THE NWAF / HHH RURAL POVERTY PROJECT:
A POLICY EXPLORATION INITIATIVE

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THE NWAF / HHH RURAL POVERTY PROJECT: A POLICY EXPLORATION INITIATIVE

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Karl Staubert  
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Dear Karl:

We want to thank the Northwest Area Foundation for the opportunity to work on this challenging project, to learn more about the problem of rural poverty, and to offer our ideas for policy solutions to address this complex and critical issue facing our region.

This project has provided an opportunity for faculty and staff from different disciplines and departments at the University of Minnesota to use their varied backgrounds and interests to understand the problem and identify policy strategies to reduce rural poverty. It has also given us the opportunity to work with former colleagues such as David Harrison, Cornelis Flora and Bruce Weber, and to learn from some new people such as Lillian B. Woo, Diane McLaughlin and many individuals throughout the region who are working on rural poverty issues. We are grateful for the numerous contributions from over fifty people who shared their stories and ideas, critiqued our work, and encouraged us to think creatively.

This intensive five-month project has been a challenge because, as you described at our first meeting, state and local governments are still in the process of defining their new role in light of the diminishing role of the federal government on domestic policy issues such as poverty. This has added obstacles to the solutions to the problem.

As you will read in this report, the problem of rural poverty is a complex one with varied causes. Consequently, the problem must be addressed through a collaborative commitment of not only every level of government, but also every non-profit, institution and citizen. While our research uncovered many interesting and promising strategies, this report focuses on major strategies that might fit within the priorities of the Foundation. The report concludes with some specific recommendations and action steps for the Northwest Area Foundation, and a caution that reducing rural poverty in a sustainable and effective way will require attention to the underlying root causes of poverty, attention to institutional design, and a long-term commitment.

The challenge is to reduce rural poverty for the long term. It is a challenge we must accept for this generation and for future generations. We look forward to continuing our collaboration with the Northwest Area Foundation and we very much appreciate your support.

Sincerely,

J. Brian Atwood
Dean
FORGING CONNECTIONS: A POLICY INITIATIVE
FOR COMMUNITY-FOCUSED STRATEGIES
TO REDUCE RURAL POVERTY

A Report presented to
The Northwest Area Foundation
August 2005
OVERVIEW: A POVERTY REDUCTION MODEL

Sheridan County, North Dakota, exemplifies media images of rural poverty. The county sits in the center of North Dakota, 60 miles from Bismarck, in what’s called “prairie pothole country.” The county is famous for its duck hunting, but with only 1,700 residents in nearly 1,000 square miles the population is sparsely distributed and aging: 26 percent of the county’s residents are over 65 and more than half are over 45. The county lost nearly ten percent of its population between 2000 and 2003, the biggest decline in North Dakota. The county’s ten percent unemployment rate in the first quarter of 2005 was the highest in the state. Yet, the county’s poorest residents tend to be children, who make up 20 percent of the population, with almost a quarter of them living in poverty. As has happened in many remote and poor places, for several generations the brightest young people of Sheridan County have left for better opportunities in other places, depleting the county’s human resources and leaving behind those most likely to be dependent: children and the aged.

While Sheridan County represents one face of rural poverty – the U.S. Census Bureau says nearly 14 percent of residents of remote rural counties in the eight states of the Northwest Area live in poverty – it is only one face, and it is largely a white face. Poverty also can be seen in areas in and around Indian Reservations, in areas with many low-wage, low-skill jobs that attract immigrants eager for work, and even in relatively prosperous rural counties near cities where young families, especially women with children, rely on service industry jobs and struggle to pay for housing and child care.

Rural poverty is multifaceted and complex. Perhaps because of that complexity, those working to alleviate poverty often approach the issue from a variety of disconnected, sometimes conflicting positions. Fragmentation currently exists across policy areas (economic and workforce development, health care, education), sectors (government, business, media, nonprofits, communities, philanthropy) and levels
(federal, state, regional, local, family and individual). This leaves the individuals and families who struggle with poverty to sort through a chaotic system. These families tend not to trust authority of any kind and feel excluded from the fragmented systems that operate around and on them (Flora).

Successful poverty alleviation thus depends on finding ways to organize and integrate across policy areas, sectors, and levels. Statewide policy advocacy networks are needed to bridge the divides and produce policy frameworks that facilitate collaboration and integration of objectives, resources, information, initiatives, programs and/or actions further down. Sub-state and regional cross-sector collaboration efforts are needed to build capacity to foster and integrate local action and to contribute to effective statewide advocacy efforts. Specific policies, programs, initiatives and actions also must “add up” across policy areas “on the ground” if people and places are to see poverty reduced.

To reduce rural poverty, those who care about rural places must create synergistic connections to produce new advantages for rural people. Public policy efforts should emphasize programs most likely to have the greatest impact on the quality of life and economic circumstances of people in traditionally poor, rural areas: economic development, education and health care. To set the groundwork for building these aspects of social and other kinds of capital, rural residents also need to strengthen effective local institutions, identify, encourage and support local individuals who have the capacity to improve quality of life in an area, and build better, deeper networks of advocates for policy change to reduce poverty in rural areas.

As a philanthropic and public policy leader in the eight states of the Upper Midwest and Northwest, the Northwest Area Foundation (NWAF) can be a central, unifying force for collaborations to reduce rural poverty in ways that are sensitive to
and responsive to cultural and community characteristics and promote inclusive
decision-making and action. This policy-change effort would involve the following
components:

- **Build a policy advocacy network** that is both top down and bottom up and that
  is aimed at policy change at the community level and the state level, including
  raising awareness of rural poverty and its costs.

- **Invest in a state-by-state effort to establish ties** among state, tribal and local
  officials, communities, members of the public and the advocacy network to
  develop a long-term strategy to reduce rural poverty that integrates across
  cultures, economic development, workforce development, health, education,
  social services and welfare policy.

- **Invest in existing institutions and highly effective individuals within
  institutions** that already are addressing the problems of rural poverty,
  particularly in the areas of education, health care and economic and workforce
  development. Examples of these institutions would include rural community
  and tribal colleges or city and county economic development or social service
  agencies.

- **Improve educational outcomes** in high poverty areas by focusing on both long-
  term and short-term solutions. Long-term solutions involve universal early
  childhood education (infant-5). For shorter-term results, programs should aim to
  improve high school graduation rates and leverage skills and resources at
  community and tribal colleges to provide workforce development programs.

- **Create and promote knowledge brokers** in each region who will foster economic
development and serve as resources to entrepreneurs and micro-businesses.

- **Targeted economic development efforts** that promote innovation and
  entrepreneurship in rural areas and build on industry clusters that already exist
  in rural areas.

- **Address health care concerns by leveraging resources** in high poverty areas to
  improve access to medical care, address chronic, disabling health issues, such as
  alcoholism and diabetes, and increase availability of health insurance.
This report offers both an overview and in-depth discussions of the issues and possible approaches to reducing rural poverty. In this first section, the report will describe the distinguishing characteristics of rural poverty in the states NWAF serves and common issues faced by people living in poverty. It will propose several areas in which NWAF should focus its poverty-reduction resources and suggest five distinct strategies for encouraging community-based poverty reduction efforts that are place- and culturally-specific. The report also will offer criteria for evaluating strategies in light of the foundation’s mission and will suggest areas in which further research might provide helpful insight to the foundation. The appendices of the report includes a collection of the research that underlies these recommendations.

UNDERSTANDING RURAL POVERTY

Federal guidelines set an income of $19,350 per year as the poverty level for a family of four. While government assistance necessarily focuses on income as a measure of poverty, it is useful to think of poverty as a lack of one or more of a variety of capitals. As Cornelia Butler Flora asserts in her paper, “Community Capitals and Alleviating Rural Poverty” (Appendix D), the relative poverty of a community (or individuals within a community) and its ability to address poverty rises from a complex interaction of several kinds of capital: natural, cultural,
human, social, political, financial and built. Individuals with low financial capital but high social and cultural capital may feel rich, or at least, not so poor. Individuals with adequate financial capital but social capital that is diminished by alcoholism or family instability are poor indeed. Evaluation of poverty must also be culturally sensitive: different groups such as Native-Americans and immigrants may place different priorities on different aspects of poverty. Understanding these kinds of capitals and their interactions in various communities is useful in developing poverty reduction strategies that are sensitive to community strengths and decision-making styles.

It’s also important to understand the transient nature of some poverty. Many individuals move in and out of poverty as issues related to job loss, temporary disability, or family situations are resolved. For other individuals, poverty is chronic. The chronic poor may have multiple barriers to self-sufficiency: lack of education, job readiness skills or housing, chronic health issues, alcoholism or drug addiction, mental health issues, or discrimination. These individuals have complex needs which require multi-faceted solutions.

<table>
<thead>
<tr>
<th>Definitions of poverty</th>
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<tr>
<td><strong>Income based poverty:</strong></td>
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<tr>
<td>1. Compares income with a national poverty threshold based on the cost of an inexpensive diet.</td>
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<tr>
<td>2. Adjusted for inflation and family size.</td>
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<tr>
<td><strong>Asset based poverty:</strong></td>
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<tr>
<td>1. If household lacks wealth to meet basic needs for a period of time.</td>
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<td>2. More illustrative than merely using income to define poverty.</td>
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<tr>
<td><strong>Social and cultural poverty:</strong></td>
</tr>
<tr>
<td>1. An inability to participate as a valued member of a community.</td>
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As Bruce A. Weber notes in his paper, “Building Civic and Workforce Capacity in Rural Communities: Is There a Role for Community-based Policy in Reducing Rural Poverty?” (Appendix G), high and persistent poverty levels are disproportionately found in rural areas. About one in six U.S. counties had high poverty rates (20 percent or higher) in 1999, Weber reports. However, only one in 20 metropolitan counties had high poverty rates compared to one in five remote rural counties. The Rural Poverty Research Institute defines persistent poverty counties as
those in which 20 percent of the population lived in poverty in each of the four federal censuses between 1970 and 2000. Of persistent poverty counties, 95 percent were non-metro counties. Where poverty levels are high, they reflect long-term demographic and macro-economic factors, such as the decline in agriculture, the consolidation of skill-based employment centers in urban areas, and the resulting out-migration of skilled workers to the cities. Increasing globalization and the relatively high exchange rate for the U.S. dollar has further taxed regions of the country in which agriculture is a significant part of the local economy, as G. Edward Schuh discusses in his paper on rural development trends. (See Appendix F)

Rural poverty reflects economic and social changes that affect many rural communities:

- A lack of a livable wage jobs that match the skills of the residents in the area.
- Over dependence on industries that may be declining and that offer too few well-paid jobs, such as such as agriculture or mining.
- High levels of dependent people – children and elderly.
- Under investment in education.
- As the rate of poverty declines, the problems of those remaining poor tend to be more complex.
- Rural poverty, like rural America, remains “under the radar” for the public and elected officials.

Three characteristics distinguish rural poverty in NWAF’s region from rural poverty in the rest of the United States, however. First, the overall poverty rate in this area is slightly lower than the poverty rate in the U.S. as a whole. Nationally, the poverty rate was 11.7% in 2002 compared to 10.3% in the eight-state region. As in other parts of the country, poverty is unevenly distributed here. Some tribal lands and counties in the region have poverty rates which equal or exceed the poorest counties.
throughout the country. The second characteristic that distinguishes poverty in the region is the extreme remoteness of some sections. Loring, Montana, for instance, is 228 miles from the nearest interstate highway. Residents of Antler, North Dakota, are closer to Winnipeg than Minneapolis, and Winnipeg is five hours away. The remote character of these areas affects their ability to attract higher-wage jobs. In addition, poverty in these out of the way places often goes unnoticed by policy makers. The third distinguishing characteristic of the region is its natural beauty, including lakes, mountains and rivers. However, these amenities are unevenly distributed and the farther an area is from topographical variation, large bodies of water, and a temperate climate, the more likely it is to be poor.

**The Four Faces of Poverty**

Not all poverty is the same, and an analysis of the nature of rural poverty in the eight-state region reveals four distinct faces of poverty. Each of these faces has different characteristics; communities in which these types of poverty emerge are vastly different from each other. Taken together, they offer a collage – not a snapshot – of poverty in the region. Below are descriptions of each of the faces with a county that exemplifies the characteristics of the group.

**Near Urban: Josephine County, Oregon**

Grants Pass, the county seat of Josephine County, Oregon, sits along the busy Interstate-5 corridor between Medford and Eugene, Oregon. The county is typical of many poorer counties located near urban centers. With a population of about 79,000 people, the county is home to Rogue Community College, a small art museum, and several adventure rafting companies. Its proximity to natural beauty has not enriched all its citizens materially, however. The county’s per capita income rose 19 percent between 1997 and 2002, but its per capita income of about $22,000 is only 74 percent of
the national average. Poverty rates in the county are among the highest in Oregon and tend to affect children and mothers most.

Josephine County resembles other rural areas within driving distance of urban centers. Here the inequality of rich and poor is evident. Most poor households here have at least one worker; and those most likely to live in poverty are women and children. While Josephine County’s overall poverty rate is under 12 percent, 27 percent of those households with children under age 5 lived in poverty, according to 2000 census data. Of those households headed by single mothers, 45 percent fell below the poverty line. As in other near urban areas, housing presents a large challenge. In near urban areas, low income persons tend to live in rural areas and drive to urban centers where there are more low skilled and semi-skilled jobs but a shortage of affordable housing. Conversely, middle and high income persons move to these rural areas seeking larger homes and tracts of land, often driving housing costs upward and putting pressure on limited public infrastructure such as roads, sewer and water.

Multiple industry clusters based in urban centers offer many opportunities and support for innovation and entrepreneurship that don’t exist in more remote rural areas. Addressing poverty in near remote areas, like Josephine County, would involve a focus

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<tr>
<th>The Four Faces of Rural Poverty</th>
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<tr>
<td>Area</td>
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<tr>
<td>Region overall (rural)</td>
</tr>
<tr>
<td>Poverty rate</td>
</tr>
<tr>
<td>Number in poverty</td>
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<tr>
<td>Remote rural</td>
</tr>
<tr>
<td>Poverty rate</td>
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<tr>
<td>Number in poverty</td>
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<tr>
<td>Near urban (Rural-plex)</td>
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<tr>
<td>Poverty rate</td>
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<tr>
<td>Number in poverty</td>
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<tr>
<td>Foreign-born Hispanic</td>
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<td>Poverty rate</td>
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<tr>
<td>Number in poverty</td>
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<tr>
<td>American Indian (rural)</td>
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<tr>
<td>Poverty rate</td>
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<td>Number in poverty</td>
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* The U.S. Census Bureau and the Economic Research Service define rural differently. See explanations of definitions in Appendix I.
on improving health care and education, particularly early childhood, and assisting in local economic development.

**Remote Areas: Roosevelt County, Montana**

Located near the Fort Peck Indian Reservation, not far from Fort Peck Dam, Roosevelt County, Montana, is typical of many remote areas. While its county seat, Wolf Point, has both rail and air connections, most of the county is isolated and agrarian. The area’s ranching and farming past is evident in the posting of local ranch brands on the Wolf Point city web site, and its efforts to build Montanac Cowboy Hall of Fame in the city. The county’s population is stagnant at about 10,000 citizens (about a third of them live in Wolf Point), the same population the county had in 1980. More than 27 percent of the population lives in poverty.

In the areas away from the urban centers, geographic remoteness and isolation characterize poverty. Remote areas tend to have the lowest high school graduation rates, the lowest pre-natal care rates, and lowest participation rates for TANF and food stamps. These remote areas (primarily in the Dakotas, Montana and Idaho) are not only geographically remote from the urban centers, but also lacking in infrastructure (for example, interstate highways, cellular communication towers, airports) to connect them to the rest of the country and have limited or inaccessible services such as health care. Geographic isolation is a barrier to effective and collaborative governance and community connectedness simply because resources are farther apart and people with expertise more scarce. Innovative approaches, perhaps involving technology, will be necessary to solve issues of access to health care and economic development.

**Tribal / Reservation Poverty: Shannon, South Dakota**

Located in the far southwestern edge of South Dakota, Shannon County is home to the Pine Ridge Indian Reservation. The county has the highest percentage of Native Americans of any county in the country – 94 percent in the 2000 census. It also has the second highest percentage of young people in the country with 45 percent of the
county’s population under age 18. The county includes the historic site of the Battle of Wounded Knee and parts of Badlands National Park. In the 1990 census, the county was named the poorest in the nation and received “empowerment zone” status. However, unemployment in the county remains a problem. It has been as low as 8.6 percent and as high as 15.9 percent in the past year. Per capita income is 45 percent of the national average. The presence of 69 federally recognized tribes, who do not all have the same culture, and 16.48 million acres of reservations creates a unique set of challenges in addressing poverty in NWAF region. (See Appendix B)

Cultural differences, tribal sovereignty and the different governance structures are an overarching feature of tribal life and must be considered in any poverty reduction strategies. At the 2005 Bismarck Native American Entrepreneurship Listening Session, attendees attributed high unemployment rates and high levels of poverty to a variety of factors, such as the lack of a physical infrastructure, including housing, waste-water treatment centers, roads and public transit, centers for youth, health-care clinics, prenatal and K-12 education, as well as a lack of investment in technology, such as computers, internet access, portable phone service, and advanced methods of networking with customers and workers. Without training in the basic skills needed for
employment, it is challenging to entice companies to locate their facilities on reservations. Furthermore, there is a cultural clash. The emphasis on material values in American business practices conflicts with cultural values of the Native American culture, resulting in tensions and misunderstandings. As Gary DeCramer and Christopher Klisch discuss in their paper, "Tribal Colleges: An Opportunity to Change the Face of Poverty for Native Americans" (Appendix B), understanding tribal structures and developing true partnerships with tribes are essential to any poverty reduction strategies.

**Immigrant Communities: Clark County, Idaho**

Clark County, Idaho, located about 50 miles from Idaho Falls, represents a new facet of immigration in the United States. The county's population of 904 people is nearly 40 percent Hispanic. Many of the immigrants come for jobs at the giant potato dehydrating facility in Dubois, the county seat. While unemployment in the county is low (4.3 percent), poverty is high. The county’s overall poverty rate is 16 percent, but among Hispanics, the rate climbs to 25 percent. While per capita income among whites in the county was $12,856 in 2002, for Hispanics it was only $7,514. Health issues are significant in the county, where the teen birth rate is 42 per 1,000 compared to 17 per 1,000 in all of Idaho. The nearest medical facility is nearly 40 miles away.

Immigrants bring new challenges to poverty reduction efforts. Many immigrants are not citizens or green card holders, hampering their ability to access services. Others do not speak English, making even a trip to the doctor more complicated. Some immigrants do not understand their rights as citizens. Immigrants are a significant factor in rural economic development because immigrants can replace other residents who have left rural areas. In Clark County, for example, the overall population has dropped 11 percent since 2000. As Katherine Fennelly notes in her paper, "Immigration and Poverty in the Northwest Area States" (Appendix C), Hispanics accounted for less than 6 percent of all non-metro residents in the U.S. in 2000, but one quarter of the
growth of rural populations between 1990 and 2000. While Hispanics represent the largest group of immigrants, Africans and Asians also are among newcomers to rural parts of the country. Whatever the group, racism, discrimination or simple misunderstandings of cultural differences can lead to clashes with other residents of an area.

**COMMON CHALLENGES**

Whether they live in Josephine County in Oregon or Shannon County in South Dakota, rural poor people face difficulties across four broad areas, according to literature and data on rural poverty: health and medical issues; education; economic development; and institutional design or local capacity. These issues reflect an overarching under investment in all the capitals.

Rural areas tend to have less access to health care for everyone, which affects poor people even more because they are less likely to have health insurance. The average rate of uninsured in near-urban and remote rural counties is about 19 percent. In counties with poverty rates of 20 percent or higher, 26.5 percent of the residents are uninsured. In addition, access to doctors is difficult. Only ten percent of the nation’s physicians practice in rural areas, according to the National Rural Health Association. Access to specialists – or even dentists – often requires extensive travel. Hospitals are farther apart and changes in Medicare and Medicaid reimbursement policies have been costly to rural areas, making it difficult for hospitals to stay open and even more difficult for rural areas to recruit physicians.

Spending by Medicare in rural areas is 85 percent of the U.S. average. In addition to access questions, some health problems are more prevalent and more dangerous for all rural people. Accidents are more likely to result in death: while only one-third of auto accidents occur on rural roads, two-thirds of accident deaths do.

(National Rural Health Association) Hypertension, heart disease, alcohol use, and
smokeless tobacco use by teenagers are all more common in rural areas than in urban areas. Diabetes rates among Native Americans are three times the national average.

Education also presents challenges to rural communities, especially those with high poverty rates. Local schools are the social center of many small towns and rural areas, but shrinking populations have made it harder for schools to stay open. As Schuh discusses, rural areas tend to subsidize urban areas by educating people who migrate to cities. In addition, the number of rural students seeking post-secondary education is much lower and overall educational attainment is lower in rural areas. While 30 percent of metro-dwelling adults over age 25 have a college degree, only 17 percent of those in none-metro areas do. For some populations, educational attainment is even lower. Nearly 25 percent of Native Americans who are 25 years of age or older do not have a high school diploma or greater. Increases in non-English speaking populations in rural districts present serious challenges as well, and immigrant students tend to have lower graduation rates. For instance, in Oregon, Iowa and Minnesota, Latino graduation rates were 25 to 32 percentage points lower than the corresponding rates for white students (Fennelly). Spending on K-12 education also lags in rural areas: while 22 percent of all public schools were rural, they received only 12.5 percent of federal funds, 14 percent of states funds and 11 percent of total local funding for schools.

Rural areas also face significant difficulties in creating livable wage jobs and building local economies. Rural areas traditionally produce goods that are exported (agricultural products, manufactured goods), and are vulnerable to shifts in global markets. As the U.S. moves to a knowledge economy, rural areas have tended to fall behind. Since the early 1980s, the wage gap between metro and non-metro counties has grown to about 30 percent (Munnich 2002). This has ripple effects felt strongly among lower skilled workers in rural areas. First, more rural workers work in service industries (RUPRI). Rural workers are twice as likely to earn minimum wage as urban
workers and, in 1999, 27 percent of rural workers over age 25 received a wage that if it was for full-time, full-year, would not be enough to put a family of four above the poverty line (RUPRI). Workforce development is a key component in any economic development plan aimed at assisting rural poor.

While poverty may result from a variety of individual and family choices and characteristics, the likelihood of a household being in poverty is determined in part by community capacity and local institutions (Weber). Community capacity and local institutions are different in rural areas because of isolation and the lack of scale. These changes have been exacerbated by an increase in requirements placed on local governments, as both state and federal government have devolved responsibility for social service programs to the local level. Governments and local social service agencies tend to have fewer employees spread over vast distances. As Flora notes, talented, energetic individuals may be worn out as one task after another is laid on them. A lack of capacity influences the success of even individual-focused poverty reduction efforts. Weber notes that welfare reform policies of the 1990s, which emphasized work incentives and penalties for not working, had less impact on single mothers in rural areas than in urban areas, further suggesting a link between local institutions and poverty rates. Mechanisms for collaboration across policy and organizational lines often do not exist.

These issues, while common to all of the faces of poverty, may require different strategies in different areas. For example, poor communities in the remote areas will need to find ways to bridge the geographic gap in accessing health care, and they will have less access to large risk pools to reduce the costs of health insurance; the near urban communities do not have similar access issues. Language barriers and lack of capital impact the economic development desires in the immigrant communities, whereas tribal sovereignty and ownership issues have a greater impact on economic development in Indian country.
An additional challenge for rural areas is the lack of organizations and individuals able to advocate for poverty reduction policies. While there are examples of organizations and policy networks operating in individual states, the overall effort to put poverty reduction on the public agenda and carry forth poverty reduction strategies is limited and fragmented. In the eight-state region, NWAF may be one of the few organizations with the capacity to mobilize advocates for poverty reduction.

Poverty is a multi-leveled, complex issue. As NWAF evaluates strategies and next steps, it should look for solutions that allow the organization to respond to poverty issues in a contextually specific way. One size does not fit all. As NWAF considers ways to tailor programs to address issues and different types of poverty, it will need to make choices. It may be wise to choose one face of rural poverty and develop programs and policy options that directly and specifically address the needs of that face of poverty. Alternatively, it may decide to pursue more than one front, focusing on pilot projects that might be duplicable at later stages. Choices are inevitable and necessary. Several criteria seem useful for evaluation purposes.

**Criteria for Evaluating Strategies**

As they developed strategies and recommendations, researchers considered a variety of criteria that took into account the foundation’s strengths and goals as well as current research on rural poverty. These criteria may be useful to NWAF as it determines its strategic priorities. Successful program options will:

- Exploit NWAF’s comparative advantages in addressing poverty and use NWAF resources as effectively as possible.

- Give preference to programs and issues that are not being addressed by others; look for gaps.

- Reduce rural poverty in a measurable and targeted way.
• Be community based and oriented to expand community capacity to address systemic problems of rural poverty.

• Be sustainable and focused on long-range solutions that not only address an immediate problem but also address the underlying root causes of poverty.

• Be efficient at reducing rural poverty in an economic sense, supplementing and complementing current poverty reduction efforts.

• Be feasible both politically and practically.

Appendix J includes a definition of these criteria and a matrix with the project team’s application of these criteria to the proposed strategies.

**Strategies for Poverty Reduction**

As noted above, the underlying problems of poverty look different for each of the four faces of rural poverty.

Therefore, strategies to reduce poverty will need to be implemented in ways that meet the needs of communities being served. For instance, job creation usually is not an issue for immigrants in poverty. They came to a particular place for the work that is there. However, it may be these jobs are low wage with little opportunity for advancement. A poverty-reduction strategy aimed at immigrants may require a greater focus on education and health care. Building local capacity in a poverty-reduction plan aimed at immigrants might involve strengthening non-profit organizations. Addressing the poverty needs of Native Americans will need to consider sovereignty issues and the particular culture and governance structure of each tribe involved. Focusing on one or more of the four faces of poverty requires essentially a place-based approach, which will be layered on top of a complex web of existing social, political and economic
factors. The communities in which poverty exists already have organizations, units of government and educational institutions that may have a stake in either defending the current situation or changing it. These institutions – and entrepreneurial individuals within them – can be vital to poverty reduction efforts. Three tensions seem particularly important to consider as the Foundation develops policies and programs to reduce poverty.

First, poverty reduction efforts should balance the need to have a clear focus and the desire to accommodate community needs. While imposing solutions from the outside rarely works as planned, communities may define needs in ways that privilege some elements of the community to the disadvantage of others. As Flora points out, some rural communities have unhealthy or counterproductive decision-making styles and structures.

Second, solutions should balance the need to draw on existing expertise and the desire to maximize community participation. One of the struggles rural communities face is a lack of a diverse skill base among their populations, a simple product of having fewer people to handle tasks and make decisions. Community stakeholders should be involved in developing community-based solutions while drawing on experts and resources as much as possible.

Third, strategies must balance existing research with opportunities to try new ideas and develop innovative programs. Research can tell us where not to go and can point us toward likely, promising solutions. Several ideas that have been shown to fail to reduce poverty – attempts to lure large companies, additional transfer payments to agriculture – have been removed from consideration. We also have recommended initiatives, such as early childhood programs, which have a strong track record of demonstrated impact. On the other hand, there are many areas of great need where we have limited information on what works most effectively; clearly further experimentation in these areas may be warranted.
Strategy 1:
DEVELOP A POLICY CHANGE NETWORK IN EACH STATE
TO BUILD STATE AND LOCAL CAPACITY TO REDUCE RURAL POVERTY.

Currently, poverty is addressed at four levels: federal, state, sub-state region, and family or individual. In addition, non-profit, community and faith-based organizations may offer assistance to rural poor. Fragmentation exists among these entities, making it more difficult to address the complexity of rural poverty. Increased collaboration among these entities would bring more focused attention to rural poverty as a regional problem, facilitate sharing of ideas, knowledge, and research, reduce duplication of services where that might exist, and promote needed state-level policy changes. We recommend the development of a multi-state or state-by-state network of policy change advocates for three reasons. First, federal poverty policies are difficult to influence, particularly from a regional position. However, across the region, in individual states and at sub-state levels, NWAF is in a strong position to create collaborative solutions to poverty. Second, states have significant financial resources and oversee many programs related to poverty reduction. Some states, such as Washington and Oregon, are reevaluating budgetary policies to promote more results-based budget decisions. The willingness to consider innovative approaches to poverty is increasing in many states. Finally, the states have long been laboratories for the federal government to address poverty, and the federal government is increasingly relying on the states to identify and solve their own problems.

A statewide network would integrate the policy change efforts of groups across policy lines, community and non-profit organizations, and state and sub-state levels. It would also provide a forum for disseminating research on poverty reduction and determining where research should be done. This would be an important aspect of the network’s efforts because much of the national research on poverty overlooks rural
poverty and its different characteristics. The network would facilitate communication both among participating entities and with individuals and organizations outside of the network that are also concerned about rural poverty or have the power to implement solutions. Communication to those outside the network is a critical part of shifting funding priorities to address the problems of rural poverty. The network would assist in raising the awareness of the public, policy makers and political leaders about the seriousness of rural poverty and the importance of specific policies for reducing it. The network also would assist in identifying and supporting policy entrepreneurs working in this area. Examples of similar policy networks abound: Mothers Against Drunk Driving, anti-tobacco groups, and the Children’s Defense Fund are just a few. A policy network would fill a gap in how poverty is addressed. It would leverage the foundation’s resources well and would provide multiple opportunities for innovation across several policy areas.

Should the Foundation decide to focus on only one of the faces of poverty identified earlier -- as opposed to attempting to work in all or several areas -- the shape and context of the policy network would shift considerably. However, its usefulness in integrating poverty reduction strategies across policy areas and levels would not be reduced. Additionally, the network would provide a model that could be transferred from one poverty reduction effort to another.

**Strategy 2:** Foster Collaborative Governance
*Promote collaborations among government, businesses and non-profits to address rural poverty more strategically and build local capacity.*

For the past two decades, public services have increasingly devolved from the federal government to the states and often to local units of government. Counties frequently are assigned mandates for which there is no funding. For rural
governments, which may have responsibility for large tracts of land with sparse staffs, these are particularly burdensome. Collaborative mechanisms are needed to overcome the lack of integration on the ground across communities, organizations and policy areas. Technology may provide opportunities for counties and others to work jointly to provide services, such as joint dispatching of 911 calls. University Extension Services and state universities can provide research and outreach assistance in this area, but much more investment in collaborative capacity is needed.

Current policies on rural poverty reduction emphasize investments in individuals and families rather than in communities (Weber). Current policies also emphasize work. Investments in communities can help create and improve the jobs that are essential for workers to move out of poverty. Communities also supply many of the supports workers need: child care, transportation, job training. Collaborative structures have been used to address a variety of issues geared toward building community capacity. For instance, the Robert Wood Johnson Foundation sponsors Communities in Charge, which helps community coalitions work with state agencies to improve access to health care for low-income people. In Hennepin County, the African American Men Project is authorized and sponsored by the county, which also provided some seed money. The project is designed to fight isolation and poverty among African American men ages 18 to 30. As Barbara Crosby and John Bryson note in their paper, “Leadership and Collaborative Governance for Poverty Reduction in the Northwest Area” (Appendix A), collaborations work well under certain conditions: partners share a similar goal, leaders are identified and can work with a variety of groups successfully, collaborators hold each other in mutual respect and appropriate elements are in place in the political, social, economic and technological environment. As a leader in the eight-state region of NWAF, the foundation could provide the impetus and early leadership needed to develop a variety of collaborations around issues of rural poverty.
Strategy 3: Education

Improve educational outcomes for poor people in rural areas by focusing on early childhood education, high school completion, and workforce training offered at community, technical and tribal colleges.

Education has traditionally been seen as a route out of poverty for individuals. Investments in education also will help reduce overall poverty in a way that is community-based. Three educational strategies hold the most promise for reducing poverty because they assist poor people at crucial moments in life: early childhood education for birth to age 5, high school completion, and workforce training offered at community and technical colleges, which is usually (though not always) used by young adults.

Arthur Rolnick, economist for the Federal Reserve Bank of Minneapolis, makes a convincing economic argument that education of children from birth to age 5 is a long-term economic development strategy. This strategy is especially important in remote rural communities that may have high numbers of very young and very old people; it is also important in addressing near-urban poverty where many of the poor people are young women with children. Several long-term studies have shown that while students enrolled in early childhood development programs do not necessarily have higher IQs than students who did not participate in such programs, they lead happier, more successful lives according to several measures. The studies, started in the 1960s, show that students participating in selected early childhood programs are less likely to need special education as they got older. They are less likely to be arrested as adolescents or adults. They are more likely to graduate from a regular high school. As adults, they tend to earn more money. Overall, researchers have found that for every $1 invested in early childhood education, there is an $8 benefit for the individual and the community. Several states offer some form of school readiness or early childhood family education. In addition, Head Start, the federal early childhood program for children in poverty,
operates in many areas. Expanding or tailoring these kinds of programs for the rural poor would have a long-term impact on the well-being of these children and their families. In developing programs, however, it is important to consider issues like remote location, child care preferences of parents, and language and cultural barriers. For instance, in areas in which day care is usually provided by relatives or home-based providers, programs might offer education for the providers in child development or assist them in purchasing books and educational toys. The availability of bi-lingual teachers would be vital in serving immigrant populations.

Additional concrete efforts to consider in this area would be:

- Funding scholarships for nursery school or early childhood programs for needy 3-5 year olds.

- Invest in programs to support parents of young children, such as home health care visits, programs to increase literacy sponsored by local libraries and other community-based ideas.

A second effort to improve educational outcomes involves focusing on high school completion. Among certain groups, specifically Native American and immigrant populations where education attainment tends to be lower, a focus on completing high school would improve economic and workforce opportunities. For example, 24.55% of Native Americans who are 25 years of age or older do not have a high school diploma or higher education. Among Hispanics ages 16 to 24, more than 28 percent are out of school but without a high school diploma. Several U.S. Department of Education studies attribute the high “drop out” rate among Hispanics to immigrants who have never been to school in the U.S. and have only fair to poor English language ability. Targeted efforts to improve high school completion levels have the potential to reduce poverty among certain populations.

The final strategy to improve educational outcomes and encourage economic development in rural areas would involve a focus on community, technical and tribal
colleges. These colleges are often the only institutions of higher learning in rural and remote areas. The colleges often have entrepreneurial individuals on their staff or faculty who have connections and knowledge about the workforce and other needs of local and regional businesses.

The Rural Community College Initiative has already done work in this area. Seven community colleges in the eight-state region, including one tribal college, are partners in the Rural Community College Alliance. This organization promotes innovative programs and connections with local businesses. For instance, the TechNorth Prep Center, a consortium of technical colleges in northern Minnesota, provides customized training and outsourcing for small, new companies, often hiring the individuals who will work at the company and then training them.

Tribal colleges also have been innovative in developing programs to build the skills of people in their regions. The eight NWAF states are home to 20 of the 35 tribal community colleges in the country. These colleges are institutions that are respectful of tribal languages and cultures and can assist tribes and their members in workforce and economic development. (See Appendix B for development of this theme.) The Fond du Lac Tribal and Community College of Cloquet, Minnesota, for example, provides a variety of hybrid courses that combine traditional classroom instruction with online learning. These courses have assisted the community in developing wild rice growing and harvesting capabilities. Recent partnerships with other colleges will allow tribal students to earn degrees in elementary education and social work. (See Appendix E for a model of collaboration in addressing these long-term strategies.) Like other community colleges, tribal colleges often have among their staff and faculty energetic and entrepreneurial individuals with a commitment to reducing poverty. Any network to address issues related to rural poverty should include several representatives of community, technical and tribal colleges.
Strategy 4: Economic Development
IDENTIFY, CREATE, AND PROMOTE THE WORK OF "KNOWLEDGE BROKERS" FOR RURAL ECONOMIC DEVELOPMENT; ENCOURAGE WORKFORCE DEVELOPMENT STRATEGIES THAT ARE SENSITIVE TO THE SPECIALIZED NEEDS OF THE POOR; AND BUILD UPON LOCAL ECONOMIC OPPORTUNITIES.

Individuals can make an enormous difference in communities, especially rural places. Individuals who have knowledge across subject matters, locales and industries can be vital to bringing jobs into a community. These “knowledge brokers” may work in government, academia, non-profits or for-profit firms. Their mission is to create connections among individuals and institutions and to supplement those connections with information that improves the local economic situation. While valuable in addressing poverty in any of the four faces, knowledge brokers would be most useful to remote rural areas seeking new economic vitality. Scott Sheely, director of the Workforce Investment Board of Lancaster County, Pennsylvania, is an example of a knowledge broker. He has used an industry cluster approach to target workforce development efforts in the area to attract additional higher-paying, long-term jobs in industries already operating in the community, such as specialized foods, wood products and health services. Through Sheely’s leadership, the Lancaster WIB has partnered with other WIBs in Pennsylvania on a cluster-based workforce development approach. It has played an important role in shaping statewide policies on economic and workforce development. NWAF should identify knowledge brokers in the region, forge connections among those knowledge brokers and encourage innovative and entrepreneurial individuals in high rural poverty areas to function as knowledge brokers.
While individuals can promote innovation and economic growth, rural areas are wise to focus first on the businesses nearby. Several rural areas in Minnesota have used a cluster approach to economic development in which an area builds several businesses around one industry. For example, in northern Minnesota, a recreational transportation equipment cluster has grown with a larger manufacturer and many smaller suppliers locating nearby. In Littleton, Colorado, is working on a related concept called “economic gardening.” Rather than trying to attract new businesses to the region, the City of Littleton devotes much of its economic development effort to working with companies currently operating in the region to define what they need to grow and to assist them with information-based products like market research, marketing plans and management advice. The information is supplied at little or no cost, often saving the company thousands of dollars. Since adopting this approach, Littleton’s population has grown by 33 percent and the number of jobs in the city has doubled.

Public investments in workforce development strategies have become a more important tool in many communities’ economic development strategies. Businesses often are seeking employees with specialized skills and work readiness skills. Local Workforce Investment Boards in some states, such as Pennsylvania and Washington, have been leaders in redesigning these systems to be more responsive to local economic opportunities and rebuilding the workforce development system from the ground up. The NWAF could play a critical role in encouraging the redesign of the workforce development system to more directly address the needs of the poor and getting the working poor onto better career paths.

Like other aspects of poverty reduction, efforts to improve community economies are highly specific. It takes the right people, the right kind of business, the right workforce, and the right opportunity. In rural areas, lacking many of the advantages of urban areas, innovative approaches and creative thinking are also required.
Strategy 5: Health Care
LEVERAGE RESOURCES IN HIGH POVERTY AREAS TO IMPROVE ACCESS TO MEDICAL CARE, ADDRESS CHRONIC HEALTH ISSUES AND INCREASE AVAILABILITY OF HEALTH INSURANCE.

Almost one-third of rural adults describe themselves as being in fair to poor health. Rural people overall and rural poor particularly lack access to health care. Between 1984 and 1997, more than 500 rural hospitals closed. In some states of the region, shortages in health care personnel are the norm outside of the largest cities. In Idaho, for example, 83 percent of the state faces a shortage of primary care physicians, 82 percent has a shortage of dentists and hygienists and 100 percent of the state has a shortage of mental health professionals. In addition, rural poor often lack health insurance. The average rate of uninsured in near urban and remote rural counties is about 19 percent. The rate jumps to nearly 27 percent in counties with poverty rates above 20 percent.

The NWAF should consider adopting targeted initiatives within rural communities that increase access to health insurance and health care providers. Promising approaches might include the following:

- Developing a network of rural policy advocates which can promote state initiatives that expand insurance coverage among the working poor. For example, Minnesota’s Minnesota Care program might provide a useful model to expand insurance coverage in other states.
- Working with employers and other community members to find ways to develop risk pools to spread the costs of health insurance across a broader segment of the population.
- Working with state and county organizations to expand outreach and coverage for low-income working poor under existing state medical insurance programs, such as Medicaid or Medicare.
- Enhancing training and other incentives to give rural communities greater leverage in recruiting physicians and other health care providers.
• Partnering with community members to focus on health education efforts which focus on issues more likely to affect the rural poor, such as obesity, diabetes, cancer, heart disease and safety issues such as accident prevention and seat belt use.

Other health care initiatives may complement economic development concerns. For example, reducing the costs of rural health insurance could both increase entrepreneurship, employment and wages of rural workers. A recent working paper by the National Bureau of Economic Research has examined the labor market implications of the recent increase in health insurance premiums. The NBER found that such increases are associated with both reductions in wages and increases in unemployment among those who typically have access to employer provided health insurance.

Options for improving health care among rural poor are numerous and complicated. Which options would work best depends on which face of poverty is the focus. For remote rural people, access and health issues affecting the elderly might be of greater concern; for near-urban poor, access issues are different, relating more to transportation and insurance rather than distance.

FIRST STEPS

While the goal of reducing rural poverty requires a long-term commitment, several first steps can be taken in the next year to address immediate concerns and build the policy network.

1. CONVENE RURAL POVERTY POLICY FORUMS

Goal: Broaden the base of understanding of rural poverty and increase commitment to a solution.

Convene four forums to focus on the problems of and solutions to poverty in rural areas in the Northwest Area Region: Near-urban, rural remote, tribal, immigrant. There is not one face of rural poverty. The stereotypical face of rural
poverty is the face of a white farmer. That is no longer true; race and occupations have altered that face. There are in fact four different and overlapping faces of rural poverty, as discussed in this report.

2. **RAISE PUBLIC AWARENESS**

*Goal*: Public understanding of poverty in the region, what can be done and why something should be done about it.

Engage a communications consultant to assist in raising public awareness of the problems of rural poverty in the region, why it should be addressed, and that there are realistic solutions that will work.

3. **ENGAGE STATE AND LOCAL POLICY LEADERS**

*Goal*: Find and encourage champions for policy changes to address the problems of rural poverty.

Build a bipartisan grass-tops coalition of governors, legislators, county commissioners and local elected officials who are convinced poverty is a priority issue and are willing to advocate change. State and local policy leaders have the power to implement solutions to rural poverty and to raise the level of visibility of the issue.

4. **BUILD A POLICY CHANGE NETWORK**

*Goal*: Organize a network of committed individuals and organizations that are willing to advocate policy changes over a sustained period of five to ten years.

Building a network of people who understand the problems and are willing to continue working on solutions can be critical to success of these efforts. Significant policy change requires a long-term commitment over a period of years. It may be necessary to restrict early efforts to one aspect of rural poverty in order to be most effective. Early efforts may fail, but may provide lessons that influence future approaches.

5. **STRENGTHEN THE EMPIRICAL FOUNDATION FOR MAKING POLICY DECISIONS**

*Goal*: Develop a strong empirical base on the most effective approaches to reduce poverty.
Poverty is a complex problem that requires multi-dimensional solutions. Research is needed to evaluate the effectiveness of policy approaches and to convince citizens and policy makers that there are realistic solutions.

CONCLUSION

Poverty is a big, complicated and multi-layered issue. Reducing poverty will require efforts across policy areas, sectors and levels. An effective strategy for reducing rural poverty demands integration of these areas, sectors and levels. Efforts must be both “top-down,” that is involving key stakeholders and political leaders, and “bottom-up,” that is listening to communities and involving communities in determining the best ways to address rural poverty in their area.

Whatever the approach, reducing rural poverty will take a lot of money. While NWAF has significant financial resources – as well as strong commitment to addressing poverty in this region – its resources are not nearly enough to address the problems. Fortunately, others also have resources: state governments, businesses, colleges, non-profit groups, religious organizations, and individuals. Some have significant financial resources, like states. Others have expertise, institutional knowledge, insight into poverty issues or a commitment to the issue or a particular rural community. To reduce poverty, NWAF must forge connections among these groups. Poverty currently is addressed in a fragmented way. Pulling those fragments together with a new vision and consistent voice for realistic policy solutions can make the Northwest Area region a national leader for reducing poverty.
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Leadership and Collaborative Governance for Poverty Reduction in the Northwest Area

Barbara C. Crosby and John M. Bryson

Poverty reduction in the eight-state northwest region is one of those seemingly intractable, complex public problems that probably requires cross-sector collaboration focusing on multiple levels of decision making, in this case from state policy-making bodies to individuals. This paper provides research-based guidance for leaders who seek to discern whether formal cross-sector collaboration aimed at poverty reduction is needed and feasible in their states, counties, or local communities. We begin by clarifying what we mean by collaborative governance (another term for cross-sector collaboration). We then discuss the distinctive contributions and failures that each sector brings to collaborative efforts to tackle public problems. Finally, we present research-based insights about the factors that contribute to formal collaboratives’ success along with options for strengthening those factors.

The audience for this discussion is the Northwest Area Foundation and others who seek to lead collaborative efforts to tackle complex public problems. Researchers agree that leadership is a crucial factor in initiating and sustaining cross-sector collaboration (Crosby and Bryson, 2005a, 2000b; Huxham and Vangen, 2005). This paper will expand on our previously published research and draw on other scholars’ descriptions of the contributions and failures of the different sectors. We also have analyzed more than a dozen important recent studies of cross-sector collaborations to identify what seems to foster successful collaboration and what seems to undermine it. Many of these are studies of several collaborations (see the references followed by an asterisk).

Collaborative Governance

Cross-sector collaboration to achieve better societal futures often is referred to as collaborative governance. People who want to tackle tough social problems and achieve beneficial community outcomes are realizing that government alone cannot provide solutions (Crosby and Bryson, 2005a; Donahue, 2004; Harrison and Watrus, 2004). They are beginning to understand that all sectors of a democratic society—business, nonprofits and philanthropy, media, and community as well as government—must collaborate to deal effectively and humanely with environmental degradation, poverty, health scourges, troubled schools, and the like.

Examples of promising cross-sector collaborations abound in health and human services, community development, and education. At the same time, advocates and analysts of collaboration, even among organizations in the same sector, increasingly highlight the difficulties of collaborating effectively, or as Chris Huxham (2003) has put it, achieving “collaborative advantage” and overcoming “collaborative inertia.”
The ultimate aim of collaborative governance is creating and sustaining a regime of mutual gain—a particular type of policy regime (or policy system), defined as a set of implicit and explicit principles, norms, rules, and decision-making procedures around which people’s expectations converge in a given policy area. Regimes of mutual gain achieve widespread lasting benefits at reasonable cost and tap people’s deepest interests in, and desires for, a better world. (Crosby and Bryson, 2005a, 2000b). In creating such regimes people draw on and augment multiple forms of capital—natural, human, social, cultural, financial, built, and political (Flora, 2005)—in mutually reinforcing ways.

A few quick illustrations may be helpful. In the eight-state region, the McKnight Initiative Foundations are a good example. Established in the mid-1980s, the regional initiative funds have collaborated with nonprofits, government agencies, schools, and businesses to strengthen local economies and families. (The McKnight Foundation has invested $210 million in the funds, and another $137 million has been raised from other sources.) National examples of regimes of mutual gain include the policy frameworks and cross-sector partnerships around welfare reform, social security, and the promotion of home ownership. Indeed, Paul Light’s (2002) discussion of the fifty greatest achievements of the federal government in the last half-century indicates that virtually all involved creation of a cross-sector regime of mutual gain. The achievements included: rebuilding Europe after World War II, expanding the right to vote, promoting equal access to public accommodations, reducing disease, reducing workplace discrimination, ensuring safe food and drinking water, and strengthening the nation’s highway system. Well-functioning communities also are regimes of mutual gain in which all sectors are strong, decent jobs are plentiful, transportation is adequate, recreational opportunities abound, the environment is protected, crime is low, news media are alert watchdogs, people’s spirits are lifted, and the public interest is served.

**Characteristic Contributions and Failures of the Sectors**

We use “creating public value”—Mark Moore’s (1995, 2000) evocative phrase—to mean the design of policies, programs, and practices that benefit a community as a whole. Another approach, taken by Deborah Stone (2001), is to identify overarching public values that frame contests over developing and allocating goods, services, and privileges to citizens. In the U.S., the dominant public values, she argues, are equity, efficiency, security, and liberty.

In this section we explore how different sectors can contribute to, or undermine, public value and public values. Specifically, we consider the potential contributions and characteristic failings of markets, democratic governments, nonprofit organizations, the media, and communities.

**Markets**

When the conditions underlying perfect markets are met, they can be counted on to provide optimum amounts of good and services in the most efficient way.¹ Many goods and services are offered in competitive or nearly competitive markets, and U.S. citizens
have grown used to the choice, productivity, innovativeness, service, and quality that markets can provide. Public value can be created by businesses operating in competitive markets in several ways, including through managing a large fraction of the economy, providing employment, paying taxes, and in general creating financial wealth. Businesses also can act as good corporate citizens, and are often relied upon to provide leadership and funding around public issues and causes.

Unfortunately, markets can fail for a variety of reasons. Weimar and Vining (1999, pp. 132) summarize the many ways in which markets can fail:

- Public goods (e.g., defense, open space) are likely to be undersupplied, underinvested in, or overused.
- Goods involving positive externalities (e.g., basic education) will be undersupplied, while those involving negative externalities (e.g., pollution) will be oversupplied.
- Natural monopolies will be undersupplied or inefficiently supplied.
- Asymmetries in information are likely to lead to over- or under-consumption.
- Thin markets (e.g., cartelization) lead to undersupply.
- Problems with determining or aggregating preferences lead to over- or under-consumption or distributional inefficiency.
- Uncertainty problems (often resulting from incomplete or inaccurate information) lead to moral hazard, adverse selection, incomplete insurance, or misperception of risk.
- Inter-temporal problems lead to problematic pricing and incomplete capital markets.
- Adjustment costs lead to sticky prices.

**Nonprofit Organizations, including Foundations, Churches, Educational and Service Agencies, Grassroots Organizations, and Advocacy Groups**

Nonprofit organizations in the United States can create public value, provided they pass some basic requirements about their purpose, asset distribution, and nonpartisanship. The array of types of nonprofit organizations and their specific purposes is extraordinary (Bryce, 2000, pp. 684–695). Section 501(c)(3) of the Internal Revenue Code identifies the most common tax-exempt organizations. They are granted tax concessions because they are presumed to create public value when they:

- Express the First Amendment right of assembly.
- Promote public welfare directly rather than through the market, as an environmental advocacy group might, or promote the welfare of a definable subgroup, as an association might.
- Promote public welfare in a manner that goes beyond what government does, as a religion might, or in a way that substitutes for government action, as an organization that provides housing or health care might.
- Serve public purposes at a cost less than government would incur.
- Serve public purposes in a charitable way, so that public or community welfare rather than individual welfare is served (Bryce, 2000, pp. 32, 40).
Nonprofit organizations can fail in a variety of ways, so public value can also be created by working to avoid such failures. Salamon (1995) identifies four categories of voluntary failure:

- Philanthropic insufficiency. The sector’s “inability to generate resources on a scale that is both adequate enough and reliable enough to cope with the human service problems of an advanced industrial society” (p. 45).
- Philanthropic particularism. “The tendency of voluntary organizations and their benefactors to focus on particular subgroups of the population. . . . As a result, serious gaps can occur in the coverage of subgroups by the existing voluntary organizations” (pp. 45–46).
- Philanthropic paternalism. The “nature of the sector comes to be shaped by the preferences not of the community as a whole, but of its wealthy members” (p. 47).
- Philanthropic amateurism. Care that requires professional training and expertise is “entrusted to well-meaning amateurs” (p. 48).

Governments

Democratic governments have a different role to play, including providing much of the framework necessary for markets and nonprofit organizations to operate effectively, correcting or coping with market and philanthropic failures, and even guarding against their own possible failures through checks and balances and the rule of law. Democratic governments can create public value through a number of overlapping activities, some of which are more appropriate to one level or type of government than another (Moore, 1995; Weimar and Vining, 1999; Bozeman, 2002), and some of which might be thought of as activities for the polity as a whole. These activities include:

- Providing a constitutional framework of laws and supporting the rule of law—not least by the government itself
- Creating open, transparent government
- Fostering and relying on the democratic process, including making sure that mechanisms for articulating and aggregating values function democratically
- Protecting human rights, human dignity, and the core of subsistence
- Ensuring that policy makers take a long-term, holistic view and act as stewards of public resources.
  - Inspiring and mobilizing the government itself and other key entities and actors to undertake individual and collective action in pursuit of the common good (Crosby and Bryson, 2005a), which includes promoting both within-group social connections (or what Robert Putnam calls “bonding social capital”) and across-group social connections (what he calls “bridging social capital”) (Putnam, 2000; Nelson, Kaboolian, and Carver, 2004)
  - Catalyzing active citizenship, in which diverse groups of citizens create programs, projects, products, or services of lasting public value (Boye and Kari, 1996; Luke, 1998; Boyte, 2004)
- Maintaining an economy with reasonable levels of growth, employment, unemployment, inflation, debt, savings, investment, and balance of payments figures
• Relying on markets when they can be expected to work, including correcting market imperfections and freeing, facilitating, and stimulating markets, and not relying on markets when they cannot be expected to work. Serving this purpose might include:
  o Providing needed public goods that private markets will not provide on their own or else will provide poorly (for example, defense, large infrastructure projects, common spaces, free parks), and ensuring that the benefits of publicly provided goods and services are not inappropriately captured by some subset of the population for whom they are intended (for example, unnecessarily restricting public access to public lands)
  o Subsidizing activities that have positive spillover effects for the general public (for example, K–12 and higher education, basic research, certain economic development activities, block clubs)
  o Taxing or regulating activities with actual or potential negative spillover effects for the general public (for example, food and drug production and distribution, building construction, automobile operation, gambling)
  o Addressing problems created by asymmetries in information availability, distribution, or use (for example, licensing or certification programs, product labeling requirements)
  o Addressing problems of loss and uncertainty (for example, government-organized or -subsidized insurance schemes, the national Strategic Petroleum Reserve)
  o Making sure that resources (for example, oil and fossil fuels) are conserved rather than assuming substitutable resources will be found or invented
  o Protecting a common heritage when it might otherwise be lost (for example, historic and architectural preservation programs, protection of areas of outstanding natural beauty, establishment of memorials to outstanding public service)

• Providing cost-effective public goods and services (for example, transportation infrastructure and systems, health and social services, police and criminal justice services)
• Using information and cost-benefit and cost-effectiveness analyses that are as objective as possible to inform public decisions
• Making use of civic-minded public servants and their professional expertise (Frederickson, 1997)

Like markets, government operating agencies – as opposed to government direction-setting, oversight, support (or overhead), and regulatory units – are prone to characteristic failures (Osborne and Plastrik, 1997; Brandl, 1998; Weimar and Vining, 1999). Brandl (1998, p. 64) argues that government operating agencies can fail when they lack an external orientation to accomplish public purposes (as a result of monopoly practices, lack of an appropriate pricing mechanism, or distracted monitoring); because they are not organized internally to achieve public purposes (resulting in or from bounded rationality or imperfect information); or because they are systematically indifferent to the
fairness of the distributions of income or wealth. Note that these failures parallel the failures of markets.

Government direction-setting, oversight, support, and regulatory agencies also can fail to do their job. When direction setting fails (due to legislative or bureaucratic gridlock, a lack of visionary leadership, or faulty understanding of a problem or need), government’s responsibility to steer policy systems has been reduced (Osborne and Plastrik, 1997; Osborne and Hutchinson, 2004). When oversight bodies fail (due to poor organizational design, insufficient resources, perverse incentives, inadequate authority, or poor information) accountability has been compromised (Romzek, 1996). When support agencies fail (due to poor organizational design, insufficient resources, or perverse incentives), the government itself does not get the service it deserves (Barzelay, 1992). And when regulatory agencies fail (due to poor organizational design, insufficient resources, perverse incentives, inadequate authority, capture by the regulated, poor information, or corruption), the public is not adequately served or protected (Weimar and Vining, 1999).

The Media

The news media provide public value by performing a watchdog role, that is, holding public servants to high standards of ethical practice, legality, and transparent, fair decision making. They inform and educate the citizenry about public issues, and they gather and articulate public opinion. The news media fail in these roles for several reasons: journalists may become too close to political elites and even become elites themselves; journalists may allow personal bias to strongly affect their reporting; they may wear professional blinders that keep them from seeing non-sensational, less-visible events as newsworthy. Additionally, the financial interests of news media owners can influence what is covered and how it is treated. For example, the loss of revenue from defunded advertisers sometimes causes stories to be pulled from news pages or the airways. Finally, alternative media and news departments of big media enterprises may not have needed resources to pay highly skilled staff or investigate stories.

Communities, or the Public in General

Communities can create public value by promoting a sense of individual and collective identity, belonging, recognition, and security; by providing people a place to live, work, learn, enjoy, express themselves, and build families; by building and maintaining physical, human, intellectual, social, and cultural capital of various sorts; and by fostering a civicly engaged, egalitarian, trusting, and tolerant democratic society (Boye and Kari, 1996; Chrislip, 2002). Social capital in particular has been shown to have a broad range of positive effects on health, education, welfare, safety, and civic activism (Putnam, 2000). Communities are necessary for our existence as human beings, and serving communities provides a justification for our existence as humans (see, for example, Friedmann, 1979; Becker, 1973; Grayling, 2003). Communities provide rich local knowledge and relationships that are crucial to sustainable public policy improvements (Scott, 1998). Communities fail when they exclude or isolate some groups,
accept the domination of traditional elites, neglect collective identity, become parochial, ignore harm to individuals and the environment, and offer few opportunities for civic engagement.

**Leading Cross-Sector Collaboration**

Research on collaboration within and across sectors offers considerable guidance for those seeking to establish and lead effective cross-sector collaboratives. A way of organizing this guidance (and understanding the collaboration process) is to think in terms of at least three elements of leading collaboration – initial conditions, process, and outcomes. Some researchers also identify different phases in the collaboration process (Gray, 1996; Crosby and Bryson, 2005a). We will highlight “contributors to success” for the three elements, and where appropriate point out the need for recognizing different phases within the process.

Drawing on this research, Appendix A offers specific guidance in the form of questions that leaders from any sector should seek to answer as they undertake cross-sector collaboration. The questions will help them assess whether initial conditions are or can be favorable for formal collaboration, think about how to initiate and sustain collaboration, and identify outcomes. The appendix also suggests some tools that leaders can use to help groups answer the questions.

**Initial conditions (context and inputs)**

*Understanding of different sector roles in fostering cross-sector collaboration.*

Because of their differing characteristics, the different sectors have different roles to play in fostering cross-sector collaboration. Evidence from collaboratives in many different settings and from several continents suggests how each sector can contribute from its distinctive strengths and complement the strengths of the other sectors.

Perhaps the most important contribution of government policy makers and administrators is statutory frameworks and budget reform that include accountability mechanisms and allow lots of flexibility to accommodate local differences. Government officials may mandate inter-agency and intergovernmental collaboration and the inclusion of particular groups in cross-sector collaborative efforts. They can also convene cross-sector groups that they are requiring or encouraging to collaborate. Government can provide an array of resources for the collaborative itself. These include startup funds and operating costs; professional expertise on planning methods, facilitation, poverty reduction; staff; and evaluation resources. Government staff can gather existing research that can help the collaboration understand the problems they are trying to solve and evaluate solutions. Government policy makers may make long-term commitments to the collaborative work and may deliver resulting programs.

Governments at all levels should enact complementary sets of policies and foster cross-sector collaboration at all levels to better understand problems and develop finely tuned solutions that foster growth of all kinds of capital. Two caveats: Government
officials should be wary of overpowerning those they convene, and they should be willing to allow some time for planning and relationship building before expecting tangible outcomes.

Business leaders can provide startup funding for cross-sector collaboration; legitimacy, visibility, and political clout through the involvement of high-profile CEOs; and release time for volunteer participants. They may provide expertise and financial resources for projects, especially those related to economic development.

Nonprofit leaders can provide the evidence and well-honed moral and practical arguments that highlight the need for cross-sector collaboration. Nonprofits can also convene collaborating partners; offer facilitation, research and planning skills; contribute funds; and deliver programs. Within the nonprofit sector, foundations and higher education may have particular importance in fostering cross-sector collaboration.

Foundations can foster collaborations by providing startup funding and requiring collaborative grant proposals. They may facilitate collaborative groups (using tools like the Wilder assessment [Mattessich, Murray-Close, and Monsey, 2001] or creating new ones). They may fund or do research that supports a collaborative’s work. Potentially, foundations could be even more forceful players by participating more frequently in advocacy networks (to change federal and state budgeting and policies or maintain existing successful policies) and by making more long-term investments without being swayed by partisan politics.

Higher education can provide good ideas and ways of understanding the problem, need, or opportunity that prompts collaboration. Academics can conduct research and can organize for-credit and non-credit programs that help collaborating partners develop a shared knowledge and skill base, as well as norms for working together.

Media can engage in civic journalism by providing information and opportunities to engage in public debate. They can produce publicity about the need for cross-sector collaboration, operate forums for debates over the structure of the collaboration, and build community support for the effort.

Communities can demand better services and goods and system change. They can offer local knowledge and balance expert domination. They can provide a broad base of support for the collaboration and use informal networks to make projects work (Ostrom, 1990).

Several models exist for how leaders from different sectors might structure their collaboration. Possibilities include formal collaboration mandated by government, formal collaboration initiated by citizens, and informal collaboration initiated by citizens or government officials. Additionally, successful formal collaborations are likely to be surrounded by informal collaboration. Examples of contrasting collaboratives are in Appendix B.
Perceived need, reasonable prospects for better outcomes. To successfully collaborate, partners should share a sense that some important desired outcome — e.g., significant poverty alleviation — cannot be accomplished otherwise. This understanding is supported by the partners’ recognition of their interdependence (Merrill-Sands and Sheridan, 1996). The perceived need for collaboration might be triggered by a crisis, government mandates, or special event. The partners also need hope that their efforts will be worthwhile; in other words, at least a rough calculation must indicate that benefits will outweigh costs. They must be convinced that the collaboration will serve individual and organizational interests and priorities as well as public value (ibid.; Mattessich, Murray-Close, and Monsey, 2001). Organizational self-interest might include economies of scale, risk sharing, reduced duplication, and access to new markets, groups, or technologies (Merrill-Sands and Sheridan, 1996).

Boundary-spanning leaders. In order to launch a collaboration, one or more leaders need to be able to reach out across traditional divisions, communicate a vision of what might be possible, and model the commitment and enthusiasm needed to proceed (Kasten, 2000). When more than one leader work together, their partnership is more likely to succeed if they can develop a personal chemistry or compatibility (Merrill-Sands and Sheridan, 1996).

Several studies cited in a Wilder Foundation report on collaborations emphasized the importance of a leader who has “organizing and interpersonal skills and carries out the role with fairness” (Mattessich, Murray-Close, and Monsey, 2001, p.10). Several researchers have identified other skills and qualities that help these leaders succeed: systems thinking, an attitude of power-sharing, communication skills, intercultural competence. The Wilder report notes that collaboration leaders need to be respected by all the partners. Leaders who are mainly authoritative or charismatic are more likely to undermine collaboration (De Gibaja, 2001). Nevertheless, leaders at times will need to use their authority and power to make decisions that enable the collaboration to flourish (Huxham, 2003).

Favorable elements of political, social, economic, and technological environment. A history of collaboration or cooperation in the broader community contributes to the success of future collaborations (Mattessich, Murray-Close, and Monsey, 2001). Also helpful are “political leaders, opinion makers, persons who control resources, and general public support (or at least do not oppose) the mission of the collaborative group” (ibid., p. 8). One study highlighted additional favorable factors: the existence of related initiatives, a history of user involvement in participating agencies, and organization among user groups (Sullivan, Barnes, and Matka, 2002). Partners also must be able somehow to obtain resources for the collaboration process itself.

Collaboration partners. The Wilder 2004 report identified mutual respect, understanding and trust among the partners as a success factor in 27 of the 40 studies it considered. (This was the most citations for any success factor). The partners also should see each other and the collaboration as legitimate (Merrill-Sands and Sheridan, 1996; Stone, 2004). Inclusion of key stakeholders (implementers among them) is vital.
(Mattessich, Murray-Close, and Monsey, 2001; Merrill-Sands and Sheridan, 1996; Crosby and Bryson, 2005a). The partners should have complementary skills, knowledge, and resources (Merrill-Sands and Sheridan, 1996). An especially important skill is the ability to compromise (Mattessich, Murray-Close, and Monsey, 2001).

Process

*Forging Initial Agreement.* Informal agreements about the collaboration's composition, mission, and process can work (Donahue, 2004), but formal agreements have the advantage of supporting accountability. The agreements should accommodate local definitions of poverty, resources, and culture (Flora, 2005). Formal agreements should include: broad purpose, mandates, commitment of resources, designation of formal leadership, description of members, a collaboration structure that accommodates local definitions of poverty, resources, and culture, and built-in flexibility (such as allowing waivers) for dealing with local conditions and changes (Crosby and Bryson, 2005a, 2005b; Arino and de la Torre, 1998; Kasten, 2000; Page, 2004). Collaborating partners do not have to have complete agreement on purpose, only enough to agree on next steps (Huxham, 2003). Of course, some groups may agree on much more than a broad purpose; they may begin with a full-fledged shared vision (Mattessich, Murray-Close, and Monsey, 2001). The forums in which agreements are drafted should generally involve the key stakeholders and be highly participatory. The conveners should make sure that power differences are equalized as much as possible (Crosby and Bryson, 2005a, 2000b).

*Building leadership.* A host of formal and informal leaders are likely to be needed over the course of an ambitious collaboration, although a few individuals are likely to be central. Leadership positions can be filled by an individual or team. Rotating leadership responsibilities among partners can increase power-sharing and buy-in. If dominant organizations are given more clout in selecting leaders, the collaboration organizers must find a way to be sure that "weaker" partners feel included; if non-senior people are placed in leadership roles, they may need legitimation from more senior leaders (Asthana, 2002). Turnover in leaders can be good or bad, but collaborations should expect it and have ways to keep collaboration going during a change in leadership (Merrill-Sands and Sheridan, 1996). (Needed leadership qualities and skills have been discussed in the section on initial conditions.)

*Relationship (trust) building.* Many researchers realize that collaborations begin with varying degrees of trust, but emphasize that trust-building is an ongoing requirement for successful collaborations. Collaboration partners build trust by demonstrating competency, good intentions, and follow through; conversely, failure to follow through and unilateral action undermine trust (Merrill-Sands and Sheridan, 1996; Arino and de la Torre, 1998; Huxham and Vangen, 2005). The ability to understand other partners’ perspectives, environment, and cultures contributes to trust. In cross-sectoral collaborations, facilitators may be wise to help partners understand different sectoral worldviews, as well as cultures of participating organizations and ethnic groups (Googins, 2000; Crosby and Bryson, 2005a).
Inclusion and power-sharing  Barbara Gray has found that power issues vary by phases. As groups try to agree on the nature of the problem that concerns them, the issues are likely to revolve around convening and inclusion; as they debate on the direction to take in dealing with the problem, issues revolve around shaping the collaboration agenda and sharing of relevant information; once the implementation is underway, power issues will revolve around the exercise of influence, action authorization, and resource control (Gray, 1996). Many studies of collaboration indicate that collaboration is more likely to succeed when people at all levels in participating organization are involved (Wilder, 2004). Leaders should ensure as much as possible that everyone involved has ability to influence the collaboration’s policy making and has the authority and flexibility to implement his or her part of the work. At the same time, leaders must realistically assess how much power can be shared (Stone, 2004). Small organizations may agree to be part of a coalition but decide they do not have the resources to fully participate in the collaboration’s decision-making process (Asthana, 2002). No matter what, less-powerful partners will need assurance that their interests are taken into account (Merrill-Sands and Sheridan, 1996). The collaboration may be wise to use its resources to put all participants on a more equal footing – for example, by educating participants about concepts, information, and tools that are key to its work. Taking this approach, a university involved in an Australian collaborative established a certificate program for collaboration participants. As part of the certificate program, participants gain common vocabulary and skills and plan the collaboration’s work (Keast, Mandell, Brown, and Woolcock, 2004).

Planning. The collaboration should design the planning process to increase stakeholder ownership of the collaboration’s work, a need cited by several of the studies included in the Wilder 2004 report. Collaboratives studied by Mona de Gijbaja (2001) did this by gathering information from many sources and giving voice to all stakeholders and partners; the process allowed participants to encounter diverse perspectives across professional, organizational, and community barriers.

Planners should take a developmental view of the collaboration’s work (Gray, 1996; Crosby and Bryson, 2005a). Planning must be an ongoing process since structure, resources, and activities of the collaborative should change to meet the needs of group at different stages of development (Wilder, 2001). Implementation planning should include attention to institutionalizing the collaboration’s successful projects (Crosby and Bryson, 2005a).

Early on, the partners should pay intense attention to the problem, need, or opportunity that brought them together. Often research on collaboration tends to presume a common understanding of the need, problem, or opportunity that prompts groups to attempt collaboration. The focus of most research is understanding how the groups work together or fail to do so. Our research indicates that the problem definition is never a “given.” The initial challenge for collaborating partners is how to work together to figure out what the problem is (Crosby and Bryson, 2005a, 2000b). As part of this work, they should consider multiple ways that the problem, need, or opportunity is or could be defined, or framed. They should notice that particular frames resonate with some
stakeholders and turn off or exclude others. For example, a government agency may see the need to increase rural home ownership as a “service delivery” problem, whereas business might see a market opportunity. Nonprofit groups might see an opportunity for unleashing the democratic work of citizens (Boyte, 2004).

Several of the Wilder studies suggest that collaborations should agree on clear policy guidelines, set concrete obtainable goals and objectives, and specify roles (such as coordinator) for carrying out the work (Mattessich, Murray-Close, and Monsey, 2001). The partners may also decide to refine the collaboration’s mission, to ensure that it is distinctive yet broad enough to keep all partners involved. Keeping in mind the need to satisfy participants’ self-interest, the partners should be sure that the collaboration’s goals relate to those of the participants. At the same time, partners should remember that many collaborations need to work together for awhile before they can fully agree on their mission and goals (Huxham, 2003). Participatory planning and implementation of collaboration projects are likely to be needed to help partners develop two additional success factors cited in the Wilder 2001 studies: shared meaning around desired outcomes and successful working, as well as a shared vision that includes mission, objectives, and strategies.

Planners should attend to tangible and intangible, process and content outcomes from perspective of many stakeholders. For example, in the African American Men Project, a collaboration in Hennepin County, Minnesota, participants recognized that community members’ taking responsibility within the planning process for outcomes is itself an important outcome. Being a part of the process can increase participants’ self-efficacy and learning (Crosby and Bryson, 2005a). Partners should agree, too, on how to measure outcomes (discussed further in the section on evaluation and accountability below). Research by Stephen Page (2004) suggests that when a government body has authorized the collaboration, government representatives should agree with other partners on a core set of results and indicators that will capture the collaboration’s aspirations. Obtaining joint agreement on what to measure fosters common ground, enhances credibility of collaboration’s work, and helps partners refine their aims and strategies as performance data is gathered (ibid.).

Many studies emphasize the importance of obtaining sufficient resources (money, volunteer time, staff, equipment) for the work of the collaboration. Collaborating partners can draw on their networks to obtain the resources, but they need other assets to have a high chance of success. These assets include a compelling vision that includes plausible and highly desirable outcomes and evidence that the collaboration can produce those outcomes. Partners may be expected to provide resources in keeping with their size, power, and expertise. For example, a state government might provide local collaboratives with data that can be used to understand local conditions and measure results of the collaboratives’ work.

Planning should include establishing procedures for dealing with conflict and for renegotiating commitments when conditions change and when partners come and go (de Gibaja, 2001; Arino and de la Torre, 1998; Stone, 2004). Having procedures for dealing
The Contextual Factors Model:

What works: “Collaborators are aware of sensitive to unique contextual factors: history, culture, politics, economics, and geography”

What doesn’t work: “Lack of attention to or awareness of contextual factors can complicate the dynamics of collaboration, create ‘baggage’ and slow or prohibit the development of trust.”

The Motivation Model:

What works: “Individuals and organizations that collaborate with a genuine desire for mutual benefit.”

What doesn’t work: “Collaboration based only on self-interest and without shared commitment to mutual goals.”

The Collaboration Model:

What works: “Providing access, being responsive, showing respect, sharing resources; integrating and coordinating efforts.”

What doesn’t work: “Lack of respect, responsiveness, hoarding resources; lack of coordination and integration of efforts.”

The Empowerment Model:

What works: “Philosophy aimed at developing a sense of self-efficacy, shared power, connectedness and meaning, interest, and investment among participants.”

What doesn’t work: “Monopolization of power and decision-making; lack of empowerment philosophy or attention to participants’ fulfillment.”

with conflicts and change is especially important when trust is low. Leaders should monitor changes to assess their implications for the original agreement among the partners. If a partner’s stake has changed, the person or group may need to take on a new role or even leave the collaboration.

In designing projects, the partners should consider using pilot projects that can be a basis for expansion. Projects also should allow the strengths of partners to complement each other and overcome their weaknesses (Googins and Rochlin, 2000). A project may be mainly a new venture established within the collaboration or it may be mainly a change process within partner organizations. Project implementers may need to connect with groups and networks outside the collaboration. In some cases, collaboration leaders will have to persuade elected officials or business partners that truly significant outcomes will take awhile. Project planners can build in milestones to demonstrate progress; they also should be able to demonstrate how multiple projects will add up to achieve the collaboration’s overall mission (Crosby and Bryson, 2005a).

Planners should link task assignments to participants’ other responsibilities (de Gibaja, 2001) and include incentives or rewards for performance. In assigning tasks they also should value lay and experiential, as well as expert, knowledge (Sullivan, Barnes, Matka, 2002).

Stephen Page’s work indicates that in collaboratives initiated by state governments, state government partners should be responsible for data gathering and reporting; they can then ask local partners to target particular indicators for improvement based on the findings. State government partners also should provide technical support and incentives to use the findings. Incentives include public linking of data to specific collaborations, benchmarked information about best practices, financial incentives, and opportunities for more responsibility (Page, 2004).

Managing Conflict. Recognizing and respecting differences is important in collaborative work. Mona De Gibaja (2001) recommends focusing on the strengths and skills of partner institutions and individuals. Participants also should avoid cultural stereotyping (Merrill-Sands and Sheridan, 1996). A facilitator skilled in conflict management may be helpful.

Collaboration participants may experience conflict between their commitment to the collaboration and their responsibilities to an organization they represent in the collaboration. Deborah Merrill-Sands and Bridgette Sheridan (1996) suggest that participants should anticipate this conflict and agree on how it will be managed. (Other aspects of conflict management have been described in previous sections.)

Sharing Information and Knowledge. Numerous studies cite open, frequent communication as a contributor to collaboration success, though the amount of communication should not be overwhelming (Merrill-Sands and Sheridan, 1996). The needed communication is among partners and between a partner and his/her constituency; informal communication links should be established at multiple levels of the
collaboration (Mattessich, Murray-Close, and Monsey, 2001). Especially important is
keeping partners aware of the collaboration’s activities and accomplishments.
Collaboration participants also should expect that messages will be distorted and
misinterpreted, and they should provide opportunities for sorting out misunderstandings
(Merrill-Sands and Sheridan, 1996).

*Adaptively responding to burdensome rules, barriers, changes.* Flexible practice and
adaptability are among the collaboration success factors cited in the Wilder 2001 report.
Within a collaborative, different partners may work very differently in carrying out their
assignments.

**Outcomes**

*Public Value.* We argue that the point of creating and sustaining cross-sector
collaboratives ought to be the production of public value – and especially the creation of
a regime of mutual gain that produces widespread, lasting public benefits at reasonable
cost and that taps peoples’ deepest interest in, and desires for, a better world. Public value
is created through making use of each sector’s characteristic strengths while also finding
ways to minimize, overcome, or compensate for each sector’s characteristic weaknesses.

*First-, Second- and Third-order Effects.* Judith Innes and David Booher (1999)
argue that collaborative planning efforts have first-, second- and third-order positive
effects. First-order effects are immediately discernable as a direct result of the
collaboration process. These would likely include the creation of social, intellectual, and
political capital; high-quality agreements; and innovative strategies. Second-order effects
are likely to occur when collaboration is well underway, or else may occur outside the
formal boundaries of the effort. These might include new partnerships, coordination and
joint action, joint learning that extends beyond the collaborative, implementation of
agreements, changes in practices, and changes in perceptions. Finally, third-order effects
may not be evident until some time later. These might include, for example, new
collaborations; more co-evolution and less destructive conflict between partners; results
on the ground, such as adaptations of services, resources, cities, and regions; new
institutions; new norms and social heuristics for addressing public problems; and new
modes of discourse.

*Evaluating and Providing accountability.* Accountability actually can be for
inputs, process, or outcomes. John Donahue (2004) suggests three general criteria by
which to judge the success of cross-sector collaborations: simply existing, meeting
organizational imperatives of the partners, and outperforming feasible alternative
arrangements for creating public value. Evaluations of collaborations should
accommodate a “multiplicity of aims and the diversity and variety of stakeholder and
beneficiary groups” (El Ansari, Phillips, and Hammick, 2001, p. 220). Evaluation may
need to be done at the different stages of a collaboration’s development and at the
project-level, project cluster, and policy levels (ibid.).
The “theory of change approach” to evaluation is appropriate for collaborative work (Sullivan, Barnes, Matka, 2002). This approach encourages partners at different levels to consider “why collaboration is necessary to achieve a particular goal; the purpose attached to the chosen mode of collaboration; how that purpose will be achieved through the specified actions; and the roles to be played by the potential partners in the collaboration” (ibid., p. 213). The approach requires partners to detail proposed activities and how they will contribute to achievement of short, medium, and long-term goals. A useful theory of change is plausible to the stakeholders, doable given the collaboration’s resources and structure, testable, and meaningful — that is, outcomes are sufficiently important to warrant the collaboration effort (ibid.).

Stephen Page argues, “An accountable collaborative … needs a measurement system to document its results and how those results change over time. It also needs a ‘managing for results’ system that links the data it measures to specific actors and interventions, that provides critical performance information to its stakeholders, and that uses the information to improve its operations” (Page, 2004, p. 592). To implement such a system, collaborating partners need “strong relationships with key political and professional constituencies as well as the capacity to measure results and use the information strategically to improve performance” (ibid., p. 593).

An effective accountability system rests on four platforms that in turn rest on other collaborative capacities (Page, 2004):

- external authorization – the capacity to manage expectations and respond to demands of political stakeholders; for example, a collaborative might forge an agreement in which public officials permits it to exercise more discretion as it produces results.
- internal inclusion – the capacity to manage expectations and respond to the demands of professional colleagues and collaboration partners; collaborating partners can use norms, voice, threats to exit, and withdrawal of resources to force each other to contribute constructively.
- results measurement – the capacity to identify mission, goals, and indicators and to track data over time; collaborators need quantifiable goals that reflect medium-term outputs and outcomes of critical elements of mission and strategic plans and that are broken down into lower-level indicators connected to responsible actors; balanced scorecards may be helpful.
- managing for results – the capacity to “use data from its results-measurement system to adjust its strategies and operations to improve performance (ibid., p. 600)”; simply publicizing the data, along with information about best practices and barriers to improvement, can help participants improve policies and practices.

Page suggests establishing measures for each type of capacity. Of course, accountability may not always be clearcut — for example, when a collaborative works with other collaboratives; additionally, collaborating organizations may have their own accountability frameworks that conflict with the collaboration’s accountability approach (Sullivan, Barnes, Matka, 2002).
Pluralistic methods of collecting and analyzing performance data are probably best (El Ansari, Phillips, and Hammick, 2001). Quantitative studies of progress on various indicators can be combined with qualitative methods, like focus groups, participant observation, and interviews to find out more about what constitutes success for different constituencies and what contributes to achievement of the collaboration objectives. Questions should be relevant to all participant groups.

**Longevity.** Collaborations may require relatively long startup periods (up to a couple of years) in order to bring diverse partners on board and undertake needed planning; moreover, collaborations often have ambitious goals. Not surprisingly, as John Donahue (2004) notes, long-lived collaborations seem more consequential. Thus, leaders should take a long-term view and strategize about how to keep the collaboration going for several years. Successful long-term collaborators are likely to become social institutions. A regime of mutual gain is likely to become an institution because of the sustained benefits at reasonable cost (Ostrom, 1990; Light, 2002).

**Resilience and Reassessment.** If big wins aren’t possible, the collaboration should orchestrate small wins that accomplish its strategies. Whether big or small, the wins should be publicized. Collaborating partners need to be able to regroup and reframe after failure (Crosby and Bryson, 2005a). Obviously, failure to achieve desired outcomes can erode support for collaboration, but successes can cause supporters to forget the need to sustain the collaboration. After a regime of mutual gain has been fully implemented, leaders should assess whether it should be continued, modified, terminated. (Crosby and Bryson, 2005a).

**Summary**

We have written this paper in order to help the Northwest Area Foundation better understand the potential of collaborative governance for bringing all sectors – government, business, nonprofit, media, and community – together to help reduce rural poverty in the foundation’s region. We have explained how collaborative governance can create regimes of mutual gain that result in lasting benefits for diverse stakeholders.

We have offered a framework for analyzing the distinctive contributions and potential failures that each sector brings to collaborative work and we have offered general ideas for structuring collaborations so that they take advantage of each sector’s strengths and overcome their weaknesses.

Finally, we have presented research-based guidance for leaders who seek to establish and sustain formal cross-sector collaborations to deal with public problems and opportunities. We have highlighted several “contributors to success” for three main collaboration elements: initial conditions, process, and outcomes. These contributors are:

1. **Initial conditions (context and inputs)**
   - perceived need and reasonable prospects for better outcomes
• boundary-spanning leaders
• favorable political, social, economic, and technological environment
• partners who respect each other and bring needed skills and legitimacy to the work

2. Process

• forging initial agreements
• building leadership
• attending to relationships
• emphasizing inclusion and power sharing
• planning in ways that foster a thorough understanding of the problem or opportunity that prompted the collaboration
• seeking promising cross-sector solutions that are likely to achieve desired tangible and intangible outcomes in the short, medium and long term
• managing conflict
• sharing information and knowledge
• responding adeptly to burdensome rules, barriers, changes

3. Outcomes

• public value
• first-, second- and third-order effects
• evaluating and being accountable
• longevity
• resilience and reassessment

This paper also has suggested special roles for foundations in promoting collaborative governance. They can convene forums to consider the need for collaboration; they can provide funding, research and other assistance for formal collaborations; they can identify examples of successful collaborations; and they can disseminate research-based guidance for working collaboratively. They also can train collaboration advocates and join nonpartisan advocacy networks that promote collaboration-friendly government policies and budget procedures. Finally, they may partner with universities and community colleges in offering educational programs that can help participants in specific collaboratives develop shared understandings and a repertoire of skills and other assets for advancing their collaboration.

Note: Parts of this paper represent further development of presentations at the International Leadership Association Conference, Washington, DC, November 2004; and at the Center for Organization Studies, University of California-Irvine, January 2005.

1 Perfectly competitive markets results when there are many buyers, many sellers, perfect information, easy entry into and exit from the market, a framework of contract law that allows contracts to be enforced and fraud avoided, and so on (Weimar and Vining, 1999, pp. 58-73).
There are three tests that an organization must pass to be granted 501(c)(3) status (Bryce, 2000, pp. 40–41, 49–50). The organizational test requires that the nonprofit be organized to improve public welfare, rather than to benefit individuals or owners, by pursuing one or more of eight specific purposes: the purpose of education, religion, charity, science, literary interests, testing that promotes public safety, fostering certain national or international sports competitions, or preventing cruelty to children or to animals. The political test requires the nonprofit organization to have a charter that forbids it from participating in any political campaign on behalf of a candidate. And the asset test requires that the charter must prohibit any distribution of assets or income to benefit individuals as owners or managers, except for fair compensation for services rendered, and must forbid the use of the organization for the personal benefit of founders, supporters, managers, their relatives, or associates.

References


Appendix A Guidance for Initiating and Sustaining Cross-Sector Collaboration

Initial conditions (context and inputs)

Understanding of different sector roles in fostering cross-sector collaboration
1. How might government contribute to cross-sector collaboration in this case?
2. How might business contribute to cross-sector collaboration in this case?
3. How might foundations contribute to cross-sector collaboration in this case?
4. How might higher education contribute to cross-sector collaboration in this case?
5. How might other nonprofits contribute to cross-sector collaboration in this case?
6. How might media contribute to cross-sector collaboration in this case?
7. How might communities contribute to cross-sector collaboration in this case?

Perceived need, hope for better outcomes
1. Why is formal cross-sector collaboration needed in this case?
   a. Do we have evidence that no additional progress can be made without it?
   b. What interdependencies exist across and within sectors?
   c. Do we need to respond to government mandates, funder incentives?
   d. What outcomes could the collaboration be expected to produce?
2. Who else perceives this need?
3. What other stakeholders should perceive the need?
4. How can we frame collaboration so that key stakeholders will see that their individual and organizational interests, as well as common good will be served by collaboration?

Helpful tools: basic stakeholder analysis; stakeholders defined as those affected and those with critical resources (Crosby and Bryson, 2005)

Boundary-spanning leaders
1. Who are the stakeholders who are likely to be committed champions of the collaboration and who have connections across sectors?
2. Are they respected by likely collaborating partners?
3. Do they exhibit needed qualities for collaboration?
   a. Vision, systems thinking, attitude of power-sharing
   b. Communication skills
   c. Cross-cultural understanding and skills
   d. Chemistry, compatibility with each other

Favorable elements of political, social, economic, and technological environment
1. Does our state, region, local community have adequate social capital, especially bridging capital?
   a. History of collaboration among stakeholders, reserve of trust
   b. Professional networks, opportunities for people to come together across class boundaries (churches, community action councils)
c. How might we overcome distrust among key stakeholders?

2. Do we have political support?
   a. Support or neutrality from policy makers, opinion leaders, other key stakeholders, general public

3. Where are the financial, built, technological resources that we need? Who controls them? How might we obtain them?
   a. More resources for transportation and communication may be needed in rural context.

Helpful tool: asset mapping (Kretzmann and McKnight, 1993)

Collaboration Partners

1. Do we have representation of key stakeholders, including poor people, nonprofits that provide services and technical assistance, universities, foundations, businesses, government officials and agencies; implementers?
2. Do partners respect each other, see partnership as legitimate?
3. Do partners have needed and complementary skills, knowledge, resources?
4. Are partners willing to compromise?

Process

Forging Initial Agreement

1. Do we need different agreements for different levels — national, state, regional, local?
2. Do our agreements include:
   a. Broad purpose?
   b. Recognition of mandates?
   c. Commitment of resources?
   d. Designation of formal leadership?
   e. Description of members?
   f. Structure that accommodates local definitions of poverty, resources, and culture?
   g. Built-in flexibility for dealing with local conditions and changes?

3. How should forums be designed for developing the agreement?
   a. Accessibility for participants
   b. Participatory processes
   c. Power-sharing/equalizing

Building leadership

1. Who has the commitment, skills, contacts, and other needed assets to be formal leaders of steering committees, coordinator of the collaboration, directors of specific projects?
2. If the collaboration is a formal partnership of organizations, do we choose leaders in a way that gives more weight to the organizations that contribute more or do we treat all the organizations equally?
3. How will we foster informal as well as formal leadership in order to help the collaborative thrive and prepare for formal leader turnover?

**Relationship building**

1. How will we build in helpful activities and time for building trusting relationships among the partners?
2. How do we engage in perspective-taking?
3. How do we ensure that formal and informal communication supports relationship building?
4. How can we use the planning process to build relationships?
5. How can we give partners a chance to reveal and use their assets?

**Inclusion/power-sharing**

1. How will we ensure that we balance the power of the partners enough that everyone feels their views will have impact and they will be fully included in the work?
2. What are the limits of power-sharing?
3. How do we include people from all sectors and from varying levels of organizations?

Helpful tools: power v. interest grid, bases of power direction of interest grid (Crosby and Bryson, 2005)

**Planning**

1. What schedule of meetings or retreats do we need to:
   a. Fully understand the problem, need, or opportunity that we’re dealing with?
   b. Refine our purpose, develop our goals, establish policies and procedures, and design projects?
2. How do we ensure that these meetings are highly participatory and inclusive?
3. How do we create a compelling shared vision that includes our mission, objectives, strategies, and desired outcomes?
4. How can we obtain needed resources (funds, staff, materials and time) for the collaboration?
5. What policies and decision-making procedures do we need to guide our work?
   a. How will we monitor changing conditions so that we will know how when agreements should be renegotiated?
   b. How do we renegotiate agreements when conditions change?
   c. How will we deal with conflicts?
6. How do we ensure that we focus on tangible and intangible, process and content outcomes? (Intangible outcomes may include satisfying relationships, new networks, the excitement of involvement in innovative efforts to achieve the common good.)
7. How do we pay attention to the ways that problems are being framed? To the way that different sectors are causing the problem or offering remedies? To the potential of the different sectors for contributing to solutions?
8. What set of solutions can we pursue that are technically and administratively feasible, legal, ethically defensible, and politically acceptable?
9. How do we design projects that implement our solutions?
10. How do we assign tasks and hold people accountable for carrying them out?
11. How do we evaluate the collaboration’s work?

Helpful tools: practical dialogue and dialogue mapping (Zubizarreta, 2005) action-oriented strategy mapping, power v. interest grids, framing exercises, solution criteria grids (Crosby and Bryson, 2005)

Managing Conflict

1. How can our conflicting views result in creativity instead of stalemate and worse?
   a. Education about different aspects of problem, need, opportunity prompting the collaboration.
   b. Norm of respecting differences
   c. Identify strengths and skills of partner institutions and individuals
   d. Hire consultant
   e. Agree on outcomes, illuminate theories of change, agree on what to measure
2. How can we deal with conflicts between a partner’s commitment to the collaborative and to his or her organization or community?
   a. Negotiate release time
   b. Help partner keep organization or community on board
3. How can we deal with clashes between organizational cultures?
4. How do we deal with conflicts over resources?

Sharing Information and Knowledge

1. How will we foster open, supportive communication among partners?
2. How will we keep partners’ constituencies informed?

Adeptly responding to burdensome rules, barriers, changes

1. How can we accomplish our goals when rules or barriers stand in our way?
2. How can we assure that we stay attuned to our mission even as we grant or seek waivers, bend the rules?
3. How can we foster local creativity?
Evaluating/Providing accountability

1. How do we build in evaluation/accountability procedures?
   a. Emphasize accountability to all key stakeholders, but for different outcomes
   b. Identify process and content outcomes at different levels (state, regional, local, community, individual), different stages
2. How can we use the planning process to articulate and reconcile different theories of change – that is, the links between activities and short-term, intermediate, and long-term goals.
3. How can we use evaluation to improve our work?

Outcomes

Longevity

1. How do we keep the collaboration going over the long haul?

Resilience/Institutionalization/Reassessment

1. How do we cope with success and failure?
Appendix B: Examples of Collaboration Structures

1. National-level – Turning Point, an initiative of Robert Wood Johnson Foundation with additional funding from Kellogg Foundation. The initiative has developed state and community partnerships aimed at transforming public health systems. The foundation also sponsors Communities in Charge, which helps community coalitions work with state agencies to improve health care access for low-income people.

2. State-level – Human services collaboratives that consist of local collaborations nested within state-level partnerships among diverse agencies, civic leaders, and representatives from local collaborations.

3. County-level – African American Men Project (AAMP) in Hennepin County, Minnesota. The county government acts as authorizer and sponsor, provides seed money and staffing, and requires accountability. The county and project have had close ties during early years, but the project is moving toward independence. Members of the African American Men Commission, which oversees the project, come from many sectors, but they are not official representatives of their organizations. Formal cross-sector collaboration occurs in AAMP projects.

4. Government contracts with multiple organizations

5. Minnesota Initiative Foundations – regional foundations established by McKnight Foundation. McKnight remains a major funder, but the foundations also receive funds from local donors, governments, and other foundations.
Tribal Colleges:
An Opportunity to Change the Face of Poverty
for Native Americans

A paper submitted for the NWAF / HHH Rural Poverty Project

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August, 2005
Facts To Keep in Mind:

Assets:

- In the eight states of the Northwest Area Foundation, there are 72 American Indian reservations and 69 federally recognized tribes; some reservations have more than one tribe and some tribes are in more than one reservation.
- Twenty of the nation’s 35 tribal colleges are in six of the eight NWAF states
- American Indian population: 154,589 on the reservations and 364,342 throughout the eight state region

Challenges:

- The overall poverty rate is 31% for the Native American population throughout the United States (National Congress of American Indians, 2005). The overall poverty rate is 38.24% for the Native American population in the rural Northwest, eight state region (US Census).
- 24.55% of Native Americans who are 25 years of age or older do not have a high school diploma or greater
- College graduation rate is 18.34% for the Native American population in the rural Northwest, eight state region (US Census).

Objective:

The overall objective for this research project is: Identify a target list of public policy issues for immediate medium and long term impact on community-focused strategies to reduce poverty for the long term.

This paper focuses primarily the public policy issue of education. An effective, though limited, community-focused strategy could be to invest in a partnership with those tribal colleges within Northwest Area Foundation’s region in a collaborative research effort to reduce long term poverty. Twenty of the thirty-five tribal colleges in the United States are located in six of the eight Northwest Area Foundation’s states. Many of these colleges are quite small and do not have the substantial capacity of many state sponsored institutions of higher education, but these institutions are community-focused and are closely linked to the tribal nations that host and fund them.

Our recommendations are linked to these strategies.

- Create and promote knowledge brokers in each region who will foster economic development and serve as a resource to entrepreneurs and micro-businesses. Twenty of the thirty-five tribal colleges in the United States are in six of the eight Northwest Area Foundation states. We recommend that the Northwest Area Foundation invest in Tribal
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and Community Colleges who already serve as the knowledge brokers for many of the tribes.

• Invest in existing institutions that are addressing the problems of rural poverty, particularly in the areas of education, health care and economic development. Tribal colleges are existing institutions suited to address the problems of rural poverty. The Rural Community College Institute has demonstrated that community colleges are positioned strategically to address issues critical to tribes. The Northwest Area Foundation should leverage research funds to deepen the capacity of tribal and community colleges to work jointly with Cooperative Extension to conduct research relevant to the areas of education, health care and economic development.

Methodology:

We took the advice of our Native American Advisory Committee members and we listened. We report on what we have learned from the July 12 Bismarck Entrepreneurship Listening Session and the Humphrey Institute’s July 19 Working -Conference. We had phone and face-to-face interviews with Native Americans. We conducted a review of relevant literature from multiple academic disciplines.

Framing:

The Humphrey Institute’s research team has chosen to frame each of the four faces of poverty (near urban, remote, Native Americans and immigrants) through the lens of these issues: education, economic development, and healthcare. For the Native American Face of poverty in the NWAF region, we see tribal colleges as uniquely positioned to lead and participate in community-based collaborative research. Tribal colleges could be:

• Partners in research that would focus on how investment in education is a potential driver for economic development,
• Partners in researching the role of culture in reducing poverty, and
• Partners in the search for understanding how tribal sovereignty and governance issues relate to economic development and the governance of tribal educational institutions.

In Indian country, poverty persists. In the article “Pathways from Poverty: Economic Development and Institution-building on American Indian Reservations,” Cornell and Kalt (p 89, 1990) state:

“Contemporary American Indian reservations are notable for, among other things, extreme poverty, a host of related social problems, and economies founded largely on transfer payments and government services. These signs of low standards of wellbeing—both economical and social—are enigmatic. Despite decades of professed federal and public concern and a seemingly endless flow of federal and private dollars, there is as yet relatively little sign of meaningful improvement on most reservations, or of the
emergence of sustainable productive activity. American Indian tribes have significant sovereign powers, yet tribal governments maintain and build upon distinctive tribal identities and communities, yet social pathologies undermine many Indian societies with disheartening results."

What can be done to undo these “pathologies”? Great opportunity lies in the Northwest Area Foundation investing in collaborative research projects with tribal colleges to bring “meaningful improvement” and “the emergence of sustainable productive activity.” No doubt significant healthcare pathologies exist, but because of limited time, we chose not to research the role for tribal colleges regarding research on healthcare issues.

**Cross-cutting Issues: Culture, Sovereignty and Collaboration**

Our conversations with Native Americans plus our review of scholarly literature have led us to observe three cross-cutting themes: culture, sovereignty (self-governance), and collaboration.

**Culture**

“Perhaps the best economic development method or strategy is for Native Americans to start and grow their own businesses based on their own experiences and culture, as opposed to borrowing a cookie cutter strategy from corporate America. I believe that the Lakota culture will be a strength in the creation of new businesses” (Waara, 2001).

Knowledge of Native American cultures is critical to addressing poverty in these communities; spirituality, tradition, and oral history have a great impact on every aspect of the lives of Native Americans. Tribal colleges are in a unique position to assure that a collaborative research agenda be executed in the context of Native culture. In a group interview, John Poupart explained that these three areas of life need to be incorporated in the process of developing strategies to alleviate poverty. He recommended that unless researchers pay attention to spirituality, tradition and oral history, the root of the problems of poverty will never be effectively addressed and potential solutions will fail. “Language, language, language – that’s what makes the difference!” (Poupart, July 19th conference) Language is how we name what is meaningful to us. Poupart says that if we do not understand one another’s language, we cannot understand our cultures. Tribal colleges can serve to bridge cross-cultural barriers related to misunderstandings that arise from differences in language and culture.

A 1990 report from the Harvard Project on American Indian Economic Development, describes the role of culture in shaping tribal institutions:

Culture informs and legitimates conceptions of self, of social and political organization, of how the world works, and of how the individual and group appropriately work in the world. In its political-economic manifestation, culture serves as a set of implicit contracts by which individuals are credibly bound to the system of incentives and constraints embodied in formal and informal mechanisms of social control and organization. It does this by providing shared preferences and perceived options that
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dampen incentives to free ride on these mechanisms, which are classic public goods.  
(Cornell and Kalt, p 467, 2000).

Since tribes experienced the institutionalization of self-governance subsequent to the 1934 Indian Reorganization Act, Cornell and Kalt found strong evidence that cultural norms play a significant role in the capacity of tribes to develop economically. When cultural norms negatively sanction self-enrichment by those in power, there is an increased likelihood of economic development efforts succeeding. When tribal councils arbitrarily dismiss tribal college presidents based on changes in tribal leadership and there are no effective cultural norms to check such efforts, there is a chilling effect on academic enterprises. Tribal colleges function within the cultural context of tribal governance, and can serve as a starting point in better understanding how culture impacts governance and how culture can serve as an asset or a barrier to economic development strategies.

In the article “Miracle Survivors,” the authors discuss how Native American students from K-12 and higher education institutions show resilience in the face of poverty. HeavyRunner and Marshall state, “Resilience is the natural, human capacity to navigate life well. It is something every human being has — wisdom, common sense. It means coming to know how you think, who you are spiritually, where you come from, and where you are going. The key is learning how to utilize innate resilience, which is the birthright of every human being. It involves understanding our inner spirit and finding a sense of direction” (p 1, 2003). In order to achieve a prosperous life there needs to be hope and determination in Native American children and adults. If individuals believe in themselves that they can accomplish anything.

HeavyRunner and Marshall state that spirituality is a key component to fighting poverty and prospering in today’s society. They have developed a Family Education Model to sustain the inner peace and spirituality that is being tested by white culture. The model uses a family-centered approach with a focus on the student’s strengths (p. 2, 2003). This is one of the few articles that are written by tribal college professors in the Northwest region. “Miracle Survivors” (HeavyRunner and Marshall) should be analyzed more thoroughly and be used as a networking tool.

Sovereignty and Tribal Governance

“American Indian tribes have significant sovereign powers, yet tribal governments maintain and build upon distinctive tribal identities and communities, yet social pathologies undermine many Indian societies with disheartening results.” (Cornell and Kalt, p 89, 1990) Sovereignty and tribal governance are cross-cutting themes that can serve to enhance economic opportunity or serve as barriers. “Access to capital is no panacea for poverty. Indeed, our research suggests that access to financial capital is often a consequence of successful tribal political development” (Cornell and Kalt, pg 100, 1990). Begay discusses the challenge of tribal governments and how tribal council meetings are difficult for American Indian leaders because they don’t come from the core of their culture. He believes that the old values need to be restored throughout their community, organizations, and government in order to prosper (p 3, 1996).
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Tribal colleges are positioned to work with their Nations and the broader community in their region to develop economic development strategies. “Institutions of self-government are the key to economic development by sovereign societies. This follows since it is the system of incentives and constraints that emanate from institutions that promote or inhibit specialization and exchange, and promote or inhibit destructive rent-seeking” (Cornell and Kalt, p 453, 2000). Before a community can move forward it is necessary to know what those “incentives and constraints” are.

Research on strategies for economic development must be mindful of institutional design. Further research is needed on the consequences of the Indian Reorganization Act of 1934. In that Act, as described by Cornell and Kalt, tribes were urged to adopt “more or less generic, formal constitutions drawn from larger-society models.” The result was often ineffective governing institutions that “plague reservation development today.” Some tribes wrote their own constitutions with effective checks and balances.

One of the things that marks the relatively successful tribes we have looked at...is their ability to solve a common set of problems. These solutions include creating an environment in which investment – large or small, by tribal members or non-members – is comparatively safe from political manipulation; and preventing those who have the power for their own enrichment. (Cornell and Kalt, p 102, 1990).

Tribal colleges in the NWAF region, in a collaborative research effort with state universities, need to study tribal constitutions and the cultural context that led to their creation. They should look at “the role of those in power to that of ‘third party’ enforcer, rather than self-interested primary party, in disputes and social decisions over the use of a society’s resources. Success at this task stands out as a distinguishing characteristic of those sovereign nations that have been able to develop economically from those that have not” (Cornell and Kalt, p 454, 2000).

From Cornell and Kalt, we learn more about why culture matters:

... institutions that are not backed by cultural ‘match’ – that is, congruence between preconstitutional norms of legitimacy concerning the role of governmental power and the formal institutions of government – are less likely to produce the informal social controls that regulate free-riding and defection.... From our analysis, it appears that economic development does not take off in Indian Country without cultural ‘match’, a separation of powers, a willingness to trade, and opportunities in the form of access to markets, human capital, and/or natural resource endowments.

These authors suggest that tribes such as the Flathead have shown “an ability to solve a common set of governmental problems.” Collaboration -- “collective decisions and implementations” – are at the core of successful economic development efforts.

Collaboration is the third cross-cutting theme guiding the development and implementation of strategies to alleviate poverty for Native Americans. Here is what we heard from our Native American partners about the importance of collaboration:
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- We need partner-based qualitative research with Native American people from the community or area(s) being studied. (John Poupard)

- Here are my recommendations to Northwest Area Foundation: First, we need research on our reservations – but with a twist that is our own – when you come to do research, come as our partners. Come partner with us; design your research instruments with us. Come out and work with us; you’re going to benefit and we need to benefit, too. We need more research; we need Indian research. (Al Nygard)

- Deb Painte, project director for the Native American Training Institute, was asked, “What methodology should be used or looked at to tackle poverty experienced by Native peoples?” Here is her response: “The key is to empower the community – community people should be equal in ownership. But people (who come to us) get hung up on titles – only going to people with titles. There is a need for assistance in tribal trade delegations – tribes need to partner with one another to get the products out there.”

Funded by the Ford Foundation in 1994, the Rural Community College Initiative (RCCI) is a collaborative model serving 24 of the 700 rural community and tribal colleges in the United States. The North Central Regional Center for Rural Development (NCRCRD), directed by Dr. Cornelia Flora, and the Southern Rural Development Center (SRDC) are working in partnership to coordinate the expansion of the RCCI program to 14 new rural community and tribal college teams involving 16 colleges. Each center brings nearly three decades of experience in helping communities to address rural development issues in America. Furthermore, with their strong ties to our nation’s Cooperative Extension Service system, the centers can facilitate the building of strong, sustained partnerships between community and tribal colleges and the array of state and locally-based Extension community development educators located in close proximity to these schools. (RCCI One Year Report, 2003)

RCCI recommends:

By definition, any effort to build civic capacity must be collaborative. To foster such collaboration, states should encourage community colleges to work in partnership with local governments, chambers of commerce, the Cooperative Extension Service, regional universities, nonprofit organizations, and the other institutions that make up the civic infrastructure of rural communities” (Chesson and Rubin, 5, 2002).

Because a number of the tribal colleges in the NWAF region are members of RCCI, the opportunity exists to build collaborative research models. As recommended by Nichols and Kayongo-Male (2003), and based on the writings of Paulo Freire (1970) about empowerment, some of these research models recommend a collaboration between state universities and tribal colleges. This recommendation supports the RCCI model.

The literature and personal stories of Native peoples provide cautionary guidelines for collaborative research:
The National Network for Collaboration (1996) identified the following the contextual factors as influencing collaboration: connectedness, history of working together, political climate, policies/laws/regulations, resources, and catalysts. Considering the unique context of the study, historical, cultural, economic, and political factors were hypothesized as influencing the collaborative process between state universities and tribal colleges.

More recent historical issues, such as previous attempts at collaboration between tribal colleges and universities may also impact collaboration. Crazy Bull (1997) supported this historical dimension, citing many incidents in which university researchers have exploited Native people and communities for their own personal or organizational gain – taking from them their time, insights, and culture, while offering nothing in return. (Nichols and Kayongo-Male, p 5, 2003)

Before research is funded, the precautions and advice of the National Network for Collaboration need to be heeded.

Economic factors are also viewed as part of the contextual backdrop for the state university-tribal college collaboration. The fact that reservations in South Dakota are among the most poverty stricken areas in the country may influence how tribal colleges and state universities interact. The availability of funding for collaboration is also likely to impact how inter-organizational relations develop between these institutions. Research at Turtle Mountain Community College and Little Big Horn College suggested that the economic environment of the tribal colleges can provide only a few of the financial resources needed to insure their survival. Thus, economic factors can serve as impetus for tribal colleges to establish linkages with outside organizations. (p. 6 Nichols and Kayongo-Male, 2003) These findings help support our recommendation that NWAF can make strategic investments in collaborative efforts between universities and tribal colleges in its region.

Collaboration in research should further be shaped by guidelines from the academic research community. Barbara Crosby and John Bryson’s article, Leadership and Collaborative Governance for Poverty Reduction in the Northwest Area, (2005) suggests: The impetus for collaborative governance for poverty reduction is dealing with complex, tough public problems and the failure of traditional approaches. The implication is that there needs to be multiple levels and sectors of decision making; from the Bureau of Indian affairs to individual Native Americans who live in their community. Here are the conditions for collaboration:

- Evidence of interdependence, compelling need
- Prospect of significant improvement
- Partners – how interests are served
- Boundary-spanning leaders
- Key stakeholders respect each other
- Attention to initial agreement
- Development of leadership and creativity at multiple levels
- Relationship building
- Inclusion/power sharing
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- Resources (time, money, expertise)
- Preparation for change

Complex, tough public problems, the failure of traditional approaches, and the need for multi-sector collaboration were themes that emerged in at the July 12, 2005 Bismarck Native American Entrepreneurship Listening Session hosted by the United Tribes Technical College. Many people from non-profit organizations, tribal council leaders, academic leaders, and researchers came together to discuss economic development in Native American communities. One of the strategies people in the listening session thought would improve economic development in Native American communities is to develop a workforce through removing barriers for entrepreneurs. As a large group, the participants thought that the National Council for Rural Entrepreneurs could look at how communities could share the risk for entrepreneurship. If the risk is spread out throughout all parties, one failing entrepreneur would not have a dramatic impact on the workforce. This would create more incentives for individuals in a rural community to start up a project or business. Listening session participants stated that another important way of creating a success business is through partnerships. Many people feel that they don’t have the knowledge themselves to start a business, but if they incorporate people from throughout the community who have different skills to develop partnerships, the likelihood of developing a successful business increases. Tribal colleges can function to assist in developing those “successful business” efforts.

Northwest Area Foundation, in collaboration with CFED, states, “Tribal colleges and universities promote entrepreneurship in a variety of ways including associate and four-year degree programs in business administration, specialized entrepreneurship certificate courses and entrepreneurship education targeted to community members through the college’s community extension programs. Select tribal colleges have developed Native-specific entrepreneurship curricula” (p. 62, 2004). Vinje states “Education appears to consistently be one of the more important priorities those tribal leaders can stress in their attempts to reduce family poverty rates” (pg 1, 1996).

Additional areas of collaborative research for tribal colleges and state higher education institutions should include: “creation of business enterprises and social service initiatives, establish new tribal employment offices, formulation of environmental ordinances and training in the use and control of natural resources, enactment of new codes and management improvements to strengthen the governmental functions of Tribes and Native American organizations, funding to be restored for the tribal leaders Self-Governance Advisory Committee, and establish local court systems” (Nishwilgun, p 24, 2004).

Problems retarding collaborative efforts to economic development are symptomatic of much deeper structural and cultural problems (Duffy and Stubben, 1998). Successful research efforts should keep in mind three causes of these problems:

- Constantly changing policies from the federal government over the years creates confusion, fosters distrust, and undermines economic planning;
- Economic development, as defined by the dominant culture, amounts to a paradigm shift for Indians; and
To ‘fit’ the Indian identity and culture, economic development cannot happen without first addressing ‘sovereignty’ because of the salience this concept carries for Indians” (1998).

There needs to be a linkage between politics and economics because culture reflects the incorporation of socialized attitudes and values. “Once established, these orientations have a momentum of their own, and may act as autonomous influences on politics and economics long after the events that give rise to them” (Duffy and Stubben, p 18, 1998).

**Recommendations**

Here is a summary of our recommendations:

**General Recommendations:**

- We recommend that the Northwest Area Foundation invest in Tribal and Community Colleges who already serve as the knowledge brokers for many of the tribes.

- The Northwest Area Foundation should leverage research funds to deepen the capacity of tribal and community colleges to work jointly with Cooperative Extension to conduct research relevant to the areas of education, health care and economic development.

**Recommendations related to culture:**

- Spirituality, tradition and oral history are a fundamental context for research. The root of the problems of poverty will never be effectively addressed and potential solutions will fail unless these cultural factors are considered essential.

**Recommendation related to culture and sovereignty:**

- Tribal colleges function within the cultural context of tribal governance and can serve as a starting point in researching how culture impacts governance, how culture can serve as an asset or a barrier to economic development strategies.

**Recommendation related to sovereignty:**

- Tribal colleges in the NWAF region, in a collaborative research effort with state universities, need to study tribal constitutions and the cultural context that led to their creation.

- For the 69 federally recognized tribes, especially for those tribes experiencing extreme poverty, further research is needed on the consequences of the Indian Reorganization Act of 1934. Did those tribes experiencing extreme poverty adopt more or less generic,
formal constitutions drawn from larger-society models? Or, did they write a constitution with an effective system of checks and balances?

**Recommendations related to collaboration:**

- We need partner-based qualitative research with Native American people from the community or area(s) being studied. (John Poupart)

- In the words of Al Nygard, “We need research on our reservations – but with a twist that is our own – when you come to do research, come as our partners. Come partner with us; design your research instruments with us. Come out and work with us; you’re going to benefit and we need to benefit too. We need more research; we need Indian research.”

- By definition, any effort to build civic capacity must be collaborative. To foster such collaboration, states should encourage tribal and community colleges to work in partnership with local governments, chambers of commerce, the Cooperative Extension Service, regional universities, nonprofit organizations, and the other institutions that make up the civic infrastructure of rural communities. (RCCI)

- Before research is funded, researchers should be aware of previous attempts at exploitive research between tribal colleges and universities which will have a negative impact on efforts to collaborate. (National Network for Collaboration)

- Academic research would benefit from the guidelines for successful cross-sector collaboration recommended by Crosby and Bryson’s *Leadership and Collaborative Governance for Poverty Reduction in the Northwest Area.*

- Tribal colleges can function to assist in developing those “successful business” efforts. (Listening Session – Bismarck)

**CONCLUSION**

Long-term strategies to reduce poverty in Indian country will have a greater likelihood of success if tribal colleges are active knowledge brokers in each region they serve. Framed by careful attention to culture and tribal governance, we recommend that the Northwest Area Foundation invest in collaborative research efforts between tribal colleges and state sponsored higher education institutions in the areas of education, health care and economic development.
List of References


Interviews and Sessions

Interview with John Poupard, Director for the American Indian Policy Center, on August 1st discussing Native American poverty

Interview with Deb Painte, Project Director of the Native American Training Institute, on July 29th discussing Native American poverty

Attended “Rural Entrepreneurship in Indian Country: A listening session on programs, strategies, and possibilities” listening session at the United Tribes Technical College in Bismarck, ND.

Additional resources


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Project, August 2005.


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“Al Nygard Consulting”:
http://www.fedvendor.com/vendor_directory/profile.htm?companyid=CRR00000000000193076

“Federally Recognized and Non-recognized Tribes”:
http://www.500nations.com/tribes/Tribes_State-by-State.asp

“Federally Recognized Tribes”:
http://www.healing-arts.org/tribes.htm#indian%20tribes

“Rural Community College Alliance”:
http://www.ruralcommunitycolleges.org/

“Montana: Indian Nations”:
http://indiannations.visitmt.com/fortpeck.shtml

“Poverty Research in the Rural West”:
http://sail2.ext.usu.edu/poverty/overview.cfm

“Native American Resources: Kenyon College”:
http://libis.kenyon.edu/subj/nams/

“The Tribal College Journal”:
http://www.tribalcollegejournal.org/about/news.html

“Tribal College and Address List”:
http://www.ed.gov/about/inits/list/whtc/edlite-tcplist.html#dq
Literature Review on Rural Poverty in Native American Communities

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August 2005
This paper is a literature review on poverty in Native American communities in the northwest region of the United States. Some of the questions researched include the following:

- What problems do Native Americans face in rural areas?
- Who and what contributes to these problems?
- What are some projects being developed or already developed to help frame and solve the problem?
- What is the research not addressing?

Many articles and journals discuss these questions but some additional research is needed.

Poverty in Native American communities is very complex; there isn’t one aspect that can explain why poverty is high in these communities. Most institutions and resources in Native American communities are in the areas of repair or development. Many areas need to be developed or improved to help alleviate poverty. The literature of most interest focused on areas of education, healthcare, infrastructure, economic and job development, and institutional and government relations — key topical areas to help alleviate poverty. Collaboration is a cross-cutting theme. This literature review summarizes the main points of each research article and how each can be used to further develop the framework on tackling collaboration with Tribal and Community Colleges and Universities in the eight states studied and the surrounding rural Native American communities.

**Education**

The role educational institutions have on developing the skills and knowledge is critical to bring the Native American communities out of poverty. For example, “A Plan for American Indian Education in Montana” LaCounte (1991) describes the recommended goals for plans to address improving American Indian education in Montana for the Montana state government.
Each body of government states a recommended goal and the suggested action of that goal.

Some key goals mentioned are:

- for the Governor to “actively support federally funded programs, which enhance Montana Indian education programs”;
- for the Legislature to “establish state-funded graduate scholarships for Indian students”;
- for the Board of Regents to “establish an American Indian advisory board”;  
- for the Local Boards of Trustees to “establish culturally relevant curriculum including instruction in tribal history and government” (LaCounte, pg 24, 1991).

This article also includes appendixes of state policies pertaining to American Indian education.

The article “Native American Education at a Turning Point: Current Demographics and Trends” states that Native American populations are growing at 7,500 people in the rural areas per year, but are actually growing twice that rate in urban areas. (Hillabrandt, pg 3, 1991). The author states that “the population growth rate has stayed consistent from decade to decade” (Hillabrandt, pg 1, 1991). The majority of this article focuses on the enrollment trends in all levels of schools, standardized measures of scholastic aptitude, and the funding for education.

The overall conclusion is that “there needs to be more accurate data and analyses to improve effectiveness and efficiency of all levels of education for the Native American student” (Hillabrandt, pg 10, 1991) and to “promote and maintain Native cultural and historical identity within educational systems” (Hillabrandt, pg 10, 1991).

“Toward Rural Prosperity: A State Policy Framework in Support of Rural Community Colleges” discusses how to develop a framework to guide state leaders in strengthening rural community colleges as agents of both human capital development and community development (Chesson and Rubin, 2002). Chesson and Rubin (2002) outline a summary of recommendations
to the northwest States on economic and community development, access to education, workforce preparation, technology, funding, and governance. This resource was helpful in developing different and supportive ideas on how to use educational institutions as a network to alleviate poverty. It would be beneficial to analyze the different categories in future research to get a letter sense of the Rural Community College Initiative’s (RCCI) policy framework.

“Building New Relationships in Rural Communities” outlines the progress of the Rural Community College Initiative to partner the Tribal and community colleges to Universities all over the United States to collaboratively think of ways to spur economic development, expand educational access, and broaden engagement of local citizens in local issues (Southern Rural Development Center, 2003). The report outlines who participated in the project, what colleges are involved, and what has been done in the project.

The article “Revitalizing Rural Communities: Lessons from the Rural Community College Initiative” explains the methods and initiatives that were used and what was learned from the RCCI study on collaboration of tribal and community colleges with communities to tackle problems of poverty (MDC, Inc, 2003). The first initiative was locally driven development. In order for development to be successful, leaders must have a deep understanding of their community (MDC, Inc., pg 9-12, 2003). Their research strategies took longer than traditional studies, but locally driven development is essential to addressing the root causes of poverty in the community. The second approach was to catalyze community-sized change (MDC, Inc., pg 13-15, 2003). Communities make more progress when their leaders are pulling in the same direction. The third approach was to increase community capacity by developing a leadership team and to build institutional relationships between the college and other allies to work for community change over a long period of time (MDC, Inc. pg 20-22, 2003). The fourth
approach is to develop a culture of innovation (MDC, (Inc., pg 23-25. 2003). To accomplish this task, new people from the community must get involved to generate new ideas and create new solutions. These approaches provide the foundation for the steps that must be taken to alleviate poverty.

In the article “Miracle Survivors,” the authors discuss how Native American students from K-12 and Higher Education institutions show resilience in the face of poverty. HeavyRunner and Marshall state, “Resilience is the natural, human capacity to navigate life well. It is something every human being has — wisdom, common sense. It means coming to know how you think, who you are spiritually, where you come from, and where you are going. The key is learning how to utilize innate resilience, which is the birthright of every human being. It involves understanding our inner spirit and finding a sense of direction” (pg 1, 2003). In order to achieve a prosperous life there needs to be hope and determination in Native American children and adults. The understanding is if individuals believe in themselves that they can accomplish anything. The authors state that spirituality is a key component to fighting poverty and prospering in today’s society. They have developed a Family Education Model to find inner peace and spirituality that is being tested by white culture. The model uses a family-centered approach with a focus on the student’s strengths (HeavyRunner and Marshall, pg 2, 2003). This is one of the few articles that are written by Tribal College professors in the Northwest region. This article should be analyzed more thoroughly and used as a networking tool.

In the article “Minority-serving Institutions of Higher Education: Developing Partnerships to Develop Rural Communities,” the United States Department of Housing and Urban Development (HUD) discusses the collaboration efforts of tribal colleges and HUD to work on community outreach and economic development programs (HUD, 2003). One example
cited is the work of HUD and Turtle Mountain Community College creating an Anishinaubag Wellness center for Native Americans to teach healthy living, nutrition habits, youth-based activities, and Ojibwa culture (HUD, pg 61). Its purpose is to reconnect people to their culture and be an outreach center to connect people in the community to one another. Unfortunately, the article makes the argument of a panacea approach, and seems condescending of current work done by Tribal colleges. Native Americans come across as seeming incompetent and unable to create development on their own.

“The Dynamics of Tribal College-State University Collaboration” discusses the gains made by Tribal Colleges and the many barriers of access to these colleges, including isolation, poverty, poor academic preparation, unsupportive educational environments, institutional racism, and cultural discontinuity between native communities and mainstream higher education institutions (Nichols and Kayongo-Male, 2003). The main part of the paper is a model that is used to create collaboration through Tribal Colleges and Universities. “The model-informed by a review of literature and the researcher's professional experience-has at its center the dialectical relationship between collaboration and empowerment. Influencing this dynamic are both individual and organizational factors set against a contextual backdrop that includes historical, cultural, political, and economic factors, resulting in a variety of potential outcomes” (Nichols and Kayongo-Male, pg 3, 2003). This model and its methodology are explained throughout the rest of the article. The author explains the procedures of different models using critical, transaction cost, and exchange theories and what has worked and hasn’t worked. Some examples of models presented in the journal are the Contextual Factors, Motivation, Collaboration, and Empowerment Models.
The Contextual Factors Model:

*What works:* “Collaborators are aware of sensitive to unique contextual factors: history, culture, politics, economics, and geography”

*What doesn’t work:* “Lack of attention to or awareness of contextual factors can complicate the dynamics of collaboration, create ‘baggage’ and slow or prohibit the development of trust.”

The Motivation Model:

*What works:* “Individuals and organizations that collaborate with a genuine desire for mutual benefit.”

*What doesn’t work:* “Collaboration based only on self-interest and without shared commitment to mutual goals.”

The Collaboration Model:

*What works:* “Providing access, being responsive, showing respect, sharing resources; integrating and coordinating efforts.”

*What doesn’t work:* “Lack of respect, responsiveness, hoarding resources; lack of coordination and integration of efforts.”

The Empowerment Model:

*What works:* “Philosophy aimed at developing a sense of self-efficacy, shared power, connectedness and meaning, interest, and investment among participants.”

*What doesn’t work:* “Monopolization of power and decision-making; lack of empowerment philosophy or attention to participants’ fulfillment.”

“Campaign of Hope: Research Finds Scholarships, New Facilities Enhance Learning Experience” explains the impact of improved tribal college facilities and the educational experiences of American Indian students who received scholarships from the College Fund. (Tribal College Journal, 2003). In the first part of the study, the researchers asked the graduates questions about their educational experiences at tribal colleges and non-tribal institutions, the impact of receiving an American Indian College Fund scholarship, and their personal and professional experiences after graduation (Tribal College Journal, pg 1, 2003). The research confirms past studies that say tribal college graduates are more likely to persist and graduate from other higher education institutions than Native American students who do not go to tribal colleges (Tribal College Journal, pg 2, 2003).

“Guidelines for Cross-Cultural Orientation Programs” discusses how the sectors of the academic field can use their outlined guidelines to work effectively and be prepared to work with Native American Communities (Alaska Native Knowledge Network, 2003). Eight recommendations support implementation of the guidelines. One key recommendation that stood out states “local communities and tribal organizations should sponsor local and regional cultural orientation programs as needed to prepare all outside personnel to work effectively with people in ways that are compatible with local cultural ways and respectful of the local heritage” (Alaska Native Knowledge Network, pg 10, 2003). These guidelines are from the educators in Alaska and might be helpful when looking at the Native American communities in the Northwest region of the United States.

**Economic Development**

Government relations can have an impact on economic and community development in Native American communities.
The journal “Native American Economic Development on Selected Reservations: A Comparative Analysis” examines three decades of economic development activity on reservations in an attempt to explore strategies tribal governments have available. The journal states that “strategies based on the promotion of government or private employment, the promotion of natural resources or manufacturing have fallen short. Education appears to consistently be one of the more important priorities those tribal leaders can stress in their attempts to reduce family poverty rates” (Vinje, pg 1, 1996). Vinje (1996) goes on to state that increasing the education attainment level will aid directly in improved living standards through better health and nutrition, and indirectly through the creation of a labor force better able to meet the job requirements of economic development projects. Creating a well-educated workforce will provide a platform for economic development, thus bringing in revenue for the community to develop social and economic programs. The key is to make sure the tribes have control of the educational structure so it can meet the cultural values of the community.

One area that has contributed to economic development in Native American communities is tribal casinos. In “Gaming and Displacement: Winners and Losers in American Indian Casino Development” Gonzales states, “While gaming development, through its revenues, has helped to ameliorate grinding poverty on some American Indian reservations, it has also engendered much controversy...there are reoccurring issues of tribal membership and who are eligible to share the revenue” (pg 1-2, 2003). Gonzales goes into detail about the background of the phases of American Indian policy and their displacement effects starting from the year, 1492. Gonzales continues by describing the development of gaming, how it has helped and harmed the Native American communities, racism from the Non-Indian communities because of the Native American prosperity, and the factionalism within the Native American communities. One
statistic that stands out in the paper is that of 562 federally recognized tribes, 201 operate tribal casinos (Gonzales, pg 1, 2003).

"Time to Reduce Poverty among Native Americans" discusses how federal programs have fallen short of their obligations to support and develop community and economic development (Nishwilgun, 2004). The author explains the infrastructure problems reservations face and provide supporting statistical data. Part of the content in the article explains the government agencies and laws that should be restructured to better support tribal areas. Some examples of projects which would help to promote social and economic development are "creation of business enterprises and social service initiatives, establish new Tribal employment offices, formulation of environmental ordinances and training in the use and control of natural resources, enactment of new codes and management improvements to strengthen the governmental functions of Tribes and Native American organizations, funding to be restored for the tribal leaders Self-Governance Advisory Committee, and establish local court systems" (Nishwilgun, pg 24, 2004). Some of these initiatives have been created in some reservations, but could be implemented in all Native American communities throughout the region. One interesting fact in this article is that "at least 170 tribes are located within a 50-mile radius of 432 EPA highly toxic 'superfund' sites" (Nishwilgun, pg 19, 2004). This article is helpful because it explains the causes of poverty and the problems associated with them.

"Indian Country Concerns" also focuses on government relations and discusses what the Northwest lawmakers are working on to help alleviate poverty in Native American communities (Davis, 2005). Representative Joule recommends "a task force that reviews needs and possible solutions, including an assessment of what other states are successfully doing" (Davis, pg 1,
2005). This is a good source to see what elected officials are going to help reduce poverty in Native American communities.

**Location**

Another research topic is how location impacts Native American poverty. “Does Place Still Matter? Accounting for Income Variation across American Indian Tribal Areas” states that location does indeed play a role in income across the Native American communities (Leichenko, 2003). The results of the study explain that “once locational, structural, and demographic factors are controlled, tribal areas do not have significantly lower levels of income than do other areas” (Leichenko, pg 365, 2003). The case study research also explains that “economic conditions are associated with social and cultural factors that either support or hinder the acceptance of formal and informal social and economic institutions.” (Leichenko, pg 366, 2003) The article has several detailed graphs of the United States and the income levels throughout the counties. The study concludes that locational disadvantages may be overcome by improving human capital and adding new services to the area. The rural areas should also lessen their reliance on agriculture and natural resources as a panacea approach to alleviate poverty. Leichenko (2003) doesn’t compare his findings to cultural and social aspects of the Native American communities, leaving a research gap in the exploration of the complexity of Native American poverty.

**Local Capacity**

In the book “Pressing Issues of Inequality and American Indian Communities,” the authors discuss the meaning of sovereignty and the governmental laws imposed on Native Americans (Kilty and Segal, 1998). The authors define sovereignty as “tribal governments that are authorized to govern within the limits of federal and state criminal laws. State civil laws are not binding unless accepted by the tribal authorities. Tribes have their own civil laws and are
responsible for enforcing those laws” (Kilty and Segal, pg 21, 1998). Other areas of focus in this book include “the implications of ‘welfare reform’ for American Indian families and communities”, “the impact of Indian gaming on economic development”, “domestic violence among the Navajo”, “the significant problems and emerging solutions of the health of Alaska Native women”, and “harnessing the positive power of language”. All areas help explain the problems Native Americans face in their communities.

**Culture**

Culture is a key component of economic and community development. The journal “Pathways from Poverty: Economic Development and Institution-Building on American Indian Reservations” is a well documented study on what has stymied the development of the Native American economies (Cornell and Kalt, 1990). One important part of the journal is the alternative explanations of reservation economic performance. These are:

- “Those that attribute underdevelopment to powerlessness, dependency, and expropriation”;
- “Those that treat differential outcomes as factorial in economic terms”;
- “Those that cite aspects of Indian societies, usually indigenous culture or tribal social organization”;
- “Those that blame persistent poverty on the absence of effective governing institutions” (Cornell and Kalt, pg 98-102, 1990).

Another key part of this journal provides an analytical framework for research. This is explained by collective decisions and implementation of tribes with goals while understanding the opportunities and constraints to create development outcomes. Three goals in this area are
economic well-being, political sovereignty, and social sovereignty. This journal is an important study to be examined more closely.

In “Where’s the glue? Institutional and Cultural Foundations of American Indian Economic Development,” Cornell and Kalt (2000) explain the results of their research into the sources of development success during the “take-off” stage of self-government. They believe that tribal constitutional forms are the make-or-break keys of development. Development takes hold when these forms provide for separations of powers and when their structures match indigenous norms of political legitimacy. The authors explain that “a tribe’s resources can be wasted or go untapped unless that tribe can establish an incentive environment that channels them into productive ends” (Cornell and Kalt, pg 446, 2000). They have created two models — “culture as knowledge and culture as value paradigm” — to help understand the problem and tackle the problem. Their research explains that self-governance is the key to a successful economic development plan (Cornell and Kalt, pg 453, 2000). This journal helps support their previous article and continues the study of economic development. This journal should also be looked at more closely to help understand some plausible solutions to alleviate poverty.

In “An Assessment of Native American Economic Development: Putting Culture and Sovereignty Back in the Models.” Duffy and Stubben (1998) present a model that incorporates cultural and sovereignty variables in explaining the economic development of Native Americans. They describe the traditional models used in the economic development of Native Americans; the deficiencies of each model; the importance of cultural identity in economic development studies. Duffy and Stubben detail four traditional models; looking at them might be helpful in thinking about new models. The authors argue that problems retarding economic development are symptomatic of much deeper structural and cultural problems. There are three causes of these
problems: “constantly changing policies from the federal government over the years creates confusion, fosters distrust, and undermines economic planning”; “economic development, as defined by the dominant culture, amounts to a paradigm shift for Indians”; and “to ‘fit’ the Indian identity and culture, economic development cannot happen without first addressing ‘sovereignty’ because of the salience this concept carries for Indians” (Duffy and Stubben, pg 4-5, 1998). The authors explain that in order to have economic development, the community needs to include culture in analyses of the connections between democratic governance and economic growth. There needs to be a “linkage between politics and economics that is ‘sociotropic’ in nature, largely because culture reflects the incorporation of socialized attitudes and values. Once established, these orientations have a momentum of their own, and may act as autonomous influences on politics and economics long after the events that give rise to them” (Duffy and Stubben, pg 18, 1998).

In order to work on economic and community development, the people involved need to understand the underlying values in the Native American culture. In the article “Traditional American Indian Values and Leadership,” Eugene Begay discusses how the Indian culture is rooted in every aspect of life. He believes that leadership in the Native American communities needs to be addressed and developed to restore the vibrancy and hope of the community. He explains the role of the women and clans in traditional leadership as working together to develop their community (Begay, pg 2). He also discusses the challenge of tribal governments and how tribal council meetings are difficult for American Indian leaders because they don’t come from the core of their culture (Begay, pg 3). Eugene Begay believes that the old values need to be restored throughout their community, organizations, and government in order to prosper. This
article is helpful at understanding the fundamentals of the Native American culture and how culture can be used in developing strategies to help alleviate poverty.

In “Native Pathways,” the author discusses the economic view of capitalism as a system that “threatens to envelop the world and transform all the cultures of the world into capitalist communities” (Champagne, pg 309, 2004). An alternative view suggests that “communities can take on capitalist elements and participate in capitalist markets and still retain core aspects of identity, tradition, institutional relations, and cultural values” (Champagne, pg 310, 2004). The author agrees with the latter view. He lays out the cultural aspects of Native American communities and explains how they can be incorporated to work with the capitalist system. By understanding these cultural aspects, the Native American communities begin to alleviate poverty by economic means.

In the article “The Continued Social Injustice of Native American Exploitation,” the author explores the historical, social, and cultural ramifications of a ten-billion dollar mismanagement of the Individual Indian Money Trust Fund (French, 2003). The IIM trust fund was created to collect money from logging, oil, and other natural resources extracted from Native American land, to be dispersed to the Native American community. This money was never dispersed to Native Americans (French, pg 4, 2003). The Bush Administration has successfully put a halt to the filing of new lawsuits by exploited Native Americans, although cases are still pending. The article discusses the history of the IIM trust fund and the procedures of past Executive Branch administrations toward the IIM and Native American relations (French, pg 9, 2003). The author does a good job at describing the U.S. government’s continued exploitation of Native Americans.
“Native Americans and the Environment: A Survey of Twentieth-century Issues” explains how Native Americans spiritually perceive their physical environments and how the Native American land has been exploited by U.S. corporations and government agencies (Lewis, 1995). The author explains the history of exploitation of Native American lands and how Native Americans had to cope with the changing environment. The journal addresses many aspects stated in the previous journal above and helps support the main themes throughout.

**Infrastructure**

Many key infrastructure areas are lacking in Native American communities; housing is a key issue. In the article “Making Rural Programs Work in Indian Country: A Guide for Tribes and Tribal Organization,” the Housing Assistance Council states, “It is clear that no single agency or program alone has sufficient funds to address Native American housing needs, estimated in recent years at about 220,000 affordable units, plus related infrastructure” (Peck and Davidson, pg 5, 2004). The literature explains that decent, affordable, and appropriate housing is needed for households of all income levels in Indian Country, and the current programs specifically designed for Native American use cannot, at their current levels, meet the considerable and growing demand. The article has general information about the structure of the United States Department of Agriculture’s housing program and how it operates. The article also includes a description of the housing program and what tribes, tribal housing agencies, and individuals need to do to be prepared for housing assistance (Peck and Davidson, 2004).

**Bibliography**


**Interviews and Sessions**

Interview with John Poupart, Director for the American Indian Policy Center, on August 1st discussing Native American poverty

Interview with Deb Paine, Project Director of the Native American Training Institute, on July 29th discussing Native American poverty
Attended “Rural Entrepreneurship in Indian Country: A listening session on programs, strategies, and possibilities” listening session at the United Tribes Technical College in Bismarck, ND.

**Additional Resources**


“Federally Recognized Tribes”: [http://www.healing-arts.org/tribes.htm#indian%20tribes](http://www.healing-arts.org/tribes.htm#indian%20tribes)


“Poverty Research in the Rural West”: [http://sail2.ext.usu.edu/poverty/overview.cfm](http://sail2.ext.usu.edu/poverty/overview.cfm)

“Native American Resources: Kenyon College”: [http://lib.kenyon.edu/subj/nams/](http://lib.kenyon.edu/subj/nams/)


“Tribal College and Address List”: [http://www.ed.gov/about/inits/list/whtc/edlite-tclist.html#dq](http://www.ed.gov/about/inits/list/whtc/edlite-tclist.html#dq)
Immigration and Poverty in the Northwest Area States

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Introduction and Working Definitions

The purpose of this paper is to present an overview of the relationship between immigration and poverty in the eight-state region that comprises the ‘Northwest Area’, and to make recommendations for poverty alleviation. The states are Idaho, Iowa, Minnesota, Montana, North Dakota, Oregon, South Dakota and Washington. Before beginning the report it is important to clarify the use of some confusing, and at times overlapping, definitions that are inherent in any discussion of immigration.

*Immigrant* is a term that is often used generically to mean anyone who is foreign-born, or even to encompass foreign-born residents and their US-born children. On the other hand, it is also used in a more specific, legal sense to mean individuals who entered the United States on immigrant visas. In this report we use the former definition, unless otherwise specified, but we present the legal categories below, as summarized by Massey and Bartley (2005):

- **Naturalized citizens** are individuals who were admitted to the United States as ‘legal resident aliens’ and subsequently granted American citizenship. ‘In theory they are entitled to the same privileges as native-born citizens.” (p470)

- **Legal immigrants** are individuals who have been granted permanent legal residence in the United States. ‘They share some, but not all, of the rights of United States citizens. ‘Since 1996 their access to United States social services and benefits has been constrained, and after the passage of the U.S. Patriot Act in 2001, their access to due process was significantly curtailed.” (p470)

- **Legal non-immigrants** are persons who in the United States legally for specified periods of time. This diverse category includes “employees of foreign corporations, members of diplomatic missions, international students, temporary workers, asylum seekers, traders and investors, as well as spouses and dependents of people in these categories.” “They have very limited rights. Many are not allowed to work, and they have no right of access to U.S. social services, although they are entitled to emergency medical care and public education in areas where they live.” (p471).

- **Illegal immigrants** are individuals who have entered the country ‘without inspection’ or who have violated the terms of their nonimmigrant visas by working or staying too long. Illegal immigrants do not have the right to reside in or work in the United States. If apprehended they face immediate incarceration or deportation, or both. “As a result, they are generally fearful and seek to remain in the shadows of society, thus severely limiting their geographic, social and economic mobility.” “They have no political rights, few legal rights, and little in the way of access to U.S. social services (again, the exceptions are public schooling and emergency health care).” (p471)
Refugees\textsuperscript{1} are a subset of immigrants who are individuals granted entry by the United States government because of a "well-founded fear" of persecution due to political or religious beliefs, or group membership. In recent years there have been few refugees from North, Central or South America, but many from Asia, Eastern Europe and the former Soviet republics and Africa.

Despite the contrasts, the distinction between immigrant and refugee communities becomes blurred because family members of refugees enter the U.S. as immigrants under family reunification programs. In addition, when refugee or immigrant adults have U.S.-born children, they become 'mixed status' families. In fact, it is common for families to include a combination of refugees, immigrants and U.S. citizens.

Other terminology: To further complicate definitions of immigrants, many programs and publications employ terms that have nothing to do with immigration status, or that obscure individuals' statuses. Examples are the designation of African-born children as "African Americans" in school data, classifications of individuals by foreign surnames or primary language spoken in the home, or counts of individuals who self-designate as members of a particular ethnic or national origin group. We are also severely limited by the lack of data on primary versus secondary migrants, i.e. individuals who come directly to a particular state from another country, versus those who settle first in other states.

Even when published data are available on immigrants by country of birth, there may be problems of inaccuracies of official data, as demonstrated by a recent Census Bureau follow-up survey that demonstrated that Minnesota has the largest margin of error in census enumeration of any state.

Another term that is frequently employed in studies of immigration is foreign-born. The US Census uses this category to refer to individuals of any status who were not US citizens at birth.

Finally, it is worth mentioning terminology used to describe Hispanics or Latinos, because they are the both the largest group of immigrants to the United States, as well as the largest ethnic minority group. Most Latinos enter the United States as economic migrants (i.e. people who come to the United States to improve their economic status), with or without legal documentation. A majority are born in the United States, and therefore are citizens (see Figure 1), or have family members who are citizens, but because of the stigma and legal penalties associated with being an 'illegal alien', it is impossible to know with certainty what percentage of Latinos are documented (or 'authorized'). It is also virtually impossible to distinguish documented or undocumented immigrants from Chicanos or other U.S.-born Latinos. For this reason we present data on poverty among immigrants, and also provide data for the broad category of Hispanics/Latinos.

There are two other reasons to include data on Hispanics in a report on immigrants and poverty; first, many Latino families include individuals of mixed status with very high levels of socioeconomic disadvantage—for example, undocumented adults with children who are U.S. citizens, or families in which one spouse is documented and the other is not. Secondly, many

\textsuperscript{1} This section is taken verbatim from a chapter by Fennelly in Gzodziak and Martin, 2005
sources of published data on poverty include important comparisons of Latinos and other ethnic
groups without defining place of birth.

The percentages of Latinos who are foreign-born vary greatly by state (see Figure 1). In the
Northwest Region very low percentages of Latinos in Montana (9%) and North Dakota (7%),
and a slightly higher percentage in South Dakota (25%) were born outside of the United States.
In the other states, however, the percentages are closer to the national average of 40%.

![Figure 1: Percent of Latinos Who Are Foreign-Born, NWAF States, 2000](image)

Asians, like Latinos, can be foreign-born or US-born. We have not focused on US-born Asians
in this report because they are better off than Latinos (and even than US-born whites) on many
measures of social and economic status, and because there are relatively few Asian immigrants
in rural communities in the Northwest area states. Much higher percentages of Asians than
Latinos are foreign born, although they are significantly less likely to be undocumented.

Rural communities Particular attention is focused on immigrants in rural areas. Definitions of
rural communities are addressed elsewhere in this project. Although the formal definitions of
rural and non-metropolitan communities differ, in this section we use them synonymously, as is
the practice in much of the available government and research data sources See
www.ers.usda.gov/briefing/Rurality

Understanding the Issues:

PUBLIC POLICY ISSUE: Increases in Immigrants and Hispanics in Rural Areas

The vast majority of immigrants in the United States—96%—live in metropolitan areas, yet
between 1990 and 2000 the foreign-born population in rural areas increased faster than that in
urban areas, and faster than the growth of native-born rural residents (57% percent, compared to
13 percent; Perry, 2001). The increases are the result of economic growth that has created a high demand for immigrant workers. Faced with the mechanization and consolidation of farms, and the loss of jobs and population, rural communities across the United States have offered tax abatements, environmental easements, and the provision of land and guarantees of nonunion labor as incentives to lure manufacturing plants (Naples, 2000). The success of these efforts is seen in the dramatic increases in foreign-born workers in non-traditional destinations across the country.

As mentioned above, a number of studies of immigration focus on increases in the Hispanic/Latino population although the category may include both US- and foreign-born individuals. Figure 2 shows the concentrations of Latinos in the Northwest states in 2000.

**Figure 2:**

Some of the highest concentrations of Latinos are in rural communities with low wage industries. The non-metro Hispanic population in the United States as a whole is the fastest-growing demographic group in rural and small-town America, largely due to the growth of the meat and poultry processing industries, furniture and textile manufacturing, and service jobs in resort areas (Kandel and Cromartie, 2004). In 2000, the 3.2 million rural Hispanics represented less than six
percent of all non-metro residents in the United States, but they accounted for a quarter of the growth in that population between 1990 and 2000 (Flora, 2005).

The map below (Figure 3) shows Hispanic high growth non-metro counties across the United States (Kandel and Cromartie, 2004)\(^2\). These counties are characterized by low unemployment and economic growth. Kandel and Parrado (2004) calculate that, without Hispanic residents, over 100 non-metro counties would have lost population between 1990 and 2000. Nearly 500 others had increases in the Hispanic population that were not large enough to offset decreases in non-Hispanics. However, the economic growth of these counties does not extend to the workers who drive it. Compared with non-Hispanic whites, Latinos in the high growth areas have lower wages, lower levels of English language proficiency, fewer years of schooling, and are less likely to be naturalized citizens.

![Hispanic Growth - Rural Counties, 2000](image)

**Figure 3**

Within the Northwest region there is a good deal of variability in Hispanic growth rates. During the 1990s it ranged from 49% in Montana to 205% in Minnesota. Minnesota ranked 9\(^{th}\) out of the fifty states on this indicator, and Iowa ranked 11\(^{th}\) (Migration Information Source. (See Figure 4)

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\(^2\) Hispanic population growth of 150% or more between 1990 and 2000, and at least 1,000 Hispanic residents in 2000
PUBLIC POLICY ISSUE: Employment and Poverty

Immigrants in the United States and the Northwest states are disadvantaged on a variety of social indicators (see Table 1)

**Table 1: Comparison of US-born and Foreign-born on Various Social Indicators: Total (metro & non-metro) for United States and Northwest Area States, 2000**

<table>
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<tr>
<th></th>
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<tbody>
<tr>
<td>Percentage participating in the labor force</td>
<td>78.0</td>
<td>70.5</td>
<td>81.0</td>
<td>69.3</td>
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<tr>
<td>Percentage of adults at 150% of official poverty</td>
<td>22.0</td>
<td>29.9</td>
<td>21.8</td>
<td>30.6</td>
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<tr>
<td>Percentage of adults who own their home</td>
<td>72.2</td>
<td>54.5</td>
<td>73.8</td>
<td>52.6</td>
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<tr>
<td>Mean years education</td>
<td>13.1</td>
<td>12.1</td>
<td>13.2</td>
<td>11.9</td>
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</table>

Source: calculated from data presented by Bump et al., 2005
In spite of the obstacles of travel, language and education, immigrants have relatively high labor force participation rates, compared to native-born adults in the United States. Nationally, 71% of immigrants and 78% of natives were employed in 2000; in the Northwest states there was a wider gap (69% and 81% respectively). These differences are skewed by very low employment of foreign-born adults in North Dakota (56%) and by high rates of 83-85% among native-born residents of North Dakota, South Dakota, Iowa and Minnesota.

Immigrants in the Northwest states are also much more likely than natives to have incomes that are 150% of the official poverty level or lower (31% and 22% respectively), and much less likely to own their own homes (53% vs. 74%). There are important differences among the Northwest states in these poverty comparisons (see Figs. 5 and 6). The greatest gaps are in Idaho; large disparities also exist in Minnesota and Oregon. North Dakota is an anomaly, because in 2000 there was a slightly lower rate of relative poverty for natives than for immigrants.

Aggregate measures of poverty also mask dramatic differences among immigrant groups by country or region of origin. On all social indicators Asians do better than Latinos (although there are some sub-groups of Asians who are disadvantaged on particular measures of income or education). In both 1990 and 2000 poverty rates among the children of immigrants were 50 percent higher than among children of natives (Figure 7), with the highest rates for Mexican immigrant children (van Hook, 2003).  

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3 The official poverty rate is published by the U.S. Bureau of the Census; an alternative rate of relative poverty is set at 150% above the official thresholds.
In sum, low skilled immigrants—and particularly Latinos—have high poverty rates in spite of high labor force participation primarily because of their concentration in low wage jobs. This reflects a nationwide trend in which individuals with strong technical skills receive high wages, but those with fewer skills and years of education are relegated to a low-wage, secondary labor market.

PUBLIC POLICY ISSUE: Educational Disparities

Nationally only slightly over half of Latinos (53%) have graduated from high school, compared with over three quarters of non-Hispanic whites. Latinos, in particular, have dramatically lower graduation rates than white, non-Hispanics in the United States. (Manhattan Institute, 2002) In fact, eleven percent of Mexican-origin immigrants have had no formal schooling at all, compared with less than one percent of natives. At the other end of the educational spectrum, immigrants from India, China and the Philippines are *more* likely than US-born adults to have professional or graduate degrees.

One of the most important predictors of future social and economic success for children is the educational attainment of their parents. The children of parents with low levels of education are themselves more likely to be behind in school and to suffer long-term economic disadvantage. The contrasts between immigrant and native children on this measure are striking: in 2000 60% of US-born children had parents who were college graduates, compared to only 5% of immigrant youth (Hernandez, 2004).

Foreign-born Latinos generally have the lowest graduation rates of all, in part because they leave school before entering the United States. However, American-born Latino youth are less likely to complete high school or college than Whites, Asians or African-Americans (Fuligni and Hardway (2004). The socioeconomic consequences of school-leaving can be seen in the fact that only about half of Latino high school dropouts were employed in 2002.
Comparisons of Latino and white high school graduation rates in Northwest Area states are presented in Figure 8. In Montana, South Dakota and Washington graduation rates for Latinos is similar to the graduation rates for whites. In Iowa, Minnesota and Oregon, whites have very high graduation rates, but Latinos (and other minority students) are much less likely to complete high school. In these states, Latino graduation rates were 25-32 points lower than the corresponding rates for white students. Ironically, Minnesota ranked 7th out of the 50 states in graduation rates for white students in 2000, while recording one of the lowest graduation rates in the country for Latinos (53%). These rates are especially low for Latinos in rural communities.

Fuligni and Hardway (2004) have identified several basic characteristics of high schools that promote academic achievement. They include qualified teachers, a positive school climate, and the availability of college preparation and advanced placement courses. In contrast, immigrants and limited English proficiency (LEP) students are more likely to have inexperienced teachers, and to attend large, over-crowded schools in poor neighborhoods. They conclude that “it is difficult to imagine how students from Latino immigrant families and those from African American families can raise their high school completion and college attendance rates without a significant improvement in the quality of the schools that they attend”—at a minimum, enhancing teacher quality, school climate and enrollment in advanced courses. They also identify financial barriers to participation in school enrichment activities and academic prep programs, lack of information about eligibility and rights in terms of access to services, and lack of help negotiating the complex system of college applications and financial aid. If these services are scarce in metropolitan schools, they are virtually non-existent in rural school districts with limited funds and declining enrollments.
School testing programs, such as No Child Left Behind (NCLB), can exacerbate problems of retention for minority and immigrant children if testing is not culturally normed or offered in languages other than English, and if use of the tests discourages low achieving students from staying in school. Test-related dropouts result from student discouragement over repeated failure to pass exams, or to retention at lower grade levels. Tests can also create incentives for schools to push out or fail to enroll students who cannot pass, in order to avoid being penalized in test-based school ratings. Darling-Hammond et al (2005) cite a number of studies that demonstrate that high school graduation exams increase the probability that the lowest achieving students will drop out.

Some states in the Northwest Area region adhere to practices designed to reduce the likelihood that testing programs penalize minority children or their schools. Montana, for example, offers alternative assessments for students with limited English proficiency; Washington State permits portfolios as alternative performance assessments; in Idaho first-year English language learners are exempted from English tests. Acceptance of a variety of measures to assess K-12 student learning yields more complete and culturally sensitive assessments than complete reliance on traditional test scores (Darling-Hammond et al, 2005). This may be one reason both Washington and Montana have high graduation rates for Latino students, similar to their white counterparts.

Low school achievement and high dropout rates among immigrant children and Latinos highlight the urgent need to support education at the pre-school, K-12 and post-secondary levels as a poverty alleviation strategy. As Dreier et al (2001) have emphasized, “we need to spend more on the schools that teach poor students, in order to provide them with a level educational playing field.”

Culturally responsive practices, which include having high expectations and standards for learning, are related to student success. Demmert and Towner (2003) have examined the research base on Native education and found six critical elements of "culturally based education" (CBE) that suggest an impact on academic achievement of Native American students. These elements are equally relevant to immigrant youth. They include recognition and use of native languages; pedagogy using traditional cultural characteristics; teaching strategies and curriculum congruent with traditional culture and traditional ways of knowing; strong Native community participation in education; and knowledge and use of political mores of the community.

The Center for Research on Education, Diversity, and Excellence (CREDE) has also developed standards of pedagogy based on research regarding effective educational programs for diverse students. They include:

1. Teachers and students working together
2. Developing language and literacy skills across the curriculum
3. Connecting lessons to students' lives
4. Engaging students in challenging lessons
5. Emphasizing dialogue over lectures
In a qualitative study documented by Minnesota Public Radio (Baxter, 2004), HACER, the non-profit research group, went to Long Prairie, Minnesota, to find out why a school district with 5% Latino enrollment had not yielded one Hispanic high school graduate. They interviewed students, school personnel, and educational specialists. A Latino professor at the University of Minnesota who was familiar with the community noted that it is difficult for Latino students to become integrated if they spend most of the school day in a separate ESL classroom. He recommended establishing recreational activities to connect youth to the school, and hiring and retaining good ELL (English Language Learner) teachers and counselors to help Hispanic students understand the value of a high school diploma.

However, high school diplomas may not lead to economic success for many Latinos under current state and federal laws because post-high school options are unavailable to Latino students who derive their immigration status solely from parents who are ‘undocumented’. A bill introduced to Congress each of the past several years, called the DREAM Act, would provide a path to legal status for many undocumented immigrants who graduate from high school and who serve in the military or go on to college.¹

Many Latino students who do graduate from high school go on to community college because of the availability of vocational education, lower tuition costs and open enrollment policies. Hispanics are significantly under-represented at four year colleges, but over 55 percent of those attending post secondary schools enroll in community colleges (Saenz, 2002). On the other hand, high dropout rates from community colleges suggest that they are not a panacea.

PUBLIC POLICY ISSUE: English Language Proficiency

Immigrants in rural areas are less proficient in English than their counterparts in urban and suburban parts of the country. Lack of English is a major barrier to social and economic advancement. As stated by the Chicago Council on Foreign Relations (2004), “the single most important skill an immigrant can possess to succeed in the United States is a command of the English language. They urge the government to “make a concerted effort to address the barriers to English language training for adult immigrants, including expanding language training opportunities and access to such opportunities.” In an Urban Institute survey of immigrant families in New York and Los Angeles limited English proficiency was more strongly correlated with poverty and hunger than legal status or length of time in the United States (Golden, 2005).

¹ “To qualify for immigration relief under the DREAM Act, a student must have been brought to the U.S. more than 5 years ago when s/he was 15 years old or younger and must be able to demonstrate good moral character. Under the DREAM Act, once such a student graduates from high school, he or she would be permitted to apply for conditional status, which would authorize up to 6 years of legal residence. During the 6-year period, the student would be required to graduate from a 2-year college, complete at least 2 years towards a 4-year degree, or serve in the U.S. military for at least two years. Permanent residence would be granted at the end of the 6-year period if these requirements have been met and if the student has continued to maintain good moral character. The DREAM Act also eliminates a federal provision that discourages states from providing in-state tuition to their undocumented immigrant student residents, thus restoring full authority to the states to determine state college and university fees.” (nilc.org, 2005)
The high concentration of immigrants with limited English in parts of the Northwest Region is a major problem that needs to be addressed in any successful program of poverty alleviation.

Percentages of Asian and Latino-origin LEP (Limited English Proficiency) students in the Northwest Area states range from a remarkable low of 0.8% in North Dakota (a state with very few immigrants), to a high of 9.4% in Oregon. Reasons for these marked differences are unclear.

The National Research Council has tentatively concluded that bilingual education programs seem to be effective for immigrant students, although they emphasize that programs should be designed to meet the particular needs of students and schools (Fuligni and Hardway, 2004). Naples (2000) spent eight years conducting fieldwork in a rural Iowa town with a large meatpacking plant. She interviewed a high school teacher who described the need for special training for K-12 teachers regarding how to meet the special needs of LEP students:

_We had several Hispanic students coming in who did not speak English. So, it was real frustrating for the teachers because they had not been trained in how to deal with these students, and so we just kind of had to play it by ear, and we did just things that we knew to do with other kids...obviously the families at home don't speak English, so when the kids are here for seven hours a day, that's not really enough...We also discovered that the parents are not well educated, not even in their own language, so many of them can't read or write in Spanish, let alone English. So their language skills are really confused, and uh, I don't know, it's just been really hard as teachers who aren't trained to know what to do._ Cited in Naples (2000).

Lack of English language proficiency is also a barrier for foreign-born adults. Gozdzik and Melia (2005) identified promising practices in the integration of immigrants in communities identified as 'non-traditional' destinations. Chief among the programs cited were a variety of English language and literacy programs for adults, based in public schools, libraries and family centers. Equally important were vocational training, recredentialing and access to higher education.

In spite of the need for English language training for both youths and adults, it is important to remember that the great majority of immigrants in the United States and in the Northwest states speak English well or very well. The percentages range from 67% of the foreign-born in Idaho, to 91 percent in Montana. This may be another reason why Montana has high graduation rates for Latino students, similar to their white counterparts.

**PUBLIC POLICY ISSUES: Health Status and Health Care**

A growing body of literature describes what has come to be known as the 'healthy migrant' phenomenon—the fact that immigrants to the United States and Western Europe countries are often healthier than native-born residents in their new countries of residence. Similar deterioration of wellbeing has been noted in the socioeconomic status of second and third generation Latinos. Landale and Oropesa, (1996) report that, for all groups of Latinos, the percentage of third-generation children in poverty is much higher.
than among non-Latino whites, while among Asians, the socioeconomic status of children generally improves with each succeeding generation in the United States.

Over time, many immigrants lose their initial health advantage for reasons that are not fully understood. (Fennelly, 2005b) Ironically, it is post-immigration experiences that seem to ead to tangible stresses that compromise health and well-being, particularly in the areas of medical insurance, housing and occupations.

Some of the explanation for the increasingly poor developmental outcomes for the children of immigrants as compared to the children of native-born parents is that they are significantly less likely to receive health insurance, public assistance or food stamps (Haskins et al, 2004). It is troubling to recognize that almost a third of uninsured children in the United States are in immigrant families. (Parker and Teitelbaum, 2003)

Inadequate housing is another important determinant of poor health outcomes. In a series of focus groups in rural Minnesota with Latino parents, (HACER, 1995), individuals in all the groups described problems related to their inability to find affordable housing. As a result they were forced to live in overcrowded conditions in substandard buildings.

Finally, many immigrants are concentrated in high risk occupations, with high rates of hazards and likelihood of injury. Loh and Richardson (2004) have shown that, while the share of employment by foreign-born workers increased 22 percent between 1996 and 2000, their share of fatal occupational injuries during this period increased by 43 percent. Rates were particularly high in private construction, retail trade and transportation and public utilities.

The policy implications of the changing health status of immigrants are significant. First it belies the arguments of some anti-immigrant groups that immigrants pose a health threat to Americans. Immigrants are, in fact, healthier than natives when they arrive in the United States. Secondly, the healthy migrant phenomenon illustrates that the most economically sound policies would be to invest in services to maintain the good health of this important and growing segment of the population, rather than to continue to cut benefits and create barriers to preventive care. To do otherwise will prove far more costly in the long run.

PUBLIC POLICY ISSUE: Immigration Policies Create Systemic Barriers to Integration of Immigrants and Latinos

The expansion of the free flow of capital, goods, and services created by NAFTA has not been accompanied by a corresponding easing of restrictions on the flow of labor. Indeed, as noted in a report by the US-Mexico Migration Panel of the Carnegie Endowment for International Peace
(2001), labor movement across American borders is subject to massive enforcement efforts and legal restrictions.

Most Americans do not realize that the phenomenon of ‘illegal immigrants’ is created by an economy that relies upon foreign labor and an immigration system that does not issue visas to low-wage workers. In 2002, the U.S. Bureau of Citizenship and Immigration Services admitted 174,968 employment-based immigrants to the country, but only one percent were for low-skilled workers. Furthermore, the estimated backlog of pending immigrant applications was 6.2 million at the beginning of 2004. The result is that there are an estimated ten million unauthorized workers in the country supporting such industries as agriculture, horticulture, hospitality, construction, healthcare and food processing. Legalizing the status of these workers would bring them into the formal economy, increase tax revenues, and likely improve wages and working conditions for all workers (Waslin, 2004). Proposals to deal with this paradox are mired in political disputes. However, resolution of the problem is essential for the wellbeing of both workers and employers. As Haines (1999) points out that the inability of the United States to address the problem of undocumented workers raises questions about the viability of an economy in which employers in many industries do not provide workers with normal employment contracts or adequate benefits.

Many individuals in the United States argue against providing public and social benefits to undocumented residents. However, attention to their needs is an essential part of the formulation of poverty reduction strategies because of the prevalence of mixed status households. Restriction of benefits not only affects undocumented parents, but also their citizen children. Massey and Bartley (2005), for example, estimated that almost half of settled Mexican households in the United States with legal immigrants also contain someone without documents. It is the children who are American citizens who suffer when their undocumented parents are unable to secure public benefits or educational loans or their undocumented parents are deported.

The combined effects of federal immigration and welfare reforms over the past ten years has been to greatly restrict access to social services, health services, education and training to authorized immigrants as well. Approximately 4.5 million legal immigrants who entered the country after the enactment of welfare reform in 1996 have been barred from receipt of federal ‘means-tested benefits’ until they become citizens. As a result, wages and working conditions for immigrants have declined at the same time that access to a social safety net was removed (Nightengale and Smith, 2005).

One criticism that is sometimes leveled at immigrants is that they make relocation choices to take advantage of public assistance benefits. Kaushal (2005) studied this and found that immigrants location choices were unaffected by whether or not a state offered generous benefit programs. He notes that “states should not erroneously believe that they can export their immigrant problem by denying welfare benefits.” Typically, immigrants choose a state or region because of the availability of jobs, or to be near extended family.

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5 Although the focus here is on the low wage labor force, it is worth noting that there are also important shortages of visas for high skilled workers.
PUBLIC POLICY ISSUE: Racism and Xenophobia

Punitive legislation at state and federal levels that bars immigrants from education, social and health benefits is the result of public fear over the impacts of immigration. The perception that ‘immigrants cost more than they contribute’ is a major determinant of support for restrictive immigration policies (Fennelly and Federico, 2005). In spite of strong research evidence of the economic and social benefits of immigration, and its increasing importance for an aging society, close to a majority of Americans believe that immigration should be decreased (see Figure ___ and Table ___). These sentiments have been exacerbated by the terrorist attacks of September 11, 2001, and they are actively promoted by organized and well-funded anti-immigrant groups, political caucuses, and some sources in the national media.

Overt discrimination against immigrants is a fact of life in many rural communities. Naples (2000) describes what she calls “sites of contestation” that emerge as a result of the rapid increases in immigrant and minority populations in formerly white rural communities. These include “the economic development corporation the police, state licensing agencies, the schools, and health and social services, as well as employment practices, housing provision, gender relations and language” (p16). Other researchers have described meat packing towns in which foreign-born workers who do not speak English are far down on the social hierarchy (Fennelly and Leitner, 2002; Amato, 1996; Benson, 1999).

In the HACER (1995) focus groups with rural Latino parents to which we referred to earlier, parents in every group reported daily incidents of discrimination, and described the need for bilingual advocates to help with their contact with police and the schools to address injustices encountered at the workplace.
Table 2: American Attitudes Toward Immigrants
NPR/Kaiser/Kennedy School Poll, 2004

<table>
<thead>
<tr>
<th>Survey Item</th>
<th>Urban</th>
<th>Suburb</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are too many immigrants in the US today**</td>
<td>51%</td>
<td>54%</td>
<td>62%</td>
</tr>
<tr>
<td>Immigrants do not pay their fair share of taxes***</td>
<td>60%</td>
<td>66%</td>
<td>71%</td>
</tr>
<tr>
<td>Immigrants are a burden on our country***</td>
<td>45%</td>
<td>46%</td>
<td>66%</td>
</tr>
<tr>
<td>The federal gov't is not tough enough on immigration***</td>
<td>58%</td>
<td>65%</td>
<td>73%</td>
</tr>
</tbody>
</table>

The perception that immigrants cost more than they contribute is not based on fact. As Passel and Clark (1998) have pointed out, “most research and public discussions have tended to focus on the costs of immigrants and their implications, with considerably less attention to the fiscal contributions of immigrants.” They note that, because it is easier to estimate the cost of use of services than tax payments, few analysts take into account the fact that immigrants pay billions of dollars in federal and state income and sales taxes, Social Security taxes, residential property taxes and unemployment insurance payments. Furthermore, few studies distinguish between short- and long-term costs and contributions of immigrants and their descendants.

Peterman and Nyden (2001) examined fourteen stable, racially and ethnically diverse communities in nine US cities and drew conclusions that are applicable to rapidly diversifying rural areas as well—particularly observations of unplanned demographic change in what the authors call “diverse-by-circumstance communities”. They suggest that stable communities are ones that forge connections linking different groups, and that have community organizations committed to preserving diversity, and public discussion of community values, as well as certain physical characteristics that continue to attract new residents.

The national funders group, Grantmakers Concerned with Immigrants and Refugees (GCIR, 2002) identifies among its top recommendations for funders, research on the economic incorporation of immigrants, and public education and media campaigns to increase understanding of immigrants, particularly their contributions to the economy.

**PUBLIC POLICY ISSUE: Worker Rights**

The social and economic disadvantage of immigrants in many rural communities is indicative of a larger shift from stable to contingent work. Winson & Leach (2004) describe the entrenchment of inequality in rural communities and the ways in which increasing ‘corporate flexibility’ has become a euphemism for curtailing worker rights. This trend, combined with lack of statutory, political or social support for protection of immigrant workers and their families leaves them subject to serious exploitation. The result is a lack of wage, safety or benefit protections. These
conditions led the Immigrant Task Force of the Chicago Council on Foreign Relations (2004) to conclude that "supporting efforts to organize low wage workers is perhaps the highest priority strategy to reduce poverty among immigrants in rural areas." It urges federal and state governments to vigorously enforce workplace protection and labor laws equally for native- and foreign-born employees. Similarly, Grantmakers Concerned with Immigrants and Refugees, the has called for "multiracial, multiethnic coalition building and campaigning at the local, state and national levels, among diverse immigrant groups and between immigrants and native-born communities on issues of common concern, such as enforcement of worker protection laws and improvements in public education."

**PROMISING AREAS FOR FUTURE RESEARCH**

Virtually all of the published research on poverty among foreign-born residents of the United States focuses on urban areas, where the majority of immigrants reside (Slack and Jensen, 2002). However, a number of important research questions pertinent to the design of strategies for alleviating rural poverty rural are suggested by the data in this report.

- What accounts for the high immigrant labor force participation rate in Iowa and South Dakota, and the dramatic disparity between native and immigrant employment rates in North Dakota?
- How has North Dakota achieved a lower poverty rate for immigrants than for natives, when all other states in the region have lower rates for US-born adults? What accounts for the dramatic disparities in poverty rates between immigrants and natives in Idaho and Minnesota?
- How has Montana achieved a Latino graduation rate of 82%—only two points lower than the rate for non-Hispanic whites? In contrast, what accounts for the disturbingly low Latino graduation rate in Oregon? (43%). Why does Minnesota have one of the highest graduation rates in the nation for white students (85%), and one of the lowest for Latino youth (53%)?
- What is to be learned from the 'healthy migrant' effect—the fact that first generation immigrants are healthier than non-immigrants on a wide variety of indicators, but that their health deteriorates with each year of residency in the United States?
- What are the protective factors that seem to help second and third generation Asian youth succeed, when the percentage of Latino children in poverty increases with each successive generation in the United States?
- What are the characteristics of rural communities with successful integration programs? How can these programs be replicated across the region?
- What are the important ingredients for increasing electoral participation and success on the part of naturalized citizens and the US-born children of immigrants?
- What are the characteristics of American residents who see the value of a healthy, multicultural society? Which of these characteristics is amenable to programmatic intervention and replication?
CONCLUSIONS AND RECOMMENDATIONS

Rural population loss is a sign of economic decline (McGranahan and Beale, 2002), yet few research reports describe the economic gains represented by the influx of foreign-born residents to rural areas. These include labor force growth, the rejuvenation of local economies, strengthened tax bases and the reversal of declining population and school enrollments—and with that, increases in per pupil funding. Kandel and Parrado (2004) estimate that more than 100 non-metro counties would have lost population without the influx of Hispanic residents, and Fennelly (2005) plotted rural school enrollments in Minnesota communities with meat packing plants and high concentrations of immigrant workers to demonstrate that minority children accounted for all of the growth (or reversal of declines) in the schools 1991-2002.

Immigrants in the United States accounted for almost half of the net growth in the American labor force between 1990 and 2000, and the fastest rates of increase have been among Latino workers moving to rural communities. Nevertheless, contributions to the economy and high labor force participation rates have not translated into economic opportunity for many of these foreign-born workers at either national or local levels. Instead, high concentrations of immigrants in small towns and high rates of poverty among first and subsequent generations of Latinos have led to onerous demands on local services and schools. Local citizens’ groups need help from national and regional organizations in putting pressure on multi-national companies to take greater responsibility for the welfare of immigrant workers and their families, and on state and federal governments for a more equitable devolution of related tax revenues.

In addition to education about the fiscal benefits of immigration, there is a need for public information campaigns to discredit myths about the ‘instant success’ of European immigrants from the turn of the previous century and to help the public understand that contemporary immigrants face additional barriers for upward socioeconomic mobility (Gerstle and Mollenkopf (2001). These include greater educational disparities with native residents, weakened labor unions, and the bifurcation of jobs into those available to high skilled workers (such as South Asian immigrants in the high tech industries) and those available to workers with low levels of education or training. The latter often provide few prospects for advancement, and relegate immigrants and rural Latinos to low wage work in food processing and manufacturing, leading to employment gains without wage increases. As a result, in the late 1990s, a robust economy produced strong employment among Hispanic men, but their median wages rose 50% more slowly than those of native men (Rochhar, 2005).

On the other hand, upward mobility takes time, and expectations of short-term success may be unreasonable. Gerstle and Mollenkopf (2001) note that “not until the 1940s and 1950s, sixty to seventy years after the new immigrants began arriving, could their descendants point with some assurance to their groups’ economic and social progress.” (p.7) However, the prospects for similar long-term social and economic advancement of contemporary immigrants may be constrained by economic restrictions on job mobility faced by low wage workers (Shipler, 2004) and by discrimination facing persons of color.

Voluntary, cooperative efforts to help alleviate poverty among rural immigrants and US-born Latinos are important, but insufficient. Several of the problems described here require state and
federal solutions. In a discussion of urban poverty, Dreier et al (2001) cites the positive economic impact of federal programs for rural electrification and creation of the national park system and advocate for the allocation of federal resources in ways that provide more help to less well-off regions. He notes that the disparities between metropolitan and non-metropolitan regions do not stem entirely from natural advantages. "Acting alone, towns and their regions can make only limited progress on reducing and deconcentrating poverty. In the long run, only the nation as a whole can limit, and ultimately reverse, the factors that created the current situation." This is particularly true of the need to extend legal status to undocumented workers, to insure worker protection, and to reverse the federal limits to social supports and benefits for legal immigrants.

Although this report presents some stark challenges, there are a few positive signs regarding prospects for poverty amelioration among immigrants and Latinos. First, legislative changes that provided child health insurance to some immigrant children (SCHIP) have led to a decline in the percentage of uninsured children of immigrants from 23% to 18% in the three years between 1999 and 2002 (Parker and Teitelbaum, 2003). There were also substantial declines in Latino child poverty rates between 1990 and 2000, as well as declines in the percentages of Latino children living in deep poverty.

A Pew Hispanic Center analysis of data from the Bureau of Labor Statistics in May of 2005 found a rapid decline in the Hispanic unemployment rate over the previous 18 months. Yet real weekly earnings for Hispanics declined by two percent in 2003 and almost three percent in 2004. However, the vast majority of new jobs were in low-skill occupations, and Latino wages fell for the second year in a row (Kochhar, 2005). These trends underscore recommendations made in this report regarding the importance of reinstatement of benefits and social safety nets for immigrant and Latino workers and their families, and attention to workers' rights and wages overall. On the other hand, these gains occurred during periods of economic prosperity, and future downturns are likely to foster more restrictive policies (Wells, 2004). Continued gains (and reversal of negative trends) will require reinstatement of the 'safety nets' of eligibility for social benefits for non-citizens that were removed under state and federal welfare reform, and support for major school and workplace education reforms. They will also require attention to workers' rights. Supporting efforts to organize low wage workers is one of the highest priority strategies to reduce poverty among immigrants in rural areas.

A concerted strategy to strengthen rural schools and to improve Latino graduation rates is an essential ingredient of any effective poverty alleviation program. Foundation funds should be dedicated to studying the successes in some communities in the region, and to sponsoring broad-based community-school-business partnerships to strengthen schools. These same partnerships can be harnessed to advocate for additional state funding for schools that serve high percentages of minority youth.

The lack of English language proficiency is another major barrier to the advancement of immigrants and Latinos in the Northwest Region. There is a need for trained interpreters and

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6 compared to modest wage increases in 2003 among non-Hispanic White and Black workers, and 1 percent decreases in 2004; wages for Asians increased in each of the two years.
community advocates, bilingual education programs in the schools, and language accessible welfare-to-work and job training programs.

The successful implementation of some of the broad policy recommendations included in this report will require an increase in the political capital of immigrants and their US-born children. Suro, (2005) notes that Hispanics accounted for half of the population growth in the United States between the elections of 2000 and 2004, but only one-tenth of the increase in the total votes cast. Many Latinos are ineligible to vote because they are too young or because they are undocumented. With the coming of age of these young people, continued rapid growth in the Latino population in the United States, and the possibility of legislation to legalize some undocumented workers, the political clout of Latinos should increase substantially. Their political capital is likely to be the impetus behind contemporary Republican and Democratic Party proposals for immigration reform, and recent attempts by some labor unions to reverse years of policies that excluded and ignored immigrant workers.

Nevertheless, there are equally strong attempts to vilify all immigrants in general, and ‘illegal immigrants’ in particular. The virulently anti-immigrant coalition formed by Rep. Tom Tancredo of Colorado has gained a great deal of national attention and support from social conservatives and moderates alike in Congress. These efforts are abetted by so-called ‘research tanks’ like the Center for Immigration Studies, by widespread local and national lobbying from FAIR (Forum for American Immigration Reform) and spin-off organizations, and by recurrent broadcasting of anti-immigrant programming by national media (such as Fox News and CNN). To counteract these well-funded, ideologically-driven programs will require major, coordinated initiatives to demonstrate to the American public that promoting policies that insure the success of immigrants and their children is not only socially responsible—it is in the national interest.

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National Immigrant Law Center, "DREAM Act: Basic Information"


APPENDIX D
Community Capitals & Alleviating Rural Poverty

By Cornelia Butler Flora

Rural poverty is complex in the region of the Northwest Area Foundation. Exclusion from all the capitals (natural, cultural, human, social, political, financial and built) can be part of poverty, and poverty can be manifest at the individual level in all the capitals. However, exclusion from one capital may not mean exclusion from all. In conversations with Native Americans in the region, we often begin our conversations of poverty with them cautioning me to not mistake lack of financial capital for true poverty. They stress the importance of spirituality, which we put as part of cultural capital, as the real measure of wealth.

Community capitals also form the base for poverty reduction. In this paper, I address poverty as a community issue, and seek place based, rather than solely individual solutions. Placed-based solutions to poverty involve turning individual situations of exclusion into community-based mechanisms for inclusion. (See Diagram 1)
Community solutions are all amenable to policy interventions, as well as shifts in capital allocation by market and civil society actors. Policies to reduce poverty can influence access to or control of any of the capitals. The World Bank definition of reducing poverty includes expanding opportunity, empowerment, and security (World Bank, 2001). These concepts help broaden our conception of poverty and understand better how a capitals framework helps discover the kind of policies that can lead to poverty reduction, not just poverty alleviation. Figure 1 represents these interactions among capitals to increase local wealth and equity. Of course, just as each type of capital can serve as an entryway to decrease poverty, each can be concentrated in just a few hands and thus increase poverty. As with the World Bank conceptualization, to be successful requires that state, market and civil society institutions are all engaged.

Figure 2: Community Capitals and Poverty Reduction
Rural Poverty and the Capitals

Capital is formed as resources are used to create new resources. Rural communities must turn resources into different forms of capitals, first by identifying them and then by investing in them. Flora, et al. (2004) identify seven forms of capital that communities must identify and transform for sustainable development: natural, cultural, human, social, political, financial, and built. Figure 2 shows these capitals and how they overlap. Natural, cultural and human capitals can be seen as the basic resources that can be transformed into social, political and financial and built capitals. Lack of investment in the first three can retard formation of the last four.

Privileging any single capital over the others can result in their degradation and decreased general well being. Thus poverty reduction cannot be focused solely on increasing GDP (financial capital) but must pay attention to the other capitals as well. “It is difficult, if not impossible, to reach the ‘promised land’ of mutual reinforcement between growth and human development from an asymmetric position favoring growth as a temporal priority” (Ranis 2005: 129).

Natural Capital

Natural capital includes the environment — altitude, longitude, climate, slope and other geographic configurations that cannot be changed, although humans build structures and move earth in attempts to overcome them. Such examples of built capital changing natural capital include the creation of dams for lakes for recreation and irrigation, irrigation systems to overcome arid conditions, and putting in terraces to turn pasture into row crops. All these attempts to alter natural resources is aimed at using built capital to transform natural capital into financial capital. Yet these very schemes can heighten inequality.

Unpublished research by sociologists Gary Green and Richard Goe suggest that areas with high levels of natural amenities, such as rivers, lakes, and mountains, have grown rapidly in the last decade, but have also experienced increased inequality and increased poverty, as the kind of jobs generated by tourism are often low wage seasonal
jobs with low benefits. Yet regional economists argue that workers will accept a lower wage in order to be around natural amenities.

Natural resources – water (ground or surface) and its quantity and quality, soils, and biodiversity (plants and animals) can be altered by human action, generally negatively. Together, the environment and natural resources make up the base around which humans live. For rural communities, natural capital includes distance from population centers. Poverty may be particularly acute in rural areas where land, water, or minerals are the property of a few social actors. Lack of access to natural capital can retard or stop the growth of other capitals. And when natural resources are not reinvested in, but depleted, poverty becomes more difficult to overcome. Thus policies that prevent the concentration or degradation of natural capital have an impact on poverty reduction.

Access to natural capital in the form of green space and soil for gardening is often difficult for excluded groups. That lack of access to natural capital impacts human capital in terms of both physical and behavioral health. Local policies that encourage community gardens and parks and waterways accessible to all are important considerations in terms of holistic poverty reduction.

Cultural Capital

Cultural capital is a human construction that often arises from responses to natural capital. Generally, it is created over generations and includes ways of knowing (what is accepted as evidence), language, ways of acting, and defining what is problematic. In Latin America, indigenous people refer to this as cosmovisión. Cultural capital determines how we see the world, what we take for granted (poverty really only exists in urban areas – in rural areas we are all just folks – except for people on the margins, who really don’t belong here), what we value (low taxes and fees), and what things we think possible to change (all the retired people in the community would never pass a school bond). Hegemony allows one group to impose its cultural values and reward system on others.
Very often the cultural capital of poor people – is devalued by people with power within the community. Ancestral languages are repressed. Traditional foods are denigrated. And middle class individuals who have been socialized for entitlement through concerted cultivation have very different expectations for children and society than do poor and working class individuals who have been socialized for constraint through a process of the accomplishment of natural growth (Lareau 2002: 753). Understanding the different cultural capitals that are a product of class are critical in reducing poverty and exclusion. For very good reasons, excluded people do not trust authority, from the police to social workers to doctors to teachers. They have experienced strong disapproval – and the threat of having things taken away, from food stamps to their children if they are viewed as bad parents for some arbitrary reason. Thus policies to reduce poverty must often start with giving excluded people a platform where they can feel comfortable negotiating with people in authority, beyond the obvious and ineffective ways of not saying anything, begging, or threatening.

**Human Capital**

Human capital is the native intelligence, skills, abilities, education, self-esteem and health of individuals within a community. Many assume that small communities lack human capital. But this is more a result of population size than native intelligence or lack of specific skills. Because of a small number of people, there is not the diversity of skills, education, and training that exists in larger places. Public officials and citizens must take on as volunteers (or volunteered) multiple responsibilities that are carried out by complete departments in cities. When they struggle to fulfill these responsibilities, outsiders often attribute those struggles to lack of native intelligence, rather than task overload.

A number of issues related to poverty are human capital based, including low levels of education, chronic health conditions, poor nutrition, and low self-esteem. Policies that provide health care and access to food that are not directly income tested are more likely to succeed in rural areas. For example, some school districts serve breakfast
and lunch to all students in order to avoid labeling students from low income families. Community gardens can be open to everyone, but with locations next to mobile home parks and other areas of concentration of low-income populations. Access to exercise facilities can be similarly inclusive, with special efforts to include the poor, who are more likely to suffer from diabetes and other health conditions related to obesity. Support of EFNEP programs which involve low-income mothers as teachers as well as learners can increase self-esteem at the same time health status is improved. And regular community dinners where all are welcome provide non-stigmatized opportunities to provide food for those in need. These non-stigmatizing opportunities are particularly important in rural areas in the region of the Northwest Area Foundation, where cultural capital reinforces not taking “hand-outs”.

**Social Capital**

Social capital is a community characteristic based on the interactions among individuals and groups. It includes mutual trust, reciprocity, collective identity, working together and a sense of a shared future. Bonding social capital consists of interactions within specific groups, and bridging social capital consists of interactions among social groups.

Often rural communities have very strong bonding social capital that makes them suspicious of outsiders there to “help” them. However, strong bonding social capital does not mean that everyone in town gets along. When there is strong bonding social capital, there are often strong divisions and cliques within communities that keep the community from effectively organizing in their own behalf. Research by Hernandez (2003) and others suggests that bridging social capital must be present to overcome local “boss politics,” where one individual controls access to the outside and hands out favors to those who serve his (or very occasionally, her) interests. When only bridging social capital exists, the community does not work together. While there are many connections to the outside, the efforts of community residents and groups go toward outside interests and causes. Outside programs or agencies determine what is done locally, so there are
often diverse projects that are not integrated and sometimes contradict each other. For example, an economic development director from the county attempts to bring in a big box store that provides part time, low wage jobs with limited or no benefits. This is often done without consulting the people such economic development is supposed to help. Unpublished research by economist Scott Loveridge in Michigan found that poor people are willing to wait longer than middle class people in order to be sure that economic development activities produce living wage jobs.

**Dimensions of Social Capital: Implications for Community Development**

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<tr>
<th>Bridging</th>
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<th>Progressive Participation</th>
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<td><strong>Clientalism</strong></td>
<td>Community change driven by goals of outsiders</td>
<td><strong>Progressive Participation</strong></td>
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<td><strong>Bonding</strong></td>
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<td><strong>Extreme individualism</strong></td>
<td>Rich solve problems through financial capital</td>
<td><strong>Strong Boundaries</strong></td>
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<td>Poor have few options</td>
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- Diagram 3

There are different ways that the two types of social capital can be balanced—or out of balance—in rural communities (Figure 3). Exclusion can be present in all of these configurations. Conditions are best when both bonding and bridging social capital are moderately high. Citizens have a collective vision of the future of the community and can mobilize resources both internally and externally to move toward that future. But in this case it is important that the definition of the community is broadly drawn, including
migrants (both national and international) and the poor. These folks are often excluded even in progressive communities. The leaders explain, “We asked them, but they never come to our lunch meetings,” not realizing that people with low incomes do not have the flexible work schedules that middle class professional and entrepreneurs have.

When both bridging and bonding social capital are low, communities are highly disorganized and mechanisms of social support are practically non-existent. These rural places often have high crime rates, and are places where there is a high rate of participation in activities detrimental to human capital – such as the use of methamphetamines and alcohol. There is no collective decision making that is cumulative, and governing bodies change often and undo the work of the previous administration. These communities are more likely to choose low taxes over collective benefits.

When bonding social capital is high and bridging social capital is low, the community rejects actions and ideas from “outsiders” – which can include anyone whose great grandfather is not buried there. There is often factionalism within the community. In these cases, overt concern for poverty is received as a direct criticism. These communities are unlikely to put in targeted projects for poverty reduction and relatively unlikely to institute more comprehensive programs if they are seen in any way to benefit “the other side”.

When bridging social capital is high and bonding social capital is low, the community changes in response to outside initiatives, without the local ownership necessary for maintenance or effective utilization of built capital provided, often through pork barrel politics, as someone in the town is a good friend of a Congressional staffer who will help the community get around the “bureaucratic” rules that demand demonstration of community capacity or attention to excluded people before awarding grants or loans.

No community fits entirely within any one quadrant. In working with communities, we have found it helpful to have them recall community actions when both bridging and bonding social capital were high, to find out what contributed to the
felicitous state of affairs, and use those assets to move new programs, including poverty reduction, forward. This often involves outside facilitators, either from government entities or NGOs. A major policy effort to reduce poverty would include facilitation to identify the assets in the community or cluster of communities that could be used to provide community solutions to individual situations of poverty and exclusion.

**Political Capital**

Political capital is the ability of a community -- and of excluded people within a community -- to influence the distribution of local resources and to determine which local resources are on the table. Political capital includes voice, organization, connections and power. In rural communities, there is a tendency to rely on political connections -- the representative or senator or legislator -- to mobilize resources, rather than building the ability of the community to plan and to follow the rules and regulations that determine rational governmental resource distribution. There is evidence that such “pork” is increasing, ultimately defeating the democratic processes that can determine universalistic decisions about the distribution of public resources. Such political favors destroy any general society goal of equity of access within the community.

Policies should provide opportunities for excluded people are organized and work together and to help excluded people know and feel comfortable around powerful people. This support can come from the state (cooperative extension) or civil society, including churches and NGOs. There needs to be financial support for such activities. Only through mindful inclusion will the issues of excluded people be part of the political agenda.

Political capital among excluded groups is generally built around working collectively to address situations that limit opportunities. An example from a Minnesota community (a pseudonym is used, as this is taken from our workbook for measuring community health capitals that we put together for The California Endowment.)

During the tomato harvest, all the Mexican families in Litchfield were in the field from sun-up to sun-down. It was dirty, sweaty work, and even children
participated to increase the family earnings. But the day did not finish when the field work was done. Clothes had to be washed, and the mobile home park where most of the families lived did not have a washer and drier. So several times a week, the families gathered up their dirty clothes and went to the Laundromat on Main Street. Children came as well, as their parents did not want to leave the young ones at home, where they had been with their older siblings all day long. Families that spend time together are healthier than those that do not.

Soon after the harvest began, the country sheriff came by to tell them that the children had to be home by 9 pm. Of course, they weren't even able to get to the Laundromat before 9:30 pm. They were outraged, but did not know what to do.

One of the women, Elena, had become friends through her English classes with the City Clerk, Anne, who spoke Spanish. Elena told Anne of her problem – either clean clothes or time with the children. The city clerk suggested that they petition the City Council to get the curfew changed. Elena felt that would be hopeless, as none of them spoke English well, much less felt comfortable writing in it. But Anne said if each family would just write about their issue, she would get students from the local high school Spanish class to help translate. Twenty people wrote letters, which were translated into English and submitted, through the City Clerk, to the Council.

Such a change in the City Ordinances required that it be presented and passed at three meetings, so that the public could comment. At the first meeting, the twenty families – children and all – appeared and listened attentively, answering questions through Anne's translation. Their desire to change the curfew seemed very sensible to the Council, and they voted to do so.
At the next meeting, the families were not alone. The local bar owners, who had insisted on the curfew after a patron exiting the bar struck a child with his car, insisted that it was necessary for the protection of young people. The sheriff, who preferred arresting small children than drunken adults, supported retaining the curfew. It lost in the second reading.

At that point, Elena and Anne began talking to other groups in town, starting with the Spanish class and the women’s group at the Church. Concerned about the implications of the curfew for the health of the farm worker families, and listening to the various families tell their stories, the motion to do away with the curfew came up again at the City Council. With a large number of allies mobilized to support the farm worker families, the curfew was at last changed.

This example of building political capital is related to poverty reduction, understanding the issues of opportunity, security, and empowerment.

**Financial Capital**

Financial capital includes debt capital (such as a bond issue or a low interest loan from a governmental entity), investment capital (as when an industry that wishes to expand pays a portion of the sewer system expansion in order to make that expansion possible), savings (when the water rates include enough to put into a fund for repair and replacement), tax revenue (which can support water and sewer systems or repay a bond), tax abatements, (which are often given to new industries who make heavy demands on local utilities), and grants. Grants are community’s favorite source of funding and contribute to the cargo cult mentality that someone will build a road or a foundation will provide the money for the hospital. And when a grant application is made and turned down, a sense of victimization is reinforced.

Eligibility for block grants should involve a commitment to poverty reduction. Yet poverty in the NWAF region is so spread out, that the new program proposed by the
Bush administration The Administration’s FY 06 budget proposed approximately $2 billion of cuts to rural community development programs resulting from a proposed consolidation of USDA rural business development programs with the HUD CDBG program under a Department of Commerce managed block grant program. Initial proposals suggest that this new block grant program be job creation focused. Using proposed criteria, Midwest counties may have limited access to this program according to research by Nebraska’s Center for Rural Affairs. Research by RUPRI found only 35 rural places eligible in the entire U.S. This would further decrease rural access to potential poverty reduction dollars. Further, the emphasis on job creation may further exclude the rural poor in the region by not giving equal attention to working conditions, wages and benefits.

Inequality is often related to poverty in the area of the Northwest Area Foundation. Figure 4 shows inequality and low wage employment in the North Central region of the U.S., which includes four of the NWAF states.

![Figure 4. Percent working poor and GINI index](image)

The Gini index ranges from 0 (perfect equality in asset distribution) to 1 (total inequality, with one individual or firm holding all the resources. High inequality is
always associated with high rates of working poverty, suggesting that there is a need to have policies in place where the wealthiest individuals and firms invest in increasing opportunities for good jobs. Such investments would include technology, which increases labor productivity, allowing for better wages and training workers, which also increases labor productivity.

On-going research by NC-1100 (a research committee of the Agricultural Experiment Stations in the North Central region) suggests that increase in agricultural production is related to increases in a variety of measures of poverty. In our multiple regression equations, percent of the county income from agriculture highly predicts the presence of working poor. Further, as more and more landowners leave rural areas, the notion that farm subsidies are rural development becomes even less believable. An important policy issue to address is how to reconcile the dependence of the agricultural sector on farm payments with the need of outside financial capital to support a variety of programs aimed at community capitals enhancement.

Another way of decreasing poverty is to enhance entrepreneurship. A national effort, The Rural Entrepreneurship Coalition is organizing to provide support to rural communities promoting entrepreneurship. In the NWAF area, the Western Rural Development Center and the North Central Regional Center for Rural Development are holding listening sessions to learn the best ways to build on the strengths of the region to increase enterprise formation. However, the degree to which entrepreneurship contributes to poverty reduction is an empirical question requiring serious study.

For the rural poor, access to credit is critical in gaining access to the build capital they need to be productive workers. Many are not qualifiable under current banking practices, leaving them at the mercy of predatory lenders to acquire such critical capital investments as a vehicle to get to work and to social services. And the newly passed bankruptcy law will make it even more difficult by further decreasing the security of rural low-income people. For the rural poor, the most common form of unrepayable debt comes from medical emergencies. Thus policies that increase access to affordable
medical care can keep a credit rating clean. And communities that have programs to help write off debt can benefit from the stable labor force homeowners provide.

**Built Capital**

Built capital is human-constructed physical infrastructure used as tools for production of other capitals. It includes buildings, vehicles, roads, electronic communications systems, and sewer and water systems. When communities are not mindful of inequalities, built capital can continue to privilege the fortunate within the community and exclude those already marginalized in terms of where the sewer is laid or the road is paved or the bus passes. Built capital enhances other community capitals because it serves multiple users, it can be locally maintained and improved, it links local people together equitably, and it links local people, institutions and businesses to the outside.

For excluded people, access to built capital is critical to get to opportunities. For example, lack of reliable transportation is a major problem for the rural poor. Policies that provide access to either public or private transportation are needed. Such policies could be relatively in expensive, such as underwriting liability insurance for part time rural van and taxi drivers.

Affordable housing is a huge issue for the rural poor, where being homeless means moving from friend to relative to crummy rental unit to one’s car and back again. On the one hand, guaranteeing loans for the construction of low cost housing, including allowing such underwriting for manufactured housing, could increase the rural housing stock available for the poor.

**Conclusions**

The capitals framework provides a way of addressing poverty reduction in a place through community-based solutions for individuals that lack access to any of the capitals. For example, very often a lack of social capital can keep an individual from getting a good job, which would provide the financial capital to buy built capital that contributes to
the local tax base. Ignoring cultural capital can result in ineffective, paternalistic poverty reduction programs that do not build on the cultural capitals of excluded people and instead try to displace that cultural capital, decreasing self-esteem (human capital) and further alienating those individuals (social capital).

References:


Capital

Human capital is human constructed physical infrastructure used as tools for production of other capitals. In includes buildings, vehicles, roads, electronic communications systems, and water systems. When communities are not provided with these capital tools, opportunities for development and growth are limited. Without water and adequate transportation, local economic development is often slowed or halted. The provision of these essential services is critical for rural communities to thrive and attract new residents.

Affordable housing is a huge issue for the rural poor, where being homeless means losing one's sense of belonging to a community. One's living conditions are often tied to one's day-to-day well-being. On the one hand, creating incentives for the construction of low-cost housing, including allowing each unit to earn capital, would increase the rural housing stock available for the poor.

Social Capital

The social framework provides a way of addressing poverty reduction in a place through economic social solutions for those that lack access to any of the supports. For example, very often a lack of social capital can keep an individual from getting a good job, which would provide the financial capital to buy some capital that can be used.

A paper submitted as a supplement to the Humphrey Institute’s report to the Northwest Area Foundation

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Fond du Lac Tribal and Community College, located in Cloquet, Minnesota, is the United States first partnership between a tribally-controlled community college and a state government and the only one of thirty-five tribal colleges that is partially funded by the state. (Campbell, 2002). The unique partnership between the Fond du Lac Band of Lake Superior Chippewa and the State of Minnesota provides the foundation for an educational experience with an emphasis on the Anishinabe culture and American Indian population of Minnesota, while serving all students.

Fond du Lac Tribal and Community College was established in 1987, eight years after the Fond du Lac Reservation Business Committee first voiced the need for a community college as part of a comprehensive educational plan for the reservation. In 1994, the federal Bureau of Indian Affairs reconfirmed Fond du Lac Tribal and Community College as a tribal college under the Tribal Community College Act. Congress passed legislation giving Fond du Lac Tribal and Community College status as a Land Grant Institution, and the Minnesota Legislature approved Fond du Lac Tribal and Community College as a full college by state standards with co-governance language between the state and the Fond du Lac Band of Lake Superior Chippewa. The Minnesota Higher Education Board confirmed Fond du Lac Tribal and Community College as a full community college, according to state system standards for funding. (Fond du Lac Tribal and Community College, 2005).

A satellite uplink was added in 1996, enabling the college to send and receive additional course offerings via a distance learning network. Fond du Lac has been offering courses online only fairly recently. Most of the courses offered are hybrid courses, courses that combine traditional classroom instruction with online learning. The College’s mission states that it is to “respectfully promote the language, culture and history of the Anishinaabeg.” For Fond du Lac, however, the impetus was the administration and the faculty. One administrator described how their online distance education initiatives began: The administration at the Fond du Lac Tribal and Community college has understood the importance of participating in a leadership role in developing Online Distant Education and have encouraged faculty to develop offerings. Faculty has collaborated in the adoption process by choosing a class management system to support online offerings (Holdsworth and Dahlquist, 2004).

In June of 1998, the United States Department of Agriculture-Natural Resources Conservation Service partnered with the college to establish on campus a national Center of Excellence emphasizing soil science map compilation. As a component of the “Fond du Lac Wild Rice Restoration Project,” this study determined how the wild rice ecosystem responds to lake restoration activities including water level and mechanical vegetation control and conversion. It focused on the collection of field data from five treated lakes. In partnership with the University of Minnesota, data was collected on lake water quality and sediment chemistry, geographic information using the Geographic Information Systems, geographic positioning using the Geographic Positioning Systems (GPS), rice productivity, parameters within various plant communities in each lake, and spatial relationships among plant communities. The study was designed to show how the
data can be used to manage and improve wild rice lake restoration in the region. (Aquatic and Wetland Ecosystem Study of a Restored Wild Rice Lake System, 2001)

Fond du Lac Tribal and Community College, along with the University of Minnesota Extension Service, developed and distributed an environmental analysis of the physical and biotic quality of a major river ecosystem and monitoring the quality of ground and surface waters, in order to promote the sustainable use of water resources on the reservation. (Tribal College Research and Database Initiative, 2000).

Fond du Lac Tribal and Community College (Cloquet, MN) and Blackfeet Community College (Browning, MT) participated in a scientific exchange to China in 2002 on sustainable agricultural practices. The team compared natural organic cropping techniques, the use of native edible plants, fisheries management and aquaculture projects, and soil and water conservation techniques (Dupre, 2005).

In 2003, Fond du Lac Tribal and Community College gained approval from the Minnesota Legislature and the Minnesota State Colleges and Universities Board of Trustees to develop and offer a baccalaureate degree program in Elementary Education. With this approval, Fond du Lac Tribal and Community College is the only community college in Minnesota with the ability to offer four-year bachelors degrees. (Fond Du Lac Tribal and Community College website, 2005). Recently, a new partnership between Fond du Lac and the College of St. Scholastica will allow students to earn a bachelor's degree in social work at Fond du Lac, with St. Scholastica instructors teaching the upper division classes (Kuchera, 2005).

"Although diet and lifestyle intervention is not easy in any population, the cultural perspectives on health and well-being must be taken into account if there is any prospect for long-term success. Many American Indian people are understandably reluctant to follow advice from mainstream practitioners that do not reflect their culture." (Minority Nurse Magazine, 2004). Educating more Native students to become dieticians is one way Woodlands Wisdom hopes to "proactively empower Native American communities to seek solutions within their own culture and traditions to the epidemic of chronic disease."

After completing their associate's degree from the tribal college, students transfer to the University of Minnesota to earn a baccalaureate degree in nutrition or other health-related fields. That's just one example of the traditional Native health concepts being taught to American Indian food science and nutrition students in the Woodlands Wisdom program, a collaboration between the University of Minnesota and six tribal colleges in three states, Fond du Lac Tribal College being one of them. The project is designed to address chronic health issues in Native American communities by integrating traditional Native knowledge with scientific methods of discovery in a culturally relevant program of teaching, research and community awareness. (Minority Nurse Magazine, 2004).

Tribal colleges also recognize the importance of sharing resources and banding together with other tribal colleges and community organizations. Fond du Lac Tribal and Community College sponsors a student business group which provides role models and mentors for future entrepreneurs. Member students learn how to design their own
businesses and have opportunities to network with successful American Indian business people and attend national conferences. (Bly, 2005).

The Head Start-Tribally Controlled Land Grant Colleges/Universities Partnerships are closely aligned with the Head Start tradition of creating innovative programs and working with low-income children and their families. Funds are competitively awarded to Tribally Controlled Land Grant Colleges and Universities (TCUs) to utilize the capabilities of these institutions of higher education to improve the quality and long-term effectiveness of Head Start and Early Head Start programs (Administration for Children and Families, 2004).

In another example, Fond du Lac Tribal and Community College is using a new Title III institutional aid grant from the U.S. Department of Education to develop a financial services curriculum, in order to encourage more American Indian students to enter the local banking and financial services industry.

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A FRAMEWORK FOR THINKING ABOUT RURAL DEVELOPMENT

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The rural development problem this or any other country faces is in part a product of past economic forces. The technological and economic forces associated with economic development have very substantial impacts on rural communities. Thus we start the paper with a discussion of those issues and the impact they tend to have.

The adjustments to the longer term forces associated with economic development on the rural sector are reflected in the inter-sectoral labor market that connects the agricultural sector with the non-farm economy. The failure of that market to perform efficiently in reallocating labor from one sector to another is the source of a chronic "farm problem" in most countries. For reasons discussed below a rural development problem tends to be associated with the farm problem. A discussion of those issues constitutes the second major part of the paper.

In today's world, of course, local communities exist in an internationally integrated or globalized economy. The process of globalization (preferably referred to as economic integration) also has very substantial effects on local economies. That will be the third major set of issues to be addressed.

An economy undergoing significant economic change requires changes in its institutional arrangements if those changes are to be facilitated and economic development encouraged. However, the failure of these changes to occur at a sufficient pace, or what we chose to call institutional lag, is the source of many of the rural development problems a nation faces. That will be the fourth part of the paper.

Finally, we will consider some of the policy implications and recommendations that follow from the above discussion. Two themes dominate the analytical framework outlined above: (1) the structural dynamics of an economy experiencing economic development, and (2) institutional lags, involving in part important externalities. Those themes frame the discussion of policy at the end of the paper.

The Structural Dynamics of Economic Development

If one thinks about a national economy prior to the start of the modernization or development process, it typically starts the development process with most of its resources in the agricultural sector. Most Sub-Saharan African countries, for example, still have anywhere from 40 to 65 percent of their labor forces in the agricultural sector, while in the United States, a more well developed country, the share is less than 2 percent. Similarly, the share of Gross Domestic Product produced in agriculture tends to
range from 40 to 60 percent in Africa, while in the United States that share is now down to 0.7 of a percent of the total.

Almost from the beginning of the development process there are inherent pressures to reduce the size of the agricultural sector. Perhaps the most dominant of these forces early in the development process is Engel's law. Engel's Law is an empirical proposition to the effect that the income elasticity of demand for agricultural products is less than the income elasticity of demand for non-food products. That force alone creates pressures for resources to leave agriculture and shift to non-farm activities. Importantly, it creates pressures for labor to have to seek alternative employment outside of agriculture.

If a policy of modernization takes place by the introduction of new production technology in the agricultural sector, the need for out-migration of agriculture will be reinforced. The issue in this case is that the price elasticity of demand for food is low or inelastic. The introduction of the new production technology into agriculture will tend to shift the supply of food to the right at a faster pace than the demand shifts. The result is that the price of agricultural products declines in a relative sense, given the low price and income elasticity of demand. That will be the case even if the new technological innovations are biological in nature, and thus land-saving (productivity-enhancing for land). The pressures will be even stronger if a process of mechanization (productivity-enhancing for labor) is induced in response to increases in wage rates.

Two additional factors can come into play, and generally do, as these long-term economic forces evolve in response to economic development. The first is that children tend to be cheaper to raise in rural areas than in urban areas. That tends to cause the natural population growth rates to be higher among the rural population than among the urban population, thus exacerbating the adjustment problem and the need for out-migration. In effect, agriculture and rural communities tend to produce both population (human capital) and food for the larger economy.

The second additional factor is that it is easier for children to obtain employment in rural areas than in urban areas. Anti-employment laws tend to be more effective in rural areas, but there also tend to be more jobs available for such workers. This acts to further increase the natural population growth rates in rural areas, and to add to the need for out-migration.

The point of this analysis is to demonstrate that the rural development problem (defined here as a problem of low incomes for rural people relative to the urban population) is a consequence of the structure of the demand and supply for food and agricultural products, together with other factors associated with the demand and supply of labor. There is thus a chronic need to shift people out of agriculture as per capita incomes rise in the economy as a whole and as the modernization of agriculture proceeds. The inability to accommodate this shift at a sufficiently rapid pace gives rise to the chronic "farm problem" of low relative incomes for farm people that characterizes
developing countries. This problem is still inherent in countries with per capita incomes as high as they are in the United States.

It is worth noting that international trade can alleviate these structural problems. The international demand for food and agricultural products tends to be relatively price elastic. When combined with the low price elasticity of demand from domestic sources, that causes the aggregate demand to have a relatively higher price elasticity. However, in the case of the United States that price elasticity of demand has not tended to be larger than \(-1\). Hence, the aggregate demand continues to be price inelastic, even with a relatively large foreign demand.

As this analysis suggests, the low relative income problem in agriculture, and inherently the rural development problem, is located in the inter-sectoral labor market that connects agriculture with the rest of the economy. When one considers an area as large as that of interest to the Northwest Area Foundation, the impact of these structural forces will vary from region to another, even though the basic forces explain some of the basic forces at work in the entire region. Differences in the effectiveness of the inter-sectoral labor market explain in part the disparity in per capita incomes from one region to another. We address the problems inherent in that labor market in the next section.

Problems Inherent in the Inter-Sectoral Labor Market

The rural development problem in the per-capita-income sense described above comes about because of the need to transfer labor out of agriculture and into non-farm activities on an almost continuous basis. An important complicating factor in this process is that agriculture is highly dispersed geographically, while the sources of non-farm employment tend to be highly concentrated in urban centers. (Note that this is another important structural dimension to the rural development problem.) Hence, shifting labor out of agriculture typically involves more than shifting among local employment. To the contrary, the migrant typically has to move long distances, and this ultimately causes a wide gap to emerge between per capita incomes in rural areas and in urban areas. Labor markets perform less and less effectively as the distance increases.

Ultimately, the migration process creates another dimension to the rural development problem. Geographic mobility is a selective process. It is the young, the healthy, the more well-educated, and the more entrepreneurial who tend to migrate. In migrating they tend to draw the human capital out of rural areas, thus leaving a weak base for economic development. This process also tends to leave an aging population in rural areas. (Data on some of these issues can be found in the first Annual Report of the University of Minnesota’s Rural Development Council.)

If the process of economic development continues long enough it will be more than just farmers and farm workers who leave rural communities. Eventually, as rural populations are decimated, the physicians, dentists, and lawyers all tend to leave – an
important problem in many parts of the contemporary rural U.S. In addition, other rural
institutions also tend to be decimated. Those include hospitals, drug stores, and so on.

Ironically, local community development efforts often tend to aggravate these
problems. They provide subsidies to attract mobile capital and other resources to their
communities. Moreover, there are many implicit subsidies to economic activities in
urban centers, such as highly subsidized transportation systems and subsidized water
and sewage services that further attract mobile resources. This adds to the incentives to
leave rural areas and move to urban centers.

An important anomaly of this process is that under general conditions in the
United States, much of the lower-level education is financed with local property taxes.
Thus, the human capital that is financed by and produced in poor communities is given
to the higher income urban centers as a gift. So much for the equilibrating effects of
migration! The only compensation for producing that human capital tends to be through
intra-family remissions. The financing of human capital in this sense is another
dimension of the agricultural and rural sectors producing the dual products of food and
other agricultural products, and people.

More importantly still, as the migrants pile up in urban centers they tend to
impose negative externalities in urban centers. There tends to be increased congestion,
increased pollution, the need for more costly infrastructure such as transportation
systems, water and sewage systems, and so on. Importantly, the migratory process
tends to impose negative externalities on both ends of the migratory process since the
loss of human capital from rural areas is also a negative externality on those regions.
These are important reasons why addressing the rural development problem is
important. It will make for a more efficient and equitable development process in the
country as a whole. They also explain why addressing the rural development problem is
so challenging.

Another dimension to the rural development problem, and one reflected
importantly in the inter-sectoral labor market, is ethnic. Although these problems are
discussed elsewhere in this report, they are important in the context of the labor market
and its imperfections. Especially important in the region of the Northwest Area
Foundation are the concentrations of Native Americans, the growing concentrations of
Hispanic migrants, and to a lesser extent Mhongs and Vietnamese from East Asia.
Each of these groups face their own unique problems of entering the larger labor
market, and thus constitute localized but important concentrations of poverty.

To conclude, the inter-sectoral labor market tends not to reallocate the labor
resource efficiently. That causes the out-migration from agriculture to proceed slowly,
thus causing per capita incomes in the agricultural and rural sectors to lag behind those
in the urban or non-farm sectors. Moreover, given that labor markets tend to perform
more efficiently near large urban-industrial centers than at a distance from them, this
differential performance helps to explain why large regional disparities in rural
development exist within the larger region.
Additional Structural Problems Associated
With Global Economic Integration

National economies have become increasingly integrated through the rapid growth in international trade, the emergence of a huge international financial market, and the shift from the old Bretton Woods fixed exchange rate system to a system of flexible or floating exchange rates. That increased economic integration is an economic development process that imposes large adjustments and development costs on local communities. These consequences tend to be neglected by policy makers at all levels, with the result that important classes of problems are ignored.

The issues associated with this increased economic integration are discussed in this section, together with two additional problems associated with the unique role the United States plays in the international economy. For a more detailed discussion of the issues arising from increased economic integration the reader is encouraged to read my paper on “Globalization, Governance, and Policy Reform.” That paper notes that the process of economic integration has been driven by three technological revolutions: one in the transportation sector, one in the communication sector, and another in information technology. These technological revolutions have significantly reduced transaction costs, and thus greatly expanded the scope of markets. They have also significantly increased the benefits from international trade, thus serving as a driving force for increased economic integration.

An important consequence of this process of economic integration is to weaken the role of national governments in making and implementing economic policy. That loss in effectiveness of national economic policies is the loss of national sovereignty that receives so much attention in contemporary debates about globalization.

An important consequence of this weakening in the capacity of national policy making and implementation is that some part of economic policy making and implementation is shifted up to the international level and imbedded in international institutions and organizations such as the WTO, the NAFTA, and the European Community. Another part of the policy making and implementation process shifts down to the levels of state and local government.

Policies that shift up to the international level tend to be those associated with product markets. Those that shift down to the state and local level tend to be those associated with incomes (welfare) policies and with resource (environmental) policies.

Ironically, while the upward shift in policy making and implementation to the international level tends to receive a lot of attention, the downward shift to the state and local level tends to be neglected. Moreover, while the loss of sovereignty at the national level tends to be lamented, it is seldom recognized that the shift of policy making and implementation to the state and local level gets it closer to the people and to the democratic process.
The Freeman Center has collaborated with Lee Munnich on a study in which we examined the downward shift to the state and local level and its consequences. Our maintained hypothesis for the study was that there had been minimal efforts to strengthen local government in particular. This is a serious issue, for as national economic policies have become less and less effective, more and more policies have been devolved to the state and local level. What we found is that, as we hypothesized, local governments in general have not been strengthened as policies have been devolved to them. Instead, as policies are devolved to the local level, the local governments in turn tend to shift the processes to non-governmental agencies. That ultimately may be a viable solution, but the lack of accountability at the non-governmental level should be recognized.

In addition to these problems associated with the changes in the structure of the international economy, there are two additional sets of problems that place an additional burden on the agricultural and rural sectors in this country. The first is associated with the international community being on what has been referred to as an international dollar standard and the United States being the central banker for that system. This increased role for the U.S. central bank (Federal Reserve Bank) became especially important in the period since the end of World War II and the introduction of the Bretton Woods international financial system.

Although the United States gains much from playing this important role in the international economy and providing the world with its means of exchange, it has its costs as well. The main problem from the perspective of this paper is that the U.S. dollar tends to be overvalued as a consequence of playing this central role in the international economy. The demand for dollars from other countries and the international community to use as a reserve currency and their means of international transactions causes the dollar to be worth more than it would otherwise be. The significance of that is that such a strong or overvalued currency is equivalent to an export tax and a subsidy on imports. For a tradable sector such as agriculture, the combined tax and subsidy has been significant.

The important point is that these distortions constitute a further pressure on agriculture – in addition to the basic structural characteristics discussed in the first section of this paper. They have increased the pressure to squeeze resources (and especially labor) out of agriculture, thus further depressing per capita incomes in the sector and aggravating what would already have been a serious rural development problem.

The fact that the Federal Reserve System plays this central role in the international economy has another important implication for agriculture. As international financial markets have grown, the challenge of the Federal Reserve has become increasingly onerous. As events such as the Mexican crisis in the early 1990s, the later Asian Crisis, and more recently the Argentine crisis have occurred, the U.S. Federal Reserve Bank has had to try to stabilize the international economy. That causes it to pump additional money into the international system at times of crisis, thus losing
control of the domestic monetary policy. Then, later it has to pull that additional money back out of the system so as to regain control of domestic monetary policy. Those shocks create instability in the value of the dollar, and that in turn creates instability for traded sectors such as agriculture.

To conclude, this instability adds to the already serious secular income problem in the agricultural sector. That in turn complicates the rural development problem, creating more instability in the sector.

**Institutional Lag Issues**

Institutions are the means or mechanisms by which people relate to each other in a society. They range all the way from the family to markets to research institutions to educational arrangements. Much of policy is imbedded in the institutional arrangements that govern the relations among the population of a society. The institutional arrangements play an important role in shaping the way an economy evolves and develops. They can also be a significant impediment to efficient and equitable economic growth and development.

Unfortunately, institutional arrangements tend to lag behind the economic and technological forces that are driving the development of a particular economy. When they do lag, the result is slow and inequitable economic growth. Such institutional lags are an important reason why a rural development problem has evolved in the United States. Many such lags have been implied in the discussion in earlier parts of this paper. The goal in this section is to focus more directly on the important institutional lags implied by the discussion above.

D. Gale Johnson, an important student of agricultural and rural development around the world, often noted that governments tended to universally make three major errors in their policies towards agriculture and rural development: they tended to under-invest in the education of their rural populations, they tended to under-invest in agricultural research, and they tended to under-invest in the physical infrastructure that served rural areas.

In this section we begin by focusing on the pervasive tendency to under-invest in the education of their rural population. Free societies in general tend to under-invest in the education and schooling of their people. The reason for that under-investment is the inability of private individuals to capture all of the returns from such investments. Some part of such benefits appear in the form of externalities. For that reason most of lower level education is provided as a public good by the public sector.

Beyond that general tendency, which is reflected in the high social rate of return to investments in education and schooling, societies also tend to under-invest in the education of their rural population relative to their urban populations. Educational attainment among the rural population thus tends to lag behind that of the urban
population. Moreover, the quality of education and schooling in rural areas tends to lag behind that of the urban population or areas.

The basis for this disparity in educational attainment is rooted in economic disparities between urban and rural areas. The reasons for those disparities go beyond our immediate interest. It should be noted, however, that even when state governments tend to undertake leveling mechanisms, as the State of Minnesota has done, the disparity continues to exist.

The important point is to note that the failure of governments to invest in rural population at the same level as in their urban population puts the agricultural and rural population at a decided disadvantage. Cognitive skills are highly complementary to new technological knowledge and provides the means to decode such knowledge. Hence, given that the modernization of agriculture is based in large part on the diffusion of new production technology among the agricultural population, the educational attainment of that population is critical to the successful modernization of the sector.

Perhaps of more importance is that education is a key element in helping the out-migrating rural population to obtain employment in the non-farm sector. The failure to invest in the education of the agricultural and rural population at socially optimal levels is a major factor impeding the out-migration of labor from agriculture, and thus a major cause of the lag of per capita incomes of farm people behind those of the urban population.

A second significant institutional lag is the failure of the land grant colleges to provide the technical and economic knowledge needed by the non-farm sectors in the rural sector to promote their respective development. The colleges of agriculture and the extension services of the land grant system have done an outstanding job of generating and diffusing new production technology and other knowledge for the modernization of agriculture. In fact, their very success in this process has increased the need for labor to transfer out of the sector, and thus contributed to the severity of the rural development problem.

The problem is two-fold in this case. First, the non-agricultural parts of most land grant universities have failed to develop the capacity to provide new production technology and other knowledge for the development of the non-farm sector in rural areas. Second, the extension services have generally failed to develop the staff capability to provide assistance on the development of the non-farm sector in rural areas. The development of those activities is critical to the solution of the rural development problem, for it reduces the need for the agricultural out-migrant to travel long distances to obtain alternative employment. That in turn facilitates the labor adjustment problem that lies at the root of the rural development problem.

A third significant institutional lag is the failure of the fiscal system to keep up with the changes in the structure of the economy. At one time in our history it probably made sense for the financing of education and schooling to be financed by local property
taxes. But as the economy evolved and experienced major changes in its structure, it no longer is a viable way of financing education at the lower levels. Given the migration of the population out of the local communities to distant urban centers, the result is to tax the rural residents to pay for the investments in human capital that ultimately go to benefit the urban population. That is hardly an equitable way of garnering the revenue to support a viable educational system.

This institutional lag is a significant contributor to the emergence of a significant gap in the per capita incomes between the rural and urban sectors. The development of a more viable fiscal system is one of the important keys to reducing the disparity between rural and urban development and modernization. An important part of the reform of the national system will have to occur at the Federal level since this is more than a problem of local and state government.

The fourth significant institutional lag is the failure to develop the capacity of local governments to address the new policy measures that are being devolved to them. As noted above, the increased economic integration of the global economy has weakened the power of national policies to influence the economy and led to a bifurcation in where policy making and implementation take place. An important part of that bifurcation is the shift of an important part of policy making and implementation to the state and local level. Important functions that tend to be devolved include resource (including environmental) policy and incomes (welfare) policies. In the past, local governments in particular addressed a different set of problems, such as regulation and licensing. In the new structure of the national economy, not only is the nature of the demands different at the state and local level, but the magnitude of the problem is much greater. Policies such as the welfare programs were in the past handled by the Federal government. In today's world they have been devolved to the state and local level.

The failure of the capacity of state and local governments to keep up with the additional demands placed on them is a major impediment to solving the rural development problem. A proper flow of services at these levels would help to avoid some of the worst dimensions of the rural development problem. Equally as important, a proper capacity at the state and local level is a key to solving the rural development problem as it has evolved.

The fifth and final significant institutional lag is the failure to develop a sufficient research capacity to understand rural development problems and to design more effective policies and institutional arrangements to solve them. The important issue here is that as the economy evolved away from dependence on agriculture to dependence on the manufacturing and service sectors, the universities and other research institutions tended to follow their lead. Resources have been shifted from a focus on agriculture and agricultural development to dealing with problems of poverty and modernization in the non-farm sectors. Decision makers in the universities and other research institutions failed to note the emergence of a significant income problem in the interface between agriculture and the non-farm sectors.
As it is, our capacity to understand the details of the rural development problem is quite limited. Similarly, the capacity to design new institutional arrangements for dealing with this problem is also limited. It is not likely that we will make much progress in solving the rural development problem until we have a more ample knowledge base both for understanding the various dimensions of the problem and for designing more effective policies and institutional arrangements.

Policy Implications and Suggestions

This discussion of policy implications and suggestions is based on the analytical framework laid out above. The emphasis will be on the need for more efficient and effective institutional arrangements to address the problems identified. The discussion will be generic in nature, without entering into a great deal of detail. The goal is to suggest the direction in which policy reform should be directed, not to provide a detailed discussion of the arrangements.

Perhaps the most important place to start thinking about policy is to realize that the nature of the rural development problem leaves us with negative externalities in both the agricultural and non-farm sectors of the economy. The out-migration of labor, and the draining of human capital that goes with it, imposes negative externalities on rural areas. Without that human capital it is very difficult to modernize and develop the non-farm sectors in rural areas.

At the same time, however, the transfer of that human capital to urban centers imposes negative externalities on them as well. These negative externalities, as noted in an earlier section, include increased congestion, increased pollution, and the need for increased investments in the physical infrastructure of urban centers. The services delivered by the physical infrastructure tend to be delivered at rising costs.

These negative externalities impose significant costs on the economy and are a barrier to more rapid and equitable economic development. Policy makers could afford to invest substantially in the development of rural areas and the development of the rural population to avoid such externalities.

An important thrust in promoting rural development should be to encourage the decentralization of the economic development process. This does not mean to develop an industrial policy in which one would pick winners. Instead, the decentralization of the economy will take place by market forces if policy makers invest more in the education and health of their rural population, and in the physical infrastructure of rural communities. With such investments, private capital will tend to flow to rural areas and provide the basis for a more rapid economic development.

The issue of the physical infrastructure for rural areas was touched upon only tangentially in the main part of this paper. However, the rapid and sustained urbanization that has characterized our economy has created the need for huge investments in the transportation infrastructure in urban centers. That need is driven by
the huge migration out of rural areas to urban centers. A shift in the allocation of such investments might well reduce the need for such large investments in urban centers.

A second major policy thrust should be to improve the institutional arrangements that serve the inter-sectoral labor market. Greater investment in the education and health of the rural population will help the eventual emigrants to compete more effectively in the non-farm labor market. But potential migrants also need access to a greater supply of market information on where employment may be obtained. Similarly, private firms need to know where there are potential employees who have the skills they need for their firms. The institutional capacity to provide such information is woefully inadequate.

A third major policy thrust should focus on the institutional arrangements that deliver education and health services to the rural population. In the discussion immediately above, reference was made to the need for greater investments in both education and health care. However, more than an increase in investment is needed. The institutions that deliver education and health care services to the rural population need to be reformed and revitalized. Educational institutions and schools in rural areas are not up to the same standards as are found in urban and suburban centers. In the case of health care, a lot of the capacity to deliver such services has declined. Just rebuilding that capacity will not be adequate. New designs that take advantage of modern information technology are needed.

A fourth major policy thrust should focus on the reform and strengthening of local governments. While additional policy mandates have been devolved to such governmental units, there have been only limited efforts to strengthen the capacity of governments at this level to deliver the services they are mandated to deliver. At this level there is probably a great deal of potential to be realized by the integration of the surfeit of governmental units that tend to characterize our economy.

A fifth major thrust should be in fiscal policy. Given that the migrants in this country tend to come from a wide diversity of sources and go to a large variety of places to find employment, the financing of education should be done at a higher level than at the local level. As it is currently done in most countries, the revenue should probably be collected at the Federal level and allocated to the local level based on need.

A sixth major thrust should be to increase the knowledge base on non-farm activities that can be located in rural areas. It is not necessary that every college or land grant university in the country have such a capability. The knowledge is not that location specific, as it is in the case of agriculture. Policy makers should be concerned, however, that some institutions in the region are producing such knowledge.

Finally, there is the need for the capacity to analyze rural development problems and to design the institutional arrangements to facilitate the development of the rural sector. This capacity should be broadly multi-disciplinary in its dimensions, and go beyond the social sciences characteristic of policy centers. There are hardly any policy
issues in today’s world that can be understood or addressed with just a capacity in the social sciences. In almost every case, a capacity in the biological and natural sciences and in engineering is needed. Efforts should be made to develop such multidisciplinary capacities if progress is to be made in solving and alleviating the rural development problem.

Concluding Comments

Common approaches to addressing rural development problems tend to focus narrowly on local communities. Attempts are made to assess the local resource endowment that could serve as the basis for development approaches, and then to follow that by attempts to assess the potential for renewed economic growth and development.

The framework outlined above lays out a much broader perspective. The point of the broader perspective is that the causes of stagnant economic development can come from far a field, including from abroad. The growing degree of economic integration at the international level means that local communities receive shocks in many cases from abroad. These shocks entail more than trade displacement, and include such things as monetary disturbances. If policy makers and citizens don’t understand the forces that are affecting their community and take account of them in designing new policies, their efforts at revitalization are doomed to failure. The world has changed significantly. What worked in the past no longer will be effective in the new world order. Creativity and new approaches are needed.
APPENDIX G
Building Civic and Workforce Capacity in Rural Communities:

Is There a Role for Community-based Policy in Reducing Rural Poverty?\(^1\)

Bruce A. Weber\(^2\)

Most antipoverty policy in the U.S. is essentially place-blind, not considering that differences among places in economic or social conditions might affect policy outcomes. Indeed, some argue that it is not appropriate to tailor policies to places, because doing so would introduce inefficiencies into policy implementation and/or ultimately be self-defeating as people migrate to areas with better opportunities. Poverty, however, is not evenly distributed across the American landscape. Because differences in local conditions do affect policy responses and poverty outcomes, there is need to at least consider what role community-based initiatives – and the state and federal policies that could encourage them – might play in poverty reduction.

This paper is an attempt to develop a framework for thinking about how local conditions, and particularly community capacity, matter for designing antipoverty policy. I begin by describing the complex geography of poverty in the U.S., demonstrating that high and persistent poverty are spatially concentrated in urban cores and remote rural counties. I then sketch out a conceptual model of how local context affects poverty and policy impacts. In the subsequent section, I summarize recent research that bears on the framework. I then argue that certain recent trends have increased the importance of local institutions in reducing poverty in rural areas. In a concluding section, I examine what research has shown about the effectiveness of certain community-specific efforts to improve employment outcomes for low-income workers.

\(^1\) This paper was written for the July 19, 2005 working conference “Rural Poverty: Understanding the Problems/Exploring the Solutions” organized by the Rural Poverty Project at the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota – Twin Cities. The project received major funding from the Northwest Area Foundation.

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Poverty and Place: A Geography of Poverty

Places with high and persistent poverty rates are found in geographic clusters, and, at the county level of aggregation, are overwhelmingly rural, with the most remote rural places at the greatest disadvantage. At the tract level, the highest poverty rates are found in urban cores and remote rural areas.

Six stylized facts characterize the complex story of how poverty is distributed geographically in the U.S. First, high poverty counties are geographically concentrated: counties with poverty rates of 20 percent or more in 1999 are concentrated in the Black Belt and Mississippi Delta in the south, in Appalachia, the lower Rio Grande Valley and counties containing Indian Reservations in the southwest and Great Plains (Figure 1). Second, county-level poverty rates vary across the rural-urban continuum: poverty rates in 1999 are lowest in the suburbs (the fringe counties of large metropolitan areas) and highest in remote rural areas (nonmetropolitan counties not adjacent to metropolitan areas) (Figure 2).

Third, high poverty and persistent poverty are disproportionately found in rural areas. About one in six U.S. counties (15.7 percent) had high poverty (poverty rates of 20 percent or higher) in 1999. However, only one in twenty (4.4 percent) metro counties had such high rates, whereas one in five (21.8 percent) remote rural (nonadjacent nonmetro) counties did. Furthermore, almost one in eight counties had persistent poverty (poverty rates of 20 percent or more in each decennial census between 1960 and 2000). These persistent-poverty counties are predominantly rural, with 95 percent being nonmetro. Further, persistent poverty status is more prevalent among less populated and more remote counties. While less than 7 percent of nonmetro counties adjacent to large metropolitan areas are persistent poverty counties, almost 20

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3 This section of the paper draws heavily on Weber, et al. (forthcoming) and Miller et al. (2002).
percent of completely rural counties not adjacent to metropolitan areas are persistent poverty counties (Figure 3).

While county-level data capture the effect of remoteness and lack of scale on poverty rates, they fail to capture the seriousness of central city poverty concentrations. If one looks at poverty rates by census tract, three additional facts emerge. First, high poverty tracts (defined as those with poverty rates of 30 percent or more in 1990) are much more dispersed geographically than high poverty counties, and are found in every region of the country. (Figure 4) Second, when tracts are sorted into Rural-Urban Commuting Areas (RUCAs) developed by the Economic Research Service, it is the tracts in the urban cores of the metropolitan areas (50,000 or more) and large towns (10,000-49,999) that are most likely to have high poverty rates (30 percent or more): more than 1 in 8 urban core tracts in metro and large town cores had poverty rates or 30 percent or more in 1989. (Figure 5) Finally, poverty rates are highest in remote rural tracts and urban cores of large and small towns and lowest in the high-commuting tracts (“suburbs”) of metropolitan areas. (Figure 6)

Where did we see decreases and increases in poverty during the 1990s? Figure 7 identifies census tracts that experienced a 6.7 percentage point (one standard deviation) or greater reduction in poverty rates between 1989 and 1999. Poverty reduction was widespread during the 1990’s, an era of relative prosperity. Tracts with large reductions in poverty are found all over the country, and notably in many of the places identified in Figure 1 as persistent poverty counties. In the Upper Midwest and Pacific Northwest (and the Southwest), places with high poverty reductions appear to include tracts with significant American Indian populations.

Poverty increases, however, appear to have occurred disproportionately in the Western United States, and in many rural places in the West and Northwest. (Figure 8) Some of the tracts
with increases in poverty rates of 5.9 percentage points (one standard deviation) or more appear to be tracts that have high concentrations of Indian and Hispanic people. While some of the "new poverty" tracts are in areas of persistent poverty, most of them appear not to be. More needs to be known about the demographics and economic conditions of these places with "new poverty", in order to know whether different strategies might be appropriate for them than for the "persistent poverty" places.

Decreases in poverty rates at the county level were also geographically dispersed, but during the 1990s persistent poverty became increasingly a problem of remote rural areas. The dramatic 33 percent decline in the number of persistent poverty counties between 1990 and 2000 occurred disproportionately in metropolitan counties and nonmetro counties adjacent to metro areas (Miller and Weber, 2004, p.5). And although persistently poor rural counties continue to share high levels of economic hardship, they are very diverse ethnically and geographically. Causes of poverty in these places are very different and will likely require different policy strategies tailored to their context.

**How Local Community Context Affects Poverty and Policy Impacts on Poverty:**

**A Conceptual Model**

How does place matter for poverty and policy? A conceptual model of how poverty can vary by place and how policies can have different effects on poverty depending on community context and capacity is outlined in Figure 9. It highlights contextual factors suggested by Blank (2005) that are neglected in most social science research on poverty. (Neglected factors are indicated in bold italic.)
Figure 9 A Conceptual Model: How Local Context Affects Poverty and Policy Impacts on Poverty

In this model, household poverty status at any given time is determined in part by choices adults make about migration, work, asset accumulation, marriage, childbearing, and welfare program participation. These choices are conditioned by factors outside the control of the individual (gender, age, race/ethnicity, history of family of origin) as well as by previous choices about education and work, assets, family formation and program participation. These choices are also conditioned by the characteristics of the place where one lives: the community norms, the availability of jobs and services, and the strength of formal community institutions and informal networks. Formal institutions include local governments and schools; civic organizations; for-profit and nonprofit providers of child care, healthcare, job training services; churches; and
financial intermediaries. Rural areas are known to have different economic opportunities and services, in part because isolation from large population centers and sparse populations lead to different intermediary institutions (civic organizations and faith communities) and different norms. Macroeconomic forces (national economic growth, global economic trends) and federal and state policies (minimum wage, Workforce Investment Act programs, Earned Income Tax Credits, Temporary Assistance for Needy Families, for examples) will have different effects on the choices people make and on their poverty status because of differences in community context.

The conceptual map of important determinants focuses attention on critical contextual factors that have been neglected in most previous work. As Blank notes, of course, most of these factors are interrelated, so causal links are difficult to untangle. There are two key points in this conceptual model. First, both community capacity and local institutions matter in determining poverty status of a household, and in determining the impact of policies on household poverty. Second, community capacity and institutions are different in rural and urban areas, in part because of rural isolation and lack of scale. In this model, understanding community capacity and institutions is critical for understanding poverty and antipoverty policy impacts. Two households with the same characteristics will have different odds of being poor in urban and rural places because of the different community context, and the same policy will have different impacts on similar households in rural than in urban places because of community contextual differences.
How Local Community Context Affects Poverty and Policy Impacts on Poverty:

Some Evidence

Much has been learned during the past decade about how “place” affects poverty and the impact of federal and state policies on employment and poverty.

- **Proximity to cities matters.** A household’s odds of being poor in a metropolitan area are lower than the odds in nonmetropolitan areas, controlling for demographic characteristics and local economic structure and conditions. (Weber et al. forthcoming).

- **Proximity to high-poverty tracts matter.** There appear to be spatial externalities: reducing poverty in one tract has spillover effects, reducing poverty in neighboring tracts. (Crandall and Weber, 2004)

- **Local economic conditions matter.** Local job growth appears to have poverty reducing effects, particularly in high poverty census tracts (Crandall and Weber, 2004) and persistent poverty counties (Partridge and Rickman, 2005). But work and work effort are generally less effective in moving people out of poverty in rural places: participating in the labor force and having a job appear to reduce poverty risk less in rural areas (McLaughlin and Jensen, 1993; Brown and Hirschl, 1995), as does working more hours (Lichter, Johnston, and McLaughlin, 1994). And higher unemployment rates increase poverty risk more for rural women than for urban women (Haynie and Gorman, 1999). Cotter (2002) found that labor market conditions account for half the difference in poverty odds between rural and urban places.

- **Social capital matters.** Communities with higher social capital (greater civic participation and organizational membership) saw greater poverty reduction in the 1990s. (Rupasingha and Goetz, 2003) Increased social capital reduces poverty most in high-poverty tracts (Crandall and Weber, 2004).
Demographics matter. Having an education appears to have less poverty-reducing effect in rural areas. Lichter, Johnston, and McLaughlin (1994) found that those with more than high school education were more at risk of poverty in rural areas than their urban counterparts, and Haynie and Gorman (1999) found that “individual-level attributes and credentials” have less poverty reducing effect for rural women than for urban women. Social policy changes in the 1990s had less beneficial effect than would have been expected (given demographics) in rural areas on single mother employment and poverty because of less favorable rural demographics (age, race, education) (Weber et al. 2004)

Most of the studies on which these conclusions are based did not take community capacity or institutions into account and thus are missing important contextual information about causes and consequences of poverty, and about what can be done to improve outcomes of public and private actions to reduce poverty. Indeed it is likely that some of the unmeasured differences that lead to higher poverty rates in rural areas may be rural-urban differences in community capacity and local institutions.

Why Strengthening Local Community Capacity is Increasingly Important in Rural Poverty Reduction

The current policy environment emphasizes strategies that invest in people and provide incentives for people to work over strategies that invest in places. The important changes in social policy in the 1990’s (the expansion of federal and state Earned Income Tax Credits, welfare reform, minimum wage increase, and the expansion of Medicaid and child care subsidies) all focus on making the worker more productive and making work pay. There is almost no attention to making investments in community institutions that could increase the
effectiveness of policy or to investing in place-specific infrastructure that would increase the demand for workers.

There are three reasons to **strengthen the role of community context and community institutions in poverty reduction.**

First, most poverty is “working poverty”: most poor households have at least one worker. Littman (1989) found that over half of all poor householders worked in 1986. More recent studies have found increased work behavior of poor households. In data from the early 1990s, Blank (1997, p. 31) reports that most (63 percent) of poor households had at least one worker, and single mothers worked somewhat more than they did twenty years previously. In a forthcoming report, Crandall and Weber find that 60 percent of poor working-age Oregon households had at least one worker.

Second, antipoverty policy is increasingly work-related, and the success of work-related policy depends on local opportunities and the effectiveness of local intermediaries and social networks. A major shift in social policy over the past two decades, frequently noted, has been the redesign of the nation’s major welfare program – Temporary Assistance to Needy Families – to provide incentives for working and sanctions for not working. (Moffitt, 2003, Chapter 5) Most public spending on means-tested transfer programs (eligibility for which is conditioned on having low income) is for in-kind medical and food security programs, work-related tax credits, and work-related support services (child care subsidies, job training), not cash welfare payments. (Moffit, 2003, p. 7) It is noteworthy that, as means-tested programs become more targeted to low-income workers, work-support benefits – such as child care assistance, earned income tax credits, transportation services, for example – increasingly go to working families whose incomes may exceed the poverty threshold. (Gais and Nathan, 2001)
Local context becomes increasingly important in a work-oriented antipoverty strategy. The success of unemployed poor adults in getting jobs has been shown to depend on local labor market conditions (Davis et al., 2003), and communities with higher levels of social capital, other things equal, experienced greater declines in poverty during the 1990s. (Rupasingha and Goetz, 2003)

Third, social policy is devolving from the Federal to state and local governments, and welfare reform enhanced the role of nongovernmental organizations in service delivery. The 1996 welfare reform law gave states much more discretion in lowering barriers to work (increasing income disregards in calculating benefits) and increasing asset limits (Gais and Weaver, 2002) and states have taken initiative in increasing state earned income tax credits. Local human service systems, furthermore, have re-engineered themselves, streamlining program entry and working to insure continuity of coverage in Food Stamps and Medicaid for those leaving welfare. (Fossett et al. 2002). Welfare reform’s charitable choice provisions gave added attention to the roles of faith-based organizations in the delivery of social services. (Bartkowski and Regis, 2003)

There are two additional reasons to focus this community capacity building effort in rural areas. First, working poverty is more prevalent in rural than urban areas. Crandall and Weber (forthcoming) find that 12 percent of Oregon working-age households in rural counties are “working but poor”, compared with only 8 percent of urban working-age households.

Second, social policy appears to be less effective in rural areas than in urban areas. If demographic characteristics of rural and urban single women had been the same, the major social policy changes of the 1990’s would have had a larger impact on employment and poverty
of single mothers in rural than in urban areas. The fact that rural and urban impacts were no
different suggests that “rural and urban areas differ in personal characteristics of the population,
local labor market conditions, work barriers, or availability of services [in ways] that make it
more difficult for the social policy changes to move single mothers in rural areas into
employment and out of poverty.” (Weber et al. 2004, p. 48)

The confluence of these trends – most poverty being “working poverty”; antipoverty
policy becoming more work-oriented and context-dependent; and design and implementation of
this policy being placed more in the hands of local governments and nongovernmental
intermediaries – suggest the importance of increasing community capacity and strengthening
local institutions in their poverty reduction efforts, and of increasing the effectiveness of local
work-support services and self-sufficiency strategies.

The higher prevalence of working poverty in rural places and the relatively weaker effect
in rural places of the work-oriented antipoverty policy changes of the 1990s argue for increased
attention to community capacity building efforts in rural communities.

**Community-Focused Strategies for Reducing Poverty: What Have We Learned About
Workforce/Economic Development Initiatives?**

The framework outline above suggests focusing on three sets of policy issues to reduce
poverty: education, economic development and local capacity building. The multidimensional
nature of poverty, furthermore, argues for coordinated comprehensive community initiatives
rather than isolated single-policy-issue approaches.

There is a rich research literature on each of the three policy issues and their links to
poverty. Rather than attempt a cursory review of each of these diverse sets of studies, I will
conclude the paper with a more intensive review of evaluations of workforce development
programs that are sensitive to the needs of the poor and involve – to some extent – education, economic development and capacity building components: one large-scale evaluation of 11 locality-specific workforce development programs for current and former welfare recipients, and a recent extensive review summarizing what has been learned from evaluation research about the effectiveness of the training programs for disadvantaged workers financed by the Workforce Investment Act of 1998 (WIA) and their predecessors.

The National Evaluation of Welfare-to-Work Strategies (NEWWS) examined 11 programs initially run under the Family Support Act of 1988, which required the government to provide education, employment and support services to welfare recipients and required welfare recipients to participate in the Job Opportunity and Basic Skills Training (JOBS) program. The 11 programs were distributed among seven sites (Atlanta GA; Grand Rapids MI; Riverside CA; Columbus OH; Detroit MI; Oklahoma City OK; and Portland OR) that varied along a number of dimensions, including region, labor market conditions and welfare grant levels. Three types of programs were evaluated: employment-focused Labor Force Attachment programs (in which people were immediately assigned to short-term job search activities to get them into the labor market quickly); education-focused Human Capital Development programs (in which people were first enrolled in education or training – primarily remedial education or GED preparation – prior to moving them into the labor market; and a “hybrid” mixed strategy program in Portland (in which many enrollees were offered education or training and encouraged to “hold out for a job that paid more than the minimum wage and offered a good chance of stable employment” (Hamilton, 2002, Chapter 1, p.3) The evaluation used a random assignment research design, in which welfare recipients were randomly assigned to a control group or a treatment group(s). This design insures that there are no systematic differences between people in the control and
treatment groups, and that any observed differences in outcomes for the two groups (called “impacts”) can be attributed with a high level of confidence to the program.

Employment-focused programs generally produced larger five-year earnings increases ($1500 - $2500) than the education-focused programs ($800-$2000), and had greater impact on the number of quarters employed out of the 20 quarters in the study period (0.7-1.1 v. 0.3-0.8). The most successful program overall was Portland’s hybrid program, in which the net impact on five-year earnings was about $5000, and on quarters employed was 1.6. Hamilton attributes the success of the Portland program to its employment focus, its use of both job search and short-term education/training, and its emphasis on holding out for a good job. Portland program staff also communicated the program goal of improving employability by limiting the assignment to education/training to (usually) six months and encouraging recipients to look for work after completion of the education/training. (Hamilton, 2002, Chapter 4)

The Workforce Investment Act of 1998 restructured the nation’s workforce development programs to increase access to employment and training services, and encourage flexibility and responsiveness in local service delivery within a common national framework. Federal job training has sought to increase labor market success for economically disadvantaged adults and youth, and to assist workers who have been displaced by structural economic shifts move into new jobs. Rigorous evaluations of job training programs over many years have yielded conclusions about their effectiveness. A summary of what has been learned in these evaluations is found in the recent book *Job Training Policy in the United States*. “Among economically disadvantaged participants, job training is estimated to raise the earnings of women, have small positive effects on the earnings of men, but yield negligible impacts on earnings of youths. The earnings gains for adult women increase in both the short and long run, but the gains are not
large enough to lift participants out of poverty. (O’Leary et al., 2005, p. 2) There is some evidence that earnings gains from training persist over the long term.

In looking at the types of training that produce the largest effects, evaluation studies have generally concluded that a combination of work experience with job training produces better labor market outcomes. In a national field random assignment experiment evaluating Job Training Partnership Act training programs, the largest gains were observed for on-the-job training (OJT) combined with job search assistance (JSA). Yet there is no evidence that costly, intensive training programs produce higher earnings gains. “Lower cost interventions like short-term unpaid OJT and JSA have positive impacts and positive net benefits. Supported work combined with skill training produced larger and more durable impacts. OJT combined with JSA had larger impacts than classroom training. Community colleges deliver a sizeable proportion of publicly funded classroom training, and there is evidence that community college training in math and science yields the greatest earnings gains.” (ibid.)

Both the welfare-financed training programs and the WIA-financed programs often involve actors from educational institutions, nonprofits, the business community and local government. Thus these networks and institutional collaborations contribute to building community capacity. In their recent collection of studies on the low-wage U.S. workforce, Appelbaum et al. highlight the critical role played by government and regional labor market institutions and their potential to improve the prospects for workers without college degrees who tend to end up at the bottom of the wage distribution. Studies in this book of the hosiery, hospital and hotel industries demonstrate how interfirm cooperation can set industry standards and disseminate best practices; how training consortia can reduce training costs for individual employers and encourage cross-firm mobility; and how multi-employer bargaining and high local union density can establish strong job quality and
productivity norms. Government is in a unique position to nurture these types of structures, which require a great deal of technical assistance, intermediary organizations, public leadership, coordination of public training monies, and a vital and flexible community college system. Of course, there needs to be deep and sustained engagement of the stakeholders themselves. But ultimately the growth of these new labor market institutions cannot happen without a conscious decision by government to create the conditions that nurture high-performance work organizations. (Appelbaum et al. 2003, p. 25)

**Conclusion**

Is there a role for community-based policy in reducing poverty in rural America? Both the evidence from research and the facts about poverty and policy in this country point to an affirmative answer to this question.

The evidence from the economics and sociology literature about the effects of local community conditions on poverty and policy impacts suggests that changing local conditions could have an impact on poverty and could enhance the effectiveness of policy. The evidence from the workforce development evaluations suggest that local program norms (Portland’s willingness to have welfare recipients hold out for better jobs, for example) and institutional collaborations (participation of business and community colleges, for example, in workforce investment initiatives) can improve employment outcomes for low-income workers. The lessons from the case studies of low-income workers in Appelbaum et al. point to the importance of local intermediary institutions and government in creating the conditions that enhance the incomes of these workers.

Even more compellingly, the realities of poverty (that most poor adults work) and policy (that antipoverty policy is becoming more work-oriented, community-context-dependent, and tailored to community needs by local governments and nongovernmental intermediaries) make strengthening community capacity and local
institutions increasingly important in poverty reduction efforts. The higher incidence
of working poverty in rural America and the evidence that current antipoverty
policies are less effective in rural areas give added urgency to the task of crafting
community-based policies that strengthen community capacity, local institutions and
worker productivity in rural places.

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Persistent Poverty Counties

Poverty Rates Along the Rural Urban Continuum

Source: U.S. Census Bureau and ERS, USDA
Figure 3

Percent of Counties in each Urban Influence Code in Persistent Poverty

![Bar chart showing percentage of counties in each urban influence code.]

Source: U.S. Census Bureau and ERS, USDA

Figure 4

High Poverty Census Tracts, 1990

![Map of the United States showing high poverty census tracts in 1990.]

Source: U.S. Census Bureau, 1990 Economic Research Service
Figure 5

Percent of Tracts in each RUCA Code in High Poverty

Source: U.S. Census Bureau and USDA

Figure 6

Poverty Rates by RUCA Code

Source: U.S. Census Bureau and USDA
Figure 7
Where Did Poverty Decrease in 90’s?

Percentage-Point Change in Tract Level Poverty, 1990 - 2000

Figure 8
Where Did Poverty Increase in 90’s?

Percentage-Point Change in Tract Level Poverty, 1990 - 2000
STATE PROFILES

From the busy rainforest seaport of Seattle, Washington, to the copper mines of Butte, Montana, to the agricultural flatlands of central Iowa, the Northwest Area Foundation's region consists of states that offer stark differences from each other. This further underscores the importance of understanding the problem of rural poverty in each state, and the importance of tailoring solutions to fit the needs of the community.

The data for the profiles that follow are taken from the following sources:


County Business Patterns, U.S. Census Bureau at http://www.census.gov/eapcd/cbp


PROFILE ~Idaho

A home to Rocky Mountains and agricultural plateaus, 42 of the 44 Idaho counties have average or above average ratings of its natural amenities, and according to the ERS, 10 of its 44 counties rate high for recreation.

Boise, in the southwest section of the state, is a prosperous city benefiting from its location near Idaho's natural amenities and the city's access to natural amenities.

Idaho benefits from recent out-migration from southwestern states such as California. Idaho's population has grown 5.7% since 2000, leading the NWA region. There are some growing pains, however. Idaho has a poverty rate of 11.65%. 156,518 Idahoans fall below the poverty line and over 455,000 residents earn less than 200% of poverty.

Idaho has 44 counties, 29 of which are considered rural. Of these rural counties, 12 are classified as “Remote Rural”, and 17 as “Near-Urban”. The overall poverty rate of the 29 rural counties is 13.3%, and 16 of them have poverty rates above 13%. Madison County is Idaho’s lone “Deep Poverty” county - over 17% of the population claims an income of less than half of the poverty level.

Idaho’s Native American population is fourth among NWA states; the Hispanic population is second highest in the region. The poverty rate among Native Americans is 25.2%. Within the rural counties, Native American poverty rate is 28.2%. There are five reservations; the largest is Fort Hall with 3,648 residents.

Idaho has witnessed an increase of 17% in the Hispanic population since 2000. While 15 Idaho counties lost population since 2000, Hispanic migrants kept four others from falling into that category. More than 119,000 Idahoans list Hispanic as their ethnicity; they have a poverty rate of 27.2%. Over 33,000 Hispanics reside in the rural counties, 44% of whom are foreign-born. Of those foreign-born, 4,217 are poor, a poverty rate of 29%.

Education ~

Idaho’s rank in education level indicators falls to the bottom half of the region, with higher percentages of adults with “Less than High-School Education” (15.3%, 3rd highest) and lower percentages with a College Degree (21.7, 6th). In near urban and remote rural counties, the less-than-high-school rate rises to 19%, and the college-grad rate falls to 16.5%.

Health Care ~

Sixteen percent of Idaho residents have no medical insurance, the highest percentage in the region. In the rural counties, 19.2% have no medical insurance. Idaho has 1.52 physicians for every 1,000
PROFILE ~ Iowa

Iowa has the second-lowest poverty rate of the NWAF states (8.9%) and the third lowest percentage of people earning less than 200% of the poverty level (26.3%). Iowa’s western side benefits from the economic development originating in the Omaha- Sioux City-Sioux Falls metro area. Des Moines, the state’s largest city, and the Quad Cities metro area on the eastern side (two cities in Iowa and two in Illinois) also have strong economic development activities.

Yet 71 of Iowa’s 99 counties are considered rural and have a poverty rate of 9.1%. Five of these counties have poverty rates above 13%.

Over two-thirds of Iowa’s counties (68) lost population since 2000.

Iowa’s Native American population is the smallest of the NWAF states, and there is one reservation, the Sac and Fox, with 632 residents. The Native American poverty rate of 31% echoes the 32% regional rate. In the rural counties, Native American poverty is 38%.

Iowa has witnessed a sizeable increase in the number of Hispanics in the past four years – since 2000, one out of every three new residents of Iowa is Hispanic. More than 89,000 Iowans now list Hispanic as their ethnicity, 19,310 of whom reside in the rural counties. Almost 43% of the rural Hispanics are foreign-born. Of these immigrants, 19% (1,564 people) have incomes less than the poverty level. This is lower than the 24% rate for all Hispanics.

Education ~

Iowa ranks fourth among NWAF states in percentage of adults over 24 years of age who have not completed high school (13.9%, 4th) and last among NWAF states in percentage of adults with a college degree (22.1%). In near urban and remote rural counties, the less-than-high-school rate is 15.6%; the college-grad rate is 15.4%.

Health Care ~

Only 8.6% of Iowans have no medical insurance; in the rural counties, 8.5% are uninsured. Iowa has 1.57 physicians for every 1,000 people and a birth rate of 15.12 per 1,000 for females ages 15 to 17. 2% of women who gave birth received no prenatal care, or received no care until the third trimester of the pregnancy.
Economic Development

On the whole, rural Iowa boasts a more diverse industry mix than most other rural regions in the northwest area. In nearly every one of the state’s 16 economic regions, food manufacturing represents one of the most specialized industries. The state also has a fairly strong base in other manufacturing sectors.

In addition to food manufacturing, Iowa’s north central and northwestern counties specialize in machinery manufacturing and paper manufacturing. Region Two appears to have a cluster of enterprises focused on the transportation equipment manufacturing and machinery manufacturing industries. Region Three, another north central region, specializes in textile product mills and furniture manufacturing.

**Iowa: Leading Rural Industries by Region and Location Quotient**

<table>
<thead>
<tr>
<th>Region</th>
<th>NAICS</th>
<th>Industry</th>
<th>2002 emp</th>
<th>2002 LQ</th>
<th>∆ in LQ</th>
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<td>2</td>
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<td>Primary metal mfg</td>
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</table>

In the state’s south central and southeastern counties, primary metal manufacturing joins food manufacturing as a leading industry, both in terms of number of jobs and location quotient.

Iowa’s metropolitan areas have relatively diverse industry mixes as well, with Des Moines a national leader in insurance services and the other MSAs specializing in information services and multiple manufacturing sectors, among other industries.
PROFILE ~ Minnesota

The rural areas of Minnesota benefit from their proximity to large cities and the abundance of natural amenities in the rural areas. While the harsh winters and lack of topographic variance hurt the state's amenities ratings (only two counties score "average or better"), the presence of lakes and woods provides an economic draw for even the most remote of the rural counties.

Of the 87 counties, 32 are classified as "remote rural" and 24 as "near-urban". These counties have a combined population approaching 500,000 residents, less than 10% of whom are classified as poor. Fewer than 22% of Minnesotans earn below 200% of the poverty line, the lowest in the NWAQ states.

The face of poverty is different in the counties with large Native American populations, although those residents fare better in Minnesota than in other NWAQ states due to the thriving casino enterprises. Three counties have Native American populations in excess of 8%; the state is home to 13 reservations. Over one-third of the people living on reservations are classified as poor; one-third of the Native Americans living in rural areas are poor and 38% of all Native Americans living in Minnesota are poor.

In the past four years, 40,000 immigrants chose Minnesota for their home. While most of the immigration flowed to the Twin Cities metro area, especially within the Hmong and Somali communities, rural Minnesota has seen an increased number of immigrants. There are 20,656 Hispanics in rural Minnesota, of whom 33.6% are immigrants. Of this foreign-born population, 25.6% (1,779 people) have incomes less than the poverty line. The state's population has increased 2.7% since 2000, but the Hispanic population has grown 14%. Within the rural counties, Hispanic growth of 6% easily outpaced the overall growth of 0.7%.

Education ~

Minnesota has the lowest percentage of adults over 24 years of age who have not finished high school (12.0%) in the region. In rural counties, however, the percentage rises to 18.1%. Minnesota's rate of college graduates within the over-24 population (27.4%) is second only to Washington in this region. In the rural counties, it is 15.3%.

Health Care Concerns ~

Nearly half a million Minnesotans have no health insurance (8.89%) despite the state's Minnesota Care program. In rural counties, 10.8% of the populations have no health insurance. Minnesota has 2.33 physicians for every 1,000 people and a birth rate of 13.43 per 1,000 for females ages 15 to 17. 2.2% of women who gave birth received no prenatal care, or received no care until the third trimester of the pregnancy.

Key Facts: (2002)

- State Population: 5,025,081
- Residents in Poverty: 7.39%
- Residents under 50% of poverty: 3.2%
- Residents under 200% of poverty: 21.6%
- Ethnicity:
  - White: 89.0%
  - Hispanic: 3.0%
  - Black: 3.3%
  - Asian: 2.9%
  - Native American: 1.2%
- Number of Reservations: 13
- Number of Tribal Colleges: 3
- Number of Counties: 87
- High Poverty Counties: 3
- Deep Poverty Counties: 0
- Rural Counties: 32
- Near Urban Counties: 24
Economic Development –

Minnesota’s rural areas feature a more diverse industry mix, and one less reliant on natural resource-based and extractive industries, than most other rural regions in the northwest area.

Three rural knowledge clusters provide competitive advantages and institutional drivers in the areas of Mankato, Alexandria and northwest Minnesota. The wireless technology companies in the Mankato area provide a strong base of engineers and technicians with experience and expertise in wireless technologies. Minnesota State University at Mankato, South Central Technical College, the Wireless and Communications Technology Alliance and a local radio club are the institutional drivers.

Minnesota: Leading Rural Industries by Region and Location Quotient

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<thead>
<tr>
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<td>NW</td>
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<td>Transportation Equipment Mfg</td>
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<td>4.24</td>
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<td>0.56</td>
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<tr>
<td>NE</td>
<td>322</td>
<td>Paper Manufacturing</td>
<td>3,231</td>
<td>5.52</td>
<td>-0.23</td>
</tr>
<tr>
<td>C</td>
<td>519</td>
<td>Other Information Services</td>
<td>380</td>
<td>4.30</td>
<td>-0.15</td>
</tr>
<tr>
<td>WC</td>
<td>333</td>
<td>Machinery Manufacturing</td>
<td>1,663</td>
<td>2.19</td>
<td>0.27</td>
</tr>
<tr>
<td>SE</td>
<td>323</td>
<td>Printing &amp; Related Support Activities</td>
<td>6,253</td>
<td>3.49</td>
<td>0.35</td>
</tr>
<tr>
<td>SE</td>
<td>334</td>
<td>Computer &amp; Electronic Product Mfg</td>
<td>11,933</td>
<td>3.10</td>
<td>0.07</td>
</tr>
<tr>
<td>SE</td>
<td>311</td>
<td>Food Manufacturing</td>
<td>15,868</td>
<td>4.12</td>
<td>-0.07</td>
</tr>
<tr>
<td>SW</td>
<td>311</td>
<td>Food Manufacturing</td>
<td>9,454</td>
<td>6.57</td>
<td>-0.04</td>
</tr>
</tbody>
</table>

The Alexandria area in west central Minnesota features an automation and motion control technologies cluster. The growth of this cluster has been spurred and sustained by cooperation among local firms, organizations such as the Minnesota Manufacturing Automation Coalition and the West Central Initiative, and institutions such as Alexandria Technical College and its Center for Automation and Motion Control.

Northwest Minnesota features a recreational vehicle knowledge cluster surrounding the snowmobile industry. This cluster arose from the logging industry’s transportation needs, and, due to firms such as Polaris and Arctic Cat, institutional drivers such as Northland Community and Technical College and the Minnesota Job Skills Partnership, and unique history and culture, the region has developed into a global leader in recreational vehicle manufacturing.

Other leading industries in the state include food manufacturing in southwest Minnesota; forestry and logging, paper manufacturing, and wood product manufacturing in northeast Minnesota; and printing and related support activities in central and southeast Minnesota.
PROFILE ~Montana

Montana has the largest area of any NWF state. Spanning a varied topography, Montana’s flat eastside and rugged west seem, to traveler and resident alike, as two different worlds. Idaho shares Montana’s mountainous western border, and the eastern plains meet the Dakotas. Canada’s border with Montana is the longest among the lower 48. While not within the region, Wyoming’s Yellowstone National Park provides much-valued economic development for the southwestern part of the state. Montana's west features high-amenity counties, especially near the northwest corner of Wyoming. Counties in the east share the low-amenity ratings of its neighbor, North Dakota. According to the ERS, 12 of its 56 counties rate high for recreation, the second highest percentage (21.4%) in the NWF region.

Billings, in the south-central section of the state, is the largest city. Most of the other major towns in the state fall west of Billings, with few cities east of it having populations greater than 2,000.

Montana’s population has grown at a modest 1.7% rate since 2000. Montana has the highest poverty rate among the NWF states, near 14%, almost twice that of Minnesota. Over 126,000 residents fall below the poverty line, and over 336,000 earn less than 200% of the poverty level.

Of Montana’s 56 counties, 48 are considered rural - 35 of which are classified as “Remote Rural”, and 13 as “Near-Urban”. These 48 counties have an average poverty rate of 16.5%; 36 have poverty rates above 13%. There are ten rural counties where 10% or more of the population earns less than 50% of the poverty rate.

Montana’s Native American population of 6.4% places it second among NWF states. Rural poverty rates among the Native Americans differ little from statewide measure of 39%. There are seven reservations within Montana, the largest in population being Blackfeet, home to 8,507 residents. Montana has seven tribal colleges.

Montana’s Hispanic population has increased 9% since 2000 – 5 times the state’s growth rate of 1.7%. Only 21 of 56 counties have gained population since 2000. Almost 20,000 Hispanics call Montana home. The majority of this population was born here in the United States – only 9.5% of Montana’s rural Hispanics are foreign-born, a stark contrast with the neighboring states to the west. Fewer than 5,600 Hispanics live within the rural counties. Of these, 530 are foreign-born and 127 of the foreign-born Hispanics are poor, a poverty rate of 24%.

<table>
<thead>
<tr>
<th>Key Facts</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Population:</td>
</tr>
<tr>
<td>Residents in Poverty:</td>
</tr>
<tr>
<td>Residents under 50% of poverty:</td>
</tr>
<tr>
<td>Residents under 200% of poverty:</td>
</tr>
<tr>
<td>Ethnicity:</td>
</tr>
<tr>
<td>White:</td>
</tr>
<tr>
<td>Hispanic:</td>
</tr>
<tr>
<td>Black:</td>
</tr>
<tr>
<td>Asian:</td>
</tr>
<tr>
<td>Native American:</td>
</tr>
<tr>
<td>Number of Reservations:</td>
</tr>
<tr>
<td>Number of Tribal Colleges:</td>
</tr>
<tr>
<td>Number of Counties</td>
</tr>
<tr>
<td>High Poverty Rural Counties:</td>
</tr>
<tr>
<td>Deep Poverty Rural Counties:</td>
</tr>
<tr>
<td>Remote Rural Counties:</td>
</tr>
<tr>
<td>Near Urban Counties:</td>
</tr>
</tbody>
</table>
Education

12.9% of Montana adults have not finished high school; in rural areas the rate is 15.9%. Montana’s college graduation rate (24.37%), a rate that is fourth in the region. In rural counties, the college-grad rate falls to 18.9%.

Health Care

15.7% of Montana residents do not have health insurance; in rural counties, 18.7% do not have insurance. Montana has 2.02 physicians for every 1,000 people and a birth rate of 16.31 per 1,000 for females ages 15 to 17. 2.66% of women who gave birth received no prenatal care, or received no care until the third trimester of the pregnancy.

Economic Development

Montana’s rural areas specialize primarily in natural resource-based and extractive industries. The forestry and logging industry, along with fishing, hunting, and trapping represent the most concentrated employment in the western part of the state, particularly in the state’s northwest region. Wood product manufacturing and mining are other key industries in western Montana. Southwestern Montana specializes in tourism-related industries, with amusement, gambling, and recreation industries and accommodation displaying high location quotients.

Montana: Leading Rural Industries by Region and Location Quotient

<table>
<thead>
<tr>
<th>Region</th>
<th>NAICS</th>
<th>Description</th>
<th>2002 emp</th>
<th>2002 LQ</th>
<th>Δ in LQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>W</td>
<td>212///</td>
<td>Mining (except oil &amp; gas)</td>
<td>510</td>
<td>15.64</td>
<td>5.44</td>
</tr>
<tr>
<td>W</td>
<td>213///</td>
<td>Mining support activities</td>
<td>357</td>
<td>11.58</td>
<td>1.23</td>
</tr>
<tr>
<td>W</td>
<td>221///</td>
<td>Utilities</td>
<td>704</td>
<td>6.47</td>
<td>0.30</td>
</tr>
<tr>
<td>SW</td>
<td>212///</td>
<td>Mining (except oil &amp; gas)</td>
<td>450</td>
<td>3.58</td>
<td>-4.76</td>
</tr>
<tr>
<td>SW</td>
<td>721///</td>
<td>Accommodation</td>
<td>3,371</td>
<td>3.08</td>
<td>0.25</td>
</tr>
<tr>
<td>SW</td>
<td>713///</td>
<td>Amusement, gambling &amp; recreation industries</td>
<td>2,079</td>
<td>2.45</td>
<td>-0.24</td>
</tr>
<tr>
<td>SC</td>
<td>212///</td>
<td>Mining (except oil &amp; gas)</td>
<td>2,877</td>
<td>23.02</td>
<td>14.67</td>
</tr>
<tr>
<td>SC</td>
<td>324///</td>
<td>Petroleum &amp; coal products mfg</td>
<td>965</td>
<td>14.93</td>
<td>1.17</td>
</tr>
<tr>
<td>SC</td>
<td>514///</td>
<td>Information &amp; data processing services</td>
<td>1,011</td>
<td>2.91</td>
<td>0.81</td>
</tr>
<tr>
<td>SC</td>
<td>713///</td>
<td>Amusement, gambling &amp; recreation industries</td>
<td>1,852</td>
<td>2.19</td>
<td>-0.18</td>
</tr>
<tr>
<td>E</td>
<td>212///</td>
<td>Mining (except oil &amp; gas)</td>
<td>510</td>
<td>15.64</td>
<td>5.44</td>
</tr>
<tr>
<td>E</td>
<td>213///</td>
<td>Mining support activities</td>
<td>357</td>
<td>11.58</td>
<td>1.23</td>
</tr>
</tbody>
</table>

Montana’s north central region features considerably less specialization than the state’s other regions, with oil and gas extraction the lone industry displaying a relatively high location quotient; however, this industry employs fewer than 100 people in the region. The south central region, meanwhile, has considerable specialization in mining and petroleum and coal products manufacturing. South central Montana also displays some specialization in amusement, gambling, and recreation industries, and information and data processing services.

Eastern Montana specializes in an array of extractive and related industries, with a high concentration of mining and mining support activities.
PROFILE ~ North Dakota

North Dakota is the northern most state of the Great Plains Region and borders the Canadian provinces of Saskatchewan and Manitoba. The eastern city of Fargo shares a metropolitan service area with the Minnesota city of Moorhead. The non-varied topography and harsh winters give North Dakota the second lowest percentage of high-amenity counties (just one meets the definition of “average” – Dunn County – and only three are viewed as “recreation” counties by the ERS). The overall poverty rate of North Dakota is less than 11%, although over 31% of residents live on less than 200% of what are considered poverty wages.

Of North Dakota’s 53 counties, 47 are considered rural. Of these counties, 34 are classified as remote rural and 14 as near urban. Nearly 46% of the state’s population resides in these areas. The average poverty rate is 12.9% in these counties, however 17 are classified as high poverty, with rates greater than 13%. Three are classified as Deep Poverty counties – where 10% or more of the population earns less than 50% of the poverty rate.

North Dakota has a Native American population of 31,104, nearly 5% of the state’s total population. It is home to four tribal reservations and five tribal colleges. Although the state’s overall poverty rate falls just under 11%, Native Americans within the state experience a poverty rate of nearly 40%.

This state is one of the least racially diverse within the NWAFF region. Blacks, Asians and Hispanics combined constitute less than 4% of the total population. While most of the states in this region are facing increases in population through immigration, over 90% of North Dakota’s counties lost population since 2000. North Dakota’s Hispanic population increased by 8% since then, but not nearly enough to counter the out-migration of the rest of the population. Hispanics in North Dakota have the second-lowest poverty rates among NWAFF states (21%). Of North Dakota’s 2,780 rural Hispanics, 15.5% were born outside of the United States, and 102 of these 431 residents (23.7%) have incomes less than the poverty level.

Education –

Of the eight states in the Northwest area region, North Dakota ranks highest in percentage of individuals over the age of 25 without a high school diploma (16.1%). Individuals with a college degree make up 22% of the adult population. In rural counties, the percentage without a high school education rises to 21%, and the percent with a college degree falls to 16.3%.

Health Care –

Nearly 10% of the state’s population is without health insurance coverage, 3rd lowest rate among the 8 states; 11.4% of the state’s rural population has no insurance. North Dakota has 2.08 physicians for
every 1,000 people and a birth rate of 11.51 per 1,000 for females ages 15 to 17. 7.4% of women who gave birth received no prenatal care, or received no care until the third trimester of the pregnancy, the largest percentage in the region and well above the 2% figure for Iowa.

Economic Development

North Dakota's rural areas tend to rely on natural-resource based and extractive industries for their economic activity, although a few regions display specialization in non-extractive industries such as information and data processing services and furniture manufacturing.

The remote areas of western North Dakota have a high concentration of employment, relative to the rest of the nation, in mining, mining support activities, oil and gas extraction, and pipeline transportation. In addition, the Lewis and Clark region in south central North Dakota specializes in petroleum and coal products manufacturing. Though many of these industries saw a decline in location quotient and employment between 1998 and 2002, pipeline transportation experienced considerable growth during that time.

North Dakota: Leading Rural Industries by Region and Location Quotient

<table>
<thead>
<tr>
<th>Region</th>
<th>NAICS</th>
<th>Description</th>
<th>2002 emp</th>
<th>2002 LQ</th>
<th>1998-2002 Δ in LQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tri-County (1)</td>
<td>213///</td>
<td>Mining support activities</td>
<td>225</td>
<td>16.77</td>
<td>-7.25</td>
</tr>
<tr>
<td>Tri-County (1)</td>
<td>211///</td>
<td>Oil &amp; gas extraction</td>
<td>73</td>
<td>11.30</td>
<td>-9.76</td>
</tr>
<tr>
<td>Souris Basin (2)</td>
<td>213///</td>
<td>Mining support activities</td>
<td>269</td>
<td>5.72</td>
<td>0.14</td>
</tr>
<tr>
<td>Souris Basin (2)</td>
<td>486///</td>
<td>Pipeline transportation</td>
<td>61</td>
<td>4.72</td>
<td>0.68</td>
</tr>
<tr>
<td>North Central (3)</td>
<td>713///</td>
<td>Amusement, gambling &amp; recreation industries</td>
<td>858</td>
<td>6.85</td>
<td>-0.32</td>
</tr>
<tr>
<td>North Central (3)</td>
<td>313///</td>
<td>Textile mills</td>
<td>149</td>
<td>5.98</td>
<td>4.15</td>
</tr>
<tr>
<td>Lake Agassiz (5)</td>
<td>333///</td>
<td>Machinery mfg</td>
<td>4,077</td>
<td>4.50</td>
<td>0.13</td>
</tr>
<tr>
<td>Lake Agassiz (5)</td>
<td>321///</td>
<td>Wood product mfg</td>
<td>1,111</td>
<td>2.68</td>
<td>0.24</td>
</tr>
<tr>
<td>South Central (6)</td>
<td>311///</td>
<td>Food mfg</td>
<td>703</td>
<td>2.74</td>
<td>0.20</td>
</tr>
<tr>
<td>South Central (6)</td>
<td>333///</td>
<td>Machinery mfg</td>
<td>567</td>
<td>2.74</td>
<td>0.65</td>
</tr>
<tr>
<td>Lewis &amp; Clark (7)</td>
<td>211///</td>
<td>Oil &amp; gas extraction</td>
<td>762</td>
<td>18.93</td>
<td>1.65</td>
</tr>
<tr>
<td>Lewis &amp; Clark (7)</td>
<td>212///</td>
<td>Mining (except oil &amp; gas)</td>
<td>935</td>
<td>10.56</td>
<td>1.34</td>
</tr>
<tr>
<td>Lewis &amp; Clark (7)</td>
<td>221///</td>
<td>Utilities</td>
<td>2,068</td>
<td>7.00</td>
<td>0.92</td>
</tr>
<tr>
<td>Lewis &amp; Clark (7)</td>
<td>324///</td>
<td>Petroleum &amp; coal products mfg</td>
<td>175</td>
<td>3.81</td>
<td>0.34</td>
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<tr>
<td>Roosevelt-Custer (8)</td>
<td>337///</td>
<td>Furniture &amp; related product mfg</td>
<td>419</td>
<td>6.75</td>
<td>0.61</td>
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<tr>
<td>Roosevelt-Custer (8)</td>
<td>212///</td>
<td>Mining (except oil &amp; gas)</td>
<td>138</td>
<td>6.58</td>
<td>-0.12</td>
</tr>
<tr>
<td>Roosevelt-Custer (8)</td>
<td>213///</td>
<td>Mining support activities</td>
<td>96</td>
<td>4.82</td>
<td>-4.97</td>
</tr>
</tbody>
</table>

As for non-extractive industries, the Roosevelt-Custer region in the state's southwest corner boasts specialization in furniture and related product manufacturing. The state's north central region features high location quotients in information and data processing services and in amusement, gambling, and recreation industries.

The eastern part of the state, which features the metropolitan areas of Grand Forks and Fargo, features a more diverse industry mix, with specialization in several manufacturing and transportation industries.
PROFILE ~ Oregon

Bordered on the west by the Pacific Ocean, Oregon features ten counties with the maximum score - "Plus 2" - in natural amenities. Every county rates at least "average". The Cascades provide topographic variation, and the Klamath Forest serves as one of the economic engines fueling Oregon's steady population growth. While the I-5 Corridor of Eugene, Salem and Portland is prospering, there are still areas where poverty and health care concerns are prominent. Oregon has a poverty rate of 11.24%; 396,155 Oregonians fall below the poverty line.

Of Oregon's 36 counties, 17 are considered rural - 10 of which are classified as "Remote Rural", and 7 as "Near-Urban". These 17 counties have an average poverty rate of 13.3%; eight have poverty rates above 13%. In no county does the rate of people below 50% of the poverty line reach double digits.

Oregon's Native American population of 1.3% places it fifth among NWAF states. However, Oregon has the highest percentage of Hispanics (8.87%) and second-highest percentage of Asians (3.55%) in the NWAF region. Poverty rates among the Native Americans are lowest of all the NWAF states (22.22%), but within the rural counties, Native American poverty is 28%. There are nine reservations within Oregon, the largest in population being Warm Springs, with 3,068 residents.

Oregon has witnessed a sizeable increase in the number of Hispanics in the past four years: more than 325,000 Oregonians now list Hispanic as their ancestry, a growth of 18%. Over 26,000 Hispanics reside in the rural counties, 41.4% of whom are foreign-born. Of these immigrants, 3,121 are poor, which is a poverty rate of 28.4%, similar to the 28.7% poverty rate for all Hispanics.

Education ~

Among adults over the age of 24, Oregon ranks in the middle of the pack in such indicators as percentage with Less than High-School Education (14.87%, 5th) and percentage with a College Degree (25.08, 3rd). In near urban and remote rural counties, the less-than-high-school rate rises to 19.8%, and the college-grad rate falls to 16.0%.

Health Care ~

13.07% of Oregon residents have no health insurance; in the rural counties 16.82% have no insurance. Oregon has 2.17 physicians for every 1,000 people and, in 2002, a birth rate of 17.7 per 1,000 for females ages 15 to 17. 5.54% of women who gave birth received no prenatal care, or received no care until the third trimester of the pregnancy.
Health Care

In South Dakota, 11.8% of the population has no medical insurance; in the rural counties, 13.7% have no insurance. South Dakota has 1.86 physicians for every 1,000 people and a birth rate of 17.52 per 1,000 for females ages 15 to 17. 3.81% of women who gave birth received no prenatal care, or received no care until the third trimester of the pregnancy.

Economic Development

South Dakota has two regions – the Sioux Falls metro area on the eastern edge and the Black Hills region in the southwest part of the state – that boast significant specialization in particular industries. Aside from these two regions, however, rural South Dakota tends to lack specialization in a specific industry, particularly in the most remote areas.

The Sioux Falls metro area features specialization in credit intermediation, food manufacturing, and miscellaneous manufacturing. The Black Hills region, meanwhile, boasts Mount Rushmore and other natural amenities that attract scores of tourists each year. The southwest region of the state, therefore, specializes in tourism-related industries such as: scenic and sightseeing transportation; museums, historical sites and like institutions; amusement, gambling and recreation industries; and accommodation. Western South Dakota also specializes in mining and wood product manufacturing.

<table>
<thead>
<tr>
<th>Region</th>
<th>NAICS</th>
<th>Description</th>
<th>2002 emp</th>
<th>2002 LQ</th>
<th>1998-2002 Δ in LQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>522///</td>
<td>Credit intermediation &amp; related activities</td>
<td>10,290</td>
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<td>1</td>
<td>311///</td>
<td>Food mfg</td>
<td>4,155</td>
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</tr>
<tr>
<td>2</td>
<td>311///</td>
<td>Food mfg</td>
<td>1,876</td>
<td>2.64</td>
<td>0.56</td>
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<tr>
<td>3</td>
<td>313///</td>
<td>Textile mills</td>
<td>759</td>
<td>5.96</td>
<td>2.14</td>
</tr>
<tr>
<td>3</td>
<td>115///</td>
<td>Agriculture &amp; forestry support activities</td>
<td>270</td>
<td>5.77</td>
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<tr>
<td>3</td>
<td>333///</td>
<td>Machinery mfg</td>
<td>1,705</td>
<td>3.00</td>
<td>0.52</td>
</tr>
<tr>
<td>4</td>
<td>487///</td>
<td>Scenic &amp; sightseeing transportation</td>
<td>69</td>
<td>5.97</td>
<td>-8.32</td>
</tr>
<tr>
<td>4</td>
<td>212///</td>
<td>Mining (except oil &amp; gas)</td>
<td>510</td>
<td>4.39</td>
<td>-6.01</td>
</tr>
<tr>
<td>4</td>
<td>321///</td>
<td>Wood product mfg</td>
<td>1,070</td>
<td>3.35</td>
<td>0.37</td>
</tr>
<tr>
<td>4</td>
<td>113///</td>
<td>Forestry and logging</td>
<td>120</td>
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<td>0.45</td>
</tr>
<tr>
<td>4</td>
<td>712///</td>
<td>Museums, historical sites &amp; like institutions</td>
<td>178</td>
<td>2.56</td>
<td>-0.06</td>
</tr>
<tr>
<td>4</td>
<td>721///</td>
<td>Accommodation</td>
<td>2,492</td>
<td>2.46</td>
<td>0.06</td>
</tr>
<tr>
<td>4</td>
<td>713///</td>
<td>Amusement, gambling &amp; recreation industries</td>
<td>1,804</td>
<td>2.30</td>
<td>-0.29</td>
</tr>
</tbody>
</table>

The south central region of the state features quite a few manufacturing jobs, but does not specialize in a specific industry. Only food manufacturing displays a noteworthy location quotient, although one that does not necessarily suggest specialization.

The north central region of South Dakota boasts some specialization in textiles and in machinery manufacturing.
PROFILE – Washington

Washington anchors the northwest corner of the NWF region, bordering on the Canadian province of British Columbia to the north, Idaho to the west and Oregon to the south. The Pacific Ocean brings its temperate climate to the west coast. Natural amenities abound – only three of Washington’s 39 counties received ratings of below average, and eight of the 39 (20.5%) are classified as “recreation counties” by the ERS.

The Seattle-Tacoma metroplex has withstood the tech boom-and-bust cycle to maintain its presence as the dominant urban area in the western half of the NWF region, and Washington retains its place as most populous of the eight states. Only four of Washington’s 39 counties lost population this decade, counteracting the trend seen in most of the other states and easily the lowest in the region.

Of the 39 counties, 15 are classified as rural. Within these 15, there are 3 “rural remote” counties, while 12 are considered “near-urban”. The poverty rate is 10.27%; in rural areas it jumps to 14.1%. Almost 26% of the population has incomes that equal less than 200% of the poverty line.

Washington’s Native American population is 1.6%, yet it has 26 reservations, more than twice as many as any other NWF state. The Yakama Reservation is the most populous with 7,411 residents. The poverty rate for Native Americans in Washington is 23.8%, in the rural counties, the rate is 27.8%. Washington has one tribal college.

The Hispanic population in Washington has grown 17.2% since 2000, quadrupling the already-steady growth of 4% the state has experienced during that time. Over 520,000 Washingtonians are Hispanic or 8.1% of the population. Over 22,500 Hispanics reside in the rural counties, 44.5% of whom are foreign-born. Of these immigrants, 2,385 are poor, a poverty rate of 23.8%. The poverty rate for all Hispanics is 24.9%.

Education –

In Washington, 12.9% of all adults over the age of 24 have not graduated from high school. Washington’s college graduation rate (27.73%) leads the region. In near urban and remote rural counties, the less-than-high-school rate rises to 16.8% and the college-graduate rate falls to 19.0%.

Health Care –

13.4% of Washington residents have no health insurance; in rural counties, 16.7% have no insurance. Washington has 2.23 physicians for every 1,000 people and a birth rate of 15.46 per 1,000 for females ages 15 to 17. 2.99% of women who gave birth received no prenatal care, or received no care until the third trimester of the pregnancy.
Health Care ~

In South Dakota, 11.8% of the population has no medical insurance; in the rural counties, 13.7% have no insurance. South Dakota has 1.86 physicians for every 1,000 people and a birth rate of 17.52 per 1,000 for females ages 15 to 17. 3.81% of women who gave birth received no prenatal care, or received no care until the third trimester of the pregnancy.

Economic Development ~

South Dakota has two regions -- the Sioux Falls metro area on the eastern edge and the Black Hills region in the southwest part of the state -- that boast significant specialization in particular industries. Aside from these two regions, however, rural South Dakota tends to lack specialization in a specific industry, particularly in the most remote areas.

The Sioux Falls metro area features specialization in credit intermediation, food manufacturing, and miscellaneous manufacturing. The Black Hills region, meanwhile, boasts Mount Rushmore and other natural amenities that attract scores of tourists each year. The southwest region of the state, therefore, specializes in tourism-related industries such as: scenic and sightseeing transportation; museums, historical sites and like institutions; amusement, gambling and recreation industries; and accommodation. Western South Dakota also specializes in mining and wood product manufacturing.

<table>
<thead>
<tr>
<th>Region</th>
<th>NAICS</th>
<th>Description</th>
<th>2002 emp</th>
<th>2002 LQ</th>
<th>1998-2002 Δ in LQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>522///</td>
<td>Credit intermediation &amp; related activities</td>
<td>10,290</td>
<td>3.05</td>
<td>0.11</td>
</tr>
<tr>
<td>1</td>
<td>311///</td>
<td>Food mfg</td>
<td>4,155</td>
<td>2.56</td>
<td>-0.15</td>
</tr>
<tr>
<td>2</td>
<td>311///</td>
<td>Food mfg</td>
<td>1,876</td>
<td>2.64</td>
<td>0.56</td>
</tr>
<tr>
<td>3</td>
<td>313///</td>
<td>Textile mills</td>
<td>759</td>
<td>5.96</td>
<td>2.14</td>
</tr>
<tr>
<td>3</td>
<td>115///</td>
<td>Agriculture &amp; forestry support activities</td>
<td>270</td>
<td>5.77</td>
<td>3.88</td>
</tr>
<tr>
<td>3</td>
<td>333///</td>
<td>Machinery mfg</td>
<td>1,705</td>
<td>3.00</td>
<td>0.52</td>
</tr>
<tr>
<td>4</td>
<td>487///</td>
<td>Scenic &amp; sightseeing transportation</td>
<td>69</td>
<td>5.97</td>
<td>-8.32</td>
</tr>
<tr>
<td>4</td>
<td>212///</td>
<td>Mining (except oil &amp; gas)</td>
<td>510</td>
<td>4.39</td>
<td>-6.01</td>
</tr>
<tr>
<td>4</td>
<td>321///</td>
<td>Wood product mfg</td>
<td>1,070</td>
<td>3.35</td>
<td>0.37</td>
</tr>
<tr>
<td>4</td>
<td>113///</td>
<td>Forestry and logging</td>
<td>120</td>
<td>2.64</td>
<td>0.45</td>
</tr>
<tr>
<td>4</td>
<td>712///</td>
<td>Museums, historical sites &amp; like institutions</td>
<td>178</td>
<td>2.56</td>
<td>-0.06</td>
</tr>
<tr>
<td>4</td>
<td>721///</td>
<td>Accommodation</td>
<td>2,492</td>
<td>2.46</td>
<td>0.06</td>
</tr>
<tr>
<td>4</td>
<td>713///</td>
<td>Amusement, gambling &amp; recreation industries</td>
<td>1,804</td>
<td>2.30</td>
<td>-0.29</td>
</tr>
</tbody>
</table>

The south central region of the state features quite a few manufacturing jobs, but does not specialize in a specific industry. Only food manufacturing displays a noteworthy location quotient, although one that does not necessarily suggest specialization.

The north central region of South Dakota boasts some specialization in textiles and in machinery manufacturing.
PROFILE ~ Washington

Washington anchors the northwest corner of the NWAF region, bordering on the Canadian province of British Columbia to the north, Idaho to the west and Oregon to the south. The Pacific Ocean brings its temperate climate to the west coast. Natural amenities abound – only three of Washington’s 39 counties received ratings of below average, and eight of the 39 (20.5%) are classified as “recreation counties” by the ERS.

The Seattle-Tacoma metroplex has withstood the tech boom-and-bust cycle to maintain its presence as the dominant urban area in the western half of the NWAF region, and Washington retains its place as most populous of the eight states. Only four of Washington’s 39 counties lost population this decade, counteracting the trend seen in most of the other states and easily the lowest in the region.

Of the 39 counties, 15 are classified as rural. Within these 15, there are 3 “rural remote” counties, while 12 are considered “near-urban”. The poverty rate is 10.27%; in rural areas it jumps to 14.1%. Almost 26% of the population has incomes that equal less than 200% of the poverty line.

Washington’s Native American population is 1.6%, yet it has 26 reservations, more than twice as many as any other NWAF state. The Yakama Reservation is the most populous with 7,411 residents. The poverty rate for Native Americans in Washington is 23.8%, in the rural counties, the rate is 27.8%. Washington has one tribal college.

The Hispanic population in Washington has grown 17.2% since 2000, quadrupling the already-steady growth of 4% the state has experienced during that time. Over 520,000 Washingtonians are Hispanic or 8.1% of the population. Over 22,500 Hispanics reside in the rural counties, 44.5 % of whom are foreign-born. Of these immigrants, 2,385 are poor, a poverty rate of 23.8%. The poverty rate for all Hispanics is 24.9%.

**Education ~**

In Washington, 12.9% of all adults over the age of 24 have not graduated from high school. Washington’s college graduation rate (27.73%) leads the region. In near urban and remote rural counties, the less-than-high-school rate rises to 16.8% and the college-graduate rate falls to 19.0%.

**Health Care ~**

13.4 % of Washington residents have no health insurance; in rural counties, 16.7 % have no insurance. Washington has 2.23 physicians for every 1,000 people and a birth rate of 15.46 per 1,000 for females ages 15 to 17. 2.99% of women who gave birth received no prenatal care, or received no care until the third trimester of the pregnancy.
Economic Development -

While King County and the Seattle-Tacoma metroplex boast an extensive and diverse industry mix, the economies of Washington’s rural counties tend to be rooted in natural-resource based industries. The West Balance region, which borders on the Pacific Ocean, features a concentration of forestry and logging jobs that ranks among the highest in the nation. Fishing and wood product manufacturing are two other highly concentrated industries in this region, with location quotients of 24.8 and 12.1, respectively. Employment in both the forestry and logging and wood products manufacturing industries, however, fell by more than 25 percent between 1998 and 2002.

### Washington: Leading Rural Industries by Region and Location Quotient

<table>
<thead>
<tr>
<th>Region</th>
<th>NAICS</th>
<th>Description</th>
<th>2002 emp</th>
<th>2002 LQ</th>
<th>1998-2002 Δ in LQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Sound (1)</td>
<td>324///</td>
<td>Petroleum &amp; coal products mfg</td>
<td>1,552</td>
<td>16.00</td>
<td>0.96</td>
</tr>
<tr>
<td>North Sound (1)</td>
<td>113///</td>
<td>Forestry and logging</td>
<td>577</td>
<td>7.87</td>
<td>0.18</td>
</tr>
<tr>
<td>North Sound (1)</td>
<td>321///</td>
<td>Wood product mfg</td>
<td>1,657</td>
<td>3.21</td>
<td>0.85</td>
</tr>
<tr>
<td>West Balance (2)</td>
<td>113///</td>
<td>Forestry and logging</td>
<td>3,804</td>
<td>53.14</td>
<td>-4.32</td>
</tr>
<tr>
<td>West Balance (2)</td>
<td>321///</td>
<td>Wood product mfg</td>
<td>6,105</td>
<td>12.11</td>
<td>-1.22</td>
</tr>
<tr>
<td>West Balance (2)</td>
<td>322///</td>
<td>Paper mfg</td>
<td>4,537</td>
<td>9.69</td>
<td>-1.67</td>
</tr>
<tr>
<td>West Balance (2)</td>
<td>115///</td>
<td>Agriculture &amp; forestry support activities</td>
<td>660</td>
<td>7.28</td>
<td>-1.12</td>
</tr>
<tr>
<td>West Balance (2)</td>
<td>212///</td>
<td>Mining (except oil &amp; gas)</td>
<td>1,121</td>
<td>6.12</td>
<td>0.56</td>
</tr>
<tr>
<td>East Balance (6)</td>
<td>115///</td>
<td>Agriculture &amp; forestry support activities</td>
<td>2,959</td>
<td>32.49</td>
<td>-7.18</td>
</tr>
<tr>
<td>East Balance (6)</td>
<td>113///</td>
<td>Forestry and logging</td>
<td>888</td>
<td>12.35</td>
<td>1.67</td>
</tr>
<tr>
<td>East Balance (6)</td>
<td>321///</td>
<td>Wood product mfg</td>
<td>1,806</td>
<td>3.57</td>
<td>0.03</td>
</tr>
<tr>
<td>East Balance (6)</td>
<td>311///</td>
<td>Food mfg</td>
<td>4,283</td>
<td>3.13</td>
<td>-0.35</td>
</tr>
<tr>
<td>East Balance (6)</td>
<td>713///</td>
<td>Amusement, gambling &amp; recreation industries</td>
<td>3,657</td>
<td>2.93</td>
<td>0.78</td>
</tr>
<tr>
<td>Yakima-Tri Cities (8)</td>
<td>115///</td>
<td>Agriculture &amp; forestry support activities</td>
<td>1,363</td>
<td>12.77</td>
<td>-12.21</td>
</tr>
<tr>
<td>Yakima-Tri Cities (8)</td>
<td>562///</td>
<td>Waste management &amp; remediation services</td>
<td>4,133</td>
<td>12.38</td>
<td>-1.89</td>
</tr>
<tr>
<td>Yakima-Tri Cities (8)</td>
<td>311///</td>
<td>Food mfg</td>
<td>5,501</td>
<td>3.43</td>
<td>-0.87</td>
</tr>
</tbody>
</table>

Washington’s vast East Balance region, which is the state’s most isolated area, specializes most heavily in agriculture, with forestry and logging and wood product manufacturing also displaying relatively high location quotients. Another leading East Balance industry is food manufacturing, which shows signs of specialization and is the fourth-leading source of jobs among all industries in the region.

The more densely populated Yakima-Tri Cities region, in the south-central part of the state, has a high concentration of jobs in agriculture, logging, and wood product manufacturing. In addition, this region specializes in waste management and remediation services and food manufacturing.
ERS Rural – Urban Continuum Codes

The 2003 Rural-Urban Continuum Codes is a classification scheme that distinguishes metropolitan counties by size and nonmetropolitan counties by degree of urbanization and proximity to metro areas. The standard Office of Management and Budget (OMB) metro and nonmetro categories have been subdivided into three metro and six nonmetro categories, resulting in a 9-part county codification. This scheme allows researchers to break county data into finer residential groups, beyond metro and nonmetro, particularly for the analysis of trends in nonmetro areas that are related to population density and metro influence. This coding scheme was originated in 1975 by David L. Brown, Fred K. Hines, and John M. Zimmer, then of the Economic Research Service.

See Economic Research Services of the U.S. Department of Agriculture at www.ers.usda.gov/Data/RuralUrbanContinuumCodes

1 - Counties in metro areas of 1 million population or more

2 - Counties in metro areas of 250,000 to 1 million population

3 - Counties in metro areas of fewer than 250,000 population

4 - Urban population of 20,000 or more, adjacent to a metro area

5 - Urban population of 20,000 or more, not adjacent to a metro area

6 - Urban population of 2,500 to 19,999, adjacent to a metro area

7 - Urban population of 2,500 to 19,999, not adjacent to a metro area

8 - Completely rural or less than 2,500 urban population, adjacent to a metro area

9 - Completely rural or less than 2,500 urban population, not adjacent to a metro area
U.S. Census Bureau Definitions

"Following the Office of Management and Budget's (OMB) Statistical Policy Directive 14, the United States Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than the family's threshold, then that family and every individual in it is considered in poverty. The official poverty thresholds do not vary geographically, but they are updated for inflation using Consumer Price Index (CPI-U). The official poverty definition uses money income before taxes and does not include capital gains or noncash benefits (such as public housing, Medicaid, and food stamps)." See www.census.gov/hhes/www/poverty/povdef.html

The U.S. Census defines "rural" as a county having an urban population of fewer than 2,500 residents. Urban areas are places of 2,500 persons or more incorporated as cities, villages, boroughs or towns, or areas with other territory (incorporated or unincorporated) included in urbanized areas. Urbanized areas comprise one or more territories and the adjacent densely settled surrounding territory (urban fringe) that together have a minimum of 50,000 persons.
APPENDIX J
LIST OF CRITERIA

Fits the priorities & mission of the Northwest Area Foundation

Fills a gap

Fills the gap in what is already being done; Does not duplicate what others are already doing.

Reduces rural poverty in a measurable way

Community based

Encourages all segments of the community to engage in the decision making process, & enables all interested segments to participate;

Meets the community’s specific needs & goals, as identified by the community;

Helps the community & individuals in the community build its capacity to collaborate in solving problems & to implement permanent change & reduce poverty;

Uses, expands, integrates, & enhances community assets (people, natural resources, existing businesses, education, culture).

Sustainable & Long Range

Addresses a specific problem & underlying root causes of poverty; Is focused on systemic & long-term change.

Efficient at reducing rural poverty

Addresses a root cause of rural poverty; Achieves desired outcomes in a cost efficient manner; Uses NWAF resources most effectively; Achieves desired positive outcomes while minimizing negative outcomes; Is based on sound research and / or practice; Positively impacts other aspects of rural poverty.

Feasible

Is acceptable to a broad segment of the population;

Is respectful of the community’s desires, wishes, opinions & culture;

Is a problem that NWAF can do something about;

Draws upon documented example(s) of the solution/strategy having worked somewhere else in the world, preferably in comparable situations.
<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>Does the strategy meet the criteria</th>
<th>N - No</th>
<th>P - Probably</th>
<th>Y - Yes</th>
<th>PN - Probably Not</th>
<th>U - Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop policy change network</td>
<td></td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>Enhance local capacity to address policy changes</td>
<td></td>
<td>U</td>
<td>Y</td>
<td>P</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>Education - Invest in early childhood education &amp; supports</td>
<td></td>
<td>Y</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>Education - Promote high school completion strategies</td>
<td></td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Education &amp; Economic Development - Invest in community, technical &amp; tribal colleges</td>
<td></td>
<td>U</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>Economic Development - Encourage workforce development strategies</td>
<td></td>
<td>U</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>Health Care - Leverage resources to improve access to medical care, address chronic health issues &amp; increase availability of health insurance</td>
<td></td>
<td>U</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>Economic Development - Identify, create &amp; promote the work of &quot;knowledge brokers&quot;</td>
<td></td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>Economic Development - Link poverty reduction strategies to regional clusters</td>
<td></td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>PN</td>
</tr>
<tr>
<td>Economic Development - Promote entrepreneurship strategies</td>
<td></td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td></td>
</tr>
</tbody>
</table>
HOW TO CREATE A POLICY CHANGE NETWORK

There are several ways to build a policy network that is aimed simultaneously at the community level and the state level. This Appendix describes three such approaches – two with a top down approach, one with a bottom up approach.

The Homelessness Initiative and the Home Ownership Initiative in the State of Minnesota are two examples of the top down approach. The creation of both projects started at the state level, but a cross section of government, non-profit and community stakeholders with statewide focus and community level involvement took part in the projects. The end product for each was a business plan which identified the barriers to the problem under study and a list of recommendations to address those barriers.

The Fond du Lac Tribal and Community College is an example of a “bottom up approach” to the creation of a policy change network. The college grew out of a need first identified by The Fond du Lac Reservation Business Committee and became part of a comprehensive educational plan for the Fond du Lac reservation in northern Minnesota.

The Homelessness Initiative

In 2003, the Minnesota state legislature passed legislation directing the commissioners of the departments of human services, trade and economic development, and corrections, and the Minnesota Housing Finance Agency to convene a working group to develop and implement strategies to foster the development of supportive housing options. The legislation was detailed, specific and task oriented, listing goals to be met, entities to be included in the working group, and directives for the working group. It charged the commissioners to report back to the legislature the following year and to include specific information about the statewide need for supportive housing, an estimate of necessary resources to implement the plan, alternative timetables for implementation of the plan, proposed changes in laws and regulations, and proposed ways to improve services and access to housing for individuals and families experiencing long-term homelessness.

The Working Group consisted of 30 members from across the state, representing counties, state agencies, the federal government, philanthropic organizations, local housing and redevelopment authorities, nonprofit organizations, faith-based organizations, developers and business interests. Approximately 200 other stakeholders, representing 100 organizations, participated by providing research and commenting on the draft document.
addition, there were informal meetings and interviews with service providers, local governments, developers, architects, contractors, property owners and landlords, and persons currently experiencing homelessness. Information about this project and copies of the report and appendices are available at the website for the Minnesota Housing Finance Agency, www.mhfa.state.mn.us

The Emerging Markets Homeownership Initiative was created through a convocation in June 2004 to address the racial and ethnic homeownership gap in Minnesota. A state agency, the Minnesota Housing Finance Agency, took a leadership role in getting this initiative started and with the Federal Reserve Bank of Minneapolis and the Fannie Mae Minnesota Partnership Office convened a broad and diverse group of over 50 stakeholders (real estate professionals, lenders, builders, federal, state, local and county governments, nonprofits, faith-based organizations and community groups). Minnesota Governor Tim Pawlenty challenged the group to develop a business plan to increase homeownership in emerging markets or those traditionally underserved. In response, the group conducted and reviewed extensive quantitative and qualitative research on homeownership barriers and nation-wide best practices, and held thirteen focus groups and listening sessions in Duluth, the Twin Cities and Rochester to learn from successful and prospective homeowners what they believed would work to increase the homeownership rate amongst racial and ethnic communities. The result of this effort was a 139 page business plan with specific recommendations and steps designed to increase homeownership in Minnesota's emerging markets.

This initiative has features of being both top down and bottom up because both state agencies and community based organizations will be implementing the business plan through pilot projects and statewide initiatives. The implementation structure includes four community councils comprised of nine to 12 individuals representing African-American, Native American, Asian and Latino communities in Minnesota. They are to be advocates and liaisons for the communities they represent, and advise the project director throughout the implementation process.

More information about this initiative is available at www.mhfa.state.mn.us.

Fond du Lac Tribal and Community College

The college was established in 1987 in response to a need first voiced eight years earlier. Over time, the various state and federal government entities joined the partnership: In 1994, the federal Bureau of Indian Affairs reconfirmed Fond
du Lac Tribal and Community College as a tribal college under the Tribal Community College Act. Congress passed legislation giving Fond du Lac Tribal and Community College status as a Land Grant Institution, and the Minnesota Legislature approved Fond du Lac Tribal and Community College as a full college by state standards with co-governance language between the state and the Fond du Lac Band of Lake Superior Chippewa. The Minnesota Higher Education Board confirmed Fond du Lac Tribal and Community College as a full community college, according to state system standards for funding. In June of 1998, the United States Department of Agriculture-Natural Resources Conservation Service partnered with the college to establish on campus a national Center of Excellence emphasizing soil science map compilation.

The college has grown to meet the needs of the community, drawing partners into its mission: The college and the University of Minnesota Extension Service developed and distributed an environmental analysis of the physical and biotic quality of a major river ecosystem and monitored the quality of ground and surface waters, in order to promote the sustainable use of water resources on the reservation. In 2002, the college joined Blackfeet Community College in Browning, Montana in a scientific exchange with China. In 2003, the college gained approval from the Minnesota Legislature and the Minnesota State Colleges and Universities Board of Trustees to develop and offer a baccalaureate degree program in Elementary Education. A new partnership between the college and the College of St. Scholastica allows students to earn a bachelor's degree in social work. See "Fond du Lac College: A Success Story of the Progress of Tribal Colleges" elsewhere in this Appendix.
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SUMMARY OF PROJECT ACTIVITIES

April ~

Assembled project team, including principal investigators and key support staff.

Developed logic model and detailed work plan.

Met with Karl Stauber and NWAF staff to confirm expectations and project approach and to identify NWAF and other resources.

Reviewed literature and key data sources.

May ~

Hired final members of the project team, including a project director and research assistants for each of the principal investigators.

Invited individuals with expertise in the field of rural poverty and related topics to join a committee to advise the project team.

Gathered the advisory committee together for a discussion of the logic model for the project and the problem of rural poverty. See attached agenda.

June & July ~

Held weekly project team meetings to discuss aspects of their work.

Met with local and regional experts to explore different topics. These experts included Joe Nathan, Debra Fitzpatrick, Cornelia Butler Flora,

Commissioned six papers on a variety of topics (included elsewhere in this Appendix).

Hosted a working conference attended by more than three dozen people to explore three questions:

- What makes the problem of rural poverty in this eight state region different from the problem of poverty in other areas of the country?
- What policies assist and hinder the reduction of rural poverty?
- What are the barriers to poverty reduction efforts in these eight states?

Leading the discussion of these topics were local, regional and national experts including Tim Bartik, Brian Dabson, Katherine Fennelly, Jane Leonard, Diane McLaughlin, Al Nygaard, John Poupard, Tom Stinson and Bruce Weber. See attached agenda.

August ~

Hosted a final meeting of the advisory committee in mid-August, focused on the research which identified four faces of rural poverty and four strategy themes. See attached agenda.

Finalized statement of problem, solutions, criteria and recommendations to NWAF.
The NWAF / HHH Rural Poverty Project: a policy exploration initiative

A Humphrey Institute project funded by the Northwest Area Foundation to identify public and private policies affecting poverty reduction efforts in the eight-state region served by the Foundation

May 31, 2005
WELCOME TO THE FIRST MEETING
OF THE ADVISORY COMMITTEE
FOR THE NWAF / HHH RURAL POVERTY PROJECT:
A POLICY EXPLORATION INITIATIVE

AGENDA

5:00 pm: Gathering and drinks
5:30 pm: Introductions

Lee Munnich, principal investigator
Outline of the logic model for the project
John M. Bryson, project facilitator
What's the problem?
Samuel L. Myers, co-principal investigator

6:30 pm: Dinner
7:15 pm: Discussion of the project, including:
- What do you think is the problem?
- NWAF’s expectations
- How committee members can assist the project team
- How committee members can participate

Lee Munnich, principal investigator
Maria Hanratty & Samuel L. Myers,
co-principal investigators

John M. Bryson, project facilitator

8:30 pm: Adjourn

Thank you for coming
and
for your interest in and contributions to this project.
THE NWAF / HHH RURAL POVERTY PROJECT:
A POLICY EXPLORATION INITIATIVE

The Humphrey Institute / State and Local Policy Program is exploring the public and private policies affecting poverty and efforts to reduce poverty in the region served by the Northwest Area Foundation.

Our goal is to create a short list of policy changes that might have a significant impact on opening up opportunities for, or removing barriers to, "community-focused and community owned" strategies for alleviating rural poverty.

Our questions to you are these:

- What is the problem?
- What makes the problem in this eight state region different from the problem in other areas of the country?
- What policies assist and hinder reduction of rural poverty?
- What are the barriers to poverty reduction efforts in these eight states?
- With whom should we talk in order to explore this issue? What documents do you recommend that we read?
- How would you like to be involved in this project?
Rural Poverty:
Understanding the Problems /
Exploring the Solutions

with a special focus on the communities of Idaho, Oregon, Iowa, Minnesota, Montana, North Dakota, South Dakota, & Washington

A working conference of the NWAF / HHH Rural Poverty Project at the Humphrey Institute, University of Minnesota

Tuesday, July 19, 2005

Funded by the Northwest Area Foundation
THE NWAF / HHH RURAL POVERTY PROJECT:

A POLICY EXPLORATION INITIATIVE

The Humphrey Institute / State and Local Policy Program is exploring the public and private policies affecting poverty and efforts to reduce poverty in the region served by the Northwest Area Foundation.

Our goal is to create a short list of policy changes that might have a significant impact on opening up opportunities for, or removing barriers to, "community-focused and community owned" strategies for alleviating rural poverty.

Our questions to you are these:

- What makes the problem of rural poverty in this eight state region different from the problem of poverty in other areas of the country?
- What policies assist and hinder reduction of rural poverty?
- What are the barriers to poverty reduction efforts in these eight states?
**The NWAF / HHH Rural Poverty Project: A Working Conference to Examine Rural Poverty, Its Problems & Solutions**

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
<th>Panelists</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 a.m.</td>
<td>Registration</td>
<td></td>
</tr>
<tr>
<td>8:30 a.m.</td>
<td>Welcome</td>
<td>Lee Munnich</td>
</tr>
<tr>
<td>8:40 a.m.</td>
<td>Understanding the Problem –</td>
<td>Sam Myers&lt;br&gt;Maria Hanratty&lt;br&gt;Lee Munnich&lt;br&gt;&amp; The RAs ~&lt;br&gt;Todd Stump&lt;br&gt;Sara Hastings&lt;br&gt;Chris Klisch&lt;br&gt;Kevin Keeley</td>
</tr>
<tr>
<td>9:30 a.m.</td>
<td>Which policies and strategies are more effective in reducing rural poverty – those that address POVERTY OF PLACE or those that address POVERTY OF PERSON?</td>
<td>Diane McLaughlin&lt;br&gt;John Poupard&lt;br&gt;Bruce Weber</td>
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<tr>
<td>10:30 a.m.</td>
<td>BREAK</td>
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<tr>
<td>10:45 a.m.</td>
<td>Which policies and strategies are more effective in reducing rural poverty – ANTI-POVERTY PROGRAMS or BUSINESS AND ECONOMIC DEVELOPMENT INITIATIVES?</td>
<td>Art Rolnick – Human capital development in the rural context&lt;br&gt;Tim Bartik – Rural employment, employer and employee policies&lt;br&gt;Tom Stinson – Tax transfers, strategies and incentives as a way to reduce rural poverty&lt;br&gt;Jane Leonard – economic development and entrepreneurship in the rural context</td>
</tr>
<tr>
<td>Time</td>
<td>Event Description</td>
<td>Speaker(s)</td>
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<tr>
<td>12:15 pm</td>
<td>LUNCH</td>
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<tr>
<td>1:15 p.m.</td>
<td>Which policies and strategies are more effective in reducing rural poverty – those</td>
<td>Brian Dabson – general overview of policies to support opportunities and</td>
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<td></td>
<td>that SUPPORT OPPORTUNITIES or those that ELIMINATE BARRIERS?</td>
<td>to eliminate barriers</td>
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<tr>
<td></td>
<td></td>
<td>Kathy Fennelly – Opportunities and barriers immigrants face</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Al Nygaard – Opportunities and barriers Native Americans face in the</td>
</tr>
<tr>
<td></td>
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<td>northwest region</td>
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<tr>
<td>2:30 p.m.</td>
<td>Small group work</td>
<td>John Bryson – facilitate</td>
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<tr>
<td></td>
<td>The first part of the small group work will be critiquing a list of criteria to</td>
<td></td>
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<tr>
<td></td>
<td>be used to evaluate and select possible solutions</td>
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<td></td>
<td>~ BREAK ~</td>
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<td></td>
<td>The second part of the small group work will be discussion of the linkage between</td>
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<td>the problems and solutions, and creation of a defensible argument for the</td>
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<tr>
<td></td>
<td>recommendations</td>
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<tr>
<td>4:30 p.m.</td>
<td>Reception in Bistro</td>
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<td></td>
<td>Humphrey Forum open for visits</td>
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<tr>
<td>6:00 p.m.</td>
<td>CONFERENCE OVER</td>
<td></td>
</tr>
</tbody>
</table>
WHAT'S THE PROBLEM?

preliminary thoughts

- Chang ing Economy
  - Viability of small towns
  - Per capita income for the 73 major tribes in 8 state region varies greatly

- Education
  - High poverty rates in counties with lowest percentage of college grads

- Social Conditions
  - Aging population
  - Racism
  - Discrimination
  - Poverty crosses racial lines in NWAF states
  - Poorest counties coincide w/ high minority composition
    - Other impoverished counties have large white populations
  - Poverty is geographic based
    - High rates in completely rural counties
    - High rates in very small towns not adjacent to metro area
  - Immigrants face legal & structural challenges that limit their success
  - Children from impoverished backgrounds have a difficult time becoming prosperous as adults
  - Children from impoverished backgrounds lack educational resources, parental / guardian assistance, opportunity for involvement in after school activities
JOBS & WAGES

- Lack of opportunity
- Unemployment
- Low wages
- Few high-paying jobs to draw young people back
- Lack of jobs w/ high wages
- Lack of jobs available to a range of skills

THE PROBLEM IS THE DEFINITION OF THE PROBLEM

SYSTEMS

- Too many government units
- Fragmented delivery of services
- Multiple barriers
- Disconnect between what indicators say & what community believes is going on
- Political boundaries are invisible barriers; people’s lives don’t operate within political boundaries

TAX ISSUES

- Exploitation of tax system by organized industry

UNDERINVESTMENT

- In rural areas
- In people
- In human capital, particularly early childhood & elementary education
- In areas with the highest rates of poverty
POLITICS
- Low level of political consciousness
- Low level of political efficacy

HEALTH & HEALTH CARE
- Absence of health care
- Lack of health insurance (barrier to self-employment)
- Cost of health insurance

DISCONNECTEDNESS
- People unaware of other community residents who share same goals, dreams, economic situations & family needs
- Lack of access to critical social supports
  - Health Insurance
  - Child care
  - Transportation assistance
  - Transfer programs

FARMs
- Big corporate farms are at an advantage over family farmers
- USDA Farm bill provides aid for specific agriculture
  - Most subsidies go for cotton, wheat, corn, rice, soybean & dairy products
  - Fruits, vegetables, pork, beef & chicken receive no direct subsidies
- Subsidies distort the natural market value
- Farm subsidies are not about poverty relief
- Whites account for 96% of owners of private ag land in U.S., 97% of value & 98% of acreage
EXPLOITATION OF POOR PEOPLE

- Most federal programs require one to stay poor in order to continue to access the benefits.
- Businesses exploit poor people: "the poverty industry".
- Predatory practices
  - Sub-prime lenders
  - Payday loans
  - Pawn shops
  - Rent to own centers
  - Unsolicited credit cards

CHANGING ECONOMY

- Viability of small towns
- Per capita income for the 73 major tribes in the 8 state area varies greatly.

EDUCATION

- High poverty rates in counties with lowest percentage of college grads

KINDS OF POVERTY

- Assets
- Income
- Social & cultural
The NWAF / HHH Rural Poverty Project: a policy exploration initiative

The charge:

Identify a target list of PUBLIC POLICY ISSUES for immediate, medium and long-term impact on COMMUNITY – FOCUSED STRATEGIES to reduce poverty for the long term.

A Humphrey Institute project funded by the Northwest Area Foundation

Thursday, August 11, 2005
<table>
<thead>
<tr>
<th>TIME</th>
<th>TOPIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:30 a.m.</td>
<td>Registration -- Coffee &amp; rolls</td>
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<tr>
<td>9 a.m.</td>
<td>Outline of our work to date</td>
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<tr>
<td>9:30 a.m.</td>
<td>General reflections &amp; first impressions</td>
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<tr>
<td></td>
<td>Reactions to overall structure of report, the logic of our thinking</td>
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<tr>
<td></td>
<td>What are we missing?</td>
</tr>
<tr>
<td>10:15 a.m.</td>
<td>Criteria for selecting strategies to recommend</td>
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<tr>
<td></td>
<td>Presentation of criteria selected &amp; discussion</td>
</tr>
<tr>
<td>10:30 a.m.</td>
<td>BREAK</td>
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<tr>
<td>10:45 a.m.</td>
<td>Small group work – four faces of rural poverty</td>
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<tr>
<td></td>
<td>Critique, reactions, discussions</td>
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<tr>
<td></td>
<td><em>Question: What one aspect of this problem should NWAF focus on and why</em></td>
</tr>
<tr>
<td>Noon</td>
<td>LUNCH – the Bistro (lower level, next to elevator)</td>
</tr>
<tr>
<td>1 p.m.</td>
<td>Small group work – four themes on strategies</td>
</tr>
<tr>
<td></td>
<td>Education, health care, economic development &amp; local capacity</td>
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<tr>
<td></td>
<td>Critique, reactions, additions</td>
</tr>
<tr>
<td></td>
<td>Measured against criteria</td>
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<tr>
<td></td>
<td><em>Question: What one strategy should NWAF focus on &amp; why</em></td>
</tr>
<tr>
<td>1:30 p.m.</td>
<td>Brainstorming strategies</td>
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<td>Why should NWAF focus on this strategy?</td>
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<td>How should this strategy be implemented?</td>
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<tr>
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<td>What will this strategy accomplish?</td>
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<tr>
<td>2:30 p.m.</td>
<td>BREAK</td>
</tr>
<tr>
<td>2:45 p.m.</td>
<td>Continue brainstorming strategies</td>
</tr>
<tr>
<td>3:45 p.m.</td>
<td>First steps for NWAF</td>
</tr>
<tr>
<td>4 p.m.</td>
<td>THANK YOU RECEPTION</td>
</tr>
</tbody>
</table>
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We thank the following people and their organizations for their assistance with this project. Their expertise, experience, insights and encouragement were very much appreciated.

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