

CENTER FOR GOVERNMENTAL STUDIES Northern Illinois University

issue: *Restoring Economic Vitality To Rural American Communities*

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- *Business decline and closings are threatening the lifestyle of small rural communities.*

- *Successful business strategies in small towns emphasize addressing economic and lifestyle concerns simultaneously.*

- *Community Supported Agriculture initiatives provide ways to use local agricultural products to stimulate community business districts.*

- *Community Supported Enterprises offer a variety of ways to stimulate other business activity in small communities.*

- *A variety of options can be used to generate funding for small town businesses.*

Editor's Note: The viability of life in America's rural communities—upon which so much of the nation's cultural traditions and folklore are based—has been under increasing stress in the decades following World War II. Rural life continues to be threatened by the rapid increase in the movement of population and economic activities to larger urban centers. This *Policy Profiles* suggests strategies for stimulating economic growth and viability in small towns and cities.

Many small, rural communities across the United States—towns, villages, even cities—have experienced economic stagnation and often even declines during the past several decades. Such downturns cause many to suffer severe losses in the quality of their residents' lives as well. Ultimately, such economic decline can cause an unraveling of important components of the nation's economic and social systems.

Some of the economic hardship in rural areas can be traced to the unanticipated consequences of government policies. For instance, efforts in the 1970's and 1980's to upgrade rural roads so farmers could more easily get their produce to markets failed to anticipate that better rural roads also made it easier for rural residents to shop in the big box stores in near-by urban areas, thereby further accelerating the decline and, often, loss of local businesses.

But most of the decline has come from economic changes, including:

- Agricultural mechanization, with a resulting loss of local jobs;
- Migration of young people to colleges and technical schools in search of education and diverse job options;
- Aging of the local population;
- Declining populations as people move to more densely populated areas in search of jobs;
- Growth in internet shopping causing a loss of trade for local businesses.

These factors are described in more detail in Appendix 1.

With increasingly limited local access to necessary goods and services, the overall quality of life and attractiveness of living in small communities decreases and can lead to a downward spiral that is difficult to reverse without new approaches. Facing possible further declines, rural community and business leaders must find ways to retain essential goods and services within the community if they are to retain their communities' current population, let alone attract new residents.

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In the past, communities have supported businesses in many ways including low cost loans for startups, buy-local campaigns, and other promotional efforts. This *Policy Profiles* issue, however, examines a more specific approach where communities match local investors directly with business entrepreneurs to start or revive businesses that are considered essential to local prosperity. In some instances, local nonprofit organizations assist in organizing these efforts.

Communities using these approaches encourage their residents to invest in local stores or establishments operated or to be operated by others, gain a return on their local investments, and, by so doing, *increase the quality of life in their community.*¹

Thus such local investments typically have a dual purpose—return a profit to local investors and improve local quality of life. The motivations behind these development efforts are similar among communities, but the specific approaches used vary with local resources and priorities. Several of these approaches are described in this issue.

How are markets changing for small towns?

Population trends in small and mid-size communities have changed local markets as well as the types of stores likely to succeed in the future. Many small and mid-size communities have had to attract tourists to supplement local spending in the community in order to sustain downtown establishments and offset population declines. Finding a distinctive local or historical attraction and then

marketing it to a larger population is often a challenge. However, even relatively small communities have succeeded.

Figure 1 describes two such efforts that have proven to be very successful.

Numerous other examples of similar types of approaches exist in small towns, with both vendors and community leaders trying to build or create a special niche that brings traffic to the area and creates markets for other businesses in the process.

Figure 1 Rural Communities Successfully Attracting Tourists

Galena, Illinois (pop. 3,429), storeowners market a wide variety of locally-grown products. The products are unique, accommodate a growing interest in local and health food, and increase markets for local growers. This approach can work especially well in communities such as Galena with extensive tourist traffic from areas not likely to have these products.

Even though such an emphasis may not be the most powerful draw for tourists, it contributes to the overall “experience” once they arrive. For example, products marketed by Galena’s promotional efforts include a well-known local distillery, several wineries, a ski resort, golf courses, and President Grant’s home as local attractions.

This combination of activities attracts a large number of tourists and thereby creates markets for other local products.

Potosi, Wisconsin (pop. 688), promotes a national beer museum as an attraction based on an unique local history of brewing in the area. In the same region, New Glarus, Wisconsin (pop. 2,172), boasts a widely-recognized local brewery that sells its products exclusively in Wisconsin, thereby serving tourists as well as area residents.

Le Clair, Iowa (pop. 3,765), in the same general region, promotes a distillery known for using local grains as well as being home to a Buffalo Bill Cody museum and a major antiques center.

What about communities without major tourism potential?

Not all small towns facing slow growth or decline have local, unique assets to market to tourists. But often they do have vacant downtown storefronts that once housed businesses such as grocery stores, restaurants, and drinking establishments that are vital to the community and, without such facilities, residents are forced to travel to other communities. What options are available to them? **Figure 2** describes one such community, Bonaparte, Iowa, that “beat the problem.”

The Bonaparte experience was an early adaptation of a cooperative business model where members/owners obtain returns based on their participation.² The main motivation, in this instance, was to meet a community need in an economically sustainable way financed by residents.

This cooperative model for sustaining a grocery store has since been replicated in other states including Nebraska, Kansas, and Illinois because preserving these stores is seen as essential to the long-term survival of a community.

What are these states doing?

Each of these states has developed programs—called “Food Initiatives”—to enable small, rural communities to assure their residents have access to healthy food. Kansas State University (KSU) has partnered with rural areas to start a Rural Grocery Initiative that fosters a successful and sustainable approach for rural grocery stores.⁵ KSU provides tools for rural grocery stores to use in working with local leaders to provide better services for residents.

Similar efforts exist in Nebraska where the Nebraska Cooperative Development Center and the University of Nebraska-Lincoln both provide assistance to rural areas that want to preserve or create businesses.⁶

Illinois also has helped bring grocery stores to areas lacking healthy food options. The Illinois Facilities Fund, which serves as a lender and developer to create opportunities for low income areas, recently started a program to build and own six grocery stores across Illinois with the assistance of

the Illinois Fresh Food Fund.⁷ The Illinois Institute for Rural Affairs, at Western Illinois University, published a handbook for community leaders to use in starting a grocery store. It is available at IIRA.org.

The expanding interest in healthy lifestyles and diets has helped rural communities create successful economic development efforts with locally-grown food as a major component. In addition to meeting a social need, this strategy expands markets for local food producers and processors, and it injects new vitality into the local economy by adding an attraction that lures additional tourists.

Farmers’ markets and food-related enterprises have historically been employed by some rural communities as ways to insure local access to healthier food, draw tourists, and increase the cash flow of area farmers. In some instances, these efforts develop sufficient markets to start year-round businesses in the downtown, possibly using vacated downtown storefronts. Such collaborative efforts often serve social gathering places that also contribute to the social capital and continued vitality of the small town.

An important common element in these approaches is that residents take a more active role and interest in their community and become part of its future through a local business venture.

Figure 2 A Success Story Applicable to All Rural Communities

Leaders, even in very small towns, have taken creative approaches in helping their local stores. The only grocery store in Bonaparte, Iowa (pop. 433), closed in 1986 leaving residents with few options but to travel long distances for basic supplies.

In response, local leaders organized a fundraising effort, including more than 50 families who invested \$2,000 each, to form Township Stores.³

The local nonprofit then purchased several buildings. One storefront was remodeled and a business venture has operated as Township Grocery (or Township Stores) since that time. Related efforts included the restoration of a former Opera House, a hardware store, and the Bonaparte Inn.⁴

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How do such food initiatives work in rural areas?

Typically, these initiatives have been organized, formally or informally, into what are known as Community Supported Agriculture (CSA) initiatives. Local CSA initiatives promote joint efforts by community residents and local food producers to develop and carry out plans to expand food markets in ways that improve the community's economy and lifestyle. Consumers agree to pay in advance for fruits and vegetables that will be delivered throughout the growing season.

Historically, CSA's have been a popular way to better connect residents and locally-grown products, but now similar approaches are common in other service businesses such as restaurants or book-stores.

Much of the recent impetus has arisen because of the popularity of crowdfunding^a activities aimed at providing opportunities for residents to invest small amounts of money in local ventures. In the case of CSA's, residents subscribe to a set allotment of products in advance which provides funding for a grower to plant and cultivate before delivery of the food items.

Many state legislatures, recognizing these opportunities, now provide new financing vehicles to support local initiatives. The Illinois Facilities Fund serves this role and recent legislation passed in Illinois makes crowdfunding activities more accessible to small investors. But more can be done, both to promote CSA activity and to extend this approach to other aspects of economic development as well.

Can the CSA model be applied to non-food businesses?

The success of CSA's has led to the development of Community Supported Enterprises (CSE) to replicate the success of CSA's in developing non-agricultural programs aimed at improving the economic and cultural aspects of rural community life.

Both CSA's and CSE's might be said to be a rural community response to a worldwide localization movement that has developed; its focus is on an economically sound system of human and ecological well-being.⁸

The movement urges people to shop, dine, and invest locally, and to think less of competition and more about collaboration to ensure economic well-being.⁹ They lead to a better understanding and appreciation of not only how spending locally can stimulate the economy, but also how small stores can successfully compete with large discount chains in specific markets.

Building on the CSA model, CSE's are used to address economic and lifestyle concerns in a particular community. They attempt to confront community issues by seeking simultaneously to address both an economic and a social or lifestyle concern in the community, thereby accomplishing more than a corporate goal.¹⁰

CSE's can be used for profit-making commercial businesses or for nonprofit ventures that may, or may not, rely solely on contributions or other revenue-raising activities.

How do CSE's work?

CSE applications can take several forms:

- They can involve residents donating funds for a community project with no expectation of a financial return.
- They can involve residents investing in a local project, expecting a return on their investment. In this case, part of the return to investors can be in trade or services rather than only in dollars. For instance, an investor may qualify for discounts on a specific number of meals as part of the return on investment in a local restaurant.
- Sometimes, local investors pool their investments and make loans to a local business while in other cases, the investors own a share of the local business. This approach provides working capital for the business, but even more importantly, it guarantees a steady stream of customers which is critical, especially during the start of operations.

Often such collaborations produce social gathering places (new stores or restaurants) that also contribute to the social capital and continued vitality of the small community.

^aCrowdfunding is explained on page 7.

How are CSE's organized and structured?

CSE's might use any of several options to organize and finance their ventures, but most frequently they operate as a business to assure sustainability and attract investors. Residents investing in them want to improve the future of their neighborhoods or communities while expecting an acceptable financial return. As local enterprises, they retain money and jobs in the community while providing services that residents (investors) value.

Figure 3 describes the characteristics of CSA's and CSE's, lists their commonalities, and compares them to the more familiar cooperative form of organization.

The specific organizational arrangements used for a specific CSE vary with the needs and wishes of community investors. Common organizational forms such as limited liability corporations or cooperatives may be preferred because of easier legal filings, liability, and management structures,¹¹ but hybrid forms involving a mix of community and individual ownership also exist. For example, a community organization that owns property or equipment and hires, or contracts, with private operators to run a business and lease the resources is possible.¹²

CSE's also include nonprofit organizations created to address specific local needs. They are formed by local residents for specific purposes, usually including community advancement through a locally-supported venture that, in some instances, involves creation of a CSE. Such approaches have also been used by local groups to prevent a business from closing. After the venture has been restored to profitability, it is then sold to private owners.

CSE's also vary in level of community involvement within each structure. Some formats, such as cooperatives and community corporations, allow local residents to be involved beyond financing so that they actively participate in managing the business. Often, an elected board of directors manages the enterprise representing the members. The level of involvement by community members depends on the needs of the business and initial start-up approaches.

Figure 3 Business Strategies/Programs

Community Supported Agriculture (CSA)

- Residents invest in a local farm before or during the growing season, but before the harvest.
- Money is paid upfront and goods are promised in return for later delivery.
- Initial capital is meant to help finance the producer through the growing season.
- Farm-to-table transactions create a closer connection to food.

Community Supported Enterprise (CSE)

- The venture is financed primarily through community efforts.
- Such enterprises incorporate social as well as corporate goals to make a profit and benefit the community.
- Various organizational and financing methods allow residents to become involved in the business.

Cooperative

- Business owned and operated for the benefit of its users/owners.
- Membership is gained through buying shares in the cooperative, though all members are given an equal vote.
- Boards of directors and officers are elected and profits of the businesses are distributed among members.
- Many cooperatives can be seen as a CSE depending on a business model and background.

Sources: U.S. Small Business Administration. (n.d.). Cooperative. Retrieved from: <https://www.sba.gov/content/cooperative>; Horose, C. (n.d.). Beyond the Bank: Community-Sourced Solutions for Starting and Saving Small Businesses. Retrieved from: <http://www.communitymatters.org/blog/beyond-the-bank-community-sourced-solutions-f>

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Figure 4 Common Organization Types

- Cooperative: Membership is open to the entire community and residents become owners/users by joining.
- New Generation Co-op: Growers commit to supplying a specific amount of produce to a processing venture and participate in the profits according to their involvement.
- Small Ownership Group: Small group of residents/investors raise capital to start a business.
- Community Corporation: Selling shares to community members creates a business owned and operated by residents.
- Limited Liability Corporation: Members own the corporation and have limited liability for any losses.
- Business Hybrid: Combination of two organizational structures in one business.
- Transitional Ownership: Community-owned business that is sold or dissolves to private ownership.

Sources: U.S. Small Business Administration. (n.d.). Limited Liability Company. Retrieved from: <https://www.sba.gov/content/limited-liability-company-llc>; Bloom, J. (2010). Community Owned Businesses: How Communities Become Entrepreneurs. Main Street America. Retrieved from: <http://www.preservationnation.org/main-street/main-street-now/2010/marchapril-/community-owned-businesses.html?referrer=https://www.google.com/#.Vk95ZnarTes>

Figure 4 describes common organizational formats used by CSE's.

How are CSE's financed?

Some CSE ventures are modeled directly after CSA's in which patrons invest funds with goods promised at a future time. Other ventures have direct investment in a business by selling ownership shares to residents in the community. In a majority of cases, these shares grant voting rights, discounts, and repayment of profits. Startups using CSE methods have also succeeded in using prepaid gift cards and vouchers redeemable for a higher value when the business has opened.

Common funding options used by CSE's are shown in Figure 5.

In addition to the customary loans and grants, CSE's use donations as a common form of fundraising as well as pooled money and loans from investor groups within the community.¹³ In their simplest form, a group of residents, or others, invest money in a fund that, in turn, invests in a local business. In short, they "pool" their money which is then invested in the identified business activity such as a bookstore, restaurant, grocery store, or other enterprise. Investors receive a return in dollars, interest payments, or trade at the business.

Depending on the purpose of the business venture and how it is organized, the investors *may* accept a lower rate of return and be a source of "patient capital" with lower than expected market interest rates and a longer time during which their returns will be received.

More recently, a new method of raising funds for business ventures has become a popular resource for many entrepreneurs (public or private) to access capital.

Figure 5 Common Funding Options Used by CSE's

- Subscriptions: Similar to CSA approaches, money is paid initially with goods promised in return.
- Donations: Money gifted directly by residents.
- Gift Certificates: Store credit is bought prior to the opening of a business and redeemable for a value higher than the purchase value.
- Sale of Shares: Selling of ownership/equity into the business, voting rights and other perks usually given in return.
- Memberships: Residents buy a membership in the business and receive other benefits such as discounts, coupons, and repayment of profits.
- Community Loans: Residents pool money and make loans to the business and are then repaid, often with interest.
- Crowdfunding: Online platforms create greater exposure for peer lending, donations, and sale of equity.

Crowdfunding is a strategy in which the public can invest in a public or private venture usually through an organization (platform) designed to collect and invest funds.^b

Several of these fundraising organizations such as Kickstarter^c are international in scope and provide opportunities for people to invest in a wide range of business ventures.

This approach allows entrepreneurs or business start-ups access to funds from groups across the U.S. who are interested in relatively small investments in these types of activities. The investors typically want a return commensurate with the financial market, but in some cases they may have interest in specific types of business ventures. Crowdfunding techniques can provide that access.

Is government help available to CSE's?

Nationally, passage of the JOBS Act in 2012 brought new opportunities to finance startups or expansions using locally-generated capital.¹⁴ It broadened opportunities for residents to invest in small businesses. More recently, the Securities and Exchange Commission published rulings opening equity-based crowdfunding to the general public in 2016 with more lenient rules governing the fundraising practices of small businesses.¹⁵

The Small Business Jobs Act of 2010 also created the State Small Business Credit Initiative that helps strengthen state-level small business lending programs.¹⁶ These institutions provide resources to small businesses and individuals trying to establish a community-supported enterprise.

In recent years, many states, including Illinois, have enacted legislation to facilitate and promote local investments by residents who might not otherwise be engaged in financing local establishments. Illinois expanded opportunities for equity crowdfunding. This legislation took effect on January 1, 2016, and allows non-accredited investors, with a net worth of less than \$1 million dollars, to invest up to \$5,000 in each company per year.¹⁷

This law also allows for a higher funding cap of \$4 million. Considerable activity is expected because of the relaxed rules, including the creation of more capital and investment options for Illinois residents that will potentially enhance small businesses in Illinois.

Currently, 1,250 crowdfunding platforms exist worldwide and vary in lending, donations, rewards, and equity.¹⁸ Lending from one individual to another represents the largest share of the crowdfunding industry, though rewards and equity-based methods are the most widely-known.¹⁹

The growing popularity and recent regulations regarding crowdfunding make these methods appeal to newer businesses and enterprises, since organizers can access more individuals in financing the ventures. Depending on the crowdfunding based method used, CSE's also have more flexibility in deciding ways to compensate investors; either through interest payments, ownership shares, or other rewards.

The importance of these changes as well as statutory changes in Illinois and other states has made the crowdfunding types of revenue raising approaches more readily available both to private entrepreneurs as well CSE's motivated partly by social issues.

Are these activities happening in Illinois?

Small communities in Illinois have successfully created food enterprises through CSE and cooperative types of approaches. Their stories are told in the following paragraphs.

For instance, *Washburn Community Foods* was created in 2000 as a cooperative after **Washburn, Illinois** (pop. 1,145), lost the only grocery store within 20 miles.²⁰ Residents went door-to-door selling shares at \$50 each and raised more than \$100,000 to purchase and re-open the store.²¹ Volunteers restocked shelves, cleaned, painted, and repaired equipment to make the venture succeed.²²

And, indeed, the store overcame financial difficulties and prospered, all because of local initiative and dedication by residents. Recently, the store was sold to private owners who currently operate it as a grocery store.

The Washburn experience illustrates the potential use of community support to preserve an essential local institution and then return it to private operation.

Another example is The Firefly Grill which opened in 2006 in Effingham, Illinois (pop. 12,558).²³ The city had been searching for an upscale eatery where residents could socialize, so local leaders courted two restaurateurs who had previous ties to Effingham and dreams of opening their own restaurant.²⁴

Through the efforts of local investors and bank loans, the community raised \$1 million to open the restaurant.²⁵ The Firefly Grill is owned by two LLCs with the current owners running the restaurant and other

^b*crowdfunding.about.com*

^c*Kickstarter funds are used to raise money to start businesses and when used with CSE's, the money can acquire an existing underutilized building, make needed upgrades, and bring a new business into it. It can be used with a variety of legal arrangements. See www.kickstarter.com.*

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investors, who own the land and developed the building, serving as silent partners.²⁶ The restaurant has grown and prospered despite the recession and has succeeded in its goal to improve the quality of life in Effingham.²⁷

The Nauvoo Market provides yet another example of a successful CSE attempt in Illinois. Residents of Nauvoo, IL (pop. 1,118) organized a local response when they learned their local grocery store was scheduled to close. A local group decided to convert the former location into a community-owned store that would supply essential goods to Nauvoo.

They had initially hoped to create a community corporation but were unable to do so when financial backing fell short. Instead, an alternative fundraising effort was initiated and community investors formed the Nauvoo Market LLC to help finance startup costs.^d Community fundraising efforts also secured over \$20,000 in donations. Volunteers donated time in preparing the facility played a serious role in organizing the Nauvoo Market that opened in May 2015.

The Nauvoo Market closed in early 2017 due to high costs of merchandise, need for capital improvements, and inability to raise sufficient local investment. This emphasizes that CSEs must meet the same issues as any small business (<http://www.nauvoomarket.com/>).

What makes these programs succeed?

Perhaps the most critical component in the success of a CSE is that residents recognize a need for local access to a specific good or service and that need then translates into actions by residents to bring the venture to the community.

Turning such a venture into a reality requires strong and committed local leadership by elected officials and professional agencies. Someone to champion the idea is vital, but that person(s) must have backup support in the community. CSE's must have continued support in the community to succeed and, in return, such ties become their greatest asset for survival. In turn, the structure and performance of the business *per se* must guarantee continued support.

In addition to solid and continuing community support, other factors can be important in achieving CSE's lasting success.

Local Financing. Available local financing is always important because, at least in initial stages, sufficient capital from traditional lending sources such as banks and financial institutions, is likely to be difficult or impossible to find. Crowdfunding over the internet or locally, as previously discussed, is one method to expand the local fund-raising potential.

However, depending on the interest and perceived need for the proposed venture, other possibilities exist to raise local funds. For example, Community Sourced Capital is an online platform that allows local individuals to loan small amounts to a business expecting repayment at a future date but with zero interest. Programs such as these appeal to a person's desire to live in a strong and healthy community; such persons can sometimes be motivated to invest mainly on goodwill and social purpose. In this approach, individuals invest in enterprises in which they are interested and, in turn, the businesses gain funds without incurring additional costs.

Local and State Programs. Other such programs are available to start-up

businesses. Many federal and state grant and loan programs can provide needed start-up financing for businesses that qualify based on various criteria. The programs go even farther in providing technical assistance or other activities such as legal aid, marketing, networking, and information. The Small Business Development Network is a prime example of services delivered across the state.

Other agencies focus more specifically on helping certain groups. Some of these programs are targeted to entrepreneurs based on gender or minority status. Others are designed to help stimulate investment in areas that have high poverty and unemployment rates.

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Still other agencies focus more specifically on helping certain groups. A list of some agencies that might be helpful is presented in Appendix 2.

Technical Support. In addition to financing, startup businesses need access to resources for other aspects of business management such as marketing, personnel administration, financing, and product development. Community development organizations offer educational programs, political advocacy, financial support, and networking opportunities for these fledgling businesses.

^dGertz Husar, D. (2015). 'It's been a community effort': Volunteers helping with renovation of Nauvoo grocery store. *Herald-Whig News*. March 23, 2015. <http://www.whig.com/story/28587121/its-been-a-community-effort-volunteers-helping-with-renovation-of-nauvoo-grocery-store>

The Illinois Department of Commerce and Economic Opportunity manages a network of Small Business Development Centers that work with business start-ups and provide both training and technical assistance programs. Many institutions of higher education also provide outreach programs to support business creation and expansion.

What is the immediate and future outlook for CSE's?

The growth in CSE's is likely to help bring other innovative approaches to starting businesses with social or environmental components that are increasingly relevant in today's society. These approaches will be especially important in small, rural communities less likely to attract external investors.

The motivations vary but in small, especially rural communities, facing population declines and economic stagnation, CSE's can be a viable supplement, or perhaps even a turnaround, for economic survival.

Residents are investing locally when otherwise sufficient financial capital would not be available. This approach is not guaranteed to work in all communities, but is certainly worth examining especially in light of recent legislative changes that open opportunities for small, local investors to foster growth and development in their communities.

Examples of success exist—indeed some have been described above and should be considered as a means to revitalize communities and promote entrepreneurship. Substantial growth in these approaches can be expected in the next several years.

Other Recent *Policy Profiles* of Interest to Rural Communities

Past Issues of Policy Profiles can be found at:

http://www.cgs.niu.edu/Policy_Profiles/index.shtml

Andrew Blanke and Norman Walzer, **Workforce Turnover and Replacement in Downstate Illinois**, *Policy Profiles*, v. 15, no. 3 (October 2015).

Patricia Inman, **Locally Produced Food: A Way to Grow More Food and the Economy**, *Policy Profiles*, vol. 15, no. 2 (June 2015).

Mim Evans and Norman Walzer, **Back to the City Movement: Will It Help Illinois' Smaller Cities?** *Policy Profiles*, v. 13, no.3 (December 2014).

Andrew Blanke and Norman Walzer. **Illinois in the Post-Recession Recovery: A Fresh Look at the State's Progress**, *Policy Profiles*, v. 12, No.2. (October 2014).

Andrew Blanke and Norman Walzer, **Workforce Status in Downstate Illinois**, *Policy Profiles*, vol. 12, no. 2 (August 2013).

Norman Walzer, Andrew Blanke, and Brian Harger, **Employment Changes in Downstate Illinois and Business Climate Perceptions**, *Policy Profiles*, vol. 12, no. 1 (February 2013).

Norman Walzer and Andrew Blanke, **Promoting Entrepreneurship in Rural Illinois**, *Policy Profiles*, vol. 11, no. 4 (December 2012).

Norman Walzer and Bethany Burns, **Local Government Structure and Public Expenditures in Illinois: Does Governmental Structure Matter?** *Policy Profiles*, vol. 11, no. 3 (November 2012).

Norman Walzer and Melissa Henriksen, **Health Care in Rural Illinois: The Role of Critical Access Hospitals**, *Policy Profiles*, vol. 11, No. 1, (March 2012).

Tatchalerm Sudhipongpracha and Norman Walzer, **Small Governments and Intergovernmental Collaboration**, *Policy Profiles*, vol. 9, No. 3, (November 2010).

J. Dixon Esseks, **Safeguarding Farmland from Non-Agricultural Uses**, *Policy Profiles*, vol. 3, no. 4, (December 2003).

Tatchalerm Sudhipongpracha, Norman Walzer, and Ruth Ann Tobias, **Governments in Difficulty: Evolving Trends Make Life Harder for County Government**, *Policy Profiles*, vol. 9, no. 2, (August 2010).

J. Dixon Esseks, **New Homes in Rural Areas: Agricultural, Fiscal, and Safety Impacts**, *Policy Profiles*, vol. 2, no. 5, (November 2002).

Appendices

Appendix 1: Economic Threats to Rural Communities

- The continued mechanization of agriculture is reducing the need for on-farm employment which (a) reduces the number of jobs available in the area and, (b) reduces the number of shoppers in local stores and the number of people seeking health care, attending local schools, and patronizing of other professionals.
- With fewer local jobs available, young adults increasingly leave rural communities in search of further education and jobs in urban areas.
- The loss of young adults and families results in a growing percentage of elderly and retired residents who may live on smaller incomes yet place more demands for services on local public agencies.
- Rural residents now travel longer distances for employment and shopping thus further increasing the outflow of dollars that would otherwise have been spent in local stores.
- The rise of the internet has affected how and where customers shop for goods with adverse effects on rural areas. Internet sellers offer a wider selection of merchandise at lower prices and are often more convenient considering travel time and transaction costs. Thus, small stores, formerly the mainstay of rural communities, now struggle to maintain their markets. This is changing forever the functions of downtown areas in small communities.
- As local markets shrink in rural areas, support for related businesses such as restaurants, bookstores, and other services also decline or change in focus.
- To make matters worse, shrinking local markets make it harder for persons interested in starting new businesses, including local residents, to raise the needed capital. This further adversely affects the rural economy.

Appendix 2: Federal and State Programs

- **U.S. Economic Development Administration (EDA):** A Federal agency that promotes economic development through sustainable job growth and the creation of durable regional economies. Provides grants for technical assistance and strategic planning, research reports, case studies, and other materials useful for local officials working with business entrepreneurs. The EDA also supports regional planning agencies that work with local groups. (<http://www.eda.gov/>)
- **Illinois Department of Commerce and Economic Opportunity (DCEO):** A state agency that leads economic development efforts in Illinois. Helps local agencies create and retain jobs by working with existing businesses, international companies, entrepreneurs, and investors. Provides incentives for business creation and expansion as well as financing options and information on laws, regulations, and permitting. (<http://www.illinois.gov/dceo>)
- **U.S. Small Business Administration (SBA):** A Federal agency that assists current and prospective small business owners through counseling, training, and technical assistance. It works with state agencies to provide a network of Small Business Development Centers that provide technical assistance and informational programs on finance, consulting, training, and assistance in marketing, production, and organization. (<https://www.sba.gov/>)
- **Providing Opportunities for Work through Education and Resources (POWER):** Supports and provides information to grow and enhance businesses as well as education services, counseling, and guidance on Illinois certifications and opportunities. Includes resources for the Small Business Set-Aside Program (SBSP) that reserves certain contracts for qualifying small businesses. (<https://illinoiscomptroller.gov/services/power-program/>)

continued

- **USDA Rural Development Programs:** This Federal agency promotes growth of local economies, especially small communities, to enhance the quality of life in rural America. Resources such as loans and grants are available to help individuals, businesses, nonprofits, and utilities work with business startups and expansions. Business programs include investment, grants, loans, and micro-entrepreneur assistance. Programs also exist to help finance infrastructure needed to support growth and development in rural areas. (<http://www.rd.usda.gov/>)

Endnotes

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