



Rural Economic Vitality Conversation

Participant Input

April 28, 2005

Convened By

The California Center for Regional Leadership

On Behalf Of

Governor Schwarzenegger's Cabinet

1. Where does your region's competitive economic advantage lie? What new business models are emerging for adapting to compete in a global market place?

Roger Akers, General Partner, Akers Capital LLC

Competitive Advantage - I believe that our region economic advantage lies in the development of emerging tech and emerging growth businesses. Our location, education and technical infrastructure will allow critical mass to be developed during the next economic expansion. Nanotechnology applied to the aircraft industry, biomedical applications emanating out of the regional Ag schools, integrated software development from over 60 regional companies all have solid potential for growth if some basic support is provided from an investment perspective.

Speranza Avram, Executive Director, Northern Sierra Rural Health Network
Regional Issues Overview. Northern Sierra Rural Health Network (NSRHN) works to improve health and health services in a nine-county rural region located in the northeastern corner of the state. Covering the counties of Nevada, Sierra, Lassen, Plumas, Modoc, Siskiyou, Shasta, Trinity, and Tehama, this region contains some of the most beautiful areas of the state. It also contains some of the most isolated communities in California, where population densities are less than 11 persons per square mile.

This combination of physical beauty and small communities are attractive to urban dwellers who are looking for less-hurried lifestyles. Over the past several years, most (although not all) of the counties in our service area have seen population growth fueled by retirees and second-home dwellers. The challenge, of course, is for the region to balance growth and development while maintaining the quality of life that attracts newcomers in the first place. Another challenge, faced by rural communities throughout California, is to retain enough affordable housing for residents who work in the service industries that do not pay high wages.

Accessible, affordable, and high-quality health care is a core element of all successful rural communities. Health care services provide value in two key ways. First, as potential new residents compare rural communities, the distance to visit a primary health care provider is an important factor. Particularly as our state's population ages, we will need more, not less, primary level health care providers distributed across the state. Those communities that have local, affordable and high-quality access to health care services will be more competitive than those that do not.

Secondly, health care services are a vital economic force in rural communities. After state and local government (including schools), health care is often the next largest employment sector, providing professional and well-paying jobs. The ripple effect of these jobs in our rural communities is tremendous. For example, in our 9-county region, the health care sector provides almost 4,000 jobs, with a combined payroll

and economic multiplier effect of over \$177 million. (Source: Center for Economic Development, CSU Chico).

From our perspective, there are three major challenges facing California's rural health care providers today:

- Shrinking reimbursements for low-income and Medicare patients, combined with the growth in the number of uninsured patients
- Access to broadband connectivity
- Recruitment and retention of sufficient health care work force.

Rural health providers, in partnership with their rural communities, are working together to address these three important issues. But the State of California also plays an important role in each of these areas and there are some specific actions the state can take to ensure that rural communities continue to have access to needed health care.

Paquita Bath, Vice President, Sierra Business Council

The Sierra Business Council addressed the Sierra's economic advantages in our last publication - Investing for Prosperity: Building Successful Communities and Economies in the Sierra Nevada. The Sierra has huge natural and cultural assets based on location, livable communities, and natural capital. Current economic drivers are recreational tourism and construction for second homes and retirement homes due to our high quality of life. We have strong opportunities in the area of sustainable forest products, agricultural heritage, and ultimately water provision. A much larger number of our new residents are telecommuting. New technology allows greater flexibility for workers from other areas, particularly those from California's urban centers who can still easily commute in for face-to-face time when needed.

Building a more progressive business sector so that higher-level job creation occurs in the Sierra is our biggest challenge. There are wonderful examples in the arts, building on our historic downtown charm, start-up businesses in outdoor gear, and investments in social capital such as rural telemedicine. We are however not being as aggressive as a region in diversifying as is needed to attract younger families and provide well-paying jobs in a variety of sectors. We are proving extremely proficient at attracting retirees and second homeowners and less able to attract young families. Our quality of life attracts them, but our housing prices coupled with a high percentage of low paying service jobs, makes a long-term move very difficult.

Kimberly Collins, Director

**California Center for Border and Regional Economic Studies
San Diego State University-Imperial Valley campus**

Imperial County has a geographic economic advantage to be developed into a clean, renewable energy corridor and as part of the international trade or NAFTA corridor. It is very important to increase the number of living wage jobs in the Imperial County in using this economic advantage.

Specifically to the energy question, Imperial County has a large natural supply of geothermal, hydro, and with great possibilities for wind, biomass, and the development of ethanol from sugarcane. With the appropriate level of infrastructure development, the county's location next to Mexico makes it a prime location for international manufacturing and trade/logistics.

The one inhibitor for this investment is the current environmental quality in the region. It will be difficult to bring in new business development with the current environmental quality - the area has a serious non-attainment designation and drainage water quality is poor.

State agencies should support environmental clean-up in the region to promote additional economic investment. In addition, the state needs to work proactively with the private sector to develop and promote the development of both the renewable energy and logistics/trade industries.

Lisa Dobbins, Desiree Espinoza, Tila Guerrero & P.J. Mecozzi, Pajaro Valley Area
The Pajaro Valley area's competitive economic advantage is based both on the natural features of the region and the proximity to dynamic locales. The Pajaro Valley's weather, combined with rich soil, provides some of the most valuable farm land for agricultural based business. At the same time however, this unique climate not only attracts agribusiness, but people who want to live here for the natural resources and beauty of the area. As a result, this area is home to business such as agricultural farming operations, food processing and storage, agricultural related businesses (shipping, packing, etc.) and also higher learning educational institutions, eco-tourism and general tourism.

Corny Gallagher, Bank of America

California does have a strategic advantage in the production and processing of a wide variety of agricultural products. And in many cases we are the global leaders in production of certain products such as almonds. We also have geographic location unmatched by most regions in of the world with the experience and expertise in production and processing to match.

See facts here: <ftp://www.nass.usda.gov/pub/nass/ca/AgStats/2003cas-ovw.pdf>

The State's role should be to develop and maintain a statewide "Agriculture and Rural Markets" policy that articulates the importance of the food system in our states economic, environmental and social future.

The agricultural business model continues to be centered on the family at all sizes and scales. Therefore family succession and growth and continuation of the business from one generation to the next is important. Families need to retain equities they have created from one generation to the next. Families need to be able to expand and consolidate to meet global economies of scale to be globally competitive.

See facts here: <http://www.ers.usda.gov/StateFacts/CA.htm>

The State's role should be to consider the impact of policy and regulatory decision on the economic, environmental and social sustainability of our food, fiber, flower and forest systems.

Jon Gregory, President/CEO, Golden Capital Network

I believe it is premature for us to suggest that the rural regions of California have a competitive advantage in the global marketplace within a specific sector or business model (outside of some of the traditional agriculture industries where we have historically had a worldwide leadership position). The problem with attempting to draw such a conclusion is that: (1) In no way in our rural regions has a critical mass emerged in any new economy, global industry; and (2) today's economy is so dynamic there is very little way we can truly have any sense of what the next great global industries are going to be...and who are going to be the drivers of those industries. Instead, we should identify the top 10-20 forecasted global growth industries and capitalize on what I believe is rural California's emerging strength (see next paragraph).

I would suggest that Rural California's growing competitive advantage lies in the continual in-migration of talented entrepreneurs and executives who are moving from the urban coastal centers for quality of life purposes. The base of entrepreneurial talent grows substantially each year as a result of this phenomenon. From my own experience in running the Golden Capital Network, I have seen first-hand numerous Emerging Growth Companies (EGCs) who fit this mold. I believe that nurturing the success of great new growth ventures is what ultimately will create the next "21st Century" industry cluster in rural California when one or more EGCs blossoms and ultimately goes public or is acquired at a significant multiple on earnings.

Figuring out how to foster a climate where that can occur is what I believe is the great policy and economic development challenge that this group (and others) should address. The often archaic economic development strategies of the past will not bring rural California forward in the context of competitiveness in a global economy.

**Ilene Jacobs, Director of Litigation, Advocacy & Training
California Rural Legal Assistance, Inc.**

My perspective in responding to these questions about improving rural economies in partnership with the State is a statewide perspective, rather than regional one and it is from an advocate's vantage point, rather than that of a business person seeking competitive advantage.

Rural areas are confronting facing the pressures of skyrocketing housing and living costs in other parts of the state and its consequences for local housing markets, jobs, commuter traffic and the environment, as well as considerable pressure to attract industries that are not necessarily compatible with the agricultural economy, important to the State's competitive advantage.

Local residents are priced out of the housing market, there is no little or planning to meet the housing needs of lower income households and special populations such as the disabled and others on fixed incomes, large families, farmworkers, homeless people, housing discrimination is a common occurrence, low wage workers cannot support their families without multiple jobs or family incomes, low wage workers are forced to make longer and longer daily trips between work and home because they no longer can afford to live near their work, and they must reside in severely substandard and overcrowded housing conditions for which they overpay because that it all that is available and accessible to them.

Regional economic advantage will not provide an answer to these persistent problems. It is key to the State's competitive advantage to address the affordable housing crisis, ensure the development of housing affordable and accessible to residents of rural areas, including farmworkers, low wage workers and special populations. Low wage workers must have a living wage, not a minimum wage, and a decent education and quality job training.

Communities ultimately cannot be competitive unless workers and their families can live near their work and live decently in their communities. Housing subsidies for the development and operation of affordable housing is key to preventing forced displacement, gentrification and sprawl. Housing, education and transportation planning must be connected so that smart growth can work.

New business models and emerging economies should be complementary to the agricultural economy if that continues to be a financial backbone for the state and farmworkers must not live in third world conditions. A focus on clean and safe agriculture, good schools, equitable education, and job training is essential to keeping the State globally competitive.

**Barb Johnston, Executive Director, CTEC
Competitive Economic Advantage**

California has become known as a leader in Telemedicine & eHealth and should market this globally. Major Technology companies site Health ICT as “the sleeper market” (Craig Barret, CEO, Intel). Continued research and development for Health Information and Communication Technology (Health ICT) is a natural fit for California for many reasons including what we have developed to date and should position ourselves to develop, expand and market:

- The California Telemedicine & eHealth Resources Center
- University of California’s Telemedicine Learning Center
- Innovative eHealth programs which include multiple Rural Regional statewide networks connecting rural communities to urban health providers funded by CTEC across the state
- Rural/urban Health ICT Collaborative should be developed to do R&D on innovative approaches for developing health ICT products for mutual benefit.

Benefits to Rural California related to Telemedicine

- Improves access to care/decrease costs
- Keep rural dollars in local communities
- Rural workforce trained and employed in the eHealth programs in local clinics/hospitals
- Retention & recruitment encouraged through innovative health systems and access to continuing medical education required by provider licensure
- Education & training diverse rural workforce in innovative IT field
- Nursing shortage-encourage distance learning programs to recruit and retain rural nurses with tuition loan repayment plans with incentives to retain nurses in rural communities.

The state could encourage an innovative environment by assuring that Rural California is included in plans and implementation of future strategies for bringing vitality into rural communities. Plans to encourage entrepreneurship should include at a minimum access to knowledge/expertise in business, R & D, marketing, organizational management, continuous quality improvement, and change management. Much of this information can be delivered to rural communities via the Internet and via distance learning.

Andrea Lawrence Institute for Mountains and Rivers (ALIMAR)

The Eastern Sierra's competitive economic advantage clearly lies in our unique and beautiful natural environment. The Eastern Sierra is a land of superlatives with the highest peak in the continental United States (Mt. Whitney), the lowest point in the United States (Death Valley), one of the youngest volcanic chains in the country (Inyo-Mono craters), the southernmost active glacier in the US (Palisade Glacier), one of the oldest bodies of water in North America (Mono Lake), the continent's deepest cleft (Owens Valley) and the oldest living individuals (bristlecone pines). A visual and ecological treasure, the Eastern Sierra provides the natural amenities driving our economic industries, mainly tourism and quality of life experiences.

Our tourist industry is highly seasonal, with skiing accommodating over 1.4 million visitors in Mammoth Lakes alone in the winter. Seasonal business fluctuates strongly; for example, several local restaurants in Mammoth Lakes close for a month during June and October, and some Lee Vining and Bridgeport businesses close in the winter while trans-Sierra passes are inaccessible. Mammoth Mountain and the Town of Mammoth Lakes, in a highly controversial move, are attempting to address the seasonal issue and become a global competitor by establishing a commercial airport in Mammoth Lakes. The closest major airports are Reno, NV and Los Angeles, CA.

With such a high quality of life afforded by our natural amenities and recreation opportunities, the Eastern Sierra is experiencing unprecedented growth pressure from immigration, vacation-home owners and resort developers. Multi-million dollar vacation homes/complexes and large resort-type developments are driving our skyrocketing real estate market, closing out locals and middle-income guests. While

the high quality of life should also attract businesses using global communication via the internet, fax and phone, the Eastern Sierra struggles to provide and retain a highly qualified workforce due to the high cost of living and inadequate affordable housing, and lacks some technological basics such as an adequate amount of high-speed internet connections.

Mas and Marcy Masumoto, Del Rey, California

Recognize the EXISTING vitality of small scale, specialty farming: organic, sustainable, and linked with consumer and urban populations.

This is part of the "story economy" of the new California agriculture, beyond mass marketing and high volume production, incorporating the new value added "story" behind organic, specialty, farmer's market produce.

The story economy embodies the regional advantage of a highly personalized connection between producer and consumer, especially as the economic engine of conventional agriculture continues to leave the state.

Tom O'Malley, President, Tri-Valley Business Council

We feel that the region's rural competitive advantage lies in three areas: wine, specialty food products for regional consumption, and the equine industry. The Tri-Valley Business Council Agricultural Water Task Force released a Working Landscape Plan in February, 2005 that presents opportunities for regional agricultural enhancement. This plan outlines the potential to initially increase regional agricultural output value from a current annual \$449 million to One Billion annually. The wine industry program addresses a worldwide market, the equine and specialty food products would focus on regional and tourism markets. There would be two primary marketing programs: A regional branding program primarily focused on restaurants, hotels and local consumers; and an Agritourism Program, with the Livermore Valley Wine Region as the primary attractor. Currently, there are approximately 6,000 acres in irrigated agricultural production within the region, the plan outlines the potential to initially increase this to 12,000, and if successful, eventually 17,000 acres. The climate in the Tri-Valley region is a Mediterranean climate. With only 1% of the world enjoying such growing conditions, we have a unique opportunity for specialty food crops.

The Tri-Valley consumer profile seems to present a strong opportunity for a regional branding program. Compared to the rest of California, the population is well educated, includes a higher concentration of people in management/professional incomes, with high household incomes, and they show an above average consumption level of fresh produce. The potential regional market, including the Tri-Valley population and bordering cities, is over 1.2 million people. There are also 117,000 commuters per day passing through on Route 580 who are potential buyers. In addition, there are over 400,000 overnight visitors to the region. If we can successfully implement our agritourism program, we believe that we can increase overnight visitors to one million annually.

The plan includes new opportunities for open space and natural habitat preservation, and increased rural recreation opportunities, including: a regional trails expansion program for hiking, bicycling and horseback riding, as well as fishing, hunting and sailing. This network of natural open space amenities will enhance the regional tourism program.

We are proposing new irrigated agriculture opportunities in areas that do not currently have a water supply. Identifying the source of water and implementing a distribution and storage system, and producing crops that are profitable with a high water cost, is a considerable challenge. At the same time it presents a unique opportunity to focus on best practices for water conservation and new technologies for cost efficiencies.

Marshall W. Pike, Vice-President, The California Parks Companies

Rural communities benefit by generally lower cost of housing and basic living expenses to some degree offset by lower base wages.

Rural communities are generally closer to prized recreational natural resources and therefore more able to take advantage of the healthy and positive lifestyle influence that nature provides.

Rural communities, by virtue of shared values and resources that overlap jurisdictional boundaries, are more inclined to leverage their resources by cooperative marketing than competing urban jurisdictions.

Tourism advocacy groups representing the major ports of entry, attractions and larger chain hotels, see the rural tourism experience as a natural extension promoted to the "second time or repeat visitor," whereby the major urban point of entry remains a gateway, but "second visit" customers are provided the rural tour as an option.

Tourism is generally considered to be a "green" industry and many hospitality providers are on the cutting edge of conservation technologies including water, energy and solid waste reduction.

Rollin C. Richmond, President, Humboldt State University

We have two strong institutions of higher education: College of the Redwoods and Humboldt State University. Both are helping to promote responsible economic development. The focus at HSU on sustainable development is a strength which is just beginning to be appreciated and exploited. We have some local businesses (lumber, fisheries, water conservation) which are beginning to use sustainable approaches.

Our environment is a strong attractor for many people especially those at or near retirement. We could do a lot more to develop education about the environment and our plant and animal populations and in doing so probably attract more tourists. Related to this is our ability to sell our area for the production of movies and videos

although this is increasingly becoming less important as video production using simulation.

We are toying with the idea of using the beauty of our place to attract physicians and other health care providers who can deliver their speciality services via the web.

Audrey Taylor, President & CEO, Chabin Concepts

For many of the rural communities we are working with, are still struggling to identify their competitive advantage. Having been traditional and resource based economies, most of their advantage has disappeared. The talent they had for the industries has not been able to advance with new skills associated with a new cluster or industry - just has not happened that fast. The "less costly advantage" has also disappeared as they attempt to attract traditional industries with high technology functions from expensive areas in California but cannot be competitive to Nevada, Oregon or Arizona.

Unfortunately some of the areas such as Butte County (Chico) are experiencing an entitlement economy - the economic wealth is in the transfer payments, and the cost of housing (although lower than Bay Area) far exceeds the median family income affordability and is currently rated the highest in the nation.

Areas such as Shasta County are transitioning slowly and seeing - new industries and clusters are slow to grow. Innovation and entrepreneurial networks are just starting to form. These areas that have used the EZ to be a carrot particularly for companies leaving more expensive areas fear that the EZ tax credits will not be extended which will put them at a further disadvantage to competing states.

The National Governor's Association has a good report and policies re: Rural Development, focused on cluster development for rural areas and integrated workforce development, community colleges, universities around clusters development.

Tulare County WIB is attempting to identify new models and best practices to align their programs to best meet the needs of business and workforce development.

Becky Van Stokkum, Rural Projects Coordinator, Fresno Regional Jobs Initiative

The core of the economic advantage of the central San Joaquin Valley—or at least the perception of what that advantage is—is one that is in the process of change. The advantages of low cost, especially in terms of labor and land have been our foundation for the past several decades but now seem to be fading as an adequate model for the kind of development that residents desire for the future of the region.

The 'business model' that seems to be emerging is one of collaboration and networking to achieve competitive advantage. Leaders across a broad spectrum of fields are working together to address the region's economic issues. This model is what may become the region's most significant economic advantage. The Central Valley is beginning to have a vision for providing it's industries with a collaborative structure that ensures that its needs are managed for the benefit of the community in

a truly democratic process. The implications for this sort of loose structure of policy implementation vary from industry to industry but tend to have several tenants in common including: strong participation from grassroots non-profit organizations, civic and business groups, and local public agencies; increasing levels of trust between participating organizations; and grass-roots or local commitment to funding for administrative expenditures.

The specific role that the State can play in heightening this advantage is by participation in the process by staff and elected officials. This will give the sense of government being responsive to the felt needs expressed by residents and could play a vital role in creating the momentum needed to overcome decade-long trends toward disunity.

Peter Van Zant, Peter Van Zant Associates, Rural CAN

Betty Riley, President Sierra Economic Development District, Rural CAN

- Rural experience for high tech/telecommuting businesses: National Semiconductor IC Design Center in GV.
- World class recreation: white water rafting to skiing.
- Proximity to affluent population centers
- Water
- Immigration of affluent retirees: Positives- consumer, arts/culture, investment and travel services, Negatives- rising housing costs, health care needs, demand for services)
- Entrepreneurial tradition/ strong support network

David Yarbrough, Senior Health Planner/Analyst, Aspen Street Architects

Rural areas have an abundance of raw material resources (crops, trees, minerals, etc.), land and natural scenic interest areas. The percentage of citizens with advanced academic preparation is lower and the general workforce skill set/s lower, than in urban areas. Rural areas generally lack mass markets, communication and transportation infrastructures. Together, this would seem to indicate rural areas can support resource industry suppliers and businesses that require a lot of land and lower-skill labor. Other emerging businesses that can be competitive in global markets relate to selling rural-grown, or rural designed products on the internet and offering consulting services for small businesses.

Working together, the State and rural communities could focus on community attributes that are unique among the State's other rural communities. The State could take a real leadership position in coalescing rural communities to form one voice in California, outlining the wide variety of unique characteristics in order to generate interest from businesses.

Some rural areas have a local university (Arcata and Chico), while many others are miles from a Community College campus. Some rural communities have ISDN, while in other rural communities; there is no telephone service at all. It would be a tremendous opportunity and advantage for rural communities to be fully connected with broadband service to allow them to be economically competitive with their small businesses, and to achieve real connectivity for telehealth, telemedicine and distance learning.

2. How can we best foster entrepreneurship, the driver for rural economies?

Roger Akers, General Partner, Akers Capital LLC

Fostering Entrepreneurship - The work of the Golden Capital Network, the Sacramento Area Regional Technology Alliance (SARTA) and their relationship with the EDAs, educational institutions and regional leaders creates an interactive environment where investors, entrepreneurs, and local leaders can provide the mentoring, training, and networking to provide new and emerging companies a solid foundation from which to grow. We need support to continue these efforts.

Paquita Bath, Vice President, Sierra Business Council

Within the region, the Sierra Business Council promotes 4 strategies:

1. Capitalizing on existing assets
2. Cultivating innovation and diversity
3. Creating long-term social capital
4. Catalyzing community partnerships

While we have numerous tactics for advancing these strategies, examples include:

- Networking - creating opportunities for business interests to collaborate particularly around specific industry sectors.
- Partnering and linking different planning strategies - particularly community dev, economic dev, and tourism.
- Focusing on "economic gardening" strategies to provide high level strategic information to encourage local innovation.
- Increasing access to capital
- Investing in broadband Internet
- Addressing the needs of the young families - particularly affordable housing.

Ken Brown, Arthrotek Inc.

Reduce taxes to minimum.

Reduce regulatory constraints to a minimum. Minimum bureaucracy. Make existing regulatory requirements extremely easy to understand what applies to the business in question, what is expected from them, how to comply. Make it very easy. One state should equal one very efficient interface to business. We can go to the moon we should be able to keep things safe and be conservationally minded in a very efficient

manor. You know when you deal with a company that just has it nailed? They are fast and efficient and quality and customer service minded? You say to yourself "wow that company rocks!" That should be how good California is at interfacing with business.

**Kimberly Collins, Director
California Center for Border and Regional Economic Studies
San Diego State University-Imperial Valley campus**

Factors of entrepreneurship such as education and private sector investment are limited in the Imperial County. Since private sector investment is left to business location decisions, the best way to foster entrepreneurship in the Imperial County will be through development of the educational system. This is a challenge that can be managed as opposed to private sector investment which left to individual company decisions. For example, universities are a great source of entrepreneurship as seen in many large urban centers. Unfortunately, the current CSU campus in Imperial County is a small institution that mainly educates teachers in its liberal arts and teacher education programs, and public sector employees through its public administration and criminal justice programs.

State agencies need to actively promote higher education throughout the state and particularly in the Imperial County. This not only provides an educated citizenry that will have a better ability to be part of research and development of new products but also provides a breeding ground for spin-off industries from the developments within universities.

Lisa Dobbins, Desiree Espinoza, Tila Guerrero & P.J. Mecozzi, Pajaro Valley Area
Like business in general, entrepreneurship can best be fostered through creating a system which there are incentives to do business in California. Currently, the regulatory framework for existing business has been increasingly hard on mid-size to small businesses which make it hard to compete in a global economy. Entrepreneurship is not lacking, only regulation along with access to capital and other limitations make it hard for innovation to be supported in our communities.

Corny Gallagher, Bank of America

Basic and applied research are the real drivers of entrepreneurship in new products and ways of meeting the needs of consumer around the globe. That also requires extension and education outreach to assure that those who can use new ideas are aware of them. That makes continuing the UC Cooperative Extension model very important at the rural community level.

The State's role should be to support research and extension outreach within our counties and communities.

Jon Gregory, President/CEO, Golden Capital Network

"...Entrepreneurship is the critical force behind innovation and new wealth creation - the key drivers of our country's economic growth..."

The National Commission on Entrepreneurship (NCOE)

Building Entrepreneurial Networks, December 2001

Emerging Growth Companies (EGCs), typically formed by hyper-competent executives, are a subset of the entrepreneur sector, and are distinguished from small businesses in that they are innovation-based companies (not necessarily all in technology sectors), addressing large national or global markets that start small with a goal of becoming big. Here are some thoughts on how we can best foster their success:

1. Make Emerging Growth Companies the Top Priority

Economic development is about creating quality jobs, wealth and taxes. EGCs are the sector that best addresses this need - period. They need to be moved to the top of the ladder in terms of public policy and economic development discourse.

2. Public/Private Partnerships Need to be Expanded

Historical private sector partners to economic development have most often included commercial lenders, real estate brokers and developers, architects, civil engineers and utility companies. To support EGCs we must substantially expand our private sector partnerships to include angel and venture capital investors, professional service provider firms, executives, CEOs of entrepreneurial companies, etc.

3. Create Networks for the Private Sector; Not Just Public-to-Public Organizational Collaboration

Simply put, deals happen and businesses grow when hyper-competent business executives are linked to other hyper-competent business executives - not when public sector agency heads network with other public sector agency heads. In this regard there is a particularly important role that public policy can play because the EGC market is extremely inefficient and requires catalyst organizations to provide the "glue" for the private sector participants.

4. Let The Private Sector Experts Determine the Growth Markets, That's What They Do!

EGCs develop business models based on private sector reports on projected national and global growth markets. Why then do economic development organizations and employment training agencies often develop programs based on historical, often dated, data? In today's economy, the growth sectors of tomorrow emerge very rapidly. Using baseline historical data alone does not provide a representative set of information from which to accurately gauge what is likely to occur in the future. Importantly, EGC sector individuals need to be more actively engaged in the dialog of future industry growth.

5. Create Tools that Support EGCs

EGCs have very clear needs. Economic development programs should address those needs. Simply stated, using historical tools is somewhat like placing a square peg into a round hole. In most cases, they don't fit.

6. Include the EGC Sector in Local, Regional and Statewide Strategic Planning for Economic Development

They are the job creators and have important ideas about what needs to be done to support Rural California's economic recovery. They need to be included in the dialog. Too many community, regional and statewide studies and plans have an incomplete, or even wrong, set of people at the table for such dialogue.

Ilene Jacobs, Director of Litigation, Advocacy & Training, California Rural Legal Assistance, Inc.

Entrepreneurship is needed, and the maintenance and development of local small businesses should be assisted by the State, but entrepreneurship alone cannot be the driver for rural economies. Affordable housing development, commercial and housing redevelopment programs, high quality public educational institutions and good paying jobs, along with sound public transportation systems, will make rural areas competitive.

Barb Johnston, Executive Director, CTEC

Foster Entrepreneurship

Health Information and Communications

Entrepreneurs can compete on a much more even playing field by using information technology to pursue and capitalize on new scientific and technological innovations despite geographic challenges

The most essential need is to assure that rural and urban Communities have **broadband supported Internet capacity** just like any other public utility. This is a basic ingredient to compete and flourish in local and global economies.

Rural California should be included in the **Health ICT** funds & plans for Regional Health Information Organizations (RHIOs) demonstration projects that the Federal government has allocated \$50 million for 2005 and plans \$125 million for 2006.

Many other countries are allocating funds for Health ICT. The U.K. has allocated £6 billion to build a network of EMRs. In Sweden, 85% of physicians use EMRs. In Massachusetts, approximately 15% of medical care is redundant or inappropriate. That's \$4.5 billion per year. The cost of implementing EMRs throughout the state is approximately \$1 billion. Nationwide, estimates are that the U.S. will save \$144 billion per year by using appropriate IT in our hospitals and doctors' offices.

California needs to provide incentives to bring new business opportunities to develop new products/services to California. Public/private partnerships for R & D of the

health ICT market should be fostered with incentives that encourage companies based in rural communities.

One untapped group of potential entrepreneurs might include migrant workers and their families. This mobile community who provides much of the backbone for our highly skilled agricultural workforce could be a resource for R & D of products and services. This community may be able to identify problems and solutions for our agricultural industry that could be developed for the benefit of our state and that could then be marketed globally.

Andrea Lawrence Institute for Mountains and Rivers (ALIMAR)

The Eastern Sierra market is highly centered on tourism but needs to be diversified to foster entrepreneurship and stabilize the economy. The first step in fostering entrepreneurship is to identify who and what we are as an entire region. The next step is to determine, again as a region, the best outreach approaches, whether they are ecotourism, education, business relocation due to the high quality of life, etc. We must **not** sell ourselves as a theme park to capture the tourist dollar. We must retain the soul of the Eastern Sierra and maintain our sense of place and authenticity. Finally, we must emplace political structures and land-use patterns that ensure (but still encourage) development of entrepreneurial markets in a way that is compatible with the landscape and natural environment. Our natural amenities and open spaces are our greatest assets, driving our current economy, and we must protect them.

Mas and Marcy Masumoto, Del Rey, California

-- Create opportunity for broadband and high speed internet access.

Modeled after the Rural Electrification programs of the 1930's, public policy targeted at upgrading technology in rural areas to compete in a global marketplace - to overcome the digital divide that separates us not only by class but by geography.

-- Long term commitment to protect farmland to insure farm production will continue and the family farm remains a player in local economies.

-- Build an "indigenous" labor supply through training programs in education. Educate local population with skills readily applied to industries appropriate for their geographies, to rebuild the vocational/career and technological education programs. In addition, equitable funding for schools within California (ADA formula).

-- Allow Doctorates at CSU.

To build the intellectual capital of rural regions and end the brain drain from rural California, fostering an environment for creative, innovative thinking and in depth research.

-- Promote the "regional advantage" of geographic specific industries and the regionalization of local economies.

The regional advantage organizing model creates an environment for loose, quick forming organizations targeted for specific goals and rapid action steps and is willing to disband once focused objectives are reached. This will create a collaborative economic network based on common interests and results. Specific examples are in the rise and development of organic farming and the agri-tourism industry of California.

Tom O'Malley, President, Tri-Valley Business Council

Throughout the state most current agriculturalists have limited cash assets to finance new ventures. We believe that a revolving loan program would help them to initiate new endeavors.

We need to treat rural entrepreneurs like any other start-up business by establishing regional "Agricultural Enterprise Centers" At these centers agriculturalists considering entrepreneurial ventures can gain access to business planning and advice, and mentoring from attorneys, bankers, accountants, and other agriculturalists who have successfully implemented similar programs. These centers could also provide access to established technical experts and programs to ensure that current best practices in agriculture and resource conservation are initiated. This is already being done with local wineries, where established winemakers are assisting in the "Incubation Process" with start up wineries. They are providing advice and mentoring, and in some cases sharing equipment to help the new wineries establish their business operations.

Perhaps the development of an Agricultural Speakers Bureau that would provide a network of experts in specific market areas and agriculturalists who have successfully implemented rural entrepreneurial programs who could share their experience with others who are considering new ventures.

Streamline state and local regulations and permit processing procedures that are barriers to entering into new agricultural ventures.

Marshall W. Pike, Vice-President, The California Parks Companies

The rural communities and county jurisdictions that have harnessed and invested transient occupancy taxes generated by tourism to expand the marketing and leverage the reach of private promotions demonstrate an enlightened and progressive understanding of the problem and the solution.

The use of transient occupancy taxes (TOT) to fund normal police, fire and health services to the abdication of promoting the very mechanisms and entities that generate the tax receipts is to fail to feed the "golden goose" even nominal sustaining support. TOT was identified in the enabling legislation as a self propagating mechanism. It was to be used to generate more transient activity, promoting economic activity through the multiplier of the "visitor" bringing new revenue to the businesses and the re-circulation through payrolls, local buying, sales taxes, etc. Cities and Counties should be coached, counseled and cajoled into allocating the

majority of TOT revenues back into marketing their region through the best local or regional destination marketing organization (DMO) available to it or through consultation with the Division of Tourism or California Travel and Tourism Commission.

Regional DMO's in the rural parts of California such as the Shasta Cascade Wonderland Association should have state support for regional projects in tourism development set by formula relative to size of local contribution through partnerships, memberships or other demonstrable mechanism, and not be subject to vague budgetary appeals. Smaller or more provincial jurisdictions would be encouraged to join together in these organizations to maximize their share of state funding.

Career path opportunities in the hospitality profession are extensive from entry to executive. Local community and state colleges in rural communities should be encouraged to specialize in management and specialized trade skills such as culinary, hotel management, leisure industry recreation specialties, etc.

Encourage Economic Development Corporations to consider funding tourism development opportunities such as the Ore-Cal Economic Development Corporation support for Volcanic Legacy scenic route and the national recognition of important scenic byways designation such as the All-American Road program and others.

Rollin C. Richmond, President, Humboldt State University

Teach it in the schools and universities as early as possible. Provide some venture capital for young entrepreneurs. Help Universities develop technology parks/business incubators with tax incentives and direct grants.

Audrey Taylor, President & CEO, Chabin Concepts

Some areas are tapping into resources such as Golden Capital to truly identify and work with Entrepreneurs....but accessing resources to help further that is a challenge. Most of the rural areas have little or no funds for economic development and attempt to use CDBG but regulations really prevent the entrepreneur climate.

SBDC's, which typically serve the rural areas, have not moved to new business models such as Golden Capital or Connect programs. Entrepreneurs may start in the small areas but they can't stay because the necessary support mechanism is not there...

Utilize Golden Capital and Randall Kemper, Competitiveness Council - start one or two pilot project in rural areas, which can be replicated.

Network systems need to be set up that rural areas can tap into the specialized resources for Entrepreneurs

Training for ED and community colleges in Entrepreneur Development

Community college should be more involved and universities in the R&D.

Becky Van Stokkum, Rural Projects Coordinator, Fresno Regional Jobs Initiative

Besides the ubiquitous cry for more funding for infrastructure and state regulatory policy that promotes entrepreneurship (including reform of workers compensation and reporting, and the formulation of tax advantages for rural areas) rural regions need funding to create networking structures to support their entrepreneurs. We suggest a coordinated, regional strategy for entrepreneurship support through groups like the Federal Interagency Taskforce for the Economic Development of the Central San Joaquin Valley. Through groups such as this, governmental agencies can direct their funding in a coherent system of support and avoid the piecemeal funding of projects designed to meet the criteria of an RFP.

As supported by research, this support system should include two component parts: a peer network and a network of supporting agencies (including institutions of higher education). These are the relationships that play a vital role in the success or failure of the individual entrepreneur.

Peter Van Zant, Peter Van Zant Associates, Rural CAN

Betty Riley, President Sierra Economic Development District, Rural CAN

- Internet based scientific, technical and professional services: architectural and engineering, technical design, environmental consulting, manufacturing, design, logistic, and marketing opportunities, cottage industries (non-employer businesses)
- Rural experience recreation (rafting, backcountry skiing/backpacking, mountain biking)
- Biomass/energy production
- New forest economy (small diameter wood utilization products, forest management, GIS services, watershed management)
- Brand name agricultural products (High Sierra grain fed beef, wine)
- Low cost technology industries (desk top publishing, music and video production studios)

David Yarbrough, Senior Health Planner/Analyst, Aspen Street Architects

The State should fully support the small business development program. This is an incredibly successful program in terms of starting and expanding businesses in California. Unfortunately, this program may not exist in another year or two. The program is desperately seeking funding sources to continue. If the state is serious about supporting entrepreneurs, it must ensure that this program remains.

The State could also consider replicating the SBDC program extension at Chico State, expanding capabilities Statewide.

3. Our urban neighbors are integrally linked to our futures (labor and housing markets, transportation corridors, air and water quality, etc). How can we build new alliances between urban and rural regions?

Roger Akers, General Partner, Akers Capital LLC

New Alliances - GCN and SARTA are the facilitators of exactly what needs to be accomplished relative to providing access to capital and support to build new businesses. Please look at the www.sarta.org web site.

Paquita Bath, Vice President, Sierra Business Council

For fun, we find ourselves discussing the application of Imperial San Francisco by Gray Brechin and the on-going growth of Sacramento, Los Angeles, and Reno in further defining the Sierra as inextricably linked to our urban neighbors. The Sierra is the urban centers' playground — driving our tourism economy and the huge growth we are experiencing in second homes. We also provide the vast majority of the water for California - a critical relationship for all urban and agricultural areas.

The most important link - newly created - is the Sierra Nevada Conservancy, a priority for the Sierra Business Council almost since our inception. Thanks to the Governor's leadership, a bipartisan coalition, and numerous stakeholders, this institution offers a strong link between the Sierra and wider California interests. This new institution will play a major role in preserving the region's natural resources. Unlike other Conservancies, it has an expanded mandate to invest in our historical, archaeological and cultural assets, tourism and recreation, and tying projects to the Sierra's economic wellbeing. This broader set of goals provides huge opportunities for the Conservancy to link our economic development with conservation of our natural assets.

The Conservancy however is just one of many needed urban-rural alliances. There is strong interest in better linking agricultural tourism to our urban visitors. Arts is a critical sector that has been sadly defunded over the past few years with the state budget crisis. Changing this dynamic so that rural arts councils are once again funded and staffed is critical to promoting social capital, providing locals and visitors with great events, and contributing to a vibrant creative economy. Finally programs like Placer Legacy that integrate planning for population growth with funding for open space (agricultural, recreation, scenic vistas etc.), is needed as a way to prepare for the impact of our urban neighbor's migration patterns.

For more information please contact Paquita Bath, Vice President Sierra Business Council. 530 582 4800 x312 or pbath@sbcouncil.org.

Kimberly Collins, Director

**California Center for Border and Regional Economic Studies
San Diego State University-Imperial Valley campus**

The largest urban neighbor for Imperial County is the municipality of Mexicali, Baja California, Mexico. The total municipal population is approximately 1 million people with approximately 700,000 living in urban area. The Imperial County already has a strong economic linkage with Mexicali through retail sales and the local housing market. The drawback to this linkage is the reliance upon a developing nation's economic base as opposed to the economic base of California, or the county's neighbor, San Diego. This linkage with Mexico is developing a bedroom community in the Imperial County with a strong retail base and few high paying jobs.

The State can assist the Imperial County through the promotion of the community for additional private sector (not just housing development) investment from other parts of the state. It would also be very helpful to have assistance to promote planned development for the Imperial County to create a balance within the community between the need for additional housing and job creation.

Lisa Dobbins, Desiree Espinoza, Tila Guerrero & P.J. Mecozzi, Pajaro Valley Area
Classifying regions as urban and rural make it hard for communities to connect as a region. Many challenges that urban areas face are the same ones that many rural areas are facing, such as immigration, housing, unemployment, etc. However, many of these areas plan as if the problem only exists in their jurisdiction. Policy making on a local level has to allow for crossover of jurisdiction as a benefit to a region on as a whole.

Corny Gallagher, Bank of America

First Agriculture should be at the table rather than just in the room as decisions are made relating to all of these issues. Second we should encourage collaboration among groups vs. division. That means the decision process must include a diverse group of stake holders that represent as much of the 360 degree perspective as possible.

The CF3 process has tested and proven that models of collaboration, inclusiveness and innovation work in California agriculture and higher education.

Find out more here: <http://cf3.caes.ucdavis.edu>

The California Food and Fiber Futures Project (CF3) is a collaborative and innovative educational partnership comprised of eight higher education institutions in California that promote institutional change through engagement with food systems communities. This partnership is realized through a W.K. Kellogg Foundation grant in the College of Agricultural and Environmental Sciences at the University of California, Davis.

The State's role should be to assure that representatives of California Agriculture are included in all decision making processes that impact the sector.

Jon Gregory, President/CEO, Golden Capital Network

I believe the success to rural California's future lies in fostering the next wave of EGCs serving fast-growing global markets. A problem with this is that historically we view all economic development as local, and often take a provincial approach in terms of our relationships and services towards local businesses. The reality is that rural California (and in fact most urban centers) do not possess the critical mass of expertise (strategic partners, customers, executives, vendors, investors, etc.) to build EGCs without drawing upon external resources. In fact, my experience in working with over 600 companies over the past 5 years (rural and urban) is that geopolitical boundaries are irrelevant. In every case, companies that have generated substantial growth have made cross-regional connections to value add providers such as the types I noted earlier in this paragraph. Creating a multi-regional connecting function that addresses this gap is a critical role of public policy, economic development and workforce investment organizations.

Ilene Jacobs, Director of Litigation, Advocacy & Training, California Rural Legal Assistance, Inc.

Links with urban area to ensure sound regional planning, an adequate supply of housing in all income categories, improvement of municipal services, sound commuting patterns and functional public transportation is key. Regional planning and regional assurance of equitable services should be required.

The State's role is to ensure adequate funding for affordable housing, education, job training, small business development, environmental protection programs and public transportation. The State's role also is to enforce sound land use, housing and transportation planning on a local and regional basis. The State can assure a living wage, rather than an inadequate minimum wage and enforce fair housing laws prohibiting predatory lending and renting, unfair insurance and lending patterns, lack of housing availability and accessibility for the most needy. The State also can ensure a safe and healthy workplace, high quality and equitable education and environmental protection.

Healthy, adequately housed, well educated communities will ensure competitive advantage for rural areas in California.

**Barb Johnston, Executive Director, CTEC
Linking Communities**

Our urban neighbors are integrally linked to our futures (labor and housing markets, transportation corridors, air and water quality, etc). We can build new alliances between urban and rural regions by assuring that the main goals are healthy and vital communities. To promote these concepts the state should:

Support organizations like The Great Valley Center who provide critically need resources to improve the quality of life and economic vitality of rural California.

Develop a plan to provide access to health services and education that includes Telemedicine & eHealth to include the mobile society and workforce in our state.

Develop a workman compensation plan to improve access to health care for rural communities with the main goal to get workers back to work as soon as possible. The plan should include using technology to link rural residents with urban providers skilled in dealing with workman's compensation issues. Early treatment gets workers back to work faster.

Establish rural/urban partnerships through health, education, and economic development

Develop rural/urban partnership utilizing CENIC network for health and education capacity building

Andrea Lawrence Institute for Mountains and Rivers (ALIMAR)

The Eastern Sierra and the City of Los Angeles (LA) have been closely linked for the past 100 years through resource use and tourism. Most Eastern Sierra watersheds eventually feed the LA aqueduct, providing an important source of water for the city, and the major portion of our tourist base is from LA or San Diego. Unfortunately, a great deal of doubt and mistrust exists between local residents and City personnel, preventing open discussions and collaborative projects. Much has been written about the Owens Valley 'water wars,' the most recent being the struggle to save Mono Lake.

From the point of view of Eastern Sierrans, Los Angeles needs to demonstrate it cares about the people and the landscape rather than just extracting natural resources. Los Angeles must *willingly and competently assist* communities with ecosystem restoration (i.e. the Owens River and Owens Lake) and participate in progressive land-use planning, such as the consolidation of private parcels near existing communities and conservation easements to protect open space. Eastern Sierrans, on the other hand, must be willing to engage in positive, consensus-based dialogue with the City, setting aside mistrust and doubt to work towards mutually beneficial solutions.

RECOMMENDATIONS ON THE STATE'S ROLE

Unfortunately, we aren't sure of the State's role in our situation or specifically how the State can help us. We're attending this conversation in part to hear what others have to say, and then perhaps we can provide more feedback. Of course, any assistance towards regional planning efforts and smart growth would be helpful, as well as the implementation of the Sierra Nevada Conservancy. Strong Eastern Sierra participation in the Conservancy is essential.

Mas and Marcy Masumoto, Del Rey, California

Focusing efforts to save farmland near where urban-influenced agriculture takes place. These farms interact the most with urban populations, potentially building not only economic relationships but also social and political ties.

Promote regional identities of rural communities and their economies. Build economic identities of place based upon what communities do best "at home" and market those differences. To learn what we are rather than pour efforts into what we are not.

Market our ethnic and regional food differences, promoting a regional flavor of the state much like many European countries do, especially Italy.

Finally, make more movies in our rural landscapes (Sideways)!

Tom O'Malley, President, Tri-Valley Business Council

In the Tri-Valley we have been able to establish the connection between urban and rural by focusing on the importance of agriculture and open space recreation, and related tourism, as a key business cluster within the regional economy. This has been coupled with the regional quality of life value of our rural areas and the fact that this unique quality of life factor is a key attractor for businesses locating into the region and the high knowledge workers required by those businesses.

It seems that there is a lessening of the tension between agriculturalists and trail enthusiasts regarding the creation of trail easements around the property borders. If this proves fruitful, there may be more opportunities for connection between urban and rural inhabitants, and more entrepreneurial opportunities for rural landowners.

Continued emphasis on the value of locally grown products, knowing where your food is coming from and the protection of our country's food sources could help more urban people to understand the need to preserve agriculture. Regarding open space and habitat protection, more urban residents need to understand the value of agriculturalists as the "stewards of the land", and the role that property easements managed by agriculturalists play in land habitat and open space preservation.

Marshall W. Pike, Vice-President, The California Parks Companies

Trends in tourism are pointing to the ascendance of cultural, historic, agricultural and eco-tourism. The rural/urban connection in these emerging trends is clear. Spanish missions that founded many California cities also have counterparts remaining in the rural landscape. The historic gold fields were fed and fostered through the Golden Gate. Examples of the magnificent coastal redwood can be reached quickest by traveling north from San Francisco or south from San Jose. Birding (bird watching) is thought to be one of the single most popular recreational pastimes. Aficionados can be found at most city parks or local riparian areas but the pastime may also be pursued to the extreme as in trying to spot the magnificent California condor high in the mountains above Big Sur. The recent popularity of the movie "Sideways" in which wine tasting and other ag-tourism experiences are parodied, points in a comedic way to the inclination urban baby boomers have for the experience.

Rollin C. Richmond, President, Humboldt State University

Develop a public relations effort to inform urbanites about the relationships between rural and urban areas. Support the widespread use of broadband and wireless internet technology so that people can easily communicate in business and entertainment venues. Develop better transportation between urban and rural area by encouraging the development of mass transport that will be needed in crisis situations.

Audrey Taylor, President & CEO, Chabin Concepts

These are just thoughts

- The rural area must create regional identities and niches; regions in the rural areas may be bigger than counties....
- Focus on the cluster strengths in California that are possibly at risk of moving because of cost, i.e., **automotive**.
 - Move the cluster and make it advantageous for them to be located between the two major markets LA - Bay Area.
 - Mississippi has done an excellent job with this, promoting the cluster with the state and outside the state; very creative websites and maps linking automotive businesses to suppliers, vendors and resources (R&D, training, financing)
 - Almost every community in the Central Valley has an EZ, add some specialized programs, tax benefit for these industries
 - Community colleges can create specialized training for the firms
 - California should be the place that all new hybrids are built - but we don't have a compelling business case to present to a company of why that should happen.
 - California could be at risk with NUMI

Logistics - Central Valley, High Desert....perfect areas and business wants to be there....but there is no focus just on this industry of capturing them. ED and workforce development are not fully aware of the needs and changes going on in this industry with globalization....there should be more training and understanding and possibly a state/rural strategy on supply-chain management.

Medical Devices - California is a leader but this industry is facing many issues and we have seen it move from urban to suburban and out of state, rural areas could compete but they need very skilled workforce....creating a place for these industries to work together and for our colleges/workforce training to interact on helping them be competitive

Example: <http://www.clusterhubs.org/meddev/default.cfm>

Create an excellence in the rural regions on specific industry clusters - focus, workforce training, international, R&D, financing, compelling business case. If they were provided the recipe and some networks believe they would follow-thru

Creating regions for the clusters may be attractive to cluster that are cost sensitive and needing to relocate but don't want to move....

Becky Van Stokkum, Rural Projects Coordinator, Fresno Regional Jobs Initiative
Urban and rural leaders need to have forums where interaction and trust building is encouraged. This could be through the formation of working groups sponsored by a

collaborative between the State, CALED, League of Cities and other similar organizations. The competitive barriers between communities need to be addressed for the economic benefit of the region. But the mechanism for accomplishing this goal should be designed so as to be palatable to local leaders.

Peter Van Zant, Peter Van Zant Associates, Rural CAN

Betty Riley, President Sierra Economic Development District, Rural CAN

- Continue water management agreements:
Proposed Lower Yuba River Accord
- Market links for rural specialty products
- Support rural conservancies
- Tele-medicine
- Support and underwrite Arts Councils
- Micro-enterprise Fairs (rural products like "From the Sierra")
- Conferences in rural areas
- Support fire prevention programs
- Education field trips (city/rural, rural/city)
- Public transportation to/from employment centers

David Yarbrough, Senior Health Planner/Analyst, Aspen Street Architects

First we need to educate our urban neighbors about why it is important to support the infrastructure of rural communities and how we are interconnected. A good example of an alliance between rural and urban organizations is with telemedicine, a healthcare service that allows doctors from urban areas to communicate with patients in rural settings. Another example is related to urban residents traveling through rural areas for access to other states or to a vacationing spot. The roads to these locations may be good; however, the emergency medical services are limited to provide for the accidents occurring in these areas.

Additionally, in the unfortunate circumstance of terrorist attacks on urban centers, (biological, or nuclear), evacuation of urban centers to the rural areas is a part of most OES plans. This would seem to indicate a real need to ensure telecommunication and transportation infrastructures are established and maintained.

An acute understanding of these critical linkages will go a long way in describing the reasons for us to have alliances and partnerships.

Further, a phenomenon taking place in many rural areas is escalating land and housing prices, resulting from many urban located citizens buying and/or building large, expensive second or vacation homes. While elevating prices, little is contributed to the community infrastructures since most of these citizens vote elsewhere, have primary residences elsewhere, and spend only minimal time or money in the rural areas.

Finally, rural areas must compete with urban areas for scarce professionals, such as registered nurses, lab scientists and pharmacists, which severely impacts fragile health facility bottom lines. Some type of partnering in this area would be very helpful in stabilizing rural health system infrastructures.

Once again, thank you for this opportunity. I look forward to the dialogue and the opportunity to learn from other attendees and their responses.

Other Comments:

Speranza Avram, Executive Director, Northern Sierra Rural Health Network

1. Health care reimbursement issues. In many rural communities, there are only one, or perhaps two, health care providers. These health care providers may be a non-profit community health center, a rural hospital, and less frequently, a private physician office. These providers usually take care of all patients, regardless of their ability to pay for health services. They take Medi-cal, Medicare, private insurance and even those patients who have insurance at all. Because of the large numbers of seniors and low-income residents that live in many rural communities, state policies that reduce eligibility for programs such as Medi-cal, reduce reimbursement for Medi-cal providers, or otherwise make it more difficult for rural providers to receive reimbursement for services threaten the viability of the overall rural health system. The state needs to be particularly mindful of policies that may inadvertently expand the number of uninsured patients, as these patients will continue to seek care in rural facilities and contribute to the financial instability of these small businesses.

2. Access to Broadband Connectivity. Technology is transforming the way health services are delivered. From telemedicine to electronic health records to digital diagnostic imaging, technology has the potential to expand access to health services in remote rural regions, educate physicians about the latest recommended treatment

guidelines, and support rural consumers in their quest for a healthy lifestyle. But none of this is possible if consumers, physicians and businesses that support them do not have access to high-speed, high-capacity, affordable broadband telecommunications. There are still rural communities in California who use dial-up for their connection to the Internet. These communities will be left behind if the state does not do everything possible to close the “digital divide”. We support the specific recommendations developed by the Great Valley Center at their August, 2004 Rural Telecommunications Summit:

- Create an investment climate that encourages investment by the telecommunications industry in broadband infrastructure that serves all communities throughout the state
- Develop policies that maximize the utilization of unused bandwidth in rural areas by multiple community sectors. Encouraging shared use of infrastructure lowers unit costs and maximizes efficiency.
- Develop a comprehensive state policy on broadband use in rural areas which assures residents, telecommunications providers and investors of the State’s commitment to providing broadband access to all residents.
- Increase and improve funding for communications infrastructure, technology education, and technology training.

3. Workforce Issues. Rural health providers, like other sectors of the rural economy, have significant barriers to overcome when recruiting and retaining a sufficient and qualified workforce. There are a number of worthy programs and projects across multiple state agencies that attempt to address these issues. For example, the Office of Statewide Healthcare Planning and Development operates a loan repayment program that provides incentives for physicians to practice in rural communities in return for repayment of their medical school loans. Programs like these need to be expanded and coordinated with other programs, such as those operated through the Workforce Investment Act and Community College nurse programs, so that these programs provide leverage and scale to make a real difference in the number of workers who are available to work in rural communities