “sense of place.” In each one, the people made them so interesting and made each feel like home.

Our communities can become the excitement of where main streets resonate with the renaissance of rural downtowns and the expectation that rural America can and should be prosperous. Government should be participatory, and the needs of the people come before our own.

COMPASSION

No community in rural America could prosper without the influence and influx of nonprofits and volunteers. Lead by example, and never forget, as policymakers or community leaders, that constituents have real beliefs, desires, and fears. Hard, physical infrastructure is rather cold in its sense of place. The analysis of break-even, cost-benefit ratios too often are used as the determining factors in rural communities, such as the bypass in Mississippi that Clinton Bristow mentioned during his presentation.

The inclusion of people with real beliefs, anticipations, and needs often becomes the responsibility of nongovernmental entities. Local and state governments have trended toward putting down asphalt and

building concrete bridges, instead of building up the character of the people who give rural America its sole purpose. Taxation is necessary and not evil if the people are allowed to ask what their money should be spent on. Food, shelter, emergency services, public protection, health care, day care, preschool and elementary education, and the preservation of open spaces or heritage corridors are building blocks, not just for communities, but for the people in the community. Our presenters have repeatedly emphasized this, and it perhaps has become the overriding theme of the conference. New governance for a new rural economy begins with the people.

Where there is no governance, there can be no sense of place, and rural America quickly loses its identity and takes on the nature and characteristics of urban cultures. My grandfather taught me that if I was ever to know where I was heading that I must not ever forget where I had come from. He also said to always remember those who were there to help guide me along the way. Compassion is the element easily overlooked or not addressed at all in public policy. It is what sets rural America apart and has inspired each of those who have stood at this podium during our conference.

The task of nonprofit organizations and the volunteers, who “stand the gap” when our vision is more grandiose than either our budgets or tax base can afford, is to become our compass rose. Human services must never be outvoted at a county court or city hall meeting. Regardless of how passionate or beneficial our strategy, it all comes down to a vote by some legislative body in a county courthouse or city hall in rural America.

We must work with units of local governments for new governance to rebuild our rural economies and communities. I will close with a quote by Daniel Burnham, a famous architect, which is engraved on a wall at Union Station in Washington, D.C.: “Make no little plans; they have no magic to stir men’s blood.”

Overview Panel—Discussion

Moderator: Mark Drabenstott

Mark Drabenstott: We turn now to all of you. This is a chance for you to reflect on what you have heard the past two days, and where you think we should go next. We have time for a few questions.

Eric Thor, Arizona State University: Mark, as you know, one of the big challenges in this business is finding what we call the partnerships for funding. We obviously have several agencies in the audience and several private, nongovernmental offices. What I think we need is a discussion about where the funding trends are going in the future that would allow some of these ideas to be implemented. We can talk and have talked for two days about some very exciting ideas. Getting them implemented in five or six regions in the country is difficult, unless you have just the right funding mix and partners that have the money.

Joe Sertich, Northeast Higher Education District: This is just a follow-up for John Welty. You talked about educational attainment and how our college graduates can be determining factors of success. Could you say more about that? I have been using this in Minnesota. In the metro, it is 30.9 percent of those older than 25 that have bachelor's degrees. In the rural areas, it is 17 percent, and, of course, we have a number of counties that are as low as 10 percent. That happens because we educate them, and they leave to go to the jobs. I would like to hear more about why you think that could be a determining factor for success in rural regions. I assume you mean by the higher we can raise the educational attainment rate.

Napoleon Moses, Alcorn State University: This also is for John Welty. When you were discussing the need to develop key centers and institutes at your university and involving faculty in those institutes, you said there is also a need to develop a new type of reward system for faculty members to support that involvement. I would like to hear your comments about that new type of reward system.

Mr. Drabenstott: John, we'll give you the lead on the last two questions—The issue of the connection you see between education and incomes and the incentives you provided. Then, we will give all three of you a chance to talk about Eric's somewhat bigger question. How do we put together the funding to undertake some of these new economic engines in regions?

John Welty: To some degree it is probably a chicken-and-egg analogy about the level of educational attainment. One of our experiences has been that we have a number of industries that want to expand, and they cannot find the people they need to expand. What we are realizing is that we need to have better prepared people who are ready to move into those industries. I have seen another sign of hope. As we have gone out and tried to help industries recruit, we have seen many people who may have grown up in central California, been educated there, and then left who are still really interested in coming back. That is one of the strategies we are trying to play out—to bring those people back, while at the same time beginning to increase the educational attainment level.

In regard to the question about centers, institutes, and faculty, we have used the traditional mechanism of including this newly defined service as part of the tenure promotion process. But we have also taken the step of including in all of our appointment letters of new faculty the expectation that they will be engaged in their discipline in relationship to the region. We have tried through service awards, which carry cash awards with them, to recognize faculty that have done some extraordinary things. There is another important thing I am constantly talking about through a combination of those things. We are starting to see a change in the culture of the faculty because there are some rewards there for them to pursue. In addition, we have provided assistance to faculty in getting grant and contract activity that is related to regional issues.

Mr. Drabenstott: Linda, would you kick off the answer to Eric's question?

Linda Salmonson: It takes dialogue with the private sector. I have heard themes about bonding and themes about financing and raising money that are fabulous models throughout this conference. But who buys those bonds? Who really is it that is the economic engine that drives all of this? It is those people and institutions who earn money and pay taxes. We need to engage the public in that discussion, and the good ideas will surface to the top. That is superfluous as an answer, but it is really where the discussion needs to start.

Mr. Drabenstott: John, you talked about a combination of funding. Could you elaborate on that comment?

Mr. Welty: We have used the Irvine Foundation, which heretofore had invested little money in central California. It has been a key private foundation. This is because for the first time we were able to go to them and say: "Here is this region in the state that has been underserved, and you have not been doing the job that is in your charter." We essentially

shamed them into at least beginning to think about it. We also have sought through both state and federal support the ways in which we can use existing programs. Frankly, because Fresno State is a Hispanic-serving institution (HSI), we do receive some benefits primarily under grant applications. This has allowed us to take that benefit because of the HSI status and attract some of that grant. That is an example of a policy issue that could be discussed in relationship to institutions that are located in rural areas. Making some of those exceptions or just waiving some requirements that allows for funding to flow can make a huge difference in watching some of these efforts.

Mr. Drabenstott: Larry, we will give you the final word.

Larry Whitaker: Grant dollars and entrepreneurial investments are available. However, I have seen that local governments partnering with each other works the best. That is not always afforded in some states. I don't know which state you are from. I would ask that you go back and determine whether your Extension council can have and be in a financial partnership as a fiscal agent with your county government. If it cannot, you need to contact your legislatures and ask that to be changed.

In Kentucky, in the models we have worked through, had it not been for the opportunity of the statutory authority to partner with three counties in one instance and five counties in another instance (these are three separate projects), neither one of us would have been able to attract the industry to retain the jobs. We created more than 3,000 jobs in a matter of about four years because county judges put aside geopolitical ideas, the size of the county, and political parties, and pooled resources and opportunities for federal funds. When you submit a federal grant and you have three counties or five counties partnering, you will get attention. Then, you can spread that wealth. More importantly, with the "Think Small" downsizing, we were able to do as one what three or five could not. I will leave you with that challenge to see whether you are allowed

within your state with public and/or private or non-profit to have legal and binding fiscal partnerships with public entities. If you are not, you are missing a lot of opportunities and missing an opportunity for rural governance.

Mr. Drabenstott: Ladies and Gentlemen, please join me in thanking our closing panel.

Contributors

CLINTON BRISTOW, JR., *President, Alcorn State University*

Mr. Bristow was named president of Alcorn State University in August 1995. Since becoming president, Mr. Bristow has doubled the percentage of students attending graduate/professional school at Alcorn, improved retention, and established a faculty research incentive program to enhance research in the life sciences. Alcorn is a national leader in the production of African-American baccalaureate graduates in the life and agricultural sciences. He is a member of the board of directors of the National Association of State Universities and Land-Grant Colleges (NASULGC), the Commission on Colleges-Southern Association of Colleges and Schools, the Southern Education Foundation, Inc., the National Association for Equal Opportunity in Higher Education, and several other organizations. He is chair of the 1890s Council of Presidents and Chancellors (NASULGC), past president of the Southwestern Athletic Conference, past president of the Presidents' Council of the Mississippi Institutions of Higher Education, and past president of the Mississippi Association of Colleges. His research efforts have centered on the historical and contemporary development of management theory as it applies to profit and not-for-profit organizations. Prior to his current position, Mr. Bristow served as president of the Chicago Board of Education, dean of the College of Business at Chicago State University, and vice president at Olive-Harvey College in Chicago.

MARK DRABENSTOTT, *Vice President and Director, Center for the Study of Rural America, Federal Reserve Bank of Kansas City*

Mr. Drabenstott is a seasoned observer of the rural economy and has gained national and international recognition for his economic analysis and policy insights. He is a native of Markle, Ind., where he grew up on his family's farm and learned agriculture and basketball firsthand. He joined the Bank in 1981 and was named a vice president in 1990. Throughout his career at the Bank, he has been an ardent observer of the leading issues facing the rural economy and food and agriculture sector, publishing more than a 100 articles and editing five books. He is a frequent speaker before industry, university, and public policy audiences throughout the nation. On more than a dozen occasions, he has testified before Congress on rural and agricultural policy issues. In October 1998, he was named director of the Center for the Study of Rural America. The Center serves as the Federal Reserve's focal point for research on rural and agricultural issues. It publishes *The Main Street Economist*, a monthly newsletter on rural America, and sponsors an annual conference on rural policy issues. Mr. Drabenstott also provides leadership to several national organizations. He is currently a member of the U.S. delegation to an OECD committee that tracks global trends in rural issues. He is a past director of the National Bureau of Economic Research and also has advised the World Bank.

CHARLES W. FLUHARTY, *Director, Rural Policy Research Institute, Columbia, Missouri*

Mr. Fluharty is director of the Rural Policy Research Institute (RUPRI), a national policy institute solely dedicated to assessing the rural impacts of public policies. This comprehensive approach to rural policy analysis involves scientists from member institutions at Iowa State University, the University of Missouri, and the University of Nebraska, as well as numerous researchers, policy analysts, and policy practitioners from other universities, research institutions, governments, and nongovernmental organizations. To date, more than 200 scholars representing 16 different disciplines in 80 universities, 40 states, and seven countries have participated in RUPRI projects. A research professor and associate director for rural policy programs in the Harry S Truman School of Public Affairs at the University of Missouri-Columbia, Mr. Fluharty also holds an adjunct faculty appointment in the UMC Department of Rural Sociology. His recent recognitions include, the 2002 recipient of the Distinguished Service to Rural Life Award from the Rural Sociological Society, the 2002 USDA Secretary's Honor Award for Superior Service (jointly to RUPRI), the 2002 President's Award from the National Association of Development Organizations, and the 2001 Friend of Rural Counties Award from the National Association of Counties. Mr. Fluharty was born and raised on a fifth generation family farm in the Appalachian foothills of eastern Ohio and is a graduate of Yale Divinity School. His career has centered upon service to rural people, primarily within the public policy arena.

GARY GORSHING, *Executive Director, South Western Oklahoma Development Authority, Burns Flat, Oklahoma*

Mr. Gorshing is executive director of the South Western Oklahoma Development Authority, an eight-county council of governments providing community and economic development services to a large rural area. The authority administers a variety of state and federal programs designed to provide local governments and the private sector opportunities to improve and expand the local economy. Mr. Gorshing also has been active with the National Association of Development Organizations (NADO), serving this year as president. NADO provides training, information, and representation for regional planning and development organizations serving 82 million Americans living in small metropolitan and rural communities.

THOMAS M. HOENIG, *President and Chief Executive Officer, Federal Reserve Bank of Kansas City*

Mr. Hoenig is president and chief executive officer of the Federal Reserve Bank of Kansas City. He also is a member of the Federal Reserve System's Open Market Committee, the key body with authority over monetary policy. He received his doctorate in economics from Iowa State University. He joined the Federal Reserve Bank in 1973 as an economist and assumed the role of president in October 1991. Mr. Hoenig directs Federal Reserve activities in the seven-state Tenth Federal Reserve District—an area that includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri. Mr. Hoenig serves as chair for Benedictine College, Atchison, Kan., and he is a member of the Board of Trustees of the Ewing Marion Kauffman Foundation. He serves on the boards of directors of the Midwest Research Institute and of Union Station, Kansas City, Mo.

MARTIN C. JISCHKE, *President, Purdue University*

Mr. Jischke is the 10th president of Purdue University, a position he assumed in August 2000. Since arriving at Purdue, he has led the university in the development of strategic plans and has launched a \$1.3 billion capital fund drive. He is an advocate of partnerships between the public and private sectors with major research universities to promote economic development. Previously, he served as dean of the College of Engineering at the University of Oklahoma from 1981 to 1986. In 1985, he was named interim president. He became chancellor of the University of Missouri-Rolla in 1986, and in 1991, he became president of Iowa State University. Mr. Jischke's leadership extends to national and international higher education organizations. He was the founding president of the Global Consortium of Higher Education and Research for Agriculture. He served as chairman and board member of the National Association of State Universities and Land-Grant Colleges and was a board member of the American Council on Education, National Merit Scholarship Corporation, and Kellogg Commission on the Future of State and Land-Grant Universities. He serves on the boards of directors of the Association of American Universities and the American Council on Competitiveness.

J. CHARLES LEE, *President, Mississippi State University*

Mr. Lee became president of Mississippi State University in January 2003, after serving as interim president for a year. Previously, he was vice president for agriculture, forestry, and veterinary medicine, overseeing the Mississippi Agricultural and Forestry Experiment Station, the Mississippi State University Extension Service, the Forest and Wildlife Research Center, and the College of Veterinary Medicine. He also served as dean of the College of Agriculture and Life Sciences. Earlier in his career, he served as dean of the School of Forest Resources and associate director of the Agricultural and Forestry Experiment Station at Mississippi State. Prior to coming to Mississippi State, Mr. Lee served as head of the Forestry Department at the University of Arkansas at Monticello and held numerous positions at Texas A&M University including, dean of the College of Agriculture and Life Sciences, director of the Texas A&M Agricultural Experiment Station, and interim deputy chancellor of the Texas A&M University System. In 1994, for 18 months, he served as interim executive vice president and provost of Texas A&M University, and in 1995, he became vice chancellor of the Texas A&M University System. Mr. Lee has been cited for outstanding service in both Texas and Mississippi, serving on numerous state, regional, and national committees and boards, and has a successful record of securing grants and contracts and bringing state and federal support to the institution he serves.

PIKE POWERS, *Partner, Fulbright & Jaworski L.L.P., Austin, Texas*

Mr. Powers has been the partner-in-charge of the Austin office of the international law firm of Fulbright & Jaworski L.L.P. for more than 20 years. He has led and overseen the growth of the Austin office to 100 lawyers, 40 of whom comprise one of the most diversified intellectual property and technology law practices in the United States. For more than 25 years, Mr. Powers has played an integral role in shaping the future of Austin and the central Texas region. As a principal participant in its economic development, he helped attract pioneering public-private R&D consortia (Microelectronics and Computer Technology Consortium (MCC) and SEMATECH) and major employers, including Applied Materials and 3M. He has extensive experience as a civic entrepreneur and corporate adviser, and he has held key leadership roles in business, community, legal, and charitable organizations at the national, state, and local levels. Mr. Powers was named one of the 100 most influential lawyers in the United States by *The National Law Journal* in four consecutive rankings, 1985, 1988, 1991, and 1994. Previously, he was chief of staff to Governor Mark White and a four-term state representative from Jefferson County, Texas. He is a past chair of the Greater Austin Chamber of Commerce.

LINDA SALMONSON, *Public Affairs Coordinator, East River Electric Power Cooperative, Madison, South Dakota*

Ms. Salmonson has served as public affairs coordinator at East River Electric Power Cooperative since 1991, where she provides economic development assistance to 22 electric distribution systems. In 1996, she helped create Rural Electric Economic Development, Inc. (REED Fund), a 501.c.3 corporation governed by 19 rural electric cooperative members. The REED Fund provides community and business development financing in eastern South Dakota and western Minnesota in partnership with commercial lenders and has more than \$15 million in capital under management. Ms. Salmonson serves as secretary of the Midwest Assistance Program (MAP) board of directors, and she is on the boards of the National Association of Development Organizations (NADO), South Dakota Rural Enterprise, Inc., and LeadershipPlenty South Dakota. She is a past president of the National Rural Economic Developers Association. During her career, she has helped organize and raise funds for a number of nonprofit entities and projects, worked on the family farm, and tried her hand at alternative agriculture. Prior to joining East River, she served as executive director of the South Dakota Entrepreneurship Program, a nonprofit that provides assistance primarily to women business owners. She is a certified Economic Development Finance Professional and a graduate of Economic Development Institute and NRECA's Management Internship Program (MIP). Her energy for rural development comes from working to help people in small businesses and small towns succeed.

JOSEPH M. SERTICH, JR., *President, Northeast Higher Education District, Chisholm, Minnesota*

Mr. Sertich was appointed president of the Northeast Minnesota Higher Education District in November 1999 and reports to the Minnesota State Colleges & Universities Chancellor and Board of Trustees. The district consists of five comprehensive community colleges in six towns (Grand Rapids, Eveleth, Virginia, Ely, International Falls, and Hibbing) across northeast Minnesota, with a combined enrollment of more than 5,000 full-year equivalent learners, for a \$50 million budget and 600 employees. Mr. Sertich's commitment to economic growth through community development across the region was formalized in November 2000 when he launched a community and economic development strategy for the colleges, called True North. He received the David A. Martin Entrepreneurial Leadership Labo Award, which recognizes an individual who has a history of leadership in the economic development network of northeast Minnesota; is a leader/innovator in the development, delivery, and support of programs that assist regional entrepreneurs; and is a mentor for small business owners.

KARL N. STAUBER, *President and Chief Executive Officer, Northwest Area Foundation, St. Paul, Minnesota*

Mr. Stauber is president and chief executive officer of the Northwest Area Foundation. Based in St. Paul, Minn., and serving communities in Iowa, Minnesota, North Dakota, South Dakota, Montana, Idaho, Washington, and Oregon, the foundation focuses its resources toward strengthening each community's ability to fight poverty. Prior to becoming the foundation's president in 1996, Mr. Stauber served as a senior appointee in the Clinton Administration at the United States Department of Agriculture in Washington, D.C. His work focused on rural development policy, education efforts, and implementing the community development portion of the President's Northwest Timber Initiative. As the first Senate-confirmed under secretary for research, education, and economics, he oversaw the consolidation and integration of the USDA's "knowledge producing agencies." From 1986 to 1993, Mr. Stauber was vice president of programs for the Northwest Area Foundation. Prior to that, he managed an alternative venture capital firm in Colorado, served as executive director of the Needmor Fund, based in Toledo, Ohio, and was assistant director of the Babcock Foundation in Winston-Salem, N.C. He is a member of the board of directors of the Minnesota Council on Foundations and the national Council on Foundations, where he serves as the chair of the Legislative and Regulatory Affairs Committee. He is a member of the board of The Institute at Biltmore (in Asheville, N.C.). Previously, he was a member of the Presidential Advisory Board on Tribal Colleges and Universities and was vice chair of the USDA Task Force on Federally Funded Agricultural and Forestry Research Facilities.

JOHN D. WELTY, *President, California State University, Fresno*

Mr. Welty began his current position as president of California State University, Fresno, in July 1991. He also is a professor in the Kremen School of Education & Human Development. He serves as chair of the CSU Gender Equity Monitoring Committee and previously served on the Cornerstones Group, which created CSU's strategic plan. Previously, he served as president of Indiana University of Pennsylvania (IUP), and held positions at Michigan State University, Southwest State University in Marshall, Minn., and the State University of New York in Albany. Mr. Welty has filled numerous leadership roles, including a governor-appointed commissioner for the Governor's Office on Service and Volunteerism (GO SERV) and commissioner of the Western Association of Schools and Colleges (WASC). He has been a leader in establishing the Fresno Business Council, the Central Valley Business Incubator, the Central Valley Higher Education Consortium, the Collaborative Regional Initiative, and several other partnerships. He has authored numerous works on university students, student affairs programs, and the future of higher education. In 1999, he was presented the Chief Executive Leadership Award by the Council for Advancement and Support for Education and was recognized by the John Templeton Foundation for his leadership in student character development in schools and colleges. In 2001, he was recognized by the California State Student Association as president of the year.

LARRY B. WHITAKER, *Judge/Executive, McLean County, Kentucky*

Mr. Whitaker is currently serving his third term as McLean County judge/executive in Calhoun, Ky. He has 18 years of experience in public administration. Prior to being elected, he served as the Kentucky Legislative Research Commission's special assistant; assistant director of community development for the city of Kissimmee in Osceola County, Fla.; and regional transportation planner for the Green River Area Development District. Mr. Whitaker also is a governor appointee to the Smart Growth Task Force in Kentucky; the Kentucky Geographic Information Advisory Committee; and the Kentucky Progress Commission, which was established in 1928 to promote economic development and heritage tourism in the commonwealth of Kentucky. He is a member of the National Association of Regional Councils, the National Association of Development Organizations, and serves on the board of directors of the National Association of Counties. Mr. Whitaker has worked with judge/executives from counties surrounding his to write the inter-local agreements that created three regional industrial authorities. This is a multicounty effort that makes McLean County a partner to 2,600 acres for economic development, job creation, and revenue sharing. Mr. Whitaker has received several awards and recognitions, including the 1999 American Hometown Leadership Award from the National Center for Small Communities, and the Ida Lee Willis Foundation Award sponsored by the Kentucky Heritage Foundation.