

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members, Subcommittee on Underserved, Agricultural, and Rural Business Development
FROM: Jared Golden, Chairman
DATE: July 13, 2021
RE: Subcommittee Remote Hearing: “Rural American Recovery: The Role of Small Businesses and Entrepreneurship”

The Committee on Small Business Subcommittee on Underserved, Agricultural, and Rural Business Development will meet for a remote hearing entitled “Rural American Recovery: The Role of Small Businesses and Entrepreneurship.” This hearing is scheduled to begin at **1:00 P.M. on Tuesday, July 13, 2021, via the Zoom platform.**

One in five Americans lives in a rural area and Main Street businesses are the backbone of those communities across the nation. Even before the pandemic, these entrepreneurs faced unique challenges compared to their urban counterparts. Among the top challenges are geographic isolation, inadequate broadband internet service, difficulty in hiring and retaining qualified workers, barriers to capital and reluctance from major industries to provide service in rural areas. Despite these challenges, rural firms continue to innovate, invest in their communities, and drive the economic rebirth after the pandemic but they need support. This hearing will give Members of the Committee the opportunity to hear about the benefits small firms bring to rural communities, difficulties they face, and how the SBA plays a role in supporting them, such as through the Office of Rural Affairs.

Panel

- Mr. Nathan Ohle, CEO, Rural Community Assistance Partnership, Washington, DC
- Ms. Jessica Campos, Women’s Business Center Director, Center for Rural Affairs, Lyons, NE
- Mr. Brett Challenger, Senior Vice President of the Regional Agribusiness Banking Group, CoBank, Greenwood Village, CO
- Mr. Alan Crawford, Owner and President, Rangaire Manufacturing, Cleburne, TX

Background

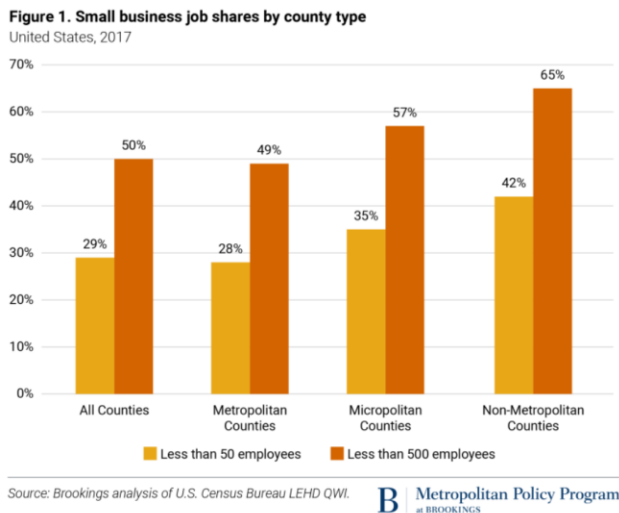
Rural America plays a critical role in our economy. It encompasses about 72% of our nation’s total land, and provides a critical source of water, food, energy, and recreational opportunities for all Americans.¹ Approximately 46 million people live and work in rural America.²

¹ U.S. DEP’T OF AGRICULTURE, RURAL AMERICA AT A GLANCE, 2017 EDITION, (2017).

² U.S. DEP’T OF AGRICULTURE, RURAL AMERICA AT A GLANCE 2020 EDITION, (2020).

Throughout rural America, many businesses and industries specialize in resource-based activities such as agriculture, forestry, mining, fishing, or natural resource-based recreation. In addition to these industries, manufacturing has been regarded as a promising source of rural employment since the 1950’s as jobs in other sectors have declined.³ Today manufacturing makes up about 15% of rural employment. However, it isn’t resource-based jobs or manufacturing that comprise the majority of jobs in rural America. In fact, service industries now provide the bulk of rural employment: education and health (25%); trade, transportation, and utilities (20%); and leisure and hospitality (11%).⁴ While agriculture still has significant economic impacts in rural America and is a key part of congressional debate on rural policy, only 1.3% of Americans are employed directly in farming or ranching, and over 90% of total farm household income now comes from off farm sources.⁵

Small businesses provide the majority of jobs for rural residents, and supporting entrepreneurship and small businesses is key to economic growth and development in rural America.⁶ Entrepreneurship can provide opportunities for people of all walks of life to generate income, gain financial security, and support their families and community. In rural America, entrepreneurs start businesses at higher rates than urban Americans and are more resilient than urban start-ups.⁷



However, rural areas face many unique challenges that can put them at a competitive economic disadvantage. Even before the outbreak of the COVID-19 pandemic, many rural areas struggled to replace the jobs and population lost in the last recession.⁸ Population loss in rural areas weakens

³ TADLOCK COWAN, CONG. RES. SERV., RL31837, AN OVERVIEW OF USDA RURAL DEVELOPMENT PROGRAMS (2016).

⁴ USDA, *supra* note 1.

⁵ U.S. DEP’T OF AGRICULTURE, 2019 FARM SECTOR INCOME FORECAST, ERS, (2019).

⁶ Hanna Love and Mike Powe, *Rural Small Businesses Need Local Solutions to Survive*, Brookings Institute, Dec. 1, 2020.

⁷ Brian Thiede, et al., *The Conversation, Six Charts that Illustrate the Divide Between Rural and Urban America*, THE CONVERSATION (Mar. 16, 2017).

⁸ Olugbenga Ajilore and Zoe Willingham, *Adversity and Assets: Identifying Rural Opportunities*, Center for American Progress, Oct. 21, 2019.

their fiscal and economic health, eroding their workforce and productivity, and the tax revenue available to fund essential programs and services. This low population density, coupled with geographic isolation, can impact both market and workforce development.⁹ Rural areas also tend to have lower median incomes and persistent poverty due to the harsh realities of manufacturing loss, agricultural consolidation, and generational migration to bigger cities.¹⁰ For many communities this has led to the shuttering of community resources such as schools, hospitals, care facilities, and a lack of vital emergency services. Rural and Tribal areas also lag behind urban and suburban areas in broadband deployment.¹¹ These compounding factors have made it difficult for many rural communities to manage the myriad of challenges presented by COVID-19 and focus on economic recovery.

Pandemic Impacts in Rural America

Prior to the onset of the COVID-19 pandemic, after nearly a decade of decline, rural areas were seeing slight increases in population and jobs, and declining poverty rates.¹² While still underperforming compared with urban areas, places in rural America were starting to show modest signs of a strengthening economy.¹³ The COVID-19 pandemic and resulting economic crisis has been prolonged and uneven, and disproportionately felt by small businesses in underserved communities.¹⁴

Overall, rural communities were hit especially hard by the COVID-19 pandemic due to lack of infrastructure, dwindling health care resources, and an aging population.¹⁵ When the first cases of COVID-19 began spreading across the United States in early 2020, they were primarily located in large metropolitan areas, with communities of color being disproportionately affected.¹⁶ Through the summer of 2020, the virus spread to rural areas, which have been harmed by COVID-19 more than any other region of the country on a per capita basis.¹⁷ Many of the economic pillars of rural America such as tourism, manufacturing, agriculture, transportation, services, and energy production are sectors with jobs that cannot be performed remotely, leaving many workers and communities exposed, and small businesses struggling.¹⁸

⁹ National Conference of State Legislatures, *Challenges Facing Rural Communities*, Jan. 21, 2021.

¹⁰ Chris Harris, *After Generations of Disinvestment, Rural America Might Be the Most Innovative Place in the U.S.*, Kauffman Foundation, Dec. 14, 2020.

¹¹ COLBY LEIGH RACHFAL, CONG. RES. SERV., R46613, *THE DIGITAL DIVIDE: WHAT IS IT, WHERE IS IT, AND FEDERAL ASSISTANCE PROGRAMS*, (2021),

¹² USDA, *supra* note 2.

¹³ USDA, *supra* note 2.

¹⁴ Hanna Love and Mike Powe, *Building Resilient Rural Places: Strategies from Local Leaders to Strengthen Rural Assets, Diversity, and Dynamism*, Brookings Institute, Dec. 1, 2020.

¹⁵ Olugbenga Ajilore and Zoe Willingham, *Rural Americans Are Vulnerable to the Coronavirus*, Center for American Progress, March 5, 2020.

¹⁶ Olugbenga Ajilore, *Rural America has Been Forgotten During the Coronavirus Crisis*, Center for American Progress, Oct. 28, 2020.

¹⁷ *Id.*

¹⁸ Sorenson Impact and Matt Dunne, *Ahead of The Curve: How To Make Rural America A Priority During COVID-19*, Forbes, April 16, 2020.

Currently, rural people have been left out of the vast majority of research on the impacts of the COVID-19 pandemic.¹⁹ As such, the evidence-based understanding of the pandemic in rural America is incomplete, yet overall the effects on rural populations have been severe, with significant negative impacts on unemployment, overall life satisfaction, mental health, and economic outlook.²⁰

Road to Recovery

Many rural communities have been through tough times before. Rural America is resource-rich, resilient, and resourceful. There are numerous federal programs used to promote rural economic and community development.²¹ The federal programs have been beneficial, but many have not been updated since the 20th century.²² Unfortunately, many rural areas still lack basic services, including broadband, health care, water, and infrastructure systems. This, in turn, leads to lower economic, health, and livelihood outcomes across rural America.²³ As communities move forward adapting to 21st century shifts in demographics, climate, and economics, rural America needs policies and programs to ensure pathways to growth and recovery.

Given the pressing and ongoing challenges facing rural areas, strong leadership is necessary to support economic recovery across rural America. Building upon a number of programs and initiatives throughout the federal government, a robust investment is needed to support rural and Tribal communities, to provide 100% broadband coverage, rebuild crumbling infrastructure like roads and water systems, support access to childcare, and invigorate economic opportunities and entrepreneurial ecosystems. As part of economic development and recovery, communities need investments in physical infrastructure, capital, and human services, as well as support for critical programs dedicated to housing, water, broadband, access to capital, health care, and education.

In addition to infrastructure needs, supporting locally led planning and development initiatives can help build inclusive community and economic development. Rural revitalization strategies can support both built environment and lifestyle improvements that benefit residents, as well as local businesses and institutions. To support recovery, it is imperative to identify and invest in local strategies that support rural small businesses and bolster rural economies.²⁴ By recognizing the diversity of rural America, strengthening community assets, and supporting local leadership and regional collaboration, place-based organizations and solutions can help drive real and sustained change, while also creating opportunities for small businesses and entrepreneurs to thrive. Rural communities, even ones seemingly in decline, have an opportunity for revitalization through the vision and hard work of entrepreneurs and local community leaders.²⁵

¹⁹ J. Tom Mueller, et al., *Impacts of the COVID-19 pandemic on rural America*, Proceedings of the National Academy of Sciences, Jan 2021.

²⁰ *Id.*

²¹ Anthony Pipa and Natalie Geismar, *Reimagining Rural Policy: Organizing Federal Assistance to Maximize Rural Prosperity*, Brookings Institute, Nov. 19, 2020.

²² *Id.*

²³ Aspen Institute, *Rural Development Hubs: Strengthening America's Rural Innovation Infrastructure* (2019).

²⁴ Love and Powe, *supra* note 6.

²⁵ Neil Belson, *Promoting Rural Entrepreneurship and Rural Economic Development*, Third Way, Jan 7, 2020.

Supporting Small Businesses and Entrepreneurship

While small businesses have been crippled by the pandemic, they can also be the best way to reinvigorate the economy, especially in rural areas.²⁶ Main Street and downtown revitalization strategies can be an important tool for supporting small business and economic growth in rural communities. Some rural communities have been successful in achieving economic revivals through fostering entrepreneurial ecosystems, investing in community assets and commercial corridors, and improving quality of life.²⁷ These place-based revitalization initiatives, done holistically, can foster locally owned businesses, create employment opportunities, and help attract residents.²⁸

Small businesses are vital to rural communities and entrepreneurship can be the single biggest opportunity for economic stability and growth in many rural areas. Vibrant small businesses in rural areas tend to generate wealth that stays in their communities, contribute to job growth, and help build local leadership in rural communities.²⁹ The Small Business Administration (SBA) has been instrumental in providing economic relief through several loan and grant programs, as well as entrepreneurial development programs that can serve rural small businesses. Given the challenges facing rural America such as access to capital, geographic isolation, distance to SBA resources, and changing markets and demographics, the SBA can play an important role in supporting small businesses and entrepreneurial ecosystems across rural America.

The SBA Office of Rural Affairs was first established in 1990 to provide information and assistance to rural small businesses.³⁰ It was relocated Kansas City in 1995 and subsequently changed to an Advocate for Rural Affairs position within the SBA Office of Advocacy, until staff retirement in 2005. After being vacant for a number of years, a Director of the Office of Rural Affairs was installed in 2019. In early 2020, an Acting-Director was named and the Office of Rural Affairs was able to hire additional staff with funding from the CARES Act.³¹ The SBA Office of Rural Affairs can play a key role in fostering collaboration and connecting rural Americans to vital products and services that will help entrepreneurs start, grow, and expand their businesses to ensure that rural communities grow and thrive.

Conclusion

A common narrative is that “rural America” is one big place with similar people and challenges. In reality, rural America has remarkable geographic, demographic, and socioeconomic diversity that can inhibit a one-size-fits-all approach to rural policy and economic development. Rural America holds great potential, and the economic interplay between rural and urban areas is important to truly recover as a nation. As our nation seeks to move past the COVID-19 pandemic, we must work to empower rural communities to address place-based inequities to support an inclusive and vibrant recovery.

²⁶ Nathan Ohle, *Opinion: Bold action needed to support rural and tribal communities hit hardest by pandemic*, Agri-Pulse, Jan. 7, 2021.

²⁷ Hanna Love and Mike Powe, *Why Main Streets are a Key Driver of Equitable Economic Recovery in Rural America*, Brookings Institute, Dec. 1, 2020.

²⁸ Love and Powe, *supra* note 6.

²⁹ Love and Powe, *supra* note 6.

³⁰ Small Business Administration Reauthorization and Amendments Act of 1990, Public Law 101-574 (1990).

³¹ P.L. 116-123.