



GOVERNOR'S
EMPOWER RURAL IOWA
INITIATIVE

RECOMMENDATIONS

December 2020



INTRODUCTION

Flexibility and innovation in a year like 2020 is a requirement, and the impact on the Empower Rural Iowa task forces has been no exception. Instead of hosting “Ideas Summits” in rural locations throughout Iowa, as in 2018 and 2019, the task members met virtually via Zoom. They considered ideas submitted by task force members, industry experts and by members of the public to develop recommendations that build upon the success of the first two years of the initiative and inform the 2021 legislative session.

In developing the following recommendations, it should be emphasized that they are aimed at improving coordination, aligning processes and supporting local initiatives. These recommendations will not solve every challenge facing rural Iowa. Instead, they aim to provide the tools needed in rural communities to enact meaningful changes. Most importantly, implementing these recommendations will build momentum for future, larger-scale efforts.

2020 RECOMMENDATIONS IN SUMMARY

Empower Rural Iowa Recommendations from all Task Forces

- Continue funding support for the Rural Innovation Grant program, which has supported creative local projects that address the unique challenges faced by rural Iowa communities.

Investing in Rural Iowa Task Force

- Provide better support for rural entrepreneurs by improving coordination among service providers and improving outreach and engagement through regional entrepreneurship, townhalls or resource fairs.
- Encourage employee-ownership models for rural business succession, by continuing to support ESOP development and by improving promotion and understanding of employee-owned cooperative models.
- Reform the inheritance tax to limit tax impacts when non-lineal descendants inherit rural small businesses.
- Encourage rural businesses to develop an online presence by continuing to support the "Shop Iowa" platform. Identify ways to support an online presence for non-retail businesses in rural Iowa.
- Continue financial support for the Rural Housing Assessment Grant program and adjust eligibility requirements to allow for regional or county-wide applications.

Growing Rural Iowa Task Force

- Identify and recruit former Iowans back to Iowa. Such a recruitment program could be a component of the This is Iowa initiative, or could be an expanded version of the Iowan Project concept developed by the Technology Association of Iowa. The program could focus on attracting remote workers, and could leverage existing connections to Iowa, such as alumni networks.
- Pilot a "Rural Return Incentive" program through a specially-designated Rural Innovation Grant. Just as scholarships often provide financial support for young people to leave a community for their education, a "Rural Return Incentive" can provide communities with an innovative way to provide financial support for people to return and stay.
- Expand eligibility for the Beginning Farmer Tax Credit program.
- Increase connections between Future Ready Iowa and the Governor's Empower Rural Iowa Initiative.
- Continue support for rural medical residencies and similar programs as well as increase program awareness through targeted communication and promotion.
- Provide funding support for the Rural Leadership Exchange, including the annual Exchange, incubator training program, and kickstart grant program. Foster community ambassador programs through the Rural Leadership Exchange. Provide diversity and inclusivity resources for communities with changing demographics.

Connecting Rural Iowa Task Force

- Increase funding support for the Empower Rural Iowa Broadband Grant.
- Support for legislation or other efforts that would provide for broadband project protection along Iowa Department of Transportation (IDOT) right-of-way

GENERAL EMPOWER RURAL IOWA RECOMMENDATIONS

Rural Innovation Grants

The first round of Rural Innovation Grants has been successful in supporting creative and unique projects to address rural challenges. For example, funded projects included a program in Pocahontas supporting new business owners with start-up costs and training; a rural grocery store delivery system in the regions around Lenox and Manning; and a multicultural shared-use kitchen for new restaurateurs in Webster City. Funding support should be continued for this program as it encourages rural communities to be more innovative in their approach to problem-solving while developing best practices for communities across the state.





INVESTING IN RURAL IOWA

Supporting Entrepreneurship

Iowa boasts a wide variety of resources for rural entrepreneurs. Entrepreneurs are supported by programs through private nonprofits, from community colleges and public and private universities, as well as through state and federal government programs and agencies. While there is a rich variety of programs and service providers – there remains a lack of understanding about the resources available to assist rural entrepreneurs. The following steps are recommended:

- **Better communication with the public and improved coordination among the service providers in Iowa.** The Iowa Rural Development Council should partner with the Office of Rural Revitalization within the Iowa Economic Development Authority to develop a communications plan that includes improved outreach to entrepreneurs regarding the resources available in Iowa, an aggregation of resources available, and regional entrepreneurship town halls or resource fairs.
- **Survey of local economic development professionals and leaders.** In an effort to streamline and coordinate resources, there should first be a deeper understanding of efforts happening at the local level. This survey would include both local initiatives to support entrepreneurs as well as how local communities are leveraging existing state resources.

Succession Planning

Perhaps the biggest threat to our rural business is when they face a transition – the unexpected death of the owner, a sale to another entity, or a transition to a new generation of family leadership. Encouraging business succession planning and providing resources to support such planning helps protect and encourage investment in rural Iowa. In addition, succession planning supports the next generation of entrepreneurs who will lead Iowa's existing rural businesses. The following reforms and ideas are recommended:

- **Continue to support Employee Stock Ownership Plan (ESOP) development.** Iowa should continue its efforts in encouraging the formation of ESOPs. By reducing barriers to forming an ESOP, a business owner is more likely to be able to sell the company to the employees, and more likely the business will remain in rural Iowa.
- **Develop a promotion strategy and provide resources for an employee-owned cooperative transition model.** ESOPs are not appropriate for all businesses, specifically those with fewer than 75 employees. For this reason, Iowa should develop a promotion strategy and provide resources to support rural businesses transitioning to an employee-owned cooperative model in appropriate circumstances. Consider examples in Ohio, Massachusetts, and Wisconsin for how to develop a strong implementation model. Partner with existing efforts at Iowa Institute for Cooperatives, University of Northern Iowa, and Iowa State University. Encourage businesses to undergo business valuation prior to taking advantage of state resources on transition planning.
- **Improve communication with resource providers.** Utilizing a model similar to the Iowa Leadership Exchange, develop a forum for providers to share resources and best practices. By connecting these key players and increasing awareness of the breadth of resources available, businesses can reach out to their local contact who will act as a gatekeeper, providing information, resources, and contacts as appropriate. This grassroots level method will protect against information overload for business owners and create local experts who are connected to each other and the resources available.

- **Inheritance tax reform.** Under current Iowa tax law, the inheritance tax applies to non-lineal descendants. This has a detrimental impact on small businesses when non-lineal descendants (such as a niece or nephew) transition into a family-owned business and face a significant tax bill, which can result in the business closing completely. For this reason, the inheritance tax law should be reformed to limit or eliminate the inheritance tax when small rural businesses are passing to both lineal and non-lineal descendants.

Online Business Presence

In today's interconnected world, it is imperative that businesses have an online presence. This necessity was made even more clear during the COVID pandemic, as closed businesses had to quickly identify ways to continue selling goods without in-person customers. Iowa stepped up to support businesses in moving online in a variety of ways, but there remain gaps in resources. The following steps are recommended:

- **Continue to support Shop Iowa.** In an effort to help Iowans shop local without leaving home, the Shop Iowa site, built and managed by Iowa Small Business Member Marketplace Inc., brought together brick and mortar retail businesses from across the state into one online marketplace. Funded by the Iowa Economic Development Authority through June 2021, small retailers can create a shop on the platform for free. The State should continue to provide funding support for this program, with a goal to showcase shops from all 99 counties, including additional technical assistance funding for training on the platform, in addition to increasing public awareness through targeted communication and promotion.
- **Identify ways to support non-retail and non-brick and mortar businesses.** The global pandemic has escalated the need for all businesses to move online; however, not all businesses fit into the Shop Iowa model. The Iowa Economic Development Authority should work with the Iowa Department of Agriculture and Land Stewardship and the Iowa Department of Inspections and Appeals to assess ways to support farmers markets and other sellers of perishable goods to develop resources and best practices. Additionally, telehealth services are addressing rural challenges regarding health access across the state and need resources and extensive broadband connectivity to be successful. Working with the Iowa Department of Public Health and Office of the Chief Information Officer, the Center for Rural Revitalization should both identify best practices for these professional online services as well as identify needs.

Rural Housing Grants

The inaugural year of Rural Housing Grants was quite successful. Six communities were awarded grants in June 2020 and an additional four in October 2020, for a total of \$100,000 awarded. Partnering with Iowa State University Extension has provided grantees the opportunity to critically evaluate their housing assessment data, as well as existing housing environment, through a diverse and engaged housing committee. Despite the challenges of COVID and moving facilitation meetings online, grant recipient communities have identified next steps and are using the grant funds to make meaningful implementation measures in working towards addressing their specific housing needs.

This program should continue to receive funding to support rural communities in the interpretation and implementation of hard housing data specific to their needs. In addition to funding, the eligibility requirements for the program should be expanded to allow for regional applicants. There are small communities that would benefit from this program but are too low in population and resources to manage the grant independently. Allowing for regional or county-wide applicants would increase program accessibility for those small rural communities.

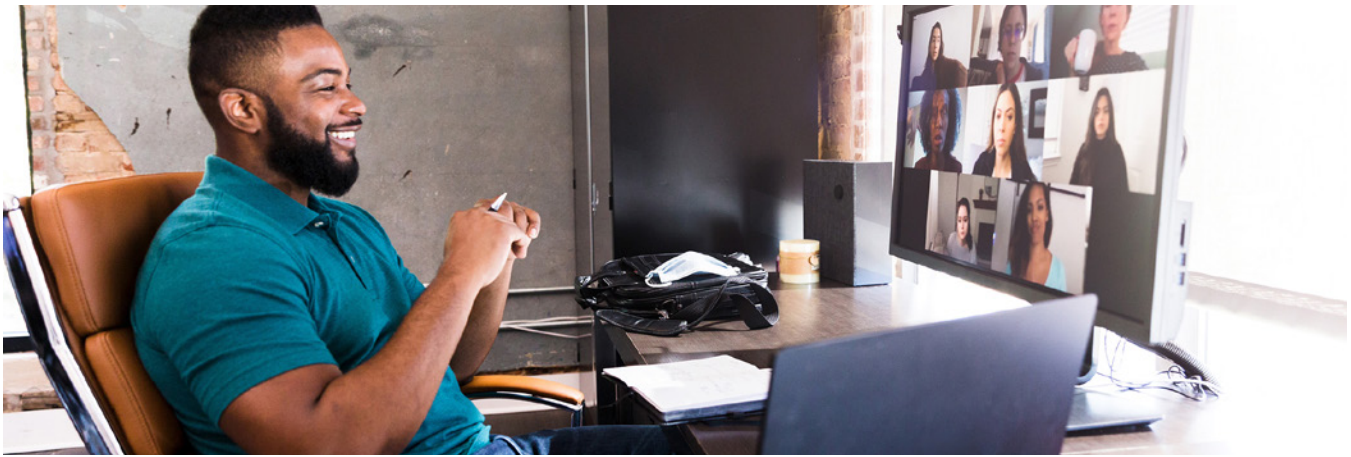
GROWING RURAL IOWA

Recruiting and Retaining Iowans

There are a wide variety of programs that incentivize young people and professionals to stay in Iowa and start a business – from loan forgiveness for rural veterinarians, to beginning farmer tax credits, to connecting dentists and medical professionals to opportunities in rural Iowa. Each program is unique; and each program should include building an inclusive culture that encourages, supports and celebrates the diverse voices of Iowans. The following reforms and ideas are recommended:

- **New recruitment program tailored to rural communities.** Create a program or build upon an existing program to identify and recruit former Iowans back to the state. This could be a complementary program to the Iowan Project, which identifies former Iowans in the tech industry and recruits them back for opportunities in Iowa. Alternatively, it could be a component of the This is Iowa initiative, focused on returning to rural communities. Another model could be the Dakota Roots program operated by the South Dakota Department of Labor and Regulation, which assists users with a job search and personal outreach to anyone who contacts them through their website.
- **Attract remote workers.** The future of work will become less dependent on workplace location. Iowa should set a goal to be the No. 1 state for remote workers, including developing a designation program recognizing those areas with robust connectivity as “Remote Ready Communities.” With ambitious efforts to connect every Iowan via broadband within the next few years and an increased desire nationally to live, work and play in rural communities, Iowa can capitalize on these strategic advantages to support attracting global talent.
- **Develop a clear narrative.** The State should develop a clear strategic point of view about rural Iowa and work with rural communities to adopt and amplify the message. This effort should also coincide with technical assistance on storytelling at the community level to provide rural communities a more competitive marketing advantage.
- **Foster partnerships to capitalize on affinity.** There are many existing networks that connect Iowans back to their hometown or college community. These networks could be leveraged as a valuable partner in attracting former Iowans back to the state. For example, working with existing alumni groups through Iowa’s higher education institutions or creating connections among “boomerang” workers who have returned to Iowa to work and raise a family.
- **Streamline and coordinate existing state programs.** Iowa has many existing initiatives targeting recruitment and retention of talent within the state. To effectively leverage these programs, there should be a comprehensive review and marketing strategy, including an assessment of where gaps exist.
- **Pilot a “Rural Return Incentive” program.** Through a specially designated Rural Innovation Grant, partner with a community foundation or other organization to pilot a “Rural Return Incentive” concept. Just as scholarships often provide financial support for young people to leave a community for their education, a “Rural Return Incentive” can provide communities and regions with an innovative way to provide financial support for people to return and stay. Such an incentive could be modeled after a similar program created in Michigan. The effort could initially focus on communities or regions with a robust scholarship program, incentivizing them to pilot this incentive effort in attracting people back to their area. After a successful pilot, this program has the potential to connect marketing resources with other statewide talent initiatives, such as Future Ready Iowa, Remote Ready Communities, and Home Base Iowa, with a focus on attracting young people to return to rural communities.

- **Beginning Farmer Tax Credit.** The Beginning Farmer Tax Credit is an incentive currently available only to landowners and taxpayers who lease their land to a beginning farmer. The maximum funding allocation has never been fully utilized. The credit should be amended to expand eligibility for the program. Owners of livestock buildings who lease buildings to beginning farmers should also be eligible for the tax credit. Moreover, an eligible building or landowner and taxpayer should be allowed to participate in the program up to 15 years, instead of 10 years, and not be limited by any number of tax credit certificates under the program. By making additional transactions eligible, there is a greater chance the full allocation will be used and will allow more beginning farmers to build equity.
- **Future Ready Iowa.** In addition to partnering on the “Rural Return Incentive Grant” program, the state should continue support for the state’s Future Ready Iowa efforts, which have an impact on retention of Iowans by training them for jobs that are available in rural communities. Seek to establish more formal connections between Future Ready Iowa and the Governor’s Empower Rural Iowa Initiative.
- **Medical professionals.** Increase support for rural medical residencies and programs like FIND (Fulfilling Iowa’s Need for Dentists), which have been effective in placing medical professionals in rural settings. In addition to funding support, the State should increase program awareness through targeted communication and promotion.



Continue Rural Leadership Exchange

The inaugural Rural Leadership Exchange event was held virtually in October 2020 with an overwhelmingly positive reception. The content was developed to support networking; encourage collaboration; elevate diversity and inclusion; and cultivate the exchange of best practices among coordinators of existing leadership programs. This event should continue to receive support and expand beyond an annual fall exchange event for existing programs to also include a training incubator program in the spring for new leadership programs, as well as providing ongoing online resources.

- **Foster community ambassador programs.** Leadership programs identified through the Rural Leadership Exchange program can partner on previously identified recruitment and retainment efforts, for example, through the development of a guide or ambassador training program for the community level. Many rural communities have an established program welcoming new or prospect members to their towns. This program could utilize those best practices to train other communities on how to share their story and welcome new individuals or families.
- **Provide diversity, inclusion and belonging resources for communities with changing demographics.** Demographics are changing across our state and rural communities often lack the resources to create welcoming and inclusive environments for new populations. Utilizing the network of leaders through the Rural Leadership Exchange, a Diversity and Inclusion Committee should be created to provide resources, training and best practices for rural communities across the state.



CONNECTING RURAL IOWA

The Empower Rural Iowa Broadband Grant Program has been successful at expanding connectivity into the hardest to reach areas in rural Iowa. The grant program should receive increased funding from the State to continue the momentum experienced over the past two years. This success was propelled further by the \$50 million in CARES Act funding that Governor Reynolds designated to the grant program, providing additional dollars aimed at providing broadband connectivity to every Iowan.

The Empower Rural Iowa Connect Task Force also supports legislation or other efforts to provide for broadband project protection along the Iowa DOT right-of-way. This effort will safeguard fiber projects across the state and provide confidence in providers to continue expansion into rural regions of the state. This policy can then be used as a model for county and locally managed rights-of-way, encouraging broad project protection of broadband expansion efforts.



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