

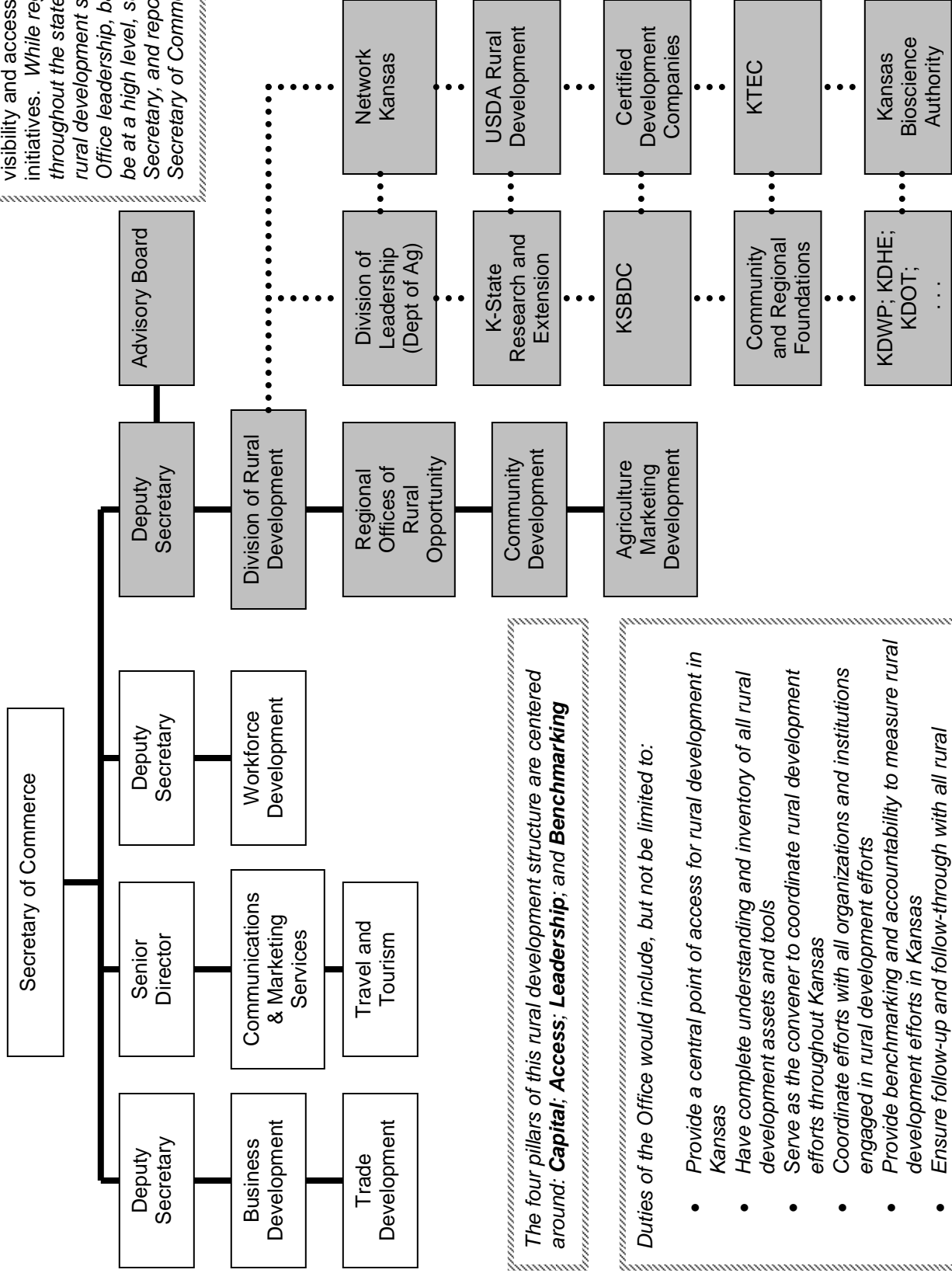
***Enhancing the Structure of
Rural Development in Kansas***

Prepared by:



January 2008

Figure 1. Conceptual Structure of Rural Development Model



The four pillars of this rural development structure are centered around: **Capital; Access; Leadership; and Benchmarking**

Duties of the Office would include, but not be limited to:

- Provide a central point of access for rural development in Kansas
- Have complete understanding and inventory of all rural development assets and tools
- Serve as the convener to coordinate rural development efforts throughout Kansas
- Coordinate efforts with all organizations and institutions engaged in rural development efforts
- Provide benchmarking and accountability to measure rural development efforts in Kansas
- Ensure follow-up and follow-through with all rural development efforts in Kansas

The Office of Rural Opportunity would be positioned at the highest possible level to denote the prominence of the Office as the centerpiece of Kansas' rural development structure. This would help facilitate visibility and access to rural development initiatives. While regional outreach throughout the state will be critical to the rural development structure and efforts, Office leadership, based in Topeka, should be at a high level, such as Deputy Secretary, and report directly to the Secretary of Commerce.

Enhancing the Structure of Rural Development in Kansas

Executive Summary

Mission – Enhance the prosperity of rural Kansas by developing innovative solutions recognizing local and regional strengths to ensure the quality of life in rural areas.

Strategy 6 – Create a rural development model that provides a holistic, integrated approach based on four key pillars (capital, access, leadership, and benchmarking). The model should use incentives as the engine that drives integration.

- 6-1 The Office of Rural Opportunity should be restructured and positioned at the highest possible level to become the centerpiece of a new integrated rural development structure. The Office will be recognized as the lead agency for rural development in Kansas with a mission to provide an integrated, coordinated and seamless approach for all rural development initiatives. The Office will develop a transparent, clearly understood methodology built around incentives to drive integration of the key pillars (capital, access, leadership, and benchmarking). Enhanced funding should be provided in the state budget for the administrative requirements of the Office.
- 6-2 Create a Division of Leadership within the Kansas Department of Agriculture, as capacity building or leadership must be a key component of rural development. Funding should be provided in the state budget for the administrative requirements of the Division.
- 6-3 Develop a coordinated incentive structure to reward communities, businesses and individuals for using the new integrated structure. The Office of Rural Opportunity would develop the framework surrounding the incentive structure.
- 6-4 Benchmark our efforts and progress in rural Kansas. Through marketing and awareness, rural areas will increase the visibility of successes and increase the awareness of their business atmosphere and lifestyle.
- 6-5 Enhance funding to \$1.0 million per year for the agricultural loan portfolio within the Department of Commerce.
- 6-6 Utilize and support the potential of Rural Opportunity Zones to play a key role in incentives that would help communities invest in their own future with the state as a partner.

Introduction

Rural development is not a one size fits all solution – some areas are going to be successful and some are not. The attitude and actions of the community members will determine their success – We cannot legislate this.

- Statewide Cell members, 2007 Strategic Planning process

Entrepreneurship is the new focal point for rural development. For much of the past half century, rural development has been driven by twin incentives aimed at business recruitment and retention. This strategy is no longer working so well, however, for one simple reason – globalization.¹

Farmers and ranchers generate revenues of nearly \$10 billion per year from grain production and livestock operations. While this is substantial, as the Kansas economy grows, the portion of gross domestic product by state attributed to agriculture continues to decline in percentage. In rural counties with little other industry, agriculture remains the primary generator of economic activity. The total impact of agriculture on the state's economy depends upon how one defines it. If the term agribusiness is used, encompassing the entire range of related food and fiber industries using input supply, agricultural

¹ Mark Drabenstott, Center for the Study of Rural America, Federal Reserve Bank of Kansas City.

production, commodity processing, food manufacturing and food distribution, the impact of agriculture on the Kansas economy gains in importance to as much as 20 percent of the state's total annual economy.²

Over time, the agriculture industry has continued to see increased productivity through the application of new technologies and innovative solutions. Increased productivity has contributed to the out-migration of actual producers, and while there are now fewer producers, the value of farm production has continued to trend upwards. During the past 40 years, the number of farms in Kansas has declined from approximately 95,000 to 64,000. This phenomenon is not specific to Kansas only, it is occurring on a national level. The depopulation of the agriculture sector will continue and to suggest otherwise may be counter to the economic realities faced in this sector.

It is unlikely that we will repopulate and grow rural Kansas with the agriculture industry, and state-level efforts must be focused on rural development to help rebuild rural Kansas. Even with these efforts, we will not save every community. Rural areas will continue to deal with a variety of issues, such as capital, access, leadership, workforce shortages, out-migration, and available services and jobs; however, rural areas do have several opportunities in regards to quality of life, community partnerships, and wealth transfer potential. We must focus our efforts on rural development and entrepreneurship to assist rural areas.

Current Structure

Several government agencies and other entities have a role in rural development efforts – the problem is there are numerous slices in many places with little or no connectivity throughout the state. Some of these entities include:

- Kansas Department of Commerce (Division of Agriculture Marketing)
- Kansas Department of Agriculture (primarily regulatory)
- USDA Rural Development
- Network Kansas
- Kansas Small Business Development Center
- Kansas Certified Development Companies
- Community and Regional Foundations
- Kansas Department of Wildlife and Parks
- Kansas Department of Health and Environment
- Kansas Department of Transportation
- Office of Rural Opportunity
- Kansas State University/County Extension
- Local Government

Strategy and Recommendations

Create a rural development model that provides a holistic, integrated approach based on four key pillars (capital, access, leadership, and benchmarking). The model should use incentives as the engine that drives integration.

Since moving the Agricultural Marketing Division from the Department of Agriculture to the Department of Commerce (Commerce) in the mid-1990's, Kansas has tried several innovative means to enhance both agriculture and rural economies. The basic concept behind the move was designed to capture the inherent strengths and synergies housed at Commerce. This arrangement has worked fairly well at times, and at times the coordination or leveraging effect has not been outwardly visible. Since the move, both the Legislature and ensuing Administrations have worked to identify and provide new initiatives

² Mintert, James, Woolverton, Michael, Kastens, Terry, and John Leatherman. *Agriculture Commodities Future: Assess Competitive Threats to the Kansas Economy*. Department of Agricultural Economics, Kansas State University for Kansas, Inc., January 2006.

addressing rural development issues. This strategy outlines a rural development model based on capital, access, leadership and benchmarking, using incentives as the engine that drives integration to address rural development issues in Kansas.

The Office of Rural Opportunity should be restructured and positioned at the highest possible level to become the centerpiece of a new integrated rural development structure. The Office will be recognized as the lead agency for rural development in Kansas with a mission to provide an integrated, coordinated and seamless approach for all rural development initiatives. The Office will develop a transparent, clearly understood methodology built around incentives to drive integration of the key pillars (capital, access, leadership, and benchmarking). Enhanced funding should be provided in the state budget for the administrative requirements of the Office.

The Office of Rural Opportunity would be positioned at the highest possible level to denote the prominence of the Office as the centerpiece of Kansas' rural development structure. This would help facilitate visibility and access to rural development initiatives. While regional outreach throughout the state will be critical to the rural development structure and efforts, Office leadership, based in Topeka, should be at a high level, such as Deputy Secretary, and report directly to the Secretary of Commerce.

The Office would provide field staff to rural communities, cities, businesses or individuals for the purpose of more efficient and streamlined accessibility to state initiatives, such as community development, business development, housing and capacity building. Field staff would become experts with programs at all levels, including federal programs. The Office would provide continued communication during the start-up and maintenance phase of programs to sustain the communities, cities, businesses or individual momentum and activities. There would be at least one field representative for each of Commerce's seven business development regions.

While certain programs, grants and initiatives would not fall directly under the Office of Rural Opportunity's authority, its charge would be to develop a seamless structure that encourages and demands collaboration between all associated agencies and organizations. They would devise the means and methods for navigating through all rural development opportunities. The Office of Rural Opportunity would be responsible for both follow-up and follow-through on all subsequent rural development initiatives.

Duties of the Office would include, but not be limited to:

- Provide a central point of access for rural development in Kansas
- Have complete understanding and inventory of all rural development assets and tools
- Serve as the convener to coordinate rural development efforts throughout Kansas
- Coordinate efforts with all organizations and institutions engaged in rural development efforts
- Provide benchmarking and accountability to measure rural development efforts in Kansas
- Ensure follow-up and follow-through with all rural development efforts in Kansas

Create a Division of Leadership within the Kansas Department of Agriculture, as capacity building or leadership must be a key component of rural development. Funding should be provided in the state budget for the administrative requirements of the Division.

Any rural development structure that does not address the leadership component is destined to fail.

The Department of Agriculture must also have an inherent role in rural development efforts in Kansas. The Division of Leadership³ would provide that role. Its mission would be to identify and understand the necessary components of capacity building for local, regional, and state rural development efforts. While it would have the capacity to provide some training, in most cases it would not directly provide training,

³ The Georgia Academy for Economic Development is a similar initiative that assists the State of Georgia's leaders in their economic development efforts by providing an understanding of the critical processes, strategies and components involved in improving their local and regional economies and achieving economic success in today's global economy. accessed at: <http://www.georgiaacademy.org>

but rather it would provide assistance and develop a certified menu of training providers that meet their predetermined standards and the needs of communities and businesses looking to enhance their rural development opportunities. The menu of resources would include training such as Kansas Communities⁴, Hometown Competitiveness Training⁵, and others that could be recommended to regions, communities, cities, businesses or individuals. The Division would essentially facilitate interactions between the public and training entities to ensure the leadership and capacity building efforts were being delivered in an integrated, coordinated and seamless approach.

This part of rural development is currently absent in any structured manner at the state level. Currently, the Department of Agriculture has only a regulatory role in rural development in Kansas, and inherently this role could be expanded through the Division of Leadership, as the Department is a logical part of any rural development efforts in Kansas.

Develop a coordinated incentive structure to reward communities, businesses and individuals for using the new integrated structure. The Office of Rural Opportunity would develop the framework surrounding the incentive structure.

A coordinated incentive structure developed to capture thresholds and assist in setting priorities for state grants and loans would be a powerful reinforcement for federal grants and loans. For Kansas, during FY 2006, the USDA awarded approximately \$94 million in housing programs, \$9 million in business programs, and \$143 million in utilities programs.⁶ Given the potential federal funds available for rural development initiatives, any reinforcement from a state-level incentive structure could be beneficial to Kansas applicants. Kansas must become more competitive for federal dollars.

Potential examples within the coordinated incentive structure include: completing a dedicated leadership process or some other capacity building program certified through the leadership component of the Department of Agriculture; completing a designated process with a field representative from the Office of Rural Opportunity; creating a community foundation that has actively worked to capture local wealth transfer; utilizing Network Kansas to measure and benchmark progress; and utilizing Rural Opportunity Zones.

Ultimately, rural areas must be able to help themselves, and this incentive structure helps prioritize rural development efforts and gives rural areas access to the tools they need for revitalization.

Benchmark our efforts and progress in rural Kansas. Through marketing and awareness, rural areas will increase the visibility of successes and increase the awareness of their business atmosphere and lifestyle.

Measuring the results of rural development efforts will help communities learn about the local and regional impacts of their efforts. Benchmarks provide a means to tell their story – a way to increase the visibility of their successes and the awareness of their business atmosphere and lifestyle. Rural development efforts are a product of those communities, and how they define success in areas such as capacity building, leadership, resources, and overall results provide a direct measure of the type of community the residents want it to become. The Office of Rural Opportunity could devise both the means for navigating through rural development opportunities and design the benchmarks to assist communities in tracking their efforts.

⁴ Founded in 2004 to build and re-build community across Kansas by rebuilding the Public Square, one community at a time. The Public Square is the intersection of four sectors: business, education, health/human service and government. Accessed at: <http://www.kscomm.net>

⁵ HTC is a comprehensive approach to long-term rural community sustainability. This approach goes beyond the traditional tunnel vision of economic development. HTC helps the community to focus on four interrelated strategies that depend on each other for ultimate success – developing leadership; energizing entrepreneurs; engaging youth; and charitable giving. Accessed at: <http://www.htccommunity.org>

⁶ USDA Rural Development has an \$86 billion dollar portfolio of loans and they will administer nearly \$16 billion in program loans, loan guarantees and grants through their programs. Accessed at: <http://www.rurdev.usda.gov>

Network Kansas works to connect entrepreneurs with the expertise, education, and economic resources at the right time. Through their efforts, Network Kansas has several benchmarks for their initiatives, and the information from these initiatives could be a key part of benchmarking efforts set forth by the Office of Rural Opportunity.

Enhance funding to \$1.0 million per year for the agricultural loan portfolio within the Department of Commerce.

The agricultural value-added loan portfolio, administered by the Department of Commerce, Agriculture Marketing Division is currently funded at a level of approximately \$500,000 per year to assist agricultural producers and develop and expand agriculture in Kansas. Based on the direct and indirect contributions of Kansas agricultural producers and related agribusinesses, the overall economic impact of agriculture on the state's economy was approximately \$30.5 billion in 2003.⁷ While we can debate the overall financial impact of agriculture on the state, there is little doubt regarding its importance to the economy of Kansas. Therefore we recommend the agricultural loan portfolio be enhanced to \$1.0 million per year to provide further assistance with these efforts.

Utilize and support the potential of Rural Opportunity Zones to play a key role in incentives that would help communities invest in their own future with the state as a partner.

Rural Opportunity Zones would essentially provide tax incentives to businesses that create jobs in rural communities. The creation of Rural Opportunity Zones would accomplish two primary objectives: 1) The elimination of the previous Enterprise Zone Program; and 2) The creation of Opportunity Zone Tax Credits to provide incentives for job creation and capital investment in rural communities and counties.

Currently, small businesses in rural areas cannot access the High Performance Incentive Program (HPIP) tax incentives because they cannot create enough jobs or capital investment. This is a disincentive for the growth of existing businesses and the recruitment of new businesses to rural Kansas. There are many facets to the concept of Rural Opportunity Zones:

- Providing new tax incentives to communities and businesses to encourage investment in rural areas, instead of just providing incentives to larger communities and businesses.
- Establishing an application process and delivery methodology for the tax credits that allows communities, counties and regions to establish the boundaries of the Rural Opportunity Zones, rather than the prescriptive approach of the state establishing the boundaries.
- Tax incentives that reward businesses and communities who exercised leadership, planning, cooperation, collaboration, and potentially the coordination of services.
- Communities that clearly demonstrate deliberate and purposeful development planning efforts and actions would be eligible for the designation as a Rural Opportunity Zone. These zones could reinforce the need for benchmarking rural development efforts.

⁷ See Mintert, p. 2.



632 SW Van Buren, Suite 100
Topeka, KS 66603
(785) 296-1460
(785) 296-1463 (fax)
www.kansasinc.org
ksinc@ink.org