

POLICY RECOMMENDATIONS— IN SUPPORT OF RURAL ENTREPRENEURSHIP

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IN MAY 2008, a national microenterprise and entrepreneurship Rural Summit was held. Participants from around the nation began sculpting guiding principles and policies for rural development over the next several years, with an emphasis on bolstering entrepreneurial efforts. Three topics surfaced as fundamental to the success of rural entrepreneurs: **long term sustainability, health care access,** and an emphasis on **locally produced food and products.** Related policy recommendations for consideration are outlined in this report. Their implementation would directly foster rural entrepreneurship as a key strategy for growing and sustaining rural communities.

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POLICY RECOMMENDATIONS— IN SUPPORT OF RURAL ENTREPRENEURSHIP

Every day, the news on the national level becomes more dire — financial crises of sweeping proportion are affecting the way Americans live and work—limiting their choices and straining their budgets. In good times and bad, one reliable and proven source of renewal in the country has been entrepreneurship. In recent years, microenterprise and enterprise development have become effective methods for growing communities, and increasing family assets and stability—even in families and communities with economic challenges.

Rural areas particularly face added economic obstacles due to geographic isolation, changing economies, lack of resources and environmental degradation. While rural entrepreneurs are tenaciously independent and resilient, *“the state’s role is to create an environment in which these ventures can take hold, grow, and flourish.”* (B. Dabson, 2008). Policy and program in the areas recommended below can foster an unprecedented amount of growth in the number of rural entrepreneurs and the size of their businesses. Such growth will result in more jobs and increased community wealth that is controlled and managed by rural communities.

This is borne out by the microenterprise field. Policies and programs intended to foster micro-businesses and jobs have indeed helped to create and sustain many small enterprises. Today, an estimated 24 million very small businesses (ones with fewer than five employees) represent 18% of all private employment in the US, creating an average of 900,000 new jobs



each year, even in the face of record high unemployment figures. (www.microenterpriseworks.org, 2008). In rural areas in particular, the number of self-employed individuals has doubled in the past three decades. (S. Goetz; 2008). Policies supportive of rural entrepreneurship can be expected to increase the economic impact of these small enterprises.

Such evidence propels the work of the national Rural Summit into a call to action. The time has arrived for serious policies that can promote and support rural entrepreneurs, and cultivate a strong and sustainable entrepreneurial climate. The time is now for national leadership that will take up the charge to implement and enforce supportive entrepreneurship policies that work for the communities and entrepreneurs of rural America.

Three areas were defined as top priorities from the Rural Summit gathering: Long-term sustainability, access to health care, and locally produced foods and products.

SUSTAINABILITY

Sustainability touches all of these priorities and becomes an organizing framework that speaks to the triple bottom-line—natural, human, and economic impacts—that all future entrepreneurial efforts must take. *“Stimulating rural entrepreneurship is important in moving toward more sustainable economies—it reduces the human ecological footprint, generates more economic impact by increasing the local economic multiplier, and builds social and human capital within the communities.”* (J. Stead, 2008).

Rural communities will benefit from strategies based upon a framework of sustainability with these three interdependent considerations. Toward that end, the Rural Summit’s proposed policies support rural economic development as an untapped asset, but seek to balance it with rewards for stewarding all of the resources that make living and working in rural America so attractive and beneficial.

Proposed Policies

Triple Bottom Line Entrepreneurship. On both the Federal and regional levels, create proactive policies that commit support to enterprise development initiatives promoting the triple bottom line. Scoring of competitive funding for such initiatives could be modified to

assign extra winning points to those projects that promulgate sustainable businesses and practices. Sustainability should be defined closely and carefully as actions and resources that can be perennially renewed and/or protected, that impact all three areas of the triple bottom line (economic benefit, human benefit and capacity building, and stewardship / maintenance of the natural environment). Importantly, environmental assessments should be simplified to appropriate levels for small and very small businesses. Funding mechanisms already in place, such as SBA loan / technical assistance programs or USDA Rural Development business and loan programs could adapt such systems to their present scoring methods.

Renewable Energy.

Create mechanisms that encourage rural communities to develop plans for local and regional renewable energy and fuel generation that can cross municipal lines. Those plans could include tax abatements, incentives, credits, and funding for entrepreneurs that could develop such sources, including installation, operation, and access to energy markets—addressing a wide range of alternative energy production. Critically, an educational component should be required that teaches good resource stewardship to a wide variety of entrepreneurs, community leaders and residents. Additionally, an element that rewards any entrepreneur for effective energy usage needs to be put into action.

Many of these mechanisms and more are described in two sections of the 2008 Farm Bill’s Energy Programs (Section 9007 – Rural Energy for America Program, and Section 9009 – Rural Energy Self-Sufficiency Initiative) that should be reintroduced and fully funded so that renewable energy efforts truly have a base from which to grow. (See Appendix A).



HEALTH

It should be commonsense that keeping the US population healthy will contribute to the economy. A fit workforce would be the US' best answer to sustainable development of small businesses. But lack of adequate, accessible, and affordable health care and insurance is a major obstacle to small business existence and growth in rural America. In fact, recent information from the Congressional Budget Office indicates that dramatic increases in health care costs will represent 18% of the GDP by 2082, and that not controlling them could eclipse Social Security by mid-century (P. Orszag, 2008). The affordable health care challenge is so monumental that it actually may be preventing small business development and ownership, and denying low-to-moderate income entrepreneurs their rightful spot in the nation's marketplace.

A recent report from the Opportunity Finance Network states that, *"Having more people and places participate in the market economy contributes to the country's overall economic condition."* (Pinsky, 2008). While rural entrepreneurs are a segment that could participate significantly, they are often held back due to their inability to access affordable health care for themselves and their employees. Without them, the market economy cannot perform to its greatest potential, and this routine market exclusion erects an impenetrable barrier to business growth for many.

If rural entrepreneurs could obtain affordable health care, one of their highest priorities, they could maintain active and productive businesses, and retain experienced employees. The challenge is to discover a vehicle for health insurance in a national effort that cuts across state lines and addresses major barriers to reform: insurance companies, hospital administrations, pharmaceu-



tical companies, and the political environment. Some efforts are being made between groups to band together in health coverage consortia, but these are not widespread.² And oddly, large employers currently receive subsidy through a tax exclusion to provide health insurance to employees. If this was removed, an estimated \$2 billion could be generated to finance a universal health care system in the United States (J. Oberlander, 2008).

The Robert Wood Johnson Foundation (RWJF) in its ground-breaking health reform work, is exploring reinsurance as an affordable measure. *"Reinsurance is a mechanism to bolster the private health insurance market... the government takes on the medical costs of the most expensive health plan enrollees, which reduces the risk that insurers bear, making health insurance more affordable and accessible."* (RWJF, 2008). Such an initiative might make health care coverage more reasonably priced for small, rural employers.

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² New West Health Services in Montana has partnered with the National Federation of Independent Businesses (NFIB) to generate discounted coverage for 600 businesses and their 41,000 employees (NFIB, 2008). A number of Chambers of Commerce offer health insurance discounts, too, but for many entrepreneurs, the costs are still too heavy for their budgets to bear. Finally, one example of a successful 'insurance' consortium is the Nonprofits' Insurance Alliance of California (NIAC) – an insurance broker for 6,000 nonprofit businesses in California, providing stable, fair prices for liability coverage.

HEALTH

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Proposed Policies

Three options that are suggested in descending order of development in order to stage the journey to universal health care are:

Universal Health Care Coverage. Establish a plan of action to convert the entire country to universal health care by 2016. Review current tax exclusions for large employers, and determine if this money could be used to finance a universal health care plan. As a midway step, require, like the Massachusetts example, all Americans to be covered by insurance, and encourage states to enforce that through current mechanisms—state insurance plans for the indigent or disabled; assistance for very small businesses to provide incentives to cover employees; and risk pooling to make insurance more affordable.

Small Business Health Care Consortium.

Empower the design and creation of a rural health care consortium that is member-owned and operated by small business owners, and that is national in scope. Ensure that members of the consortium are afforded equal access to current health care systems by credentialing the consortium as a federally recognized source of customers, adequate “risk pool,” and advocacy

organization for very small businesses, rural and otherwise. Assist in the development / negotiation of insurance policies that are affordable and appropriate to small and very small business owners; and that offer coverage to both owners and their employees. Help with the ability to do business in each state in this regard. Health care includes general care, wellness and prevention efforts, prescription drugs, dental, and mental health, whose costs should not be a burden on future generations.(Divided We Fail, 2008).

Reinsurance.

Build a plan for the government to underwrite the most expensive health care users, thus reducing the overall burden of cost on all health care coverage consumers.

Finally, a stand-alone recommendation that supports recent policy from the National Rural Assembly, 2008:

Rural Health Workforce.

Improve and reauthorize programs that address the lack of rural health services, especially the need for health workers, including the National Health Service Corps, health profession programs, Titles VII and VIII of the Public Health Services Act and the J1 Visa program.

LOCAL FOOD/PRODUCTS

Rising food and transportation costs and heightened awareness about food security are stimulating the need to produce, distribute, and consume foods locally. Rural entrepreneurs can play a significant role in assuring that consumers have access to fresh and nutritional foods—making them healthy contributors to a sustainable economy—but they need policies that link producers and consumers within local food systems.

States like Ohio have taken steps to form a statewide Food Policy Advisory Council that pledges to analyze its \$93 billion food and agricultural industry to purposely create opportunities for local producers and consumers to engage. (Ohio Department of Agriculture news release, 2007). The Farmers Market Coalition, a national alliance of farmers markets, has a number of policy initiatives on board for 2008, and as a group, many of their members have had success in collaborating with local Women, Infant and Children (WIC) programs to ensure that local residents have nutritious, fresh produce for their families. The 2005 National Workshop on State and Local Food Policy followed Flora's seven types of community capital³ (C. Flora et.al., 2004) in order to develop a host of recommendations for the creative distribution of local produce and wares at fair prices. Woven together toward long-term sustainability, policies ranged from how to encourage institutions to buy from local producers to how to finance small local production to preserving cultural distinction in products (i.e., Native American products) while encouraging stewardship of the natural environment.

These examples are highlighted to illustrate that decades of thought and work have now gone into developing the systems for conscientious food / local product distribution and consumption. The national Rural Summit participants embrace these ideas, and encourage a shift in the emphasis of current policies from 'farm' to 'food', making local food production, including organic production, and farm-related businesses, a priority in rural America through a range of economic stimulants and initiatives. Participants feel that in large part these concepts are represented in the Farm Bill approved this year.

Proposed Policies

Farm Bill Local Food Provisions.

The participants of the national Rural Summit recommend full appropriation, and implementation of the local food provisions of the 2008 Farm Bill. The provisions will offer rural entrepreneurs a menu of opportunities for accessing a wide range of markets while contributing to the overall sustainability of their communities. Citizens will have the choice and

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³ This work describes seven forms of capital that exist in communities and when fully realized, contribute to healthy eco-systems, vital economies, and social well-being. The seven capitals are: built, financial, political, social, human, cultural, and natural. C. Flora, et.al., 2004.

LOCAL FOOD/PRODUCTS

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ability to purchase locally grown food and locally produced goods. Farmers Markets, local schools, and other institutions will have the chance to participate in 'sell and buy local' venues through collaborative ventures and joint marketing efforts. Rural microenterprise development is incorporated as an initiative, with financing for small businesses, and opportunities to promote specialty crops and value-added products. Importantly, local producers will be able to participate in community nutrition programs while growing their businesses. Regulations for meat inspection will be adjusted

so that small business owners can access state inspection facilities more appropriately sized to their operations.

These and other local food entrepreneurship opportunities are described in more detail in Appendix B. Specific Farm Bill sections addressed are: 4111, 4202, 4211, 4231, 4406c, 4302, 4304, 4402, 4406, 6015, 6022, 6202, 7527, 10106, 10109, 10403, and 11015.

Implementation of these homegrown initiatives will make a world of difference for local entrepreneurs and producers.

APPENDIX A⁴

Farm Bill Energy Programs

Section 9007 – Rural Energy for America Program (purported to be the new version of the 2002 Farm Bill Section 9006 program)

Purpose – Promote energy efficiency and renewable energy development for ag producers and rural small businesses.

Two sub-sections of program:

1. Grants for energy audits and renewable energy development assistance
2. Financial assistance for energy efficiency improvements and renewable energy systems

Energy audits and renewable energy development assistance:

- Competitive grants program to eligible entities to provide assistance to ag producers and rural small businesses to 1) become energy efficient or 2) use renewable energy technologies and resources
- Eligible entities: 1) units of state, tribal and local government; 2) institutions of higher education; 3) rural electric cooperatives or public power entities; 4) any other similar entity as determined by USDA

Financial assistance for energy efficiency improvements and renewable energy systems:

- Loan guarantees and grants to ag producers and rural small businesses to 1) purchase renewable energy systems, including systems to produce and sell electricity or 2) make energy efficiency improvements
- Feasibility studies – Grants to ag producers or rural small businesses include conducting feasibility studies for projects intended to do 1 or 2 in the bullet above

Any grant in this program shall not exceed 25% of the cost of the activity

At least 20% of funds shall be for grants of \$20,000 or less

Loan guarantees can not exceed \$25M

Combined grants and loan guarantees can exceed 75% of the cost of the activity

Funding – Mandatory funding of \$55M in FY09; \$60M in FY10; and \$70M in each of FY11 and FY12; an additional \$25M is authorized for each fiscal year

4% of funds shall be available for the energy audits and renewable energy development assistance section

Section 9009 – Rural Energy Self-Sufficiency Initiative

Purpose – Financial assistance to enable rural communities to substantially increase energy self-sufficiency.

Grants to rural communities to:

- Conduct an energy assessment that assesses the total energy use in the community
- Formulate and analyze ideas for reducing community energy use from conventional sources
- Develop and install an integrated renewable energy system (defined as a community-wide energy system that reduces energy use from conventional sources and increases energy use from renewable sources)

Preference is given to community grant applications that coordinate with 1) institutions of higher education or foundations of institutions of higher education; 2) federal, state or local government agencies; 3) public or private power generation entities; or 4) government entities with responsibility for water or natural resources

Funding – Authorized funding of \$5M per year for each of FY09 through FY12.

APPENDIX B

Farm Bill Local Food Provisions

Food Stamp Nutrition Education – Section 4111

State agencies may implement a nutrition education program for individuals eligible for program benefits that promotes healthy food choices consistent with the most recent Dietary Guidelines for Americans, and may deliver nutrition education directly to eligible persons or through agreements with the National Institute of Food and Agriculture, including through the expanded food and nutrition education program.

Emergency Food Program Infrastructure Grants – Section 4202

Creates USDA grants for projects related to the collection, storage, distribution, transportation, and tracking of time-sensitive and perishable foods, and improving the security and diversity of emergency food distribution and recovery systems through the support of small or mid-size farmers and ranchers and donations from local food producers and manufacturers to people in need. Program authorized at \$15 million annually.

Traditional and Locally-Grown Food Fund – Section 4211

USDA to establish (subject to appropriations) a fund for use in purchasing traditional and locally-grown foods for recipients of food distributed under USDA programs on Indian reservations. At least 50 percent of food purchased shall be, when practicable, produced by Native American farmers, ranchers, and producers.

Senior Farmers Market Nutrition Program – Sections 4231 and 4406(c)

Provides \$20.6 million per year in mandatory funding for fresh fruits and vegetable vouchers to low-income seniors that can be used at participating farmers' markets, roadside stands and community supported agriculture subscriptions.

Purchases of Locally Produced Foods in Child Nutrition Programs – Section 4302

Encourages institutions receiving federal funds for child nutrition programs to purchase unprocessed agricultural products, both locally grown and locally raised. Also allows K-12 schools receiving federal funds for the school lunch program the flexibility to specify a geographic preference for the procurement of unprocessed agricultural products. Report language indicates that "unprocessed" is not intended to be interpreted literally, and it states that "unprocessed" should include washing vegetables, bagging greens, butchering livestock and poultry, pasteurizing milk, or putting eggs in a carton.

Fresh Fruit and Vegetable Snack Program – Section 4304

Provides \$500 million mandatory funding over five years for selected schools to purchase at least one daily fresh fruit or vegetable snack. The program will focus on low-income school districts, and allocates 1 percent of funding total funding to each state and the District of Columbia with additional funding allocated by relative state population. Schools can preference local products.

Assistance for Community Food Projects – Section 4402

Provides assistance to meet the needs of low-income people and to communities to provide their own food needs, including infrastructure improvement and development and marketing activities that benefit both agricultural producers and low-income consumers. Establishes Healthy Urban Food Enterprise Development Centers, a competitive grant program for producers, small businesses, and non-profits to apply for outreach, technical assistance, and feasibility study grants to support the development of enterprises which distribute and market healthy and locally produced foods to underserved urban, rural, and tribal communities. Provides \$3 million total in mandatory funding over three years.

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APPENDIX B

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Community Food Projects – Section 4406

A competitive grants program to develop community food projects, including enhancing the self-reliance of communities in providing for their food needs. Provides \$5 million mandatory funds for fiscal year 2008 and each year after.

Locally or Regionally Produced Agricultural Food Products – Section 6015

Modifies the Business and Industry Loan Program to reserve at least five percent of the B&I annual program funds (approximately \$50 million annually) to provide loans and guarantees to individuals, cooperatives, businesses and other entities to establish and facilitate enterprises that process, distribute, aggregate, store and market locally produced agricultural food products. Defines “locally-produced agricultural food product” as one that is raised, produced, and distributed within a locality or region and is transported less than 400 miles from its origin. USDA is charged with giving priority to projects that have benefits to underserved communities, defined as those communities with limited access to affordable, healthy foods, and a high rate of hunger or food insecurity or a high poverty rate.

Rural Microentrepreneur Assistance Program – Section 6022

Provides grants and loans to rural microenterprise development organizations to assist rural business (including local food businesses) in acquiring skills, loans, technical assistance and support networks.

Value-Added Producer Grant Program – Section 6202

Includes a new program directive to support “mid-tier value chains” and local and regional food systems. Provides \$15 million in mandatory funding over four years.

USDA “Food Desert” Study – Section 7527

Provides \$500,000 in discretionary funding for a one-year USDA-led study on the incidence of “food deserts,” or areas with limited healthy and fresh food retail access and identify strategies which can reduce their incidence.

Farmers’ Market Promotion Program – Section 10106

\$33 million in mandatory funding over five years to provide competitive grants of up to \$75,000 to promote farmers’ markets and other direct marketing ventures. Sets aside 10 percent of annual funding to implement projects for using “food stamp” benefits at farmers’ markets.

Specialty Crop Block Grants – Section 10109

Established two block grant programs to states to promote the developing and marketing of specialty crops. The Specialty Crop Block Grant Program – Farm Bill includes as a potential funded activity “buy local” campaigns. States may regrant block grant funds according to plans each state must develop. Specialty crops are defined as fruits and vegetables, dried fruits, tree nuts, and horticultural and nursery crops. Mandatory funding of \$60 to \$95 million is provided for five years.

Grants to Improve the Movement of Specialty Crops – Section 10403

Authorizes (without funding) a grant program to improve the cost-effective movement of specialty crops to local, regional, national and international markets and to address transportation deficiencies.

Interstate Shipment of State-Inspected Meat – Section 11015

Small meat-processing plants with state rather than federal inspection that meet strong food safety standards will be allowed to sell products across state lines.

THE RUPRI CENTER FOR RURAL ENTREPRENEURSHIP'S mission is to foster greater understanding of the promise and the practice of entrepreneurship as a sustainable economic development strategy for rural regions.

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ASSOCIATION FOR ENTERPRISE OPPORTUNITY supports the development of strong and effective U.S. microenterprise initiatives to assist underserved entrepreneurs in starting, stabilizing, and expanding businesses.

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