

A Unique Moment for Small Towns

Every month, I visit small towns and hear from business and community leaders about what's working, what's not working, and what they need. In my previous column, I looked at the key elements I've seen in every small town that has made major progress toward revitalization: a story, regional cooperation, and dedicated funding, all tied together by "scrappiness." (See "Making It Work," *Econ Focus*, First Quarter 2022.) Now, I'd like to take a deeper dive into the issue of funding, because money is the one critical constraint every community faces, across every issue.

Today is a unique moment for small towns. Federal stimulus, combined with healthy state and local government balance sheets, means that billions of dollars are being made available, on top of those available through private grant-makers.

Taken together, the available funds have the potential to move the needle on some key rural challenges. Look at broadband. Our research has suggested it could cost roughly \$80 billion to get ubiquitous broadband coverage across the country. If we take the money dedicated to broadband before the pandemic, the additional funds available through pandemic relief bills, plus the allocations within the infrastructure bill, there is more than enough to close the gap.

How about health care? Almost \$20 billion has already been distributed to providers in rural or small metropolitan areas. And there's more to come from additional grants designed to strengthen rural community health by focusing on quality and access.

On transportation, the American Rescue Plan Act allocated funds for COVID-19-related transit within rural areas and to support bus travel within these areas. For example, the Rural Formula Program provides capital,



planning, and operating assistance to support public transportation. Plus, there's money to support the completion of the Appalachian Development Highway System.

This is a game-changing amount of money. But wherever I go, local leaders say the obstacles to accessing these funds are significant. And not without reason: We want governments to be careful with our tax dollars. Funders want to write checks only if they feel confident they will see results. Yet the constraints placed on funding don't always align with local capacity.

I hear about three key barriers.

First, grants are complicated. They require intensive research and documentation. Applications are often dozens — or even hundreds — of pages long, requiring sophisticated data interpretation, technical writing, and dozens of attachments. And the administrative requirements can feel burdensome. Many organizations don't have the necessary time or expertise, particularly for grants that require unique data. For example, the Appalachian Regional Commission's POWER Initiative makes grants that help communities affected

by job losses in coal. But we heard from one recipient that organizations should set aside a whole month for the application process. And the commission is regarded by grantees as one of the more flexible federal agencies. Grant processes can also be complicated for the agency making the grant, which all too often finds itself understaffed.

Second, many grants require matching funds that small communities can't raise. For example, the Rural Surface Transportation Grant Program requires a 20 percent match. Sometimes funders will allow applicants to waive match requirements, but that waiver can still lead to a lower application score. Additionally, a town usually can't match federal grants with other federal funds — even from another agency. This means it would need private funders or local governments to provide time-sensitive match commitments. Because of this challenge, some low-resource communities either self-select out of applying for grants or significantly downgrade the size of their projects.

Third, there's a bias toward experience. Grantors quite naturally prefer to invest with someone they have confidence has the capacity to deliver. So, they favor organizations with a proven track record or with a leader they already know, which can leave less experienced organizations and under-resourced regions out of the running. It is possible, or even likely, that the lion's share of federal funds will flow to the institutions and organizations that are already established and well-resourced.

Communities need help building their capacity, and they need it now. They need help finding and training leadership. They need help writing grant applications that meet funder specifications. They need help acquiring match funding. They need help

distributing and administering funds effectively. And they need help assessing impact.

So let's help them. Let's leverage states, localities, foundations, and local organizations to get the money where it is most needed.

I see three tangible, practical opportunities for organizations that want to improve the situation. First, help communities write grants. This could be done by hiring or funding experienced, proven grant writers directly. There is subject matter expertise out there, and foundations can play a meaningful role helping to connect experts to small towns with opportunities. Alternatively, this could be done by providing targeted advice. For example, Generation West Virginia and the Benedum Foundation work together to provide communities with grant writing support and other forms of technical assistance to coach them through the complicated process of planning for and accessing broadband funding.

Second, create pools of match funding. This could be a great role for states. If match funding is the barrier, create a pool that goes to communities and local organizations that earn the match. Localities with excess funds coming out of the pandemic could step up too. This would increase the number of grants applied for and productively leverage local money with federal money. And anything a state can do to adequately resource the distribution of funds would be of value too.

Third, help build local capacity. I am intrigued by the idea of "rural development hubs," regional organizations that foster creative development strategies

and build connections among states, funders, and localities. They are close to their communities' needs and wants. They serve as conveners, coordinators, and intermediaries for grassroots efforts, allowing collections of projects and organizations to come together and pursue funding and strategies that are only possible through collaboration.

But hubs take time to build, and they're hard to start from scratch. Regional collaboration is difficult, as communities struggle to balance collaboration and competition for scarce resources. And some of the challenges to building hubs are similar to the challenges in accessing grant funding: They're costly to launch and to scale.

To build local capacity for the long run, organizations need targeted support in the near term. For example, funding from Rural LISC — a national organization — allowed the Garrett County Community Action Committee to expand to serve adjoining counties.

Funders can also seed promising new approaches. The West Virginia Community Development Hub often heard complaints that there was "nothing going on" in West Virginia. They created the Cultivate WV program, which distributes small-scale investments over a short period to build momentum in communities. Teams of volunteers work alongside a coach to identify needed projects, often leading to a broader shared vision. With this foundation, the communities can then collaborate on a larger scale. They start with small projects, like creating a new welcome sign, and eventually, they are redeveloping their historic school that's

been out of use for 30 years.

Capacity building isn't limited to local communities. Regionally, the Central Appalachian Network provides space for like-minded organizations to coordinate projects across state lines and to participate in regional sector development strategies, accessing federal funding for large-scale initiatives related to local and regional food systems, clean energy development, waste reduction, and workforce development. They help grow organizational capacity through peer learning, mentorship, and shared resources. New platforms like Invest Appalachia offer a pathway for grant-funded projects and enterprises to transition toward financial self-sufficiency, partnering with other financial intermediaries like community development financial institutions to provide a blend of capital that includes credit enhancements and flexible financing.

Helping communities write grants, creating pools of match funding, and supporting hubs to help build local capacity are a few ways to help small towns access this historic opportunity for funding. Getting money to communities that need it isn't easy. But this is a unique moment.

A longer version of this essay was delivered as an address to the Richmond Fed's Investing in Rural America Conference on March 30, 2022.