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## MEMORANDUM

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*June 16, 2020*

*To:* Governors' Offices and State Workforce System Leaders  
*From:* National Governors Association  
*Re:* Solutions for Rural Economies in Response to COVID-19

### Summary

Times of crisis often exacerbate the economic challenges faced by rural communities. Following the Great Recession, for example, unemployment in rural areas rose by 6 percent, and rates of reemployment continue to lag those of urban communities.<sup>1</sup> Without targeted intervention, factors including prolonged social distancing, lower labor force participation, and a lack of reliable internet, are likely to have long-term economic impacts. Outlined below are several actions that state workforce and economic development leaders can consider to mitigate the long-term effects of COVID-19 on rural America, including strategies to assess economic impact, reduce the rural broadband gap, leverage partnerships to stabilize anchor institutions and meet the unique needs of Tribal communities. The memo also summarizes federal resources available to aid rural communities with economic impact mitigation and recovery.

### State Strategies to Aid Rural Communities

**Assess economic impact.** Whenever possible, state workforce leaders should consider collecting and analyzing data to assess which industries, communities and workers are at greatest risk of economic impact from COVID-19 response measures. Economic indicators may include employment statistics of local areas, including wages, business revenue, and tax revenue data. Worker vulnerability (i.e. workers and families at greatest economic risk) should also be evaluated using SNAP, TANF, and other state-based social program data. Whenever possible, states should also consider filtering dataset by demographic information, such as race, gender, and socioeconomic status, rather than viewing it only in aggregate. As part of a comprehensive economic assessment, states may also consider reviewing data-sharing regulations to determine whether opportunities exist for information sharing between government and non-governmental agencies for improved program delivery.

- The **Wisconsin** Economic Development Corporation, [partnered](#) with the governor's office, local workforce and business chambers, and social service organizations to identify businesses most likely to be impacted by COVID-19. This partnership has led to the creation of a new small business development grant program for business with 20 employees or fewer, through the Community Development Financing Institutions Fund.
- The Center on Rural Innovation created an [Employment Risk Index](#) which assesses counties' vulnerability to the economic effects of COVID-19 on three factors: employment in high-risk industries, employment in small businesses, and age of the workforce. States can consider using these types of tools to learn how industry, employment and other demographic trends are impacting rural economies.
- The governor of **Pennsylvania** partnered with Carnegie Mellon University to develop a [dashboard](#) to track the economic impacts of reopening business on rural counties. In this model, researchers

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<sup>1</sup> Hauge, Kimberly. Mike Bartlett, Dana Westgren, Meghan Wills. *A Governor's Action Guide to Achieving Good Jobs for All Americans*. National Governors Association. Retrieved from [https://www.nga.org/wp-content/uploads/2019/07/NGA\\_GJAA\\_Guide.final\\_12.19\\_rev.pdf](https://www.nga.org/wp-content/uploads/2019/07/NGA_GJAA_Guide.final_12.19_rev.pdf)

used data including census data and occupational analysis from O\*net, as well as data from wage records, business license records, tax revenue and data from the Bureau of Economic Analysis.

**Reduce the rural broadband gap to accelerate participation in the rural economy.** Highspeed internet not only attracts businesses, entrepreneurs, and economic growth, but also enables workers to access training and gain new skills through virtual learning opportunities. In response to increased demand for online learning, telecommuting, telehealth, and the delivery of other essential services, closing the digital divide has emerged as a major topic of interest for many state leaders. In addition to the state strategies listed below, this NGA memo [highlights](#) additional state strategies for expanding broadband and supporting virtual learning in K-12 and postsecondary education.

- **Vermont's** governor and the Department of Public Service [announced](#) a partnership with Microsoft to increase internet access to rural Vermonters via public Wi-Fi hotspots during the state's stay-at-home order. The state also published a map of free public Wi-Fi options that may be accessed while maintaining social distancing.
- **Tennessee's** governor and Department of Economic and Community Development [announced](#) \$19.7 million in broadband accessibility grants for households and businesses.

**Increase programmatic flexibility to meet the unique needs of rural communities.** Rural communities are, on average, highly disadvantaged when it comes to poverty, health, and economic mobility outcomes. These disadvantages result in catastrophic job losses for those at the lower end of the pay scale during a downturn and may result in lower rates of reemployment, such as after the Great Recession.<sup>2</sup> These regions are less likely to be considered when awarding federal and state recovery resources, leaving rural communities with fewer resources to fill major gaps in revenues and address gaps in the number of qualified workers to fill essential job functions. Rural communities also face challenges in addressing these gaps as a result of federal and state funding models, which are often project-based, rather than flexible, strategic investments across multiple programs. To mitigate long-term effects of COVID-19, states should consider awarding longer-term economic expansion funds that are driven by locally determined priorities, and which prioritize economic resilience for communities facing higher rates of poverty, disparate health impacts and lower education attainment.

**Leverage partnerships to stabilize rural anchor institutions.** Anchor institutions, such as universities, community colleges and hospitals, are often the largest rural community employers – leaving many communities reliant on single industries vulnerable to economic shocks. Many rural hospitals and institutes of higher education that were facing economic pressures prior to the COVID-19 crisis are expected to face even greater budget shortfalls amidst unprecedented low procedure and enrollment rates. To mitigate such economic impacts, state officials should consider developing a collaborative plan to stabilize these institutions. For areas with evolving workforce needs, leaders should assess ways to leverage existing programs in the community to deliver necessary skills development programs for high-demand industries. Leaders should also consider examining existing regulatory flexibility, such as allowing these institutions to modify current program delivery.

- The governor of **Arkansas** [released](#) a \$116 million plan to support rural hospitals, increase pay for nurses, and provide workforce training to help the healthcare system respond to the COVID-19 crisis.
- The **University of Virginia** built a [Health Recruiting Dashboard](#) to identify recent graduates of health care programs who are not currently working in health care in order to fill shortages in the workforce.

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<sup>2</sup> *Understanding Economic Challenges in Rural America*. U.S. Congress Joint Economic Committee. May 2017.  
[https://www.jec.senate.gov/public/\\_cache/files/fe1f3a2f-f89c-4628-ac6a-0e3b5fb8fafc/rural-economy-report-final.pdf](https://www.jec.senate.gov/public/_cache/files/fe1f3a2f-f89c-4628-ac6a-0e3b5fb8fafc/rural-economy-report-final.pdf)

- **Iowa** released [guidance](#) for community college leaders that allows for flexibility in meeting scheduled lab and/or clinical program contact hours for classroom instruction.

**Improve access to rural employment services by providing virtual and limited in-person options.**

American Job Centers (AJC) serve as essential resource hubs for many rural communities by providing employment services to job seekers, students, and businesses. Since COVID-19, AJCs have dramatically modified their delivery methods by transitioning to online service delivery, scheduling visits at brick and mortar offices by appointment only, or staggering the days job seekers can visit in person to help enforce social distancing. States are also leveraging federal funds to partner with the private sector to provide training and minimize cost burden. Some states have also become innovative in designing virtual job fairs.

- **Colorado** [hosts](#) Virtual Job Fairs where employers and job seekers meet using chat rooms, webcasts, training videos, webinars and online hiring sites.
- The **Indiana** Department of Workforce Development [hosted](#) a free, virtual job fair to discuss the jobs available at five local hospital systems.
- **Hawaii** State Department of Labor and Industrial Relations continued to operate AJC's as it was safe to do so by reducing the rate of services and by appointment only.
- States which received U.S. Department of Labor **Dislocated Worker Grants** can focus some funds to help rural areas' workforce systems adapt to providing services virtually during and after the COVID-19 crisis. For example, in **Washington**, the \$12 million grant will [prioritize](#) helping rural communities.
- Several states, including **Minnesota**, are partnering with the [Coursera Workforce Recovery Initiative](#) to provide free education and skills training to unemployed individuals. Individuals can earn professional credentials and take unlimited classes.
- To learn more, [see](#) NGA's memo on delivering workforce system employment and training services remotely.

**Target resources to meet the unique needs of Tribal communities.** Tribal colleges and universities (TCUs) are often located in rural areas and traditionally operate with fewer resources that increase their economic vulnerability during economic downturns. For example, students at TCUs reported higher levels of food insecurity and homelessness prior to the pandemic.<sup>3</sup> To avoid these communities from facing even greater economic uncertainty, communities, states and institutions can take action to support students and stabilize TCU institutions. Expanding broadband access is also essential since the 2016 FCC Broadband Progress Report showed that 68 percent of those living on rural tribal lands lacked access to broadband.

- Dedicated funding from the CARES Act goes to TCUs and can be used to help students stay on campus, use campus dining, and reinforce institutions.
- States can help [increase](#) access to broadband in rural and tribal areas. The linked NGA memo details multiple state efforts and models in this area. in rural and tribal areas.

**Target additional assistance to small rural businesses.** Small businesses, defined as those with 50 employees or fewer, make up approximately 35 percent of all employment in rural counties and are hardest hit during recessions.<sup>4</sup> However, many small businesses, struggle to gain access to funds due to existing program rules. To help small businesses recover financially from COVID-19, states may wish to [advocate](#) for more flexible small business assistance, such as flexibilities offered in the [Paycheck Protection Program Flexibility Act of 2020](#). States may also consider creating special grant programs for workers and industries

<sup>3</sup> Whissemore, Tabitha. *Tribal Colleges Stay Strong but Faces Challenges*. Community College Daily. May 17, 2020.

<https://www.ccdaily.com/2020/05/tribal-colleges-stay-strong-but-face-challenges/>

<sup>4</sup> Liu, Sifan. Joseph Parilla. What the Great Recession Can Tell Us About the COVID-19 Small Business Crisis. Brookings. March 25, 2020.

<https://www.brookings.edu/blog/the-avenue/2020/03/25/what-the-great-recession-can-tell-us-about-the-covid-19-small-business-crisis/>



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which have limited access to other emergency capital, including for job retention, transition to remote work, and expansion of existing job opportunities. The following strategies are being implemented to support rural business development:

- **Illinois** Department of Commerce & Economic Opportunity [established](#) emergency assistance programs consisting of loans of up to \$50,000 for businesses with fewer than 50 workers, grants up to \$50,000 for businesses in hospitality, and grants of up to \$25,000 for small businesses in the downstate and rural regions.
- **Iowa's** governor [launched](#) the Iowa Small Business Relief Program to provide financial assistance to small businesses impacted by COVID-19. The program offers grants ranging from \$5,000-\$25,000.
- The **North Carolina** COVID-19 Rapid Recovery program [supports](#) small businesses and family farms. The program is supported by a collaboration of public, private, and nonprofit partners and is not a grant program.
- The **North Dakota** Department of Commerce [is providing](#) these COVID-19 state resources: North Dakota Development Fund Loans, Childcare Loan Program (loans to certified daycares to ensure continuity), and Rural Growth Incentive Program Emergency Loans.
- The **Utah** Office of Rural Development is offering Rural Economic Development Incentive grants to encourage businesses to create new positions in small rural counties and transition workers to remote work.
- **Washington's** governor [created](#) the Working Washington Small Business Emergency Grant program to provide grants up to \$10,000 to businesses with 10 or fewer employees. The program is funded through a portion of the [State's Strategic Reserve fund](#).

**Enlist logistical experts to maintain the rural supply chain.** In addition to direct effects on the food supply chain, the logistics of distribution has also been adversely affected during the pandemic. With increased demand for health equipment, for example, rural facilities which require protective equipment, including hospitals, food processing plants and agricultural facilities, may be required to shut down. To stabilize these industries, state and workforce leaders can consider enlisting the logistical expertise of national businesses, such as Amazon and Uber to develop innovative delivery techniques.

**Deploy procurement expertise to rural communities.** While there will continue to be numerous federal grant opportunities aimed at spurring rural economic development, leadership in small rural communities may have difficulty meeting the requirements for proposals due to a lack of time, resources, and expertise. Governors and workforce leaders should consider ways to help these communities navigate procurement procedures, including through state and regional economic development institutions.

### **Federal Resources to Aid Rural Communities**

*U.S. Department of Agriculture (USDA)*

- The USDA released the [COVID-19 Federal Rural Resource Guide](#), a comprehensive review of programs that can be used to provide immediate and long-term assistance to rural communities affected by COVID-19. The guide provides an overview of available USDA programs, and links rural communities to funding opportunities, social programs, and guidelines for implementation across several federal agencies.
- USDA has **extended the deadline** on many of their loan services and amended provisions to adhere to the guidelines outlined in the CARES Act. Deadline extensions, which vary by state, include:
  - Rural Development Guaranteed Loan Programs
  - Rural Housing Service
  - Rural Utilities Service



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- Rural Business-Cooperative Service
- The CARES Act makes available \$100 million for the [USDA ReConnect program](#)<sup>7</sup>
- The CARES Act makes available \$25 million for the **USDA Distance Learning and Telemedicine** grant program. The USDA [announced](#) a second application window to access this funding for applicants who were not able to submit applications prior the original deadline. Applications are due no later than July 13, 2020.

#### *U.S. Small Business Administration (SBA)*

The CARES Act provides several supports for nonprofit organizations, including three loan programs for small businesses:

- The **Paycheck Protection Program** enhances the Small Business Administration’s longstanding loan process. Under this program, nonprofits, and for-profit organizations with 500 or fewer employees can secure funds to pay staff and fund operating costs for two months. The loan amount is the lesser of \$10 million or 2.5 times the average total monthly payroll costs from one year prior to the date of application. It is available to entities that existed on February 15, 2020. Employers that maintain employment between March 1 and June 30 would be eligible to have their loans forgiven.<sup>3</sup>
- \$10 billion for the creation of the **Expanded Economic Injury Disaster Loan (EIDL) & Emergency Grants**. The EIDL program offers qualifying nonprofits \$10,000 to pay salaries or fund operating expenses. States can apply [here](#).
- The **Mid-Size Loan Program** is designed to help mid-to-large businesses (organizations with between 500-10,000 employees) ensure they can retain at least 90 percent of their workforces.
- Authorized SBA loans may also be used to cover the costs of utility services, including telephone and internet access.

#### *U.S. Department of Health and Human Services (HHS)*

The CARES Act provides unique supports to rural healthcare institutions, including:

- \$10 billion for **rural health clinics and hospitals**, which is estimated to reach 2,000 rural hospitals and 1,100 health clinics. This funding is in addition to the \$165 million made available for rural hospitals and telehealth centers that was announced by the HHS Health Resources and Services Administration. Payments will be determined on the basis of operating expenses, using a methodology that distributes payments proportionally to each facility and clinic.
- \$400 million for the **Indian Health Service**, which will also be determined based on operating expenses.

#### *Additional Federal Resources*

- The CARES Act provides additional funding for the following purposes:
  - Roughly \$14 billion for **emergency relief to institutions of higher education** to [respond](#) to the coronavirus. Of these funds, 90% is allocated to colleges and universities based primarily on their share of students receiving Pell Grants. The Department of Education has released a [table](#) with allocation amounts for each institution.
  - \$50 million for the **Institute of Museum and Library Services (IMLS)** for response to the coronavirus, including to expand digital network access, purchase internet-accessible devices and provide technical support services. Unlike many IMLS grants, no matching funds will be required from states.
  - \$3 billion for the Governor’s Emergency Education Relief (GEER) Fund. This Fund offers direct, flexible education funding for governors to provide to school districts, higher education, early childhood education and other education entities. Each governor has discretion to allocate each dollar of their funding based on their evaluation of the greatest



educational needs in their state related to COVID-19. The [linked NGA memo found here](#) offers more information about GEER as a resource for your state.

*For questions or concerns related to the contents of this memo, please contact:*

- *Kristin Baddour ([kbaddour@nga.org](mailto:kbaddour@nga.org); 202.624.5314)*
- *Katherine Ash ([kash@nga.org](mailto:kash@nga.org); 202.624.5327)*



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