



## **PARTNERSHIP FOR RURAL IMPROVEMENT**

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Training and Education Coordinating Center  
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November 3, 2005

Mr. Mike Johanns, Secretary  
Department of Agriculture  
United States of America

Dear Mr. Secretary:

It is a great honor and privilege to share with you several thoughts today regarding the enhancement of rural economic growth. My name is Patrick Malone and I am the Inland Northwest Program Associate for the Partnership for Rural Improvement (PRI) and a *small business instructor through the Spokane Small Business Development Center*. (I have worked statewide across rural Washington since 1980). PRI began at Washington State University (WSU) in 1976 as a community development collaboration between WSU Extension, numerous community colleges, and several regional universities. Now, *some 29 years later, we continue to work as consultants in the most rural and distressed reaches of Washington State*.

As you are well aware, economic growth and development in most rural communities *continues to lag behind urban areas, Washington State, and the nation as a whole*. Basic, non-value added business still comprises a disproportionate share of the rural employment and tax base. *The Main Streets of our small towns continue to struggle along with our farm neighbors*. Diversification and implementation of competitive business clusters *are only now gaining a foothold*. For the most part, I believe the primary focus of many rural economic development efforts continues to be on business retention – literally trying to preserve the health and strength of existing business with little capacity or opportunity to actively pursue business development, expansion or recruitment strategies.

Signs of hope are on the horizon however *More and more small towns and rural communities are awakening to the assets they already possess and are beginning to explore entrepreneurial options*. In fact, WSU Extension in partnership with the four regional Rural Development Centers and the National Coalition for Rural Entrepreneurship have recently completed a series of "Listening Sessions" across rural America. (Additional support has come from the W.K. Kellogg and Northwest Area foundations, the Center for Rural Entrepreneurship, the Farm Foundation, the Cooperative State Research Education and Extension Service, the Rural Policy Research Institute National Research and Policy Center, and the U.S. Department of Agriculture. A total of 30 listening sessions have been scheduled).

*Preliminary results from these sessions have identified four broad areas of investigation:*

**Partner Institutions:**

Central Washington University  
(509) 963-1558

Washington State University  
(509) 334-2037

Skagit Valley College  
(206) 428-1282

Eastern Washington University  
(509) 359-7902

Yakima Valley Community College  
(509) 575-2357

Grays Harbor Community College  
(206) 542-4023

1. Education, training and technical assistance.
2. Access to diverse sources of capital.
3. Networks of support and an enabling culture.
4. Supportive public policy.

The challenges identified under the heading "*education, training and technical assistance*" included the following: lack of basic small business education and training; lack of youth training; competing K-12 educational objectives, and the lack of a seamless entrepreneurial education. The opportunities included: mentoring programs; flexibility in curriculum design for entrepreneurship; increased public education and awareness of resources; increased training in business analysis and planning, and expanded funding for K-12 entrepreneurial education.

The challenges identified under the heading "*access to diverse sources of capital*" included the following: lack of revolving loan funds; lack of credit services, and lack of investment capital (debt not equity). The opportunities included: increased start-up funding; creation of micro-enterprise funds; funding of business incubators; publicly sponsored capital funds, and strengthen and expand community foundations as partners.

The challenges identified under the heading "*networks of support and an enabling culture*" included the following: the limited time and resources of entrepreneurs; the exclusion of many existing businesses; a lack of service coordination among providers, and lack of a focused, comprehensive national and statewide rural enterprise initiative. The opportunities included: the creation of One-Stop-Shops for business assistance; further regionalization of networks; facilitating insurance pools (or access to existing pools); growing a culture of self-employment and entrepreneurship, and the publication and sharing of success stories/best practices.

The challenges identified under the heading "*supportive public policy*" included the following: lack of basic infrastructure; inadequacies of transportation systems; lack of balanced growth strategies, and a lack of immediacy around the general needs of rural communities. The opportunities included: expansion of enterprise zones; further funding for industrial parks; increased funding for infrastructure expansion/updating; promotion and improvement of rail service; further incentives for medical services; expanded communication services; strategically targeting existing public programs toward rural entrepreneurship; promote a cluster model approach for growth; revise tax policy to provide incentives for start-up business; revise employment practices as regards the hiring and training of youth, and a shift in the focus among economic development organizations to a balanced approach of business retention, development and recruitment.

(A complete listing of available session findings is available at <http://nationalcoalition.wsu.edu/about/research.html>).

These observations by practitioners and entrepreneur service providers seemingly confirm the findings of our best available research. These findings have identified largely

four primary organizing principles for entrepreneurial development and five essential elements of a sustainable entrepreneurial development system.

The four principles are:

1. **Community Driven:** communities provide the culture within which entrepreneurs thrive or fail.
2. **Regionally Oriented:** regional collaboration is critical to helping rural communities achieve the scale needed for successful entrepreneurship development.
3. **Entrepreneur Focused:** entrepreneurship development is a human resource development strategy as much as it is a business development strategy.
4. **Continuously Learning:** entrepreneurship education should reach down into the K-12 school system and extend out to existing entrepreneurs.

The five elements are:

1. Entrepreneurship education (K-12 through adult).
2. Training and technical assistance.
3. Capital access.
4. Networks.
5. Culture that supports entrepreneurs.

You as Secretary and the Department of Agriculture are an essential and key partner in the long-term viability of Washington State's and America's small towns and rural communities. I deeply appreciate and applaud your historic efforts. Yet, today we face a challenge as great as ever. Many family farmers and small family businesses are near bankruptcy. The threat of peak oil, changing climates, federal deficits, global violence, and a suburban ideology loom high on the hearts and minds of many in rural America. Your leadership Mr. Secretary before state houses, Congress and the Administration are critical to the health of our rural life.

Here then are five policy areas, based upon my professional reading and experience, that I recommend for your further consideration, departmental policy, and legislative action:

1. Education.
2. Quality of Life.
3. Immigrant Entrepreneurs.
4. Infrastructure.

**Education.** Communities with more educated residents have greater entrepreneurial depth. While all types of education are helpful to regional growth, educational programs that enhance entrepreneurial skills are essential. Research has also found that such skills can be taught. Thus, regions can create entrepreneurial development systems that seek out potential entrepreneurs and offer the training that develop the technical, managerial, and entrepreneurial skills they need to be successful. The best systems are regional in scope and systemic in approach. (The Rural Community College Initiative has identified entrepreneurship and small business development as a key economic development role for community colleges).

**Quality of Life.** Communities known as amenity-rich, creative places that are open to a diversity of people and ideas are more likely to develop homegrown entrepreneurs and

attract footloose entrepreneurs. Thus, regions seeking new ways to develop local entrepreneurs may want to focus on boosting the quality of life in their communities.

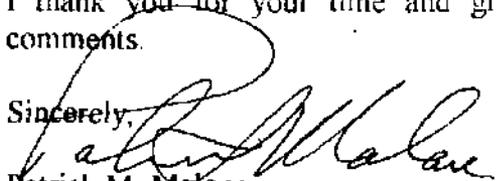
**Immigrant Entrepreneurs.** Regions with a high ratio of foreign-born residents have more entrepreneurial depth than regions with few such residents. Immigration brings a range of benefits to regions seeking entrepreneurs, especially rural regions. Immigrants help counteract the outflow of native residents that can threaten a community's critical mass. And immigrants frequently become high-value entrepreneurs, often bringing a new business perspective to local assets and markets. Thus, policy that helps attract immigrants enhances entrepreneurial depth. Immigrants also create diversity simply by being involved in a community may in turn help attract more immigrants with entrepreneurial skills, also increasing breadth.

**Lastly infrastructure** Developing and maintaining infrastructure for transportation and telecommunications may be especially critical for developing entrepreneurial depth. A modern transportation infrastructure allows entrepreneurs to connect to markets and suppliers in other locations by car, truck, train and air. A high-quality telecommunications network allows rural entrepreneurs to tap resources, assets, and information from other regions. Policies that focus on infrastructure can encourage steady flows of goods, services, and information – all of which are vital to rural regions.

In closing, an entrepreneurial approach to enhancing rural economic growth, while very hopeful, is also a multi-generational undertaking. As we await such long-term opportunities we must not abandon the immediate needs of rural and farming communities. Therefore I would also suggest that we continue grant programs for value-added agriculture, high-value markets, ethanol, and support for small and medium size farms. The latter can perhaps be best accomplished by lowering commodity program payments to farmers to a cap around \$250,000 per farmer. It would be truly tragic to see mentioned cuts in conversation, energy, rural development, research, and food stamp programs become the official farm and rural policy of America. As for the Inland Northwest region specifically, I believe the Administration's strong support and advocacy for the proposed Inland Northwest Revitalization Act, S.B. 2162, would be a major step forward.

I thank you for your time and greatly appreciate your kind consideration of my comments.

Sincerely,



Patrick M. Malone

Inland Northwest Program Associate  
Partnership for Rural Improvement

*"Right now, in every community, at this very moment, there is someone who is dreaming about doing something to improve his/her lot. If we could learn how to help that person to transform the dream into meaningful work, we would be halfway to changing the economic fortunes of the entire community." Ernesto Sirolli*

**BILL SUMMARY**  
**S.2162: Inland Northwest Revitalization Act**

The Inland Northwest Revitalization Act addresses severe economic distress in targeted counties and Indian reservations in Idaho, Montana, Oregon, and Washington. The Act invests federal funds to implement the Inland Northwest Economic Adjustment Strategy (INEAS), a series of strategic initiatives that encourage development of businesses in targeted clusters, entrepreneurial development, and technology commercialization in parts of the region negatively impacted by the effects of federal natural resource policies, regulations, and trade agreements. The bill also creates a collaborative regional partnership to implement the Inland Northwest Economic Adjustment Strategy.

**Section 1: Title**

**Section 2: Purposes**

Includes strengthening the regional economy of the Northwest by providing support for entrepreneurial ventures in areas distressed by the decline of natural resource based industries.

**Section 3: Definitions**

**Title I: Inland Northwest Regional Partnership**

**Section 101: Establishment, Membership, and Employment** – establishes INEAS; requires Partnership members to include those from state and local government, area Tribes, and private industry; describes the Executive Committee; grants power to hire personnel.

**Section 102: Decisions** – describes the type of decisions to be passed by a simple majority, and those for which a quorum of members is required.

**Section 103: Functions** – describes the duties of the Partnership as coordinating, implementing, and monitoring projects, receiving and disbursing funds, conducting investigations, and coordinating the economic development activities of federal agencies in the region.

**Section 104: Administrative Powers and Expenses** – confirms the Partnership has the power to establish bylaws, request and hire necessary personnel, determine financial contributions to be made by each state, withhold assistance if such sums are not provided, and enter into contracts.

**Section 105: Meetings** – requires the Partnership to conduct at least one meeting each year with at least a majority of the members present.

**Section 106: Public Participation** – requires the Partnership to encourage public participation, and ensuring minimum guidelines for such participation are published and available to the public.

**Section 107: Annual Report** – requires the Partnership to submit to the Governor of each State, the President, and Congress a report describing the activities carried out under this title during the fiscal year.

**Title II: Financial Assistance**

**Section 201: Grants and Other Assistance** – provides the Partnership with the authority to make grants; regulates the manner in which the Partnership makes grants; and requires the recording and maintenance of detailed records.

Section 202: Approval of Projects – describes the requirements for Partnership approval of a grant.

### **Title III: Inland Northwest Regional Partnership Regional Initiatives**

Section 301: Inland Northwest Business Cluster Initiative – authorizes the Partnership to provide technical assistance and/or grants and to enter into contracts that increase the competitiveness and sustainability of clusters of related businesses.

Section 302: Entrepreneurial Development Initiative - authorizes the Partnership to provide technical assistance and/or grants and to enter into contracts that seek to identify obstacles to the competitiveness and growth of existing businesses; assists communities in addressing those obstacles; promotes and encourages the growth of entrepreneurial activity in the Region; increases affordable access to and use of advanced telecommunications, entrepreneurship, and information technologies in the Region.

Encourages entrepreneurship practitioners, academic experts, business leaders, and technical assistance providers to work together to benefit entrepreneurship across the Region and encourages the formation of a working network of business incubator managers and stakeholders, academic experts, business leaders, and technical assistance providers.

Section 303: Technology Commercialization Initiative - authorizes the Partnership to provide technical assistance and/or grants and to enter into contracts to support technology commercialization efforts that increase technology transfer.

Encourages the creation of a network of universities, national laboratories, business leaders, industry experts and states to promote the growth and development technology-related business through technology transfer.

Section 304: Community Readiness Initiative - authorizes the Partnership to provide technical assistance and/or grants and to enter into contracts that seek to increase the competitiveness and sustainability of local communities, and draw on regional partnerships.

Section 305: Regional Workforce Development - authorizes the Partnership to provide technical assistance and/or grants and to enter into contracts supporting projects that improve the job skills of workers for a specified industry.

### **Title IV: Administration**

Section 401: Consent of States – ensures that no State is required to engage in or accept a program under this title without the consent of the State.

Section 402: Program Implementation – ensures that no program, project, or activity authorized under this chapter shall be implemented until the appropriate federal official determines the application does not conflict with the parameters of this title, and the Partnership determines it meets the applicable criteria under section 403 and 404.

Section 403: Program Development Criteria – requires the Partnership to follow procedures considering the impact on regional development, the number of people served, the financial resources available, and ongoing sustainability, when determining which programs, projects and activities to assist.

Ensures that approved projects will not result in diminished financial assistance under other laws for the same type of programs, projects, or activities in the State or region.

Requires that not less than 50 percent of the amount of the grant expenditures approved by the Partnership will be dedicated to benefiting severely and persistently distressed counties and areas.

Section 404: Regional Development Planning Process – encourages each State and tribal member to submit to the Partnership a development plan for one or more areas of the State or tribal jurisdiction; encourages the execution of Region-wide action programs.

Section 405: Distressed and Economically Strong Counties – requires the Partnership to designate the most severely and persistently distressed counties as “distressed counties” and further provides definitions within this term; requires the Partnership to conduct an annual review of each county designation, and grants the power to renew the designation for an *additional one-year period if deemed appropriate*.

Ensures that no more than 30 percent of the cost of the program, project or activity be designated for a county deemed “Competitive,” and that, with a few exceptions, amounts will *not* be provided under this title for a program project, or activity that is carried out in a county for which an attainment county designation is in effect.

#### **Title V: Miscellaneous**

Section 501: Authorization of Appropriations – authorizes such sums as necessary to carry out this Act, with amounts to be remain available until expended.

Section 502: Cessation of Effectiveness – this Act ceases to be effective October 1, 2012.

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SECRETARIAT, USDA

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