Dear Friend of CCRL:

Over the past year, the California Center for Regional Leadership partnered with Governor Schwarzenegger’s Cabinet to convene a series of twelve regional Economic Vitality Conversations throughout the State. These Conversations paralleled four statewide Conversations convened by the Cabinet, bringing together our Regional Collaborative partners and other business and community leaders to advise the Governor on the highest priority economic strategies and actions. The intent was to ensure that the full flavor and force of the State’s incredible regional economic diversity was represented. We are grateful to Pacific Gas and Electric Company and Bank of America for their support of this work.

The process culminated in a report, “Innovation, Investment, Collaboration,” presented at a public briefing of Governor Schwarzenegger’s Cabinet on March 3, 2005. At that event, regional economic leaders from across the state provided the Secretaries and senior staff from ten Cabinet Agencies with a set of recommendations for a comprehensive state economic policy, based on the “Complete Business Climate” approach. This two-pronged approach calls for “Reducing the Negatives” (i.e., addressing tax, regulatory, and budget reform issues, high housing and energy costs) and “Investing to Compete” (investing in education and the workforce, infrastructure, and quality of life amenities) as the pathway to sustained economic prosperity and a rising standard of living for all (to see the complete report, please visit www.calregions.org/statepolicy/evc/innovation-investment-collaboration.pdf).

Although these Conversations covered many of the State’s regions, including areas where rural issues were brought forth, especially urban edge issues, we wanted to make sure that we gave attention to the particular challenges and opportunities facing California’s rural regions. Therefore, with support from The California Endowment and the Humboldt Area Foundation, on April 28, 2005 we held a statewide Rural Economic Vitality Conversation.

The purpose of this meeting was to highlight the unique assets and competitive advantages of California’s rural regions, as they transition within a global economy, and to begin to identify specific recommendations to advance rural economic prosperity, within the framework of overall state economic policy. Already as a result of this meeting there have been several follow up actions.

This report, “Innovation, Entrepreneurship, Collaboration,” summarizes the major themes and action recommendations that emerged from the meeting. CCRL’s commitment now is to take these ideas, working with economic leaders in the regions, the Administration, and the Legislature, and help to translate them into policy and program initiatives that can achieve a full partnership with state government. This partnership will help our rural economies succeed as part of an overall state economic strategy. We invite your feedback and participation as we move toward this goal.

Nick Bollman, President
California Center for Regional Leadership
# INNOVATION, ENTREPRENEURSHIP, COLLABORATION
## An Economic Action Agenda for Rural California
### JULY, 2005

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EXECUTIVE SUMMARY

“Rural America is on a bold quest for a new economy in the 21st century. Although no stranger to economic change, rural regions throughout the nation have been pushed to a new economic frontier by powerful forces. Productivity gains in traditional rural economies, including agriculture and manufacturing, have been one push for change. But the bigger force has been the world market... (with) more and more rural communities wondering how to build a new economic engine.”

--Mark Drabenstott, *A New Map for Rural America’s New Economic Frontier*
INTRODUCTION

The Rural Economic Vitality Conversation continues a process initiated in late 2003 by Governor Schwarzenegger’s Cabinet, to hear from and work with business and civic leaders from throughout California on policies and strategies to advance the State’s long-term economic prosperity, environmental sustainability, and inclusion of all Californians. Several initiatives are underway as a result of this process and there is great interest in engaging the State’s rural regions more fully in these activities, as well as addressing the particular challenges and opportunities in these regions.

The sponsors of this Conversation, The California Endowment and the Humboldt Area Foundation, understand fully the connections between healthy economies and healthy communities, and saw an opportunity to further advance the overall Economic Vitality Conversation process. They seek to ensure that rural areas are not marginalized in the development of State economic policy, and that natural resources and human resources are seen as vital contributors to the economy. The resulting actions that come forward from this Conversation must be a joint effort, recognizing the interdependency of urban and rural areas. In addition, policies arising from the Conversation must be taken to the next level, advancing to the issues of innovation and collaboration to make them work, and ensuring that rural California is part of the overall State Conversation.

Ten years ago, people in rural areas talked about what and who was being left behind. Now, there is a new forward-looking energy as people are talking about all the innovative things that are happening in rural California, and shifting to entrepreneurial paths. While many of the old impediments to success still exist, there is “a lot more hope.” This Conversation was an opportunity for rural leaders to meet together for the first time, as well as with the Cabinet and others - to build new strategies based on this spirit of optimism and collaboration.

KEY RURAL ECONOMIC VITALITY THEMES

Presentations by Brian Dabson of the Rural Policy Research Institute and John Melville of Collaborative Economics shaped the context for the meeting and the framework for thinking about how we approach rural economies. For a summary of their findings, read “Framing the Issues and Solutions” in the body of this report. They described how vibrant entrepreneurial activity is giving rise to clusters of opportunity in rural regions. They asserted that success for rural regions in the global market place demands a new paradigm for building the economy. Long-term success will require local and regional approaches to build the economy from within, and a public policy platform focused on innovation, entrepreneurship, and collaboration across all sectors.

As the concepts of entrepreneurship and collaboration were repeated over and over again by rural leaders during the Conversation, several clear themes emerged:

Increasingly rural business leaders are seeing the environment as a valuable market niche for our communities, and no longer as a threat. In all clusters businesses are finding ways to enhance the environment and build business as mutually beneficial endeavors. The new competitive advantage is quality of life. Examples of that new paradigm are green businesses, organic agriculture, sustainable forest products, research and development in renewable energies, eco-tourism, and sustainable technologies. By capitalizing on these relationships and telling their stories, rural residents can really function as the stewards of some of the most beautiful and resource-rich regions of the State.

Entrepreneurs will be the drivers. Rural communities must continue to move beyond business attraction as the salvation, and focus on growing from within. They should move to develop both entrepreneurial skills and products
EXECUTIVE SUMMARY

and services that capitalize on their competitive advantage - their close relationship with the land and natural resources. This has resulted in and will continue to drive the diversification of rural economies. While this diversification is good news, it does make rural economies difficult to describe - and a new vocabulary is needed.

Acting entrepreneurial is the answer - for businesses, individuals young and old, institutions, and governments. People who live and make a living in rural areas do so despite the difficulties they encounter. This has resulted in the development of innovative and creative solutions in health care, education, and business. In addition to acting entrepreneurial - innovating and constantly looking for ways to improve - rural communities understand the necessity of working collaboratively in order to make the best use of resources across the public, private, and nonprofit sectors.

The region is the unit of collaboration, with different regional configurations needed to solve different challenges or take advantage of opportunities. The idea of working regionally is not new. The challenge is understanding what it means to have functional regions that include both rural and urban communities. Rural communities and their urban neighbors have integrally linked futures, through markets, transportation corridors, affordable housing challenges, air and water quality, and more. Rural leadership needs to be part of the conversation about the future of our regions, and new alliances must be built.

THE RURAL EXPERIENCE: OPPORTUNITIES AND CHALLENGES

As recently as the last decade, it was widely perceived that California’s rural areas were lagging behind, with a declining resource-based economy and failure to keep up with the technology-based “new economy.” Today, when armed with high speed Internet connectivity, rural areas can accommodate the growing number of “distance” businesses that can locate anywhere. There is a strong and growing spirit of innovation and entrepreneurship gaining a foothold throughout rural California, as leaders rise to the challenge of competing in a global economy.

Can rural economies thrive? Though they have some disadvantages, they often have important comparative economic advantages. In many rural communities the quality of life is unmatched, and is exactly what entrepreneurs, retirees, and second homeowners seek for themselves and their families. Increased appreciation of the value of the natural environment creates new economic opportunities – businesses can use their ‘story’ to market their products, new services for those who visit rural regions can be developed, and increased public and private investment to restore and maintain our natural assets gives rise to new industries and jobs. The sense of community in rural regions is an asset in joining together to solve common problems and/or advance common economic strategies.

Many rural areas are currently competitive in the cost of doing business – however, growth pressures are closing the gap with the higher cost of urban living. The impact of population growth and migration patterns differs across California’s rural regions. For some, growth is having a major impact, while other regions struggle with geographic isolation and underinvestment. As people move from urban areas in search of more affordable housing and/or quality of life, the result is often long commutes, conversion of productive farm lands for urban uses, changes in the rural character of communities, upward pressure on housing prices for existing (often lower income) residents, and strains on infrastructure systems.

The growth of second home and retiree housing demand has greatly increased housing prices and changed community dynamics. However, these dynamics can provide the opportunity for increased investment and entrepreneurial talent to support regional economic strategies. While unchecked growth will sprawl across valuable resource lands, there still exists the opportunity to implement innovative land use strategies given improved planning capacity.
As with all regions, people are a community’s most important asset and the key to succeeding in a knowledge-based economy. Many rural regions are becoming increasingly diverse, a great asset in the global marketplace. Yet California’s rural regions have lower median incomes and educational attainment levels, and higher poverty levels. The K-12 school system is struggling in many regions and there is a scarcity of higher education facilities, resulting in a brain drain and the lack of a trained workforce. A significant amount of job growth has been in lower wage jobs with few career advancement opportunities, impairing the ability of young families and low-skill workers to have a sustainable standard of living, given rising costs of housing and services. In addition, health care access and quality of care - a fundamental requirement for quality of life and a key competitiveness requirement - are being compromised due to a variety of factors.

Similar to themes emerging from the metropolitan Economic Vitality Conversations, the rural Conversation highlighted **housing and infrastructure needs**, and the importance of **leveraging the competitive advantage of industry clusters and areas of opportunity, fostering entrepreneurship, and investing in people and place**, including educational and research institutions. These themes underscore the linkages and the common agenda between our urban and rural regions.

**SUMMARY OF ACTION RECOMMENDATIONS**

As California’s rural regions are very diverse, capitalizing on some opportunities will require a tailored approach by state government in partnership with rural leadership, while some are similar to or the same as those voiced by metropolitan regions.

Key is using the “Complete Business Climate” approach - the integration of state programs for strategic impact on all California regions. Both rural and urban businesses will succeed only if California is a good place to be in business. This approach is being adopted by the California Economic Strategy Panel to advance 21st century economies in all regions of the state.

The main body of this report contains diverse suggestions from rural leaders that constitute a working menu for developing a Rural Economic Vitality Action Agenda. Selected recommendations have been synthesized from these ideas and are summarized by critical issue areas, along with the challenges and opportunities they address. They are grouped into two primary sections: **Human and Physical Infrastructure** recommendations and those related to **Entrepreneurship, Innovation, and State Economic Policy**.

Many recommendations hinge on the creation of urban and rural partnerships and the development of collaborative and cross regional approaches addressing challenges and seizing opportunities. The State can assist in building alliances between urban and rural regions to ensure the common goal is healthy and vital communities across all landscapes of the State. Actively supporting the development of leadership capacity in rural regions, as well as regional visioning and planning projects, is important for success.

Special efforts should be undertaken to address regional disparities in infrastructure, workforce, and other areas. In addition, state government should focus on asset sharing and removal of funding silos between agencies, and support interagency collaboration and innovation, improving the access to capital, and streamlining the regulatory process.

The Sustainable Economic Growth Panel offers a platform to develop a vision and strategy for a sustainable economy, and the Coastal Commission Panel provides a unique perspective on coastal economies and coastal communities. Both panels can benefit from an interagency collaboration and funding strategy to advance the economic vitality of rural regions.
## EXECUTIVE SUMMARY

### HUMAN AND PHYSICAL INFRASTRUCTURE

#### Issue - Challenges and Opportunities

#### Telecommunications Capacity

*Rural areas need a level playing field and must “connect to compete.” This is a critical infrastructure foundation.*

With California’s great distances and difficulty in physical access for some rural regions, widespread affordable broadband (high speed transmission) service is needed to provide high quality health care and educational services, such as through telemedicine and distance learning, and to allow rural regions to compete with urban areas in knowledge- and information-based industries. Most rural areas are deeply underserved, with a digital divide that will worsen unless addressed.

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<td>- Accelerate deployment of broadband Internet technology (hardwired and wireless) throughout rural California. Create a Working Group with the Cabinet to address access issues with the CPUC.</td>
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<td>- Provide community access to existing underutilized public sector telecommunications capacity (e.g., community colleges).</td>
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<td>- Ensure that public rights of ways, such as those under the jurisdiction of CalTrans, are used broadly for public benefit.</td>
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<td>- Do not support legislation that would take away the rights of municipalities to develop and offer free or low-cost broadband wireless service in underserved communities. This includes the ability to own and/or control critical telecommunications infrastructure.</td>
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#### Health Care

*Rural communities must maintain and improve the quality of and access to health care.*

Many areas are losing hospitals, ambulance, and other services. There is a shortage of trained healthcare workers. Shrinking reimbursements for low-income and Medicare patients are a problem, combined with the growth in the number of uninsured patients. Accessible and affordable quality health care is needed for underserved families and children, to meet the needs of an aging population growing through the in-migration of retirees, and to support the tourism industry. Telehealth strategies are important components of health care delivery - California could become a world leader in these fields but broadband capacity is required.

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<td>- Include rural California in the Health ICT (Information and Communication Technology) funds and plans for Regional Health Information Demonstration projects.</td>
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<td>- Encourage distance learning programs to recruit and train nurses with tuition loan repayment plans; use hospitals and community clinics as training sites.</td>
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<td>- Expand/market the California Telemedicine and eHealth Resource Center, U.C. Telemedicine Learning Center, and multiple rural regional and statewide networks linking urban expertise with rural providers. Assure that those linkages do not undermine the stability of health care in rural areas.</td>
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<td>- Develop fair reimbursement rates for low income and Medicare patients, and address ambulance reimbursement rates.</td>
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<td>- Develop a U.C. Medical Center in the Central Valley and in the Inland Empire.</td>
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<td>- Link food, diet, and health through efforts like the California Food and Fiber Futures Project.</td>
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<td><strong>Housing and Infrastructure</strong></td>
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<td><strong>Preventing the workforce for the 21st century economy is a crucial task, as is addressing the increasing disparities of education and income attainment.</strong></td>
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### ENTREPRENEURSHIP, INNOVATION, AND STATE ECONOMIC POLICY

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| **Innovation and Emerging Growth Companies**  
*Entrepreneurs have been starting up new companies throughout rural California in many sectors.*  
The “learning curve” for rural entrepreneurship requires new “networked” connections among rural public and private leaders to seize cross-regional opportunities (such as collaborative marketing or collaborative approaches to venture capital). There needs to be an effective system to identify and support potential high growth companies that can create jobs and wealth, as well as new products and services. |  
- Create coordinated regional networking structures to support entrepreneurs and emerging firms, including adaptation of U.C. Cooperative Extension model.  
- Expand public/private partnerships to include angel and venture capital investors, professional service providers, executives of entrepreneurial companies, and educational institutions.  
- Include high growth firms in local, regional and state economic dialogues, ensuring that state policies support and prioritize emerging and high growth industries. |
| **Agriculture, Forestry and Land**  
*The traditional resource-based agricultural sector understands that it must innovate to compete. It is a major California industry and a world leader in many commodities.*  
Challenges range from urbanization and conversion of valuable farmland to the impact of regulations and global market competition. Both large- and small-scale agriculture are transforming. Rural regions could lead the world in sustainable/organic agriculture, agri-tourism and other high-value-added strategies. This includes marketing and producing products and services based on the integration of a region’s unique geographic, cultural, and historical characteristics – the “story economy” – and the bundling of products, services, and experiences. These entrepreneurs (“agriculturists”) would benefit from better access to customized technical expertise focused on innovation, adoption of new technologies, and best practices. |  
- Make long-term commitments to conserve valuable farmlands; support small-scale farming linked to local economies and urban markets; and create interregional partnerships to address growth and development pressures on valuable agricultural and forest lands.  
- Promote “regional advantage model” to capitalize on opportunities for organic and specialty products, agri-tourism, forestry products, recreation, and other niches.  
- Organize regional “Agricultural Enterprise Centers” coordinating existing resources such as U.C. Cooperative Extension and SBDCs, and facilitate access to networks of specialized expertise in business planning, mentoring, and best practices, including peer support.  
- Promote “branding” for grass fed beef, wines, and other regional specialty products.  
- Develop a statewide “Agricultural and Rural Markets” policy that articulates the importance of the food system in the State’s economic, environmental and social future – connect rural and urban markets. |
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| **Tourism and Marketing**           | **- Maintain a strong sense of place and “authenticity” in regional marketing activities and development approaches.**  
| Urban areas are gateways to the rich diversity of rural regions, with untapped potential. | **- Enable cities and counties to refocus Transient Occupancy Tax revenues for marketing their regions through destination marketing organizations (DMOs) by removing unfunded mandates.**  
| Rural regions contain a constellation of natural, cultural, historic, and recreational assets. They need to be developed and managed in ways compatible with a high quality environment and quality of life. Many jobs are low wage, and seasonal; high housing costs are a challenge for the workforce. Many communities must use Transient Occupancy Tax (TOT) revenues, originally intended to support tourism through expanded marketing and leveraging of private promotions, to fund basic services due to loss of other revenue streams. | **- Promote the provision of education and training in hospitality industry careers – such as hotel management, culinary, and leisure industry recreation specialties through high schools and institutions of higher education.**  
|
| **Sustainability as the Business Model** | **- State government should actively support environmentally sustainable business practices, through regulatory and tax policy, technical support, and purchasing practices.**  
| New business models are based on integrating the connection with the environment. | **- Support the implementation of the new Sierra Nevada Conservancy, organized around the principles of conservation, stewardship, and economic development.**  
| Businesses and institutions are recognizing and using environmental sustainability to gain competitive advantage and as part of their marketing strategies. This has led to the creation of new “green” products, technologies, and services, including organic food products. Conservation and restoration of natural assets also is a significant rural economic strategy. California can be a leader. Regions like Imperial County hope to become a “renewable energy corridor.” Many regions are looking to solve problems like air and water quality in non-compliance and restoration of degraded ecosystems through sustainability models. | **- Invest in restoration and management of watersheds and other “green infrastructure” for economic benefit, habitats for biodiversity, water quality, and recreational amenities.**  
| | **- Develop training programs for skills in the “green infrastructure” cluster.**  
|

**NEXT STEPS**

For far too long, the needs and capacities of California’s rural regions have received too little attention from state government. The April 2005 Rural Economic Vitality Conversation was an important first step by the Administration to respond affirmatively. However, a Conversation is only as good as the action it informs and inspires. For community based economic development leaders, the challenge and opportunity is to support the creation of the fertile ground for innovation and to grow a high quality economy through the talent and creativity of rural entrepreneurs. CCRL pledges to continue to work with the Administration, the Legislature, and California’s dynamic rural leaders to engage the policies and programs that will support successful rural regional economies as a vital part of a strong State economy.
“Entrepreneurship is important because it is the engine of wealth and job creation in the United States, it is the source of most of the innovations and inventions in the economy, and as such it is the root of our international competitiveness.”

--Brian Dabson, Rural Policy Research Institute
The statewide Rural Economic Vitality meeting held on April 28, 2005 brought together leaders from the State’s rural regions, representing diverse business and civic sectors. Governor Schwarzenegger’s Cabinet and the Legislature were represented, including the Rural Caucus.

Every region in California has some rural components; only the county of San Francisco is completely urban. As with all of the State’s regions, rural areas are home to the dynamic innovators and entrepreneurs that are the foundation for successfully competing in the challenging global economy. Many of the rural regions share the same issues as urban areas, such as access to affordable health care services, high housing costs, rapid growth, and lagging infrastructure. They also face some particular challenges, such as remoteness and lack of high speed communications infrastructure, making a level playing field difficult when denied the technology to compete.

Our rural regions have experienced difficult times of economic transition, yet have shown the resiliency and creativity characteristic of California through many cycles of economic transformation. As the proceedings from this Conversation will show, a focus on fostering entrepreneurship - especially in emerging, potentially high growth firms, collaboration across all sectors and regions - including urban and suburban neighbors, leveraging of scarce resources, targeted investment, and practical policies that “make sense” in each of our diverse rural regions are the necessary ingredients for rural regions to thrive in the 21st century. And make no mistake: healthy and vital rural economies are essential to the overall vitality and competitiveness of the State.

The meeting began with two presentations that described trends, challenges, and opportunities in rural America and in California, as well as a new paradigm for advancing healthy rural economies. Brian Dabson was the first presenter. Dabson is the Director of the Rural Policy Research Institute (RUPRI) at the University of Missouri-Columbia and the co-director of the RUPRI Center for Rural Entrepreneurship. For the past year, he has been the project co-director for the Kellogg Foundation/Corporation for Enterprise Development’s Entrepreneurship Development Systems (EDS) Project. This Project engages rural communities, governments, and institutions across the country in recognizing the importance of homegrown development as a way to stabilize and re-energize struggling rural regions.

John Melville, Director of Collaborative Economics and a partner in the California Regional Economies Project (CREP) presented next. Since the fall of 2003, CREP has analyzed and presented to various economic development audiences information on California’s regional economies, including each region’s portfolio of “clusters of opportunity.” CREP’s analysis includes cluster analysis of health and biomedical services, which are economic drivers across virtually all regions of the State, as well as a newly identified cluster, “the rural experience.” Melville presented information documenting that these clusters, along with others, have been the source of many new small business start-ups (see www.labor.ca.gov/panel/espcrep05proj.htm).

As the basis for the Conversation that followed, rural leaders were then asked to address three questions:

- Where does your region’s competitive economic advantage lie, and what new business models are emerging in response?
- How can entrepreneurship best be supported by the economic development sector and state government?
- Given that State policy and programs require broad-based support, how can we build new alliances between urban and rural regions?
Many participants submitted their comments in advance and these can be found along with the presentations and other meeting materials at www.calregions.org/statepolicy/EVC_materials.html. The Conversation was facilitated by Secretary Victoria Bradshaw of the Labor and Workforce Development Agency and Secretary Sunne Wright McPeak of the Business, Transportation and Housing Agency. The following sections summarize the highlights of the presentations and the key themes and “action recommendations” that emerged from the Conversation, as well as the follow up that has already occurred as a result of this meeting.

**TO ACHIEVE RURAL ECONOMIC SUCCESS — Entrepreneurship is Fundamental for All Sectors**

*April 28, 2005 Presentation by Brian Dabson*

Brian Dabson asserted that the EDS Project themes of *entrepreneurship* and *regional and institutional collaboration* provide a fresh way of thinking about how rural areas can chart a new economic future for themselves. This project explored opportunities to shift from traditional economic development approaches (business incentives and marketing) to forging new regional and national competitive advantages.

Entrepreneurship is usually considered as one of the three legs of the economic development “stool,” with business attraction/recruitment and retention being the other two. Attraction often is the primary focus, with rural areas attempting to cope with the loss of traditional economic activities and promote diversification. However, with communities locked in bidding wars to recruit new or expanding ventures, results often have been disappointing, with low-wage businesses such as big-box retailers and call centers entering rural areas. These efforts can displace entrepreneurial activity.

Retention is looking after what we already have, and data shows that in the aggregate, most real job growth comes from companies already located in the community.

However, retention strategies are often challenged by restructurings, layoffs, and closings forced by shifts in global trade, technology advances, and changing consumer preferences. Affected areas tend to have too narrow an economic base and too few resources to help them adapt and recover.

Effective retention strategies must be grounded in the principle “innovate to compete.” Homegrown development is the process of encouraging and supporting people to create their own jobs and income through diverse strategies. While not a panacea, the Center for Rural Entrepreneurship believes that this approach requires abandoning the traditional “three legs of the stool analogy” because it reinforces the separateness of the strategies, and because recruitment remains the dominant activity, in spite of serious doubts about its value and effectiveness.

Preferred instead is the following pyramid, in which economic development leaders spend the most effort and resources at the base, on entrepreneurship, creating an environment of encouragement and support for initiative and creativity. This in turn improves the ability of regions and communities to retain and expand existing businesses, which in turn makes them attractive to incoming businesses and investment. While attraction is about *competition* and retention is about *stewardship*, homegrown is about fostering *creativity and innovation in our communities.*
For future economic success, rural America must adapt and apply these strategies to the advantage of their particular communities. The level of competition should be lifted from the local to the regional, collaborating to be competitive in a national and global marketplace. Working together toward a common future within a region can outweigh the disadvantages of distance, access to resources, and low densities. Stewardship identifies, celebrates, leverages, and expands the multiple assets of a community – the factors that make a place distinctive and give a comparative advantage. Innovation is for everyone – to find better ways to do what we do and stretch our minds, talents and resources. Dabson clarified some terms:

- **Entrepreneurs** are people who create and grow enterprises.
- **Entrepreneurship** is the process through which entrepreneurs create and grow enterprises.
- **Entrepreneurship development** refers to the infrastructure of public and private policies and practices that foster and support entrepreneurship.

While a large percentage of net new jobs are created by a small percentage of high growth, high innovation small companies, Dabson described a **typology of entrepreneurs** that is useful in thinking about state and local policies and strategies:

- **Survival Entrepreneurs** create enterprises to supplement their income as few other options are available, often in areas with severe economic dislocation.
- **Lifestyle Entrepreneurs** choose self-employment because they no longer want to work for someone else, or because it provides a better way of balancing work and home demands.
- **Growth Entrepreneurs** are those motivated to grow their businesses so they can create wealth and jobs in their community. These are often the target for economic development efforts, but only a portion of this segment is actually based on a product, process, or service innovation.
- **Serial Entrepreneurs** are those who create several businesses over their lifetimes, often selling their ventures in the process. These are the “high-flyers” in any region and are a rare breed.
Dabson also discussed entrepreneurship not only in terms of businesses but in terms of the individual characteristics, motivations and abilities – and a set of skills that would be useful for not just the business creator, but as a leader or employee in the public, private, or nonprofit sectors. He asserted that the following principles will help foster effective entrepreneurship development efforts in rural California:

**PRINCIPLES FOR FOSTERING RURAL ENTREPRENEURSHIP**

- **Focus on the Entrepreneur** – a systems approach is essential to align the plethora of training, technical assistance, and financing programs so they better meet the wide variety of needs and capacity levels.
- **Focus on the Region** – only regional cooperation across multiple jurisdictions and through regional institutions will bring sufficient scale, resources, and expertise for individual communities.
- **Focus on Community** – local communities need the tools and resources to identify and build upon their assets, to balance economic social and environmental imperatives, and be open to innovation and experimentation.
- **Focus on Continuous Learning** – networks for peer support and learning are essential for entrepreneurs and practitioners, community leaders and policy makers.

Dabson concluded by describing some of the different models that are emerging across rural America that offer great promise and opportunity:

- Statewide rural centers
- New networks of enterprise facilitators to identify and support entrepreneurs as well as retool existing networks
- Sophisticated community capacity-building programs, leading to new place-based economic development strategies
- Application of information and distance learning technologies to overcome the barriers of distance and lack of infrastructure
- The engagement of youth through creative entrepreneurship education programs
A strong health care system is a critical part of a community’s social infrastructure, but it is also an economic imperative. Communities cannot grow, retain, and attract businesses and workers, including those people moving from urban areas with talent and resources, without access to quality health care services. Health care is also an important employment sector. While many external factors have affected the ability of rural communities to provide local, affordable, and high-quality health care services, entrepreneurs, service providers, and non-profits are responding creatively to these challenges.
The Rural Health and Biomedical Services Cluster is growing throughout California and in every rural region. It is undergoing enormous restructuring, with entrepreneurship playing a major role as health care is being delivered in many different ways, especially in leveraging technology. These new models are driving the growth of this cluster. See the chart below, which shows the size of the cluster (employment), how fast the cluster is growing, and the concentration of the sector relative to California. From 1990-2002 this cluster grew at an annual rate of more than two percent in every rural region (and up to five percent in the Central Sierra).

As part of this growth and restructuring, there are emerging areas of convergence that will improve efficiencies and the ability to provide services, especially in underserved areas, as well as provide for quality jobs in a growing industry. Improvements in broadband capacity, among other needs, are critical to support this cluster.
THE “RURAL EXPERIENCE” CLUSTER

Melville also described an emerging new “industry cluster” of potentially great importance to many of California’s rural regions, the “rural experience.” He described the “value chain” by which rural regions can build toward increased job-creation and wealth-creation. This cluster is based on the many incredible natural, historic, cultural, and recreation-based assets of rural regions - which provide a distinctive and attractive quality of life - and is based upon a foundation of regional quality of place infrastructure, as shown in the following graphic.

These assets are leveraged to create a “value chain” linking goods, services, and experiences for both residents and visitors. When these assets and goods and services are linked together, they create a different kind of economic activity. As an example, agriculture is a mainstay with grapes as one commodity. The product is wine, the service includes shipping and packing, and the experience includes tasting rooms and tours, food and wine events, and vacation packages. These are linked to specialty food products, lodging, festivals, and so forth.

Between 1994 and 2002 an estimated 30 percent of rural job growth has come from leveraging the rural experience, with rural regions experiencing more than two percent annual rates of growth in this cluster. About 60 percent of these jobs are on the entry level/lower income side, but about 30 percent are on the medium to high side, especially in the quality of place infrastructure, and there is potential for better quality job growth and career advancement. The regions’ entrepreneurs are creating this value chain by building upon traditional business sectors in many innovative ways.
The key to the future of rural California is entrepreneurship. The total number of firms in rural California has grown by more than 20,000 since 1990 due to entrepreneurship. Melville reported new data suggesting that many of California’s rural regions are experiencing a high volume of new business start-ups (“young firms”), a good sign that entrepreneurship is taking hold.

Ninety percent of these firms are headquarters, with 68 percent of the employment. These firms stay put, with only three percent moving out of county. The fact is that rural entrepreneurship allows people to be where they want to be. Melville used the growth in Sacramento Valley self-employment as a case in point, where self-employment is growing faster than wage and salary employment. His research also showed that the creation and closure of firms has been responsible for most of the “churn” in the regional economy, as opposed to firms relocating, expanding into or moving out of the region.
The Rural Economic Vitality Conversation generated a rich discussion of assets, opportunities, and challenges for rural regions, as well as recommendations regarding the role of the State and other partners in fostering entrepreneurship. Participants also offered diverse strategies for building new alliances between urban and rural regions in pursuit of broad statewide economic prosperity and competitiveness. Unlike the last decade, when rural regions were seen as lagging behind in every way, today they are seen increasingly as regions of innovation with something important to offer, vitally linked to other regions and to the State overall.

Melville concluded by noting that most new jobs in the Sacramento Valley (68 percent) have come from new firms, reaching total numbers of jobs comparable to those in existing and relocating firms. These findings are completely consistent with the work of Dabson, underscoring the need for policy support and investment for entrepreneurship in rural California.

The following section of this paper presents the key themes that emerged from the Rural Economic Vitality Conversation and a series of recommendations for capitalizing on the many opportunities evolving throughout the State’s rural regions.
“Providing meaningful access to advanced telecommunications for all of our citizens may spell the difference between stagnation and economic revitalization. Broadband is already becoming key to our nation’s systems of education and commerce and jobs and, therefore, key to America’s future. It’s going to be front and center in 21st century America’s transformation.”

--Michael Copps, FCC Commissioner
When asked about where each region’s competitive advantage lies, and what new business models are emerging in response, participants answered in both general and specific ways. They described the general assets of rural regions and specific competitive economic advantage assets for industries. These general assets - the combination of things like great physical beauty and small communities - provide a high quality of life and have been attracting urban dwellers, retirees, and second home owners. This dynamic is bringing in new wealth and talent but also the stresses of growth, including spiraling housing costs, increased cost of living, and increased demand for services.

**Rural Assets (General)**

- Physical beauty & clean environment
- Unique natural resources – for example, Sierra Nevada is an international icon
- A purposefully chosen “Slow” way of life
- Unique regions each with a “story to tell”
- Small communities & towns
- People with a strong work ethic
- Higher education institutions (in a few areas) – committed to community service
- Proximity to large urban markets, especially for tourism & recreation (urban areas are the gateway) & markets for agricultural products
- Entrepreneurs & some networks
- Growing ethnic & multi-lingual diversity & heritage (positioning for global marketplace)
- Stewardship of natural resources & communities
- Agricultural heritage
- Entrepreneurs & some networks
- New residents with skills & resources
- Name recognition - “branding” - of regions, resources & experiences
- New products (e.g. renewable energy) & ways of doing things, using sustainability as a business model & added-value economic activities

California’s rural regions are the leaders in several industries and commodities, including long-established industries like agriculture but also newer areas such as telemedicine. These rural regions have the opportunity to lead in emerging areas like sustainable forest products, organic food products and renewable energy. Technology is transforming all industries, leading to innovation and increased productivity. One of rural California’s best assets is the in-migration of talented entrepreneurs and executives who are moving from urban centers for quality of life purposes. According to Jon Gregory, President and CEO of the Golden Venture Capital Network, this base of entrepreneurial talent is growing every year, even if as yet California’s rural regions do not have a critical mass in any specific new economy global industry.
In discussing the assets and opportunities of rural California, participants addressed many of the ongoing and some new challenges as regions strive for economic prosperity and a level playing field to compete in the global economy. They are as diverse as dealing with major demographic change, population growth and development pressures on valuable farmlands, to grappling with the problems of geographic isolation. Along one end of the spectrum is the undercapacity of infrastructure to handle new growth challenges, while along the other end is deteriorated infrastructure, degraded environmental systems, and lack of telecommunications capacity. Lack of widespread and equitable broadband connectivity limits not only economic development but also education and medical services, civic engagement, and leadership development.
From a human capital perspective, California’s rural regions have lower median incomes and educational attainment levels, and higher poverty levels. A significant amount of job growth has been in lower wage jobs, exacerbating the ability of young families and low-income workers to have a sustainable standard of living, given soaring costs of housing and services. Due to numerous factors, health care access and quality of care are being compromised in many communities. The K-12 school system is underperforming in many regions and there is a lack of higher education facilities, resulting in both a brain drain and the lack of a trained workforce.

Meeting participants described at an overarching level what is needed to capitalize on the great economic assets and opportunities for California’s rural regions:

<table>
<thead>
<tr>
<th>Foundations for Rural Economic Prosperity</th>
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<tbody>
<tr>
<td>• Broadband connectivity</td>
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<td>• Good schools &amp; equitable education – improved K-12, more higher education &amp; medical schools</td>
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<td>• Clean environment</td>
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<td>• “Smart Growth” planning with housing, job/edu. centers, transportation &amp; land use connected</td>
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<td>• Affordable housing</td>
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<td>• Higher level job creation across sectors</td>
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<td>• Living wage jobs</td>
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<td>• Quality health care affordability and access</td>
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<td>• Job training &amp; skills upgrading for emerging occupational needs</td>
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<td>• Clean &amp; safe agriculture</td>
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<td>• Cooperative, regional tourism marketing &amp; branding</td>
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<td>• Improved networks for entrepreneurs</td>
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<td>• Urban &amp; rural collaboration</td>
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<td>• Alignment of State policy &amp; resources</td>
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**ACTION RECOMMENDATIONS**

Acknowledging that entrepreneurs are driving the growth of California’s rural regions, participants offered the following specific suggestions for how entrepreneurship and other strategies for growing competitive rural economies can best be supported by the economic development sector and state government. These ideas, which represent a menu of options, are organized in a matrix by issue area, under two primary categories of human and physical infrastructure and entrepreneurship, innovation, and State economic policy. The section following this matrix discusses strategies to build new alliances between rural and urban regions in a common action agenda for economic prosperity statewide.

Acknowledging the diversity of California’s rural regions, some strategies will require a tailored effort by state government, in partnership with rural leadership, while some will address challenges and opportunities that are similar to or the same as those facing urban regions. Key is using the “Complete Business Climate” approach – the integration of state programs for strategic impact on all California regions. Both rural and urban businesses will succeed only if California is a good place to be in business. This approach is being adopted by the California Economic Strategy Panel to advance 21st century economies in all the State’s regions.
Cutting across these recommendations are two recurrent themes for economic vitality:

**California is rich in assets. The State should share its assets with the regions; urban and rural regions should share their assets through true collaboration and partnerships with one another; and education, economic development, community, and other institutions and businesses should share their assets through facilitated networks and collaborative initiatives.**

**Entrepreneurs and communities 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. It is essential that rural California has broadband Internet capacity just like any other public utility.**

### HUMAN AND PHYSICAL INFRASTRUCTURE

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<th>Issue</th>
<th>Action Recommendations</th>
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<tr>
<td><strong>Health Care:</strong></td>
<td>- Ensure that all communities have broadband Internet capacity (hardwired and wireless).</td>
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<td>- Look at health care delivery, modality, and how to use limited resources to provide for what consumers want and need.</td>
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<td>- Target workforce development and training resource for skills in the health services clusters, including in the IT field (telemmedicine). Train and employ in eHealth programs in local clinics and hospitals.</td>
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<td>- Encourage distance learning programs to recruit and retain nurses with tuition loan repayment plans.</td>
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<td>- Invest in continued research and development for Health Information and Communication Technology (Health ICT). Public-private partnerships should be fostered with incentives to encourage companies based in rural communities.</td>
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<td>- Rural California should be included in the Health ICT funds and plans for Regional Health Information Organizations (RHIOs) demonstration projects funded by the federal government.</td>
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<td>- Develop, expand, and market California Telemedicine and eHealth Resources Center, U.C. Telemedicine Learning Center, and multiple rural regional and statewide networks linking urban expertise with rural providers. Assure that linkages do not undermine the stability of health care in rural areas.</td>
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<td>- Develop Rural/Urban Health ICT Collaborative to do R&amp;D on innovative approaches for developing health ICT products for mutual benefit.</td>
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<td>- Create a medical school in the Central Valley and in the Inland Empire (severely underserved areas).</td>
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<td>- Market California as a leader in telemedicine and health.</td>
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<td>- Link food, diet, and health through efforts like the California Food and Fiber Futures Project, a collaborative educational partnership with community engagement.</td>
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| **Water/Sewer Infrastructure, Transportation & Natural Resources**   | - Invest in infrastructure to bring rural areas to parity with urban counterparts. Bring water and sewer systems up to compliance and increase capacity to address large scale health issues and the impact on agricultural development.  
- Invest pools of money to be distributed as loans and grants to special districts/cities/mutual or nonprofit water companies that need to address water and wastewater infrastructure issues.  
- Support innovative low technology solutions in public works projects – find infrastructure solutions in scale to what regions can afford.  
- Explore options to expand public transportation systems, including a possible waiver of federal standards for reimbursements for ridership.  
- Address air quality issues, especially in the Central Valley, Inland Empire and Imperial Valley; work especially through regional partnerships.  
- Invest in restoration and management of watersheds and other “green infrastructure” for economic benefit, habitat biodiversity, water quality, and other needs including tourism and recreation (also an opportunity for entrepreneurship and new skills training). |
| **Housing & Land Use:**                                              | - Encourage regional cooperation for repairing, upgrading, or replacing failing infrastructure systems.  
- Increase capacity of counties and towns to undertake both community planning and (simultaneously) integrated resource planning.  
- Ensure that second home development does not undermine the matrix of open space and habitat required to retain the special “natural” qualities of rural regions.  
- Plan for, zone, and secure affordable land in sufficient volume to keep the real estate market from rapidly escalating, using land efficiently to minimize sprawl and development across valuable resource lands. In turn, this will allow housing developments targeted on low-income and low-median income families to be developed.  
- Support rural affordable housing development, and commercial and housing redevelopment, including public-private partnerships for workforce housing.  
- Where rural regions are contiguous to growing metropolitan regions, use inter-regional partnerships to craft policies and strategies for urban-rural jobs-housing balance and conservation of open space and farmland assets. |
| - Pressures accelerated by population growth from coastal and urban areas, including high housing costs due to the influx of urban residents, retirees, and second home development - which are distorting housing prices/markets.  
- Lack of affordable housing for farm workers and lower income families, pushing them into smaller communities with poor infrastructure - resulting in development moratoria, lack of new housing and overcrowding. |
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| **Workforce:**                | - Train workers for emerging skill areas and high demand areas such as health care services.  
- Develop explicit career advancement strategies and associated skills development programs in the “rural experience” industry cluster, agriculture, the hospitality industry, and “green infrastructure,” among others.  
- Encourage continuous quality improvement, access to business knowledge, and organizational/change management training via the Internet/distance learning. |
| **Education & Research:**     | - Improve the K-12 education system.  
- Develop high school-based business development skills education; emphasize entrepreneurship as a life skill.  
- Rebuild vocational/career and technical education programs.  
- Provide access to Bachelor’s programs and/or distance learning access.  
- Develop the higher educational system, particularly in areas with limited institutions (such as Imperial County), to provide an educated citizenry that can be part of research and development of new products and new industries, spun out from universities.  
- Support basic and applied research and outreach through the U.C. Cooperative Extension model.  
- Allow doctorate degrees at California State Universities.  
- Support the new California Center for Rural Policy at Humboldt State University.  
- Celebrate diversity – encourage language acquisition. |
| **Telecommunications Infrastructure:** | - Accelerate deployment of broadband service – create a Working Group with the Cabinet to address access and public benefit issues with the CPUC.  
- Connect to compete – provide a level playing field for communities and entrepreneurs.  
- Provide community access to existing underutilized public sector telecommunications capacity.  
- Retain public rights of way for telecommunications infrastructure.  
- Do not support legislation that would take away the rights of municipalities to develop and offer free or low-cost broadband wireless service in underserved areas. This includes the ability to own and/or control critical telecommunications infrastructure.  
- Develop urban-rural alliances to advance rural connectivity. |
### ENTREPRENEURSHIP, INNOVATION, AND STATE ECONOMIC POLICY

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| **State Economic Development Policy & Strategy:**  
- Rural areas have not been a core part of the State’s economic strategy  
- Rural areas are not linked with urban areas as part of an interconnected approach to retention and attraction  
- Rural areas have had long-term underinvestment | - Support creation of long-term rural regional economic strategies, as part of overall Economic Leadership Network, linked to the California Economic Strategy Panel.  
- Ensure that public policy supports emerging and high growth industries and is an economic development priority, to create quality jobs, wealth, and taxes. Support ongoing efforts to provide new and Emerging Growth Companies (EGC) a strong foundation. Include the EGC sector in local, regional and statewide strategic economic development strategies.  
- Streamline regulatory requirements for businesses to make interface with the state efficient, and to increase competitiveness within global economy. Create a system of incentives to do business, and increase access to capital to support innovation.  
- Support rural environmental clean-up and habitat restoration, preservation and management to promote additional economic investment – this is especially crucial in regions that are non-attainment areas for air and water quality.  
- Foster integrated approaches across relevant state agencies – target scarce resources, remove funding silos, share assets. The new California Partnership for the San Joaquin Valley is a model to address regional economic development issues in a coordinated process with state agencies.  
- Continue and diversify the branding of California’s rural regions for the tourism/travel economy and for business development; provide education programs about the environment to attract tourists, and market regions for movie production.  
- Develop new revenue strategies to invest in rural infrastructure and communities. |
| **Agriculture & Land:**  
- Economic challenge to the viability of the agricultural sector, including family farms  
- Pressures from urban development and growth on production areas (conversion of land) and way of life  
- Lack of water  
- Impact of environmental regulations  
- Global competition  
- “Agriculturist” entrepreneurs need access to better technical expertise, mentoring, best practices, and new technologies | - Develop a statewide “Agriculture and Rural Markets” policy that articulates the importance of the food system in our economic, environmental, and social future.  
- Recognize the existing vitality of and support small scale specialty farming: organic, sustainable, and linked with the consumer/urban populations (farmers markets, farm to school programs, etc.).  
- Consider the impact of policy and regulatory decisions on the economic, environmental, and social sustainability of our food, fiber, flower, and forest systems.  
- Address growth patterns and development pressures on agricultural-related activities - enact policies with long-term commitment to conserve valuable farmlands.  
- Promote “regional advantage model” for organizations to address specific goals and rapid action steps, such as for organic farming and agri-tourism industry.  
- Organize regional “Agricultural Enterprise Centers” to facilitate access to business planning and advice, mentoring from attorneys, bankers, accountants and other agriculturalists. Could provide access to networks of technical experts and programs to ensure current best practices are initiated, coordinating existing resources such as Co-op Extension Services and Small Business Development Centers.  
- Develop Agricultural Speakers Bureau to network experts in specific market areas.  
- Promote local branding for grass fed beef, wines, many other products.  
- Tap into migrant workers and families who provide a backbone for the agricultural workforce, and who could be a resource for R&D of products and services in the agricultural industry, with global marketing implications.  
- Build an Indigenous labor supply through training programs and skills upgrading. |
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<tr>
<td><strong>Tourism &amp; Marketing:</strong></td>
<td>- Diversify tourism markets to stabilize the economy. Identify who and what the region is and determine best outreach approaches.</td>
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<td>- Outside development pressures, including push to develop in ways that are externally driven and not compatible with high quality natural assets</td>
<td>- Retain the “soul” of regions such as the Eastern Sierra and maintain the sense of place and authenticity. Don’t say “no” to development, say “how”.</td>
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<td>- Seasonality of jobs</td>
<td>- Emphasize political structures and land-use patterns that ensure development of entrepreneurial markets is compatible with the natural environment.</td>
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<td>- Many jobs in low wage occupations</td>
<td>- Enable cities and counties to refocus TOT revenues to marketing their regions through regional Destination Marketing Organizations (DMOs) by removing unfunded mandates.</td>
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<td>- High housing costs make it difficult to retain workforce</td>
<td>- Support DMOs to bring people together and develop tourism. Encourage EDCs to consider funding tourism development organizations such as Ore-Cal EDC’s support for Volcanic Legacy scenic route and national recognition of important scenic byways designation.</td>
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<td>- Communities use Transit Occupancy Tax (TOT) revenues which could help support marketing efforts to backfill funding for basic services due to budget cuts</td>
<td>- Reinvent in the arts sector, critical to promoting social capital, providing locals and visitors with great events, and contributing to a vibrant creative economy.</td>
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The final question that participants addressed — how to build new alliances between urban and rural regions — is based on an awareness that rural and urban areas share many similar issues, and that the future of rural areas is integrally linked to their urban neighbors. Recommendations include strategies for cross-regional collaboration of rural regions as well. A common theme was for urban and rural regions to engage in “authentic collaboration” on a wide range of issues and strategies.

### BUILDING ALLIANCES BETWEEN RURAL AND URBAN REGIONS

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<tr>
<td><strong>Industry Cluster Support, Innovation &amp; New Business Models:</strong></td>
<td>- Nurture the success of Emerging Growth Companies (EGCs) to create a 21st century industry cluster in rural California. Allow private sector experts to develop business models on national and global growth markets; include the EGC sector in the dialogue about future industry growth.</td>
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<td>- Support and expand pilot projects — e.g., telemedicine.</td>
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<td>- Develop strategies for “growth” and “serial” entrepreneurs.</td>
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<td>- Work proactively with the private sector to develop and promote both the renewable energy and logistics/trade industries.</td>
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<td>- Help develop sustainable businesses that appreciate the economic value of the environment, including the “New Forest Economy” (small diameter wood utilization products, forest and watershed management, GIS services, and fisheries). There is real cultural advantage with tribal communities.</td>
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<td>- Support Internet-based scientific, technical and professional services: architectural and engineering, technical design, environmental consulting, manufacturing, and marketing.</td>
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<td><strong>Health Care</strong></td>
<td>- Establish rural/urban partnerships through health, education and economic development; utilize CENIC network for health and education capacity building.</td>
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<td>- Expand rural connectivity through broadband to ensure access to telehealth and telemedicine.</td>
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<td><strong>Infrastructure Development</strong></td>
<td>- Develop better transportation between rural/urban areas by encouraging the development of mass transportation that could also be used in crisis situations.</td>
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<td>- Educate urban neighbors about why it is important to support the infrastructure of rural communities, such as through applications in telemedicine or for homeland security.</td>
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<td>Building Alliances between Urban and Rural Regions</td>
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| **Education & Research** | - Encourage collaboration that is highly participatory, inclusive, and collaborative, using models such as the California Food and Fiber Futures Project, a partnership of eight higher education institutions to promote institutional change through engagement with food systems communities.  
- Community Colleges can create specialized training for industries, such as the automotive industry, which could be shifted to rural California.  
- Provide education field trips between cities and rural areas.  
- Support the new California Center for Rural Policy at Humboldt State University. |
| **Housing & Land Use**  | - Link rural and urban land use, transportation, housing and economic development planning.  
- Connect regional visioning projects.  
- Assist regions such as Imperial County through promoting private sector investment beyond housing development from other parts of the state, to create a balance within communities between the need for additional housing and job creation.  
- Support fire prevention programs. |
| **Agriculture & Land**  | - Focus efforts to save farmland near where urban-influenced agriculture takes place, and where social and political ties exist.  
- Encourage urban areas (such as Los Angeles) and rural areas (such as Eastern Sierra) to participate in positive, consensus based dialogue and progressive land-use planning, such as the consolidation of private parcels near existing communities and conservation easements to protect open space.  
- Establish a connection between urban and rural regions by focusing on the importance of agriculture and open space recreation and related tourism as a key business cluster within the regional economy.  
- Market our ethnic and regional food differences, promoting a regional flavor of the state, such as is done in Europe. Emphasize value of locally grown products and knowing where food comes from.  
- Encourage urban residents to understand the value of agriculturalists as stewards of the land, and the role property easements managed by agriculturists play in land habitat and open space preservation. |
| **Tourism & Marketing** | - Promote regional identities and niches of rural communities and their economies. Build economic identities of “place,” based upon what communities do best at home, and market those differences.  
- Support emerging trends in tourism with rural/urban connections that are pointing to the increasing value for the rural experience in cultural, historic, agricultural, and eco-tourism.  
- Conduct micro-enterprise fairs and rural-urban educational field trips and conferences in rural areas. |
**Issue** | **Building Alliances between Urban and Rural Regions**
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**Network Alliances & State Policy** | - Develop urban-rural alliances such as the Sierra Nevada Conservancy, a bipartisan, multi-stakeholder coalition to link the Sierra with wider California interests. Such organizations play a role to help preserve the urban regions’ natural resources, historical, archaeological and cultural assets, tourism and recreation, for the good of the State’s overall economy.  
- Build alliances between urban and rural regions to ensure the main goals are healthy and vital communities. Support organizations like the Great Valley Center who provide critically needed resources to improve the quality of life.  
- Encourage rural-urban leaders to have interactive forums to build trust, such as through forming working groups to address competitive barriers between communities.

**Networking & Coordination for Business Development** | - Foster the next wave of Emerging Growth Companies; encourage cross-regional connections to address expertise gaps that may exist within rural regions, such as strategic partners, customers, executives, vendors, and investors. Have economic development and workforce investment organizations connect across regions.

**Industry Cluster Support, Innovation & New Business Models** | - Create a specialization in the rural regions on specific industry clusters, especially focusing on clusters at possible risk of moving out of State due to cost issues:  
  - **Automotive:** Move the cluster and make it advantageous to be located between the two major markets, Los Angeles and the Bay Area. This has worked well in Mississippi in promoting the cluster within and outside the state. Capitalize on enterprise zones in the Central Valley as an additional tax benefit.  
  - **Logistics:** Support a state-rural strategy on supply chain management and grow this industry in areas such as the Central Valley and the High Desert.  
  - **Medical Devices:** Train rural workers to build expertise for this industry and align college and workforce training forces to support this industry.

**COMMENTS FROM THE ADMINISTRATION AND LEGISLATURE, NEXT STEPS**

At the conclusion of the Conversation, Secretary Bradshaw noted that the California Economic Strategy Panel is committed to working with diverse regional economies, including diverse rural regions, and cited the priorities of the State Workforce Investment Board and its distributed local Board system as an opportunity for linking state policy to innovative rural economic development. Secretary McPeak asked for volunteers to work with her to address the broadband access issue. She also indicated that the special circumstances of rural growth patterns will be addressed through the Governor’s initiatives in housing and land use. Assembly Member Juan Arambula, Chair of the Assembly Jobs, Economic Development and the Economy Committee and member of the Legislative Rural Caucus, observed that the weaknesses of the State’s rural regions are mirrored by their strengths. In particular he committed to taking an asset-based approach to rural economic development, to building alliances with urban California, and to exploring creative efficiencies in state approaches, given limited resources and rural disparities.

The California Center for Regional Leadership commits to working with our regional partners, the Cabinet, the Legislature, our sponsors, and others to advance this policy agenda for Rural Economic Vitality.
Special thanks to the leaders from California’s diverse and often distant rural regions who gave so generously of their time and ideas:

Roger Akers: Akers Capital LLC
Juan Arambula: CA Legislative Rural Caucus
Speranza Avram: North Sierra Rural Health Network
Paquita Bath: Sierra Business Council
Yolanda Benson: Business, Trans. & Housing Agency
Caroline Beteta: CA Travel & Tourism Comm.
Helen Birss: Department of Fish & Game
Nick Bollman: CA Center for Regional Leadership
Victoria Bradshaw: Labor & Workforce Dev. Agency
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Martha Davis: Inland Empire Utilities Agency
David Edwards: San Luis Obispo Community Fndn.
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Sandra Ikuta: Resources Agency
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Barbara Johnston: CA Telemedicine & Health Center
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Trish Kelly: CA Center for Regional Leadership
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Sunne Wright McPeak: Bus., Trans. & Housing Agency
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Mas Masumoto: Masumoto Family Farm
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Becky Van Stokkum: Regional Jobs Initiative
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Kala Venugopal: CA Center for Regional Leadership
David Villarino: Farmworkers Institute
Peggy Wheeler: CA Legislative Rural Caucus
David Yarbrough: Aspen Street Architects
AJ Yates: Department of Food & Agriculture
Teri Yeager: W.R. Hearst Foundation
The California Center for Regional Leadership (CCRL) collaborates with civic and government leaders as they confront the most pressing challenges to California’s economy and quality of life. With a focus on innovative regional strategies and state policy reforms, CCRL works with its partners to advance California’s economy while securing environmental stewardship, effective civic participation, and economic and social opportunity for all.
The Economic Strategy Panel has made rural economies a priority because effective state partnership with rural regions is essential to their success. Matching education and skills training to employer needs, especially for high wage and high skill jobs, require strategic precision in the development and delivery of job training programs. We don’t have a dollar, nor a person, to waste, if our rural economies are to compete.

Secretary Victoria Bradshaw
Labor and Workforce Development Agency

Most of our great natural resources are located in rural regions, or on the urban fringe. They are protected in parks and conservancies and along the coast, but where protection is lacking it is essential that we build rural economies that sustain those natural resources. We can do this by building urban-rural alliances that will appreciate over time while we collectively work to promote sustainable rural economic development.

Secretary Mike Chrisman
Resources Agency

California’s diverse food and fiber industry is essential to our own economy and to the world. However, only through innovation and continued investment will we sustain this economy in the face of fierce global competition. Agriculture is a major part of the “California history.” Together we can help make it a major part of the California future.

Secretary A.G. Kawamura
Department of Food and Agriculture

Nowhere in California is it more evident that we need sound infrastructure to support our economies than in rural California. Whether the issue is broadband access; or planning that truly links land use, housing, and transportation across our urban and rural regions to deal with the challenges of growth; or water and wastewater systems on par with urban areas; or affordable housing for both existing and new residents - the adequacy and efficiency of rural infrastructure is a matter for the attention of all Californians and of their state government.

Secretary Sunne Wright McPeak
Business, Transportation and Housing Agency