Expanding Support for Rural Development in Michigan

Author:
Jean Hardy | jkhardy@umich.edu
School of Information | University of Michigan

Executive Summary

Rural Michigan is a diverse group of 59 counties spread throughout the state. They play an important role in key economic sectors of Michigan, including agriculture, extractive industries, tourism, manufacturing, and healthcare, and improve the quality of life for the entire state through recreational assets. Our rural communities face unique obstacles related to population loss, municipal funding, healthcare access, transportation and Internet infrastructure, and economic diversification in the face of a rapidly changing and advancing 21st century economy.

There are many organizations that address rural development issues locally and regionally, but it's increasingly necessary in our current fiscal and political climate for rural communities statewide to apply a concerted effort to share knowledge and resources. While the Rural Development Fund, as part of the creation of the Michigan Department of Agriculture and Rural Development, has offered unique opportunities for rural communities since its creation in 2012, its funding capacity, structure, and requirements greatly limit its application.

Many of the issues facing rural Michigan are longstanding and require broader changes at the state level. We call upon Governor Gretchen Whitmer to create a new Department of Rural Development to lay a foundation for ongoing work in this realm. This new department has the opportunity to do the following and more: build systems to unite rural development stakeholders throughout the state, addressing issues related to resource creation and replicability of successful development campaigns; create new programs and incentives to support rural businesses and workers; work throughout the state to implement new policies that advocate for rural communities, institutions, and families; and increase access to existing resources for rural municipalities and economic development organizations.

If created, the State of Michigan would be the first state in America to have a cabinet level position on rural development. We ask Governor Gretchen Whitmer to issue an Executive Order, splitting the Michigan Department of Agriculture and Rural Development into the new Michigan Department of Rural Development and reinstating the Michigan Department of Agriculture. We believe that, with increased support and coordination at the state level, Michigan has the opportunity to lead the way, setting an example for other states and guiding progressive, forward-thinking, and solution-oriented initiatives to solving the issues facing rural communities throughout our state and nation.

Introduction

Rural Michigan is a diverse group of 59 counties (per the Michigan Rural Development Fund Act) spread throughout the state, from Hillsdale County at our southern border to Keweenaw County at our most northern point. These rural counties are valuable contributors to the economic and recreational landscape of our state. They contain 1,927,434 Michiganders, support 155,111 firms, are home to 22 of our state's colleges and universities, contain Michigan's most beautiful outdoor destinations, and support key economic sectors for our state, including agriculture, tourism, extractive industries, manufacturing, and many other industries that make rural Michigan the ideal place to start and grow a business and family.

Rural communities nationwide struggle with issues such as depopulation, brain drain,[1] technological advancement, and massive economic shifts changing what it means to live and work in rural areas. Meanwhile these same rural areas are an increasingly important player in electoral politics and will maintain an outsized economic importance in areas such as agriculture, manufacturing, recreation, and natural resources.

We believe that, with increased support and coordination at the state level, Michigan has the opportunity to lead the way, setting a course for what it means in America for states to guide progressive, forward-thinking, and solution-oriented initiatives to the issues facing rural communities throughout our nation. We call upon Governor Gretchen Whitmer and the State of Michigan to create a new Department of Rural Development and establish opportunities for supporting the work of this Department.

This memo outlines: the background of rural development in the state of Michigan; provides guidance for the state, both in identifying issues relevant to a new department and drawing out key opportunities moving forward; and describes potential obstacles and key sources of support for an initiative such as this. As a wide-ranging coalition, that among others, includes economic developers, civic leaders, business owners, public employees, and community leaders from throughout rural Michigan, we look forward to the opportunity to collaborate with the Governor's Office in building a more robust vision for our state moving forward.

Background

Rural development is the process of "economic, social, cultural, and environmental change designed to enhance the long-term well-being" of rural communities.[2] It includes diverse activities that support change in rural communities, from business support and development to zoning and addressing environmental impact. Historically, rural development has focused on agriculture, extraction-based economies (e.g., mining and logging), and the communities that support those economies. Global economic shifts in the later part of the 20th century spurred economic diversification of rural regions throughout Michigan and the United States to include increased manufacturing, amenity-based tourism, healthcare, and other service sectors. These shifts have altered not only the economic landscape of rural communities, but also the types of people who live there, the opportunities available for citizens' growth and resilience, and have had drastic implications for the funding of development efforts for local municipalities, schools, and businesses.[3]

The State of Michigan currently supports their statewide rural development efforts through the Department of Agriculture and Rural Development (MDARD). Originally the Department of Agriculture, MDARD was created by Executive Order No. 2011-2 by then Governor Rick Snyder. The primary function of MDARD with respect to rural development is its Rural Development Fund Grants, which "promote the sustainability of land-based industries and support infrastructure that benefits rural communities."[4] The Rural Development Fund (RDF) and its corresponding Board was created in Public Act 411 of 2012. Its current funding comes exclusively from revenues from the nonferrous metallic minerals extraction severance tax, and from 2017-2019, the RDF has granted approximately $1.23 million each year.

Funds for rural development efforts outside of the RDF, particularly at the local taxation level, have taken quite a hit as Michigan's rural counties continue to depopulate. While the RDF has offered opportunities for rural communities throughout the state, its funding capacity, structure, and use requirements greatly limit its applications. Furthermore, the Fund is modest in size considering it is the only explicit way that MDARD has supported rural development, despite the importance of these activities for supporting the livelihoods and future of our 59 rural counties.

Challenges

Rural Michigan faces unique challenges that make a tailored approach to supporting its development necessary.

There is a long, and sometimes contentious, relationship between urban and rural communities in Michigan, particularly with respect to the extraction of social and economic capital, natural resources, and population. Brain drain, or the loss of the "best and brightest" from rural communities, has long plagued rural Michigan which sends most of its top students to urban colleges and universities in Michigan and out-of-state, rarely to have those students return to their roots. Rural Michigan has been instrumental in the radical transformation that the tourism industry and the Pure Michigan campaign have had on the economy of our state. Recreation opportunities and the beautiful natural resources we have to offer provide amazing outdoor destinations and vacation getaways for urban Michiganders and beyond. Yet, the small towns and businesses that dot the state, supporting attractions such as Pictured Rocks or Sleeping Bear Dunes, are struggling to provide for their local communities while being expected to provide for the constantly changing needs of a growing tourist population. In particular, land set aside for public use comes at the expense of local tax rolls—Baraga County, for example, has only 14% taxable land left in the entire county. Further, when rural communities are successful at growing their economies and population, this is at the expense of their rural-ness. For example, the past 50 years have seen massive urban sprawl in Southeast Michigan, turning rural farm towns into flourishing cities that are no longer seen as a credit to rural Michigan.

There are also issues in rural Michigan related to shifting economies and population that are necessary to understanding why a focus on the rural is necessary.

The past 70 years have seen intense changes for economic diversification in the State of Michigan, but these changes have had an outsized impact in rural communities. While natural resource based economic sectors, such as agriculture, mining, and logging, were the dominant rural economies for most of the past 200 years, the globalization of these industries and the resulting shift in markets has meant that rural Michigan has seen a radical transformation in its primary economic sectors. Land-based extraction industries and agriculture have largely been displaced as the primary industries by healthcare, amenity-based tourism, and manufacturing in Northern Michigan. Rural communities in the southern part of our State have increasingly turned to manufacturing and proximity to urban areas to shore up their traditional rural economies.

While healthcare as a job provider is growing in the State of Michigan, these gains have mostly been in low-paying health jobs. Further, the consolidation of rural hospitals is dramatically reshaping access to healthcare, and the resulting loss of specialist services has a disproportionate effect on rural livelihoods. Health services in rural areas are less diverse, comprehensive, and accessible than those in urban areas. Widespread decreases in funding for social services have disproportionately affected rural areas due to the presence of fewer non-profit service organizations. The loss of social services and other economic needs, such as access to local shopping destinations, are often seen as being easily addressed through technological advancement (e.g., telehealth, online shopping) and basic lifestyle changes (e.g., driving farther to access the same services). However, these changes lead to a loss of local identity, an increase in health risks, a decrease in community and economic development opportunities, and are not accessible to the most vulnerable rural community members.

While rural residents are more likely to rely on personal vehicles for transportation, rural counties in Michigan have a higher concentration of both people aged 65+ and people with disabilities, populations that more heavily rely on public transit. Public transit in rural Michigan is severely limited, with many rural counties confined to “dial-a-ride” programs with service areas restricted to incorporated villages and cities and their immediate surroundings. Internet and communication infrastructure has been a key issue in rural development the past decade as Internet connection and cell phone service become necessary at the level of public utilities such as electricity and water. While rural counties in Michigan have seen an uptick in Internet and cellular availability the past decade, the services tend to be of lower quality and lower speeds, reinforcing the digital divide between urban and rural Michigan.

Michigan’s rural population is aging very quickly. Per American Community Survey estimates in 2017, the average median age in rural counties in Michigan is 46.1, whereas the average median age in urban counties is 39.7. Population loss is a primary contributing factor to aging population, as young people disproportionately leave rural communities for college and job opportunities elsewhere. In fact, while Michigan’s population is estimated by the American Community Survey to have gone up 1.1% since the 2010 Census, every single county in the Upper Peninsula is estimated as losing population. For example, Ontonagon County’s population peaked in 1920 and has since declined, with every census since 1980 seeing a decline of at least 10%. This kind of decline has an adverse impact on every aspect of rural life, and its causes are as complex as its effects.

Each of these issues listed above (shifting economic sectors, health and social services, population decline) are issues that rural development as a practice would normally tackle. Through no fault of their own, but rather simply because of its historical focus, the support that MDARD offers for rural development practices only tangentially address each of these issues.

While there are many organizations that address rural development issues locally and regionally, a major issue facing these organizations is their ability to coordinate and share resources across regions. With many rural communities facing similar issues, there needs to be a more concerted effort to share knowledge and campaign specific resources between regions and communities. As it stands, many of local rural development organizations do not have the staff, funding, or state-supported structure to assist potential coordination efforts.

The rural municipalities in Michigan that do have success in implementing development projects have largely been those with the staff to write the grants and oversee the projects through their lifespan, the monetary resources for the necessary matching funds required by MDARD and other granting agencies, the capital and tax structure to take out and pay back USDA loans, and the ability to rally support at the local and state level. The current structure for supporting rural development largely disenfranchises smaller and poorer rural communities in Michigan, making it difficult to systematically address the issues described here. Without the state or local resources to contend with these problems, many rural communities in Michigan are forced into negative loops where their lack of resources feed into depopulation and declining tax bases, making future development work even more difficult.

<u>Opportunities</u>

Many of the issues facing rural Michigan are longstanding and require broader changes at the state level. We see opportunity in the creation of a Department of Rural Development to lay a foundation for ongoing work in this realm. We outline those opportunities here.

Uniting stakeholders

With the creation of a Michigan Department of Rural Development we have the opportunity to build systems to unite stakeholders at the state level. In fact, in order to create a successful system that represents the diverse needs of rural Michigan, we need to create opportunities to unite stakeholders and resources across a variety of places. This includes:

- Uniting and aligning relevant governmental stakeholders within existing departments, commissions, and boards under a new Department of Rural Development in order to streamline and concentrate knowledge of resources and efforts at the state level.
- Creating issue-based commissions at the state level, with relevant stakeholders from throughout rural Michigan. These should include representatives from local and state governmental entities (e.g., rural cities, other state-level departments), community-based non-profits (e.g., social service organizations located in rural communities), and local and regional economic development organizations. This would begin to unite development efforts and avoid the duplication of resource creation.
- Increasing the coordination of statewide efforts with the 12 federally-acknowledged Indian tribes in Michigan, key constituents for rural livelihood, especially as it relates to our natural resources and culture.
- Increasing the coordination of statewide efforts with the numerous and active private sector parties involved in community and economic development in rural Michigan. The success of the private sector in the ongoing redevelopment and transformation of Detroit is an exemplar of what these relationships can look like.

Supporting rural businesses and workers

There are many steps that the State of Michigan and a new Department of Rural Development can take to dramatically alter the economic landscape of rural Michigan. These include:

- Addressing rural infrastructure needs, including increased support for high-speed Internet and air service growth.[5]
- Creating new technological development grants for small and medium-sized businesses in rural industries (e.g., manufacturing, service industries) that face outsized threats from the advancement of new technologies such as artificial intelligence and increased automation.
- Creating new programs and incentives (e.g., tax credits) for internships and apprenticeships for rural employers.
- Rural relocation incentives focused on under-resourced rural communities to draw in talent from other states or overseas.
- Seeking parity for state business incentives to help rural areas compete with larger population centers.
- Research and development tax credit programs specific to rural areas.
- Rural tax credits that incentivize new jobs and investments in emerging industries among small and medium-sized businesses.

Rural health, families, and housing

Rural communities are nothing without the health and happiness of their residents. There are concrete steps that a Department of Rural Development can take in supporting and expanding the following:

- Supporting the diversification of rural health services outside of the realm of telehealth. This is quality of life indicator, especially for younger families, and responds to the needs of the aging population.
- Addressing the rural housing crisis by creating incentives for rural employers to offset housing costs through new development, building rehabilitation, vouchers, or down payment programs.
- Increasing access to affordable and quality child care. This includes advocating for ways to make opening and maintaining child care centers more achievable, increasing technical assistance to new child care providers and creating an ombudsman role to assess compliance and regulatory burden across the states, and incentivizing employers to provide on-site child care through multi-employer cooperatives.
- Working with community partners and the policy makers to address shortages of emergency medical service personnel in rural communities.

Increasing access to existing resources

There need to be more opportunities for the municipal "have nots" of rural Michigan to be better plugged into financial resources at the state level. As it stands, many of those communities are foreclosed out of existing opportunities because of a shrinking resource base in their communities and their lack of access to existing capital. Some efforts at the state level, such as the Redevelopment Ready Certification process, have sought to break down these barriers, but we still have a long way to go. These opportunities include:

- Removing or lowering minimum funding or investment amounts for development projects.

- Implementing local or regional ROI instead of just statewide ROI for incentive and grant metrics.
- Reviewing urban and rural competitive applications separately

Creating locally-embedded but regionally-aware development opportunities
One major issue of rural development at the local level is the duplication of efforts that are being performed elsewhere in the state. This means that many different communities are trying to achieve the same goals without an understanding of how those goals can either be achieved with others or may change depending on the success of others. For example, many rural communities in Michigan are currently trying to attract remote workers. Most of these communities will not be successful, but a handful likely will. If those communities least likely to succeed were plugged into statewide rural development organizations where they could see this duplication of efforts, they may be more likely to pursue a different development strategy. This style of locally driven, but regionally-aware rural development is called neo-endogenous development and was developed through the LEADER program in the European Union that sought to balance the need for local authority with external influence.[6] This approach to development has been shown to increase the success of development efforts even in low-resource communities. Necessary in this work is making sure decision makers have rural experience and expertise to develop policy and resources, review grants and applications, and create incentives that truly reflect rural needs rather than urban assumptions about rural needs.

Michigan as a rural development champion
Each of the issues and tasks at hands are key to the success of rural development in Michigan. It is going to take state-level leadership and coordination in order to achieve them. This also gives Michigan the opportunity to be at the forefront of rural development in the United States. No other states have cabinet level positions for rural development, and only a handful have begun to develop opportunities for this work at all.[7]

<u>Obstacles</u>
We see two primary obstacles to this work: concern from urban communities and the work of complementary departments. Given the history of tensions between urban and rural Michigan, there will be pushback against rural development in the state being given a separate platform. But, as we outlined above, rural Michigan faces a host of unique challenges that make something like the Michigan Department of Rural Development a necessity. Furthermore, urban Michigan has historically received very specific attention from the Governor's office (e.g., Snyder's Office of Urban and Metropolitan Initiatives). Rural Michigan has continually been called upon to provide our best and brightest students as employees in urban-based companies; our natural resources for the production of energy, lumber, and other products primarily for urban consumption; and our most beautiful landscapes for the enjoyment of all Michiganders. For rural Michigan to prosper, we need more systematic and rural-explicit interventions and opportunities from the state government.

While some would argue that there are already departments doing this work (e.g., MDARD, TED), we do not see this as a duplication of efforts, but as a realigning of efforts to have the largest impact where it's needed the most. A new department does not necessitate a dramatic increase in funding available to rural development activities. Rather, we see this as an opportunity to develop a supportive capacity at the state level with a Director and a small staff that coordinate realignment efforts and continue to investigate the sorts of policy and programming solutions and implications that make this work necessary. We do not see this new department as being increasingly costly either, but rather its purpose is to have dedicated staff that assist in the coordination of efforts and By removing Rural Development from MDARD, aligning it with the ongoing work of existing departments (e.g., TED), and providing it with more concentrated and specialized resources as outlined above, it creates wholly new and groundbreaking opportunities for the State of Michigan to be a leader in rural development in the United States of America.

Action

Now is the time for the State of Michigan to become a nationwide leader in supporting rural communities. We call upon Governor Gretchen Whitmer to create a new Michigan Department of Rural Development by Executive Order, splitting MDARD into the Department of Rural Development and reinstating the Department of Agriculture. The Executive Order should also move the Rural Development Fund and Board to the newly established Department of Rural Development, establish a modest source of funding to support administrative efforts to start this work, and establish a commission of people (including Michigan legislators, economic developers, and other relevant professionals) to oversee its transition and creation.

Conclusion

As Michigan grows, its economy continues to evolve and flourish, and we learn more about the unique governmental needs of our communities, now is the time to act on the needs of our rural citizens. We have outlined here the challenges facing Michigan's 59 rural counties and presented many opportunities for a new Michigan Department of Rural Development, the first of its kind in the nation. We believe that, with increased support and coordination at the state level, Michigan has the opportunity to lead the way, setting an example for other states and guiding progressive, forward-thinking, and solution-oriented initiatives to solving the issues facing rural communities throughout our nation. We believe in and support Governor Whitmer's ability to champion these issues and our state.

Appendices

Appendix A: Notes

1. Brain drain is the process through which countries or regions lose their best and brightest. In rural brain drain, this usually takes the shape of losing promising high school students to urban and out-of-state colleges and universities. These students are the least likely to return to their hometowns after college. For more information about rural brain drain, see Patrick Carr and Maria Kefalas's 2009 book, *Hollowing Out the Middle: The Rural Brain Drain and What It Means for America*.
2. Malcolm J. Mosley. 2003. *Rural Development: Principles and Practice*. SAGE Publications.
3. Local development opportunities in Michigan are increasingly tied to local taxes as state budgets and appropriations for these activities shrink. But, local funding to support these opportunities, from sources such as property taxes, fee-generated income, and business

taxes, are disproportionately affected by shrinking populations and fewer businesses in rural villages and cities.

4. See House Bill No. 6009: http://www.legislature.mi.gov/documents/2011-2012/publicact/pdf/2012-PA-0411.pdf
5. As of right now, the RDF only supports funding for telecommunication projects where broadband of 3mbps downstream and 768 kbps upstream is available. These speeds are essentially useless to the changing needs of the Internet (e.g., video streaming) and the demands of increasingly networked devices (e.g., Internet of Things, smart devices).
6. Bosworth, G., Annibal, I., Carroll, T., Price, L., Sellick, J., and Shepherd, J. 2016. Empowering Local Action through Neo-Endogenous Development: The Case of LEADER in England. *Sociologia Ruralis*, *56*(3), 427-449.
7. For example, the new governor of Kansas campaigned on the promise of a new Office of Rural Prosperity, which has still not been formed. Indiana has an Office of Community and Rural Affairs, Iowa has their new Empower Rural Iowa Initiative, and Illinois has a Council on Rural Affairs. Each of those initiatives are led by the state's respective Lieutenant Governors, rather than receiving the support and dedication of a cabinet position at the governor level.