# A Business Plan to Establish a
# Rural Policy Institute for Arizona

**Prepared for the**
**Arizona Department of Commerce**

**by the**

**Bureau of Business & Economic Research**
**Bank One Center for Business Outreach**
**Northern Arizona University**

October 18, 2002

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## INTRODUCTION

Arizona is a state experiencing growing pains. As the second fastest-growing state in the nation, Arizona today is a far different place than it was a few decades ago. Although much of this growth has taken place in the Phoenix and Tucson metropolitan areas, the rest of the state also faces challenges stemming from increasing populations and the inherent difficulties of managing public services and infrastructure spread over a vast geographic area.

Public officials and private citizens alike in Arizona's rural communities desire to preserve or enhance their region's quality of life while cultivating a higher standard of living for rural residents. Economic development officials seek to create new jobs so that rural residents will have the option to remain in their communities instead of having to move to larger cities to earn a living. Rural school districts are challenged to provide high-quality education in facilities that are often far-flung and to students who sometimes travel hours each day to attend school. Rural health care services often are limited in scope, forcing residents to travel great distances to obtain needed care. These are just a few examples of the issues facing rural Arizona.

Legislators, government administrators, council members from cities, counties, and tribes, business executives, and other citizens need a reliable source of pertinent, objective information to analyze and make decisions concerning rural Arizona. This sort of information, however, is often not readily obtained, and when it is available, it may not be in a form conducive to the clear analysis and interpretation needed for good policy decisions. It can prove daunting to try to make sense of reports, data, and position statements originating from diverse sources but all related to a given policy issue. Arizona presently has no established, on-going provider of competent research and analysis focused specifically on rural policy issues.

Policy makers and other interested citizens would benefit greatly from a source they could turn to for clear, unbiased information relevant to issues facing rural Arizona. This applies not only to issues affecting rural communities specifically, but also to policy discussions at the state level and between rural and urban communities. Past efforts in Arizona to respond to this need have not been consistently fruitful, but leaders statewide with interests in Arizona's rural areas have agreed on the need for such a source.

This document presents a plan to establish a **Rural Policy Institute** (RPI) in Arizona to meet this need. This Institute will help Arizona policymakers formulate the best possible strategies in support of economic and social progress. Moreover, the RPI will help rural citizens and leaders understand and come to consensus on issues they share in common, helping them promote public policies responsive to rural interests.

## THE NEED FOR A RURAL POLICY INSTITUTE

Writing in the Federal Reserve Bank of Kansas City *Economic Review* last year, Karl N. Stauber, president of the Northwest Area Foundation, observed, "Significant portions of rural America are in trouble. For some parts of rural America, the slow slide to no longer being viable -- economically, socially, or politically – is within sight. At the same time, without intending it, we are headed back to a rural America

of the rich and the poor – of resorts and pockets of persistent poverty. Yet most current rural policies do not meet the needs of rural people and communities; they are designed for the past, not the future".[1]

Stauber's words are distressing for two reasons – first, for their bleak assessment of the state of rural America today and second, for their negative view of the current but outdated rural policy mix. Nonetheless, Stauber's concerns are being addressed to some degree. There are a growing number of institutes, centers, programs and other initiatives that seek to bring rural policy into the 21st century, and there is increased attention at the national level to the unique challenges that rural America faces in this technologically advanced age.

The problems of rural America are many. Poverty rates are often higher than in metropolitan areas. In some cases, there are absolute declines in rural populations, with fewer jobs, lower incomes, fewer amenities, and longer commutes for services ranging from education to health care, from automobile repair to computer upgrades. Even where rural population continues to grow, urban populations may be outpacing this growth and improvements in educational, transportation, and telecommunication infrastructures do not reach the rural communities. And even where the rural populations grow, the best-educated young people may be migrating to the cities, and rural wage rates may be lower than in the urban setting for similar work.

## The Case of Arizona

While the trends above may be obvious nationally, there may be a perception that Arizona has escaped these problems. Certainly, the population of the state has grown significantly, incomes have risen and unemployment rates are relatively low. While rural Arizona has shared in the state's over9

all well-being, challenges are typically more pronounced for the rural areas and advances are not as dramatic.

**Population.** Arizona is one of the most urbanized states in the Union with nearly 90 percent of its inhabitants located in metropolitan statistical areas (MSAs). The state has grown rapidly with the non-metropolitan areas sharing in this growth. However, the rural pattern is different when disaggregated to the county level. The largest counties have tended to grow more rapidly and the smaller counties have grown more slowly. These different patterns result in quite different policy challenges. For example, Mohave County struggles to provide services to a substantial, rapidly growing population dispersed over a large area while counties with smaller populations such as Apache, Navajo, and Graham must cope with the challenges of job creation, technological infrastructure improvements, and provision of social services in settings that provide barely adequate resources.

**Incomes.** A key measure of economic well-being is per-capita personal income. Per capita personal income is higher in the metropolitan areas for two reasons: there are higher paying industries, and the pay in the metropolitan areas for similar jobs is higher than in rural Arizona. The outlying areas face a continuing challenge in creating high-technology, high-paying jobs to replace those lost through high productivity increase (agriculture), technological change (utilities) or regulatory revision (financial institutions). Lack of success in creating more rewarding jobs leads to a decreased quality of life, strains on the social service system, and the loss of human capital to the metropolitan areas as the most qualified in the labor force seek higher rewards.

**Public resources.** The above challenges severely limit the fiscal abilities of local, county and regional governmental entities to be creative, proactive and vibrant in anticipating and meeting the demands of their citizens. Too often, these units of government move from fiscal crisis to fiscal crisis without the capability of developing longer-term strategies or influencing policy significantly at the state level through a coordinated and sustained effort.

**Arizona Town Hall.** Since 1962, leading citizens from the state have convened to discuss and make recommendations on issues confronting Arizona through the Arizona Town Hall. These groups represent

[1] Federal Reserve Bank of Kansas City. *Economic Review,* volume 86, number 2, Second Quarter 2001.

a cross-section of state leadership and reflect a wide range of philosophies. The specific issue for discussion varies from one Town Hall to the next; recent topics have included the 21st century economy, higher education, diversity, health care, Arizona's children, and the state's senior population. The Town Hall reports are instructive in that they often contain observations or recommendations that reflect the unique challenges rural areas face in terms of the topic of that particular Town Hall.

In May 1998, the topic was *Meeting the Challenges and Opportunities of Arizona's Senior Population*. The report indicated, "Older rural people, by almost all economic, health and social indicators, are poorer and less healthy, have less adequate housing and fewer options in personal and public transportation, and have significantly greater problems with access to health professionals and community-based programs and services."[2]

In May 1999, the topic was *Uniting a Diverse Arizona*. Among the observations in the report were, "...many outlying areas...cannot access the Internet. In turn, schools lack the resources to offer newer technologies to rural students..." Also, "There has been a movement from rural jobs to urban jobs caused by the fact that families are less able to sustain their livelihoods from natural-resource industries, farming, ranching, timber and mining...At the same time, there is a counter-movement of affluent urban dwellers acquiring homes in rural areas. Such movement puts a strain on the existing infrastructure of the affected communities and affects local economic and social structures." Further, "Arizona currently has the second highest rural poverty rate in the nation...The chasm between rural and urban income levels continues to grow, as does the disparity among the various rural counties."[3]

In May 2001, the topic was *Moving All of Arizona into the 21st Century Economy*. Much of the discussion at Town Hall focused on the rural parts of the state and the report reflects this emphasis, as the following excerpt illustrates:

> The ability of rural Arizona to grow is influenced by limitations inherent in existing transportation and communications infrastructure systems. Inadequate roadways make it difficult to get products and people in and out of rural communities. The high cost of air transportation to outlying areas coupled with the outright lack of air transportation services in many areas of the state have contributed to the problem. The lack of broadband telecommunication access also is a serious impediment to rural Arizona's future economic growth. Rural communities have difficulty funding infrastructure improvements as a result of the shift in funding mechanisms from federal and state grants to loan programs. Rural areas also lack funds necessary to compete with urban areas in providing incentives to attract businesses. In addition to basic financial limitations, political limitations also frequently prevent raising local taxes to fund such improvements.[4]

In October 2001, the topic was *Pieces of Power: Governance in Arizona*. The report observes: "The role of county government must be enhanced and modernized to enable them to provide regional solutions, particularly between municipalities. Alternatively, existing regional structures...should be reviewed to determine whether they have a functional role in regional problem solving...Areas for improved intergovernmental coordination include telecommunications and technology infrastructure, border issues, land use, natural resources, transportation and education."[5]

In summary, Arizona shares in the problems and challenges that exist in rural communities across America. Those challenges have been identified as calling for initiatives that are unique to the rural areas and the proposed Rural Policy Institute will assist our communities and regions in addressing them.

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[2] *Meeting the Challenges and Opportunities of Arizona's Senior Population,* 72nd Arizona Town Hall, p.24.
[3] *Uniting a Diverse Arizona,* 75th Arizona Town Hall, pp. v,vi,xix.
[4] *Moving All of Arizona into the 21st Centure Economy,* 78th Arizona Town Hall, p. v.
[5] *Pieces of Power: Governance in Arizona,* 79th Arizona Town Hall, pp. xiv-xv.

# RPI'S RELATIONSHIP TO OTHER ORGANIZATIONS

## The National Scene

The challenges unique to rural communities are reflected in the organizations that exist nationally to identify and analyze rural issues, provide technical assistance, or to articulate the rural view. In some cases there are rural interest group sections within organizations that have a broader focus and in some cases there are rural-focused organizations dealing with one particular topic. Finally, there are rural-focused organizations that deal with a wide range of topics. Some examples gleaned from an extensive web search follow:

The **National Center for Small Communities**[6] identifies itself as the only national, non-profit organization devoted exclusively to serving the leaders of America's smaller communities. Its mission/vision statement reads:

> The mission of the National Center for Small Communities is to provide the elected leaders of America's small communities with the tools to govern effectively. The Center envisions a future where elected leaders of small communities have the skills and resources to:
>
> - draw upon strengths and talents of their communities to solve local problems;
> - expand local economies while preserving community character;
> - protect local natural resources for future generations; and
> - protect the health and welfare of their citizens.

NCSC was originally the training and technical assistance division of the National Association of Towns and Townships and was separately incorporated in 1997.

The **National Rural Network**[7] mission is "to create awareness and understanding of those public policies which enhance the viability of rural America." It is a coalition of nearly 40 non-governmental organizations representing a broad range of rural interests.

The **Community Development Society**[8] is a professional association for community development practitioners and citizen leaders. Members represent many fields, including education, health care, social services, government, utilities, etc. The Society's vision is as follows:

> The Community Development Society believes community is a basic building block of society. Community is complex and multidimensional and the human dimension, which is capable of growth and development, is the most critical aspect of community. Community development is a profession that integrates knowledge from many disciplines with theory, research, teaching and practice as important and interdependent functions that are vital in the public and private sectors.

CDS states that it provides leadership to its professional and citizen members across the spectrum of community development.

The **Rural Telecommunications Congress**[9] is an example of a national organization focused on one issue in a rural setting. Its abbreviated mission follows:

The Rural Telecommunications Congress is a national membership organization dedicated to assuring rural communities and rural residents in the United States of America have access [to] the information and support they need to obtain and use advanced telecommunication services, particularly broadband digital communications, for community and economic development. RTC provides a wide range of services to communities within the telecommunications framework.

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[6] www.natat.org
[7] www.nationalruralnetwork.org
[8] www.comm-dev.org
[9] www.ruraltelecon.org

The most relevant counterpart organization at the national level for this business plan is the **Rural Policy Research Institute**[10], founded by Iowa State University, the University of Missouri and the University of Nebraska. Its mission statement reads: "The Rural Policy Research Institute provides objective analysis and facilitates public dialogue concerning the impacts of public policy on rural people and places."

RUPRI's vision statement follows:

> The Rural Policy Research Institute will be recognized as the premier source of unbiased, policy relevant analysis and information on the challenges, needs and opportunities facing rural America.
>
> Additionally, RUPRI will be viewed as a national leader and model in demonstrating how an academic-based enterprise can:
>
> - build an effective and lasting bridge between science and policy
> - meet diverse clientele needs in a flexible and timely fashion
> - foster and reward scientists who wish to contribute to the interplay between science and policy
> - overcome institutional and geographic barriers
> - make adjustments in the academic "product mix" to enhance relevancy and societal contributions.

Funding for RUPRI comes from the Cooperative State Research Education and Extension Services of the U. S. Department of Agriculture and a number of additional public and private sources. Research panels work in the areas of rural health, rural venture/equity capital, rural telecommunications, and rural welfare reform. RUPRI hosts the Community Policy Analysis Network (CPAN) consisting, according to the Institute, of a network of over 50 researchers, educators, community developers and policy analysts in 29 states. RUPRI CPAN's goals are "to facilitate communication and collaboration among rural social scientists; and to improve policy outcomes and the governance of rural communities."

## Regional Programs

Most regional organizations dealing with rural issues are multi-state units with operational or coordinating responsibilities; there are few dealing with policy analysis, per se.

The **Western Rural Development Center** at Utah State University is one of four such centers in the country sponsored by the U. S. Department of Agriculture.[11] According to its mission statement, WRDC "participates in rural development research and extension (outreach) projects cooperatively with universities in the West. The Center works closely with university personnel, policy makers, elected officials and other community leaders, and citizens to 1) identify key issues shaping the future of rural regions of the West and 2) organize projects that respond to those issues."

The **Center for the New West**[12] was founded in 1989. It describes itself as an "independent, nonpartisan, nonprofit think tank" serving as a resource for political leaders, business executives, and the media. The Center notes that its "work in rural economic development and demographic and lifestyle changes has emphasized the importance of leadership, technological innovation and market-based solutions to public policy issues at every level." It describes its purpose as helping leaders of business, civic and political institutions respond to and shape forces that are transforming the west and the policy environment. The Center receives support from a number of businesses and foundations.

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[10] www.rupri.org
[11] www.extension.usu.edu/wrdc
[12] www.newwest.org

## State Programs

There are numerous university-based research and policy programs that may address rural issues, but typically as part of a broader statewide mission (such as a business and economics research bureau or a governmental research institute) or as part of a particular subject matter emphasis, such as economic development or health care systems. However, there are some initiatives that focus on communities and rural areas and address a full range of policy issues.

The **Illinois Institute for Rural Affairs,**[13] located at Western Illinois University, has its origin in a 1986 Task Force on the Future of Rural Illinois which recognized the "need for a permanent agency to study rural issues and to identify potential remedies." IIRA was created in 1989 "as a companion agency to the Governor's Rural Affairs Council and works with the Council on research projects to find innovative solutions to rural issues that can be implemented in Illinois and to provide technical assistance to policymakers. Emphasis areas for the Institute are economic development, public education, value-added rural development, public transportation, health care, and public management."

IIRA's mission is "to improve the quality of life for rural residents by working with public and private agencies on local development and enhancement efforts." The vision statement reads:

> Our vision in 5 to 10 years: The IIRA is nationally recognized as a model for using an integrated delivery system and the latest technologies in providing knowledge, information, and innovative strategies to help overcome rural disparities, improve policy decisions, and help residents achieve a high quality of life and maintain the long-term viability of their communities.

Also in Illinois is the **Laboratory for Community and Economic Development**[14] at the University of Illinois. LCED "supports community and economic development efforts of local people, their governments and representatives." It works in a variety of areas such as community needs assessments, leadership, and programming for local officials. Its community development toolbox "offers an online environment where rural people pursuing community development goals are empowered to make better decisions as they solve problems facing their communities."

The **Community Policy Analysis Center**[15] at the University of Missouri "is committed to providing research, outreach and training that supports improved policy decisions in Missouri communities. Its objectives are:

- enhancing quality of community information
- improving access to information for all interested citizens
- increasing capacity for "what-if" analysis and forward planning
- broadening participation in community decision making."

## Related Organizations in Arizona

There are no organizations in Arizona such as those described immediately above—organizations which have a rural focus but which work across all subject areas. Some Arizona organizations, however, are similar in some respects.

The **Morrison Institute**[16] at Arizona State University in Tempe has a broad scope. According to its mission statement, the Institute's services include "policy research and analysis, program evaluation, and support of community participation in public affairs...Morrison Institute has conducted important work on a wide range of topics, including education reform, water resources, health care, human services, urban growth, government structure, arts and culture, technology, quality of life, public finance, the environment, and economic development."

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[13] www.iira.org
[14] www.communitydevelopment.uiuc.edu
[15] www.cpac.missouri.edu
[16] www.morrisoninstitute.org

Much of Morrison Institute's research involves state issues and the problems confronted by Arizona's metropolitan areas. Additionally, the Institute occasionally works in areas of national significance.

The **Economic Development Research Program**[17] at the University of Arizona serves clients in both metropolitan and non-metropolitan areas. As its title suggests, its scope is relatively limited to economic development matters.

The **Udall Center for Studies in Public Policy**[18] at the University of Arizona "sponsors policy-relevant, interdisciplinary research and forums that link scholarship and education with decision-making. The Center specializes in issues concerning American Indian governance and economic development; environment, natural resources, and public lands; the US-Mexico border and related topics."

Another program at the University of Arizona is the **Institute for Local Government**,[19] a unit of the School of Public Administration and Policy in the Eller College of Business and Public Administration. The ILG's mission is to provide research, policy assistance, and programs to enhance leadership skills and build the capacity of local government leaders to make informed decisions and respond to current issues. The Institute also provides assistance to the State of Arizona and the National Association of Counties on issues affecting local governments. The ILG, which is partially funded by the W. K. Kellogg Foundation, assumes a more pronounced role than most other policy institutes in training county and city government officials.

## THE ROLE OF THE PROPOSED RURAL POLICY INSTITUTE

The proposed institute would focus exclusively on rural Arizona but would have a scope of work that would encompass all relevant subject matter areas. In this sense, it would be a single-state counterpart of the Rural Policy Research Institute and have a mission akin to that of the Illinois Institute for Rural Affairs and the Community Policy Analysis Center in Missouri, all good models for an institute such as the RPI.

Its organizational mission would be to assist in improving the quality of life in rural Arizona. It would do so by conducting policy analysis and research on the wide range of topics that are of interest and concern to rural Arizonans. The Institute's objective would be to produce applied public policy research which is relevant and timely. The purposes are to assist rural leaders and other citizens in devising and implementing policies that most effectively meet their unique needs and to analyze the effects of national and state policies on their own regions and communities. In short, the goal is the empowerment of rural citizens to allow them to participate more effectively in all of the processes and policies that affect their quality of life and the health of their communities.

## ADMINISTRATIVE STRUCTURE AND GOVERNANCE

To achieve its mission, the Rural Policy Institute should have access to expertise across a wide range of subjects—health care, education, public and private management, law, economic development, environmental issues, strategic planning, sociology, technology, land-use planning, and so on—that are important to rural communities. Moreover, the Institute should be perceived as a credible, objective source of unbiased information concerning rural issues. Consequently, it should not be closely aligned with any political group or organization taking a strong, one-sided stance on the issues the Institute may address.

The logical environment within which the RPI could most readily achieve these goals would be provided by a university. The RPI could tap into expertise from faculty representing many different disciplines from the host school as well as other institutions. Moreover, it could also employ students from those fields,

[17] www.ag.arizona.edu/edrp
[18] www.udallcenter.arizona.edu
[19] www.bpa.arizona.edu/spap/ilg/index.html

giving them practical training in research and analysis skills. A university with a strong presence in Arizona's rural communities, and a good understanding of the problems and issues they face, would seem particularly well suited to hosting the Rural Policy Institute.

## Staffing and Administrative Infrastructure

The RPI will need a staff of professionals who understand Arizona's rural issues and who bring together skills in research methods and policy analysis, technical subject knowledge, and the ability to communicate clearly and through a variety of media to audiences interested in rural issues. To help the organization develop over time into a self-sustaining enterprise with the capability to tackle numerous and diverse studies, the Institute also requires leadership with vision and the ability to attract support from a variety of sources.

For planning purposes, the RPI staff should include the following types of positions, the number and mix of which will depend on the extent and variety of projects undertaken by the Institute:

- **Director.** The Director will provide strategic vision and guidance to the Institute, working closely with key constituencies to ensure that the RPI is responsive to the needs and concerns of rural Arizona. The Director will build relationships with key sponsors and funding sources to ensure the Institute's long-term viability, seek out projects that represent a good fit with the RPI's mission and capabilities, and negotiate terms of projects with prospective sponsors. Finally, the director will contribute significantly to specific projects within his or her areas of expertise, and will represent the RPI to the public.
- **Associate Director**. As the scope of work undertaken by the RPI increases, an Associate Director should be added to provide project oversight, help coordinate RPI personnel, and contribute directly to selected projects. In the process, this position will help free up the Director's time to focus on cultivating relationships with key groups, attracting financial support, and ultimately provide more service to the Institute's constituents. The Associate Director will be responsible for ensuring that RPI projects are completed in a timely manner.
- **Research Analyst(s).** The main role of the Research Analyst will be to design, carry out, and communicate the results of studies undertaken by the RPI. This position requires analytical and technical skills, understanding of policy issues, the ability to coordinate efforts among co-workers, and strong communication skills.
- **Web/Publications Specialist.** The RPI will produce several reports each year on the studies it undertakes. Some will have fairly focused audiences, while others will be widely read. It is important that they all be of professional quality and that they communicate clearly. The Web / Publications Specialist will be responsible for producing these printed and electronic documents, and for general management of the RPI's website, which will be a major vehicle for communicating with the public about the Institute's work. Special attention will be paid to creating an interactive online environment for use by RPI clients.
- **Business Manager/Accountant.** The RPI will be engaged in multiple concurrent projects sponsored by several different organizations. Keeping track of expenses and revenues associated with the related grants and contracts will be the primary duty of the Business Manager/Accountant.
- **Administrative Assistant.** The Administrative Assistant will oversee student workers, process employment documents for research associates and graduate research assistants, maintain the general administrative records of the Institute, and schedule meetings and other activities.
- **Faculty Research Associates.** Faculty from across the host university and other institutions with relevant subject-area expertise will be recruited to work on specific projects for the Institute. These individuals will be paid either through time released from their normal teaching load (for which the home department will receive compensation) or via supplemental pay on an overload basis. Experts from outside the university may also be hired as consultants for specific projects.

- **Graduate Research Assistants.** To augment their professional training, graduate students from relevant disciplines will work with the Institute part-time as research assistants under the supervision of faculty or professional staff.
- **Student workers.** A variety of clerical and research support functions will be staffed by undergraduate student workers.

### Oversight & Strategic Guidance

To ensure that the work of the Rural Policy Institute is responsive to key policy issues facing rural Arizona, the Institute should be overseen by an Advisory Board broadly representing such rural issues. The role of this Board will be to help define the broad strategic directions the RPI should pursue, to provide insight into issues the RPI addresses, and to offer the Institute support in carrying out its mission. Such support may include:

- facilitating access to needed information and organizations;
- identifying potential sponsors for projects the RPI seeks to undertake; and
- encouraging leaders within the university, state and local governments, and the private sector to support the efforts of the Institute.

In its role of giving strategic direction to the RPI, the Board should have significant input as to what sorts of projects the RPI would pursue. The Board should continually monitor important policy-related issues and events in the external environment, identifying those topics that most clearly warrant the RPI's attention.

This Board should meet periodically as needed to carry out its mission. The Board should be comprised of recognized leaders representing the diverse dimensions of rural policy issues. For example, it should draw membership from leaders in such areas as:

- government at various levels (tribal, municipal, county, regional, state)
- education (K-12, community colleges and universities)
- businesses with a rural presence
- social and community services
- environmental and natural resource issues
- the legal profession
- the media
- public infrastructure (transportation, water systems, etc.)
- economic development
- financial institutions

The RPI Director should present to the Board an annual report of the Institute's accomplishments, challenges and opportunities.

## PROJECTED BUDGET

Establishing and operating the Rural Policy Institute will require a substantial budget. An organization of this nature incurs ongoing expenses to support its permanent personnel, facilities, and day-to-day operating activities. In addition, each project that the RPI undertakes will involve expenses for activities specific to the project.

In general, the RPI will undertake projects that are funded by grants or contracts from external sponsors. These sponsors may include government agencies and tribal governments, businesses, non-profit organizations, foundations and others with interests in rural issues. Grants or contracts for sponsored projects are expected to cover fully all direct project expenses, as well as to help cover general overhead expenses of the Institute. The RPI will also undertake a limited number of studies for which sponsors are not available, but which address issues important enough that the Institute funds the studies internally.

**Table 1.**

**Rural Policy Institute for Arizona: Budget for Years 1-5 assuming Strong Support**

| | Personnel Costs (including ERE at 23% of base pay) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Year 1 | | Year 2 | | Year 3 | | Year 4 | | Year 5 | |
| **Personnel** | **FTE** | **Cost** | **FTE** | **Cost** | **FTE** | **Cost** | **FTE** | **Cost** | **FTE** | **Cost** |
| Director | 1.00 | 116,850 | 1.00 | 116,850 | 1.00 | 116,850 | 1.00 | 116,850 | 1.00 | 116,850 |
| Associate Director | - | - | - | - | 0.25 | 18,450 | 0.25 | 18,450 | 0.50 | 36,900 |
| Research Analysts | 0.25 | 13,838 | 0.50 | 27,675 | 1.00 | 55,350 | 1.00 | 55,350 | 1.00 | 55,350 |
| Web/Publications Specialist | 0.25 | 10,763 | 0.50 | 21,525 | 0.75 | 32,288 | 0.75 | 32,288 | 0.75 | 32,288 |
| Business Manager / Accountant | 0.25 | 8,610 | 0.25 | 8,610 | 0.50 | 17,220 | 0.50 | 17,220 | 0.50 | 17,220 |
| Administrative Assistant | 0.50 | 14,760 | 0.75 | 22,140 | 1.00 | 29,520 | 1.00 | 29,520 | 1.00 | 29,520 |
| Graduate Research Assistants | 0.50 | 13,130 | 0.75 | 19,695 | 1.00 | 26,260 | 1.00 | 26,260 | 1.00 | 26,260 |
| Student Workers (undergraduate) | 0.50 | 6,313 | 0.75 | 9,469 | 1.00 | 12,625 | 1.00 | 12,625 | 1.00 | 12,625 |
| **Total Personnel** | 3.25 | 184,263 | 4.50 | 225,964 | 6.50 | 308,563 | 6.50 | 308,563 | 6.75 | 327,013 |
| **Operations (not project-specific)** | | | | | | | | | | |
| Rent (& sq ft.) | 400 | 6,000 | 500 | 7,500 | 600 | 9,000 | 700 | 10,500 | 800 | 12,000 |
| Office Furnishings & Equipment | | 25,000 | | 5,000 | | 3,000 | | 5,000 | | 2,000 |
| Computer Hardware | | 10,000 | | 2,000 | | 3,000 | | 10,000 | | 2,000 |
| Software | | 2,500 | | 2,500 | | 2,500 | | 2,500 | | 2,500 |
| Databases, Subscriptions, Memberships | | 4,000 | | 4,000 | | 4,000 | | 4,000 | | 4,000 |
| Travel | | 10,000 | | 10,000 | | 10,000 | | 10,000 | | 10,000 |
| Misc. Duplicating | | 2,000 | | 2,000 | | 2,000 | | 2,000 | | 2,000 |
| Telephone service | | 4,000 | | 4,000 | | 4,000 | | 4,000 | | 4,000 |
| Office Supplies | | 2,500 | | 2,500 | | 2,500 | | 2,500 | | 2,500 |
| Printing | | 3,000 | | 4,000 | | 5,000 | | 6,000 | | 7,000 |
| **Total Operations** | | 63,000 | | 36,000 | | 36,000 | | 46,000 | | 36,000 |
| **Total Funding Needs** | | $ 247,263 | | $ 225,964 | | $ 344,563 | | $ 354,563 | | $ 363,013 |

***Notes:***

*1. All figures are in 2002 dollars, not reflecting any adjustment for inflation.*

*2. This budget assumes that certain specific projects may be undertaken on a cost-reimbursement basis. Revenues and expenses of such projects, however, are not shown in this budget. A portion of the above RPI administrative costs would likely be covered by specific project budgets (see narrative discussion).*

*3. A portion of these budgeted costs would likely be covered by in-kind contributions from the RPI host institution (see narrative discussion).*

## Budget Assuming Strong Initial Funding

Table 1 presents a projected budget for the Rural Policy Institute through its first five years of operation, assuming that substantial resources are available at the outset to get the RPI up and running quickly. In this scenario, the RPI director and staff are immediately able to undertake a range of projects, and the director's fund-raising activity is focused on enhancing the initial level of RPI support through grants and contracts to undertake these projects. The director would spend a substantial portion of the first year establishing relationships with various organizations (government agencies, foundations, other policy-focused organizations, etc.) to build awareness of the RPI and its capabilities.

The Personnel section indicates the level of staffing for each position in terms of full-time-equivalents. Fractional FTEs indicate either part-time positions or a proportional share of a full-time employee's work, the remainder of which would occur in a different program or office. The strong-funding budget assumes that administrative staffing will increase as the workload of the Institute grows over the first few years. This gives the RPI greater capability to handle the support tasks common to multiple projects (e.g., design of publications, building and maintaining databases of policy-related information, enhancing access to RPI products via the website, project management, and background research necessary to develop sound proposals for new studies).

The budget also shows projected non-personnel operating expenditures across the same five years. These costs are highest in Year 1 to account for start-up needs; some costs (e.g., computer hardware and office equipment) increase again in later years to account for equipment replacement. The figures in Table 1 do not include any operating expenses attributable to specific sponsored projects. The latter types of costs (e.g., conducting a survey of rural residents on a given topic, buying economic modeling data for an impact analysis, travel to a rural community to research specific project information needs, etc.) would be included in the specific project budgets.

The host institution that houses the RPI may be able to meet some of the budget needs through in-kind support. For example, office space and furnishings, and perhaps some or all of the computer hardware and software, might be provided at no cost to the RPI, generating tens of thousands of dollars in cost-savings in the start-up year as well as in subsequent years. Additional in-kind support might cover a portion of administrative support-services expenses (copying, telephone, etc.) and support staffing (by assigning a portion of the workload of an existing employee, for instance, to work with the RPI). However, Arizona's public universities are currently undergoing severe budget cutbacks in response to the state's fiscal crisis, so the ability to provide major in-kind support is uncertain for the immediate future. Consequently, no specific figures are assumed for in-kind support in this 5-year budget, but some degree of such support is likely in any case.

## Budget Assuming Limited Initial Funding

Adjustments to this strong-support budget would be necessary in the event that initial funding for the RPI is not sufficient to engage quickly in a high level of activity. In this scenario, much of the Director's time initially would focus on securing additional funding for the Institute through interaction with foundations, government organizations, and other potential Institute supporters. A smaller staff would take on a more limited number of projects in the short term, and Institute output would increase more slowly over time as additional support is obtained. It is assumed, however, that the RPI would eventually reach the same level of activity as in the previous scenario.

Table 2 shows the budget for the first year of RPI operation under conditions of minimal start-up funding. In this scenario, the director would assume a half-time appointment during this initial year, and 30 percent of that time would be allocated to working on research projects. The RPI would take on three projects with budgets totaling $120,000; faculty research associates and graduate research assistants would be hired to work part-time on these projects. Minimal support staffing would be provided in the form of a .25 FTE administrative assistant, representing an out-of-pocket cost (like the director's salary). Additional support staffing would be provided by the host institution as an-kind contribution, including small FTE portions of a web/publications specialist, a business manager/accountant, and a student

worker. Significant operating costs are assumed to be provided in-kind by the host institution, including office space, furnishings and equipment, some computer hardware and software, and various other support expenses as shown in Table 2.

**Table 2.**

**Rural Policy Institute for Arizona: Minimal Startup Budget for Year 1**

| | Out-of-Pocket Costs | | University Match (In-Kind) | | Total Costs | |
|---|---|---|---|---|---|---|
| **Personnel Costs, Including ERE** | **FTE** | **Cost** | **FTE** | **Cost** | **FTE** | **Cost** |
| **Administrative Staff** | | | | | | |
| Director (work on administrative duties)[1] | 0.35 | 40,898 | | - | 0.35 | 40,898 |
| Associate Director[2] | | - | | - | | - |
| Web/Publications Specialist | | - | 0.25 | 10,763 | 0.25 | 10,763 |
| Business Manager / Accountant | | - | 0.15 | 5,166 | 0.15 | 5,166 |
| Administrative Assistant | 0.25 | 7,380 | | - | 0.25 | 7,380 |
| Student Workers (undergraduate) | | - | 0.25 | 3,156 | 0.25 | 3,156 |
| **Administrative Staff Subtotal** | | **48,278** | | **19,085** | | **67,362** |
| **Research Project Staff[3]** | | | | | | |
| Director (work on projects)[1] | 0.15 | 17,528 | | | 0.15 | 17,528 |
| Faculty Research Associates[4] | 0.36 | 35,200 | 0.13 | 12,300 | 0.48 | 47,500 |
| Graduate Research Assistants | 0.13 | 3,500 | 0.13 | 3,500 | 0.27 | 7,000 |
| **Research Project Staff Subtotal** | | **56,228** | | **15,800** | | **72,028** |
| **Total Personnel** | 1.24 | **$ 104,505** | 0.91 | **$ 34,885** | 2.15 | **$ 139,390** |

| | Out-of-Pocket Costs | | University Match (In-Kind) | | Total Costs | |
|---|---|---|---|---|---|---|
| **Operations[3]** | **Project-Related** | **Administrative** | **Project-Related** | **Administrative** | **Project-Related** | **Administrative** |
| Rent | - | - | 1,000 | 2,000 | 1,000 | 2,000 |
| Office Furnishings & Equipment | - | - | 2,000 | 8,000 | 2,000 | 8,000 |
| Computer Hardware | 2,000 | - | - | 2,000 | 2,000 | 2,000 |
| Software | 1,000 | - | 500 | 500 | 1,500 | 500 |
| Databases, Subscriptions, Memberships | 1,000 | 500 | - | 500 | 1,000 | 1,000 |
| Travel | 4,000 | 6,000 | | - | 4,000 | 6,000 |
| Misc. Duplicating | - | - | 500 | 500 | 500 | 500 |
| Telephone service | - | - | 75 | 1,000 | 75 | 1,000 |
| Office Supplies | 163 | - | 200 | 1,000 | 363 | 1,000 |
| Printing | 1,000 | 1,000 | - | 1,000 | 1,000 | 2,000 |
| **Total Operations** | 9,163 | 7,500 | 3,275 | 14,500 | 12,438 | 22,000 |

**Summary**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Personnel:** | 56,228 | 48,278 | 15,800 | 19,085 | 72,028 | 67,362 |
| **Operations:** | 9,163 | 7,500 | 3,275 | 14,500 | 12,438 | 22,000 |
| **Total:** | **$ 65,391** | **$ 55,778** | **$ 19,075** | **$ 33,585** | **$ 84,466** | **$ 89,362** |

**Total Year-1 Budget: $ 173,828**

**Total Out-of-Pocket Administrative Costs Required to Operate in Year 1: $ 55,778**

**Notes:**

*1. The director's time (totaling 0.5 FTE) is split as shown between adminsitrative duties and work on sponsored RPI projects.*

*2. In this minimal-budget scenario, the associate director does not come on duty in Year 1.*

*3. The out-of-pocket costs for research project staff and the project-related out-of-pocket operations costs are funded by grants and contracts to carry out those projects.*

*4. Faculty research associates are hired to work part-time on specific sponsored projects. Their pay would generally be covered by those project budgets, but the above minimal-budget scenario assumes that the host institution provides a one-quarter release for a faculty member to work with the RPI for one semester (an in-kind contribution).*

Approximately 38 percent ($65,391) of the total Year 1 cost in this minimal startup budget scenario is provided via revenues from sponsored projects; 30 percent ($52,660) is provided in the form of in-kind support by the host institution; and the remaining 32% ($55,778) represents actual out-of-pocket costs not supported by sponsored projects. Funding of at least the latter amount must be secured in order for the RPI to open its doors and operate at a reduced level for its first year.

## FUNDING ALTERNATIVES

The projected costs of establishing and operating the Rural Policy Institute, as presented in the preceding section, represent a significant investment in rural Arizona. Supporting these costs will likely require funding from multiple sources. Some funding sources may support the general, ongoing operation of the RPI, while others are likely to be focused on specific policy research projects.

### Specific Project Funding

Rural policy issues cover a very wide range of topics, as illustrated earlier in this Plan. The range of institutions interested in these issues is correspondingly broad. They include federal, tribal, state, and local government agencies; non-profit foundations with particular programmatic interests; public/private partnerships such as local economic development councils; and other organizations.

Generating a comprehensive listing of institutions that represent possible funding sources for specific projects is not practical, given the large number and variety of such organizations. Rather, once the RPI has developed a set of priority policy issues it wishes to address, it should research which funding sources have grant programs that fit well with the needs of the policy issues.

Representative examples of such grant programs include the following:

**Smith Richardson Foundation.**[20] The Smith Richardson Foundation's Domestic Public Policy Fellowship Program provides grants of $60,000 to faculty to conduct research and write on public policy issues. Specific priority areas include welfare policy, non-governmental approaches to social policy, public finance and tax policies, and environmental policy, among others. Each of these areas could have interesting rural applications.

**National Institute of Mental Health.**[21] One NIMH grant program invites applications for "Research on Mental Disorders in Rural and Frontier Populations." This program aims to support research that will "(1) improve our understanding of barriers that place limits on the provision of care in these areas; and (2) provide information that will improve on the organization, financing, delivery, quality, effectiveness, and outcomes of care for persons with mental disorders living in these diverse communities." Health care generally, and mental health care in particular, has long been recognized as an issue needing attention in rural Arizona.

**Joint Center for Policy Research.**[22] This program, run jointly by Northwestern University and the University of Chicago, awards grants up to $30,000 for research on the effects of policy changes on populations such as immigrants, low-skilled workers, etc.

In addition to such formal grant programs, many RPI projects may ultimately be funded as a result of informal discussions with organizations interested in rural Arizona issues (e.g., municipalities, Councils of Government, certain state agencies, etc.). Such discussions may lead to commissioned studies designed specifically to address the policy issues raised by these groups.

[20] www.srf.org
[21] www.nimh.nih.gov
[22] www.jcpr.org

## Funding RPI's Start-up and Ongoing Operation

Any major organization such as the proposed Rural Policy Institute will incur sizable costs to operate, independent of the number of projects it undertakes. In pursuing funded projects, the RPI should figure recovery of a portion of these relatively fixed costs into its project budgets (through explicit overhead charges and charges for portions of RPI staff time devoted to those projects). With enough such sponsored projects, it may be possible to cover a large portion of the ongoing operating costs of the RPI in addition to the variable costs associated with particular projects.

The Institute will likely undertake some important policy studies for which sponsors are not available, and it will also incur up-front expenses in exploring potential projects, some of which may not turn into funded studies. Thus, it is important that the RPI secure a funding base to cover these costs that go beyond the specific sponsored projects that it pursues.

Relatively few organizations offer grants for start-up costs of new programs or long-term support of program operations. Although the RPI should certainly explore the possibilities of obtaining an endowment from a benefactor (such as the one that endowed the Morrison Institute 20 years ago), the probability of finding such a donor may be limited. Some other possible sources to consider include the following:

**Ford Foundation.**[23] "The Asset Building and Community Development program of the Ford Foundation seeks to strengthen the effectiveness of people and organizations working to find solutions to problems of poverty and injustice. Grants support vibrant and robust social movements, institutions and partnerships that analyze contemporary social and economic needs and devise responses to them. In all these units, grant making is also helping to establish and fortify organizations and institutions that support asset building through research, training, policy analysis and advocacy." Given these statements of purpose, the Ford Foundation's programs would appear well suited to consider a support request from the Rural Policy Institute.

**John D. MacArthur Foundation.**[24] The MacArthur Foundation makes grants through two programs potentially relevant to the Rural Policy Institute:

The Program on Human and Community Development supports the development of healthy individuals and effective communities. Grant awards focus on neighborhood development, regional policy, improving public education, early education and care, juvenile justice, mental health policy, and selected research topics related to program interests.

The General Program makes a limited number of grants each year in support of projects that advance the broad purposes of the Foundation but do not fall within the other programs. Grants support public interest media projects and a changing set of special interests. The Foundation occasionally makes large institutional grants through the General Program.

**Rockefeller Foundation.** The Working Communities program of the Rockefeller Foundation includes policy analysis among its priorities. This program funds research on the consequences of economic, technological and demographic trends on the structure of work, and their impact on the least skilled; it also targets workforce development efforts relating to very poor communities. Although such support might be available for a relevant long-term RPI program (such as an annual series of workforce studies, for instance), the Rockefeller Foundation does not normally provide general institutional support, fund endowments, or contribute to building and operating funds.

**Upjohn Institute.**[25] The Upjohn Institute awards grants up to $75,000 for policy-relevant research on employment issues. Some of its current research priorities include workforce dislocation and structural change (which might be relevant to some natural-resource-based economies of rural Arizona), and public policy regarding low wages. These grants are generally for projects up to one year in duration.

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[23] http://www.fordfound.org/
[24] http://www.macfound.org/programs/index.htm
[25] http://www.upjohninst.org/grantann.html

**W. K. Kellogg Foundation.**[26] The programming of the Kellogg Foundation in the US focuses on health, education, food systems and rural development. In each of these areas, the foundation entertains proposals that relate to public policy matters. The Kellogg Foundation awarded nearly a third of a billion dollars in grants in 2001, about 40 percent of which went to fund new programs.

**Charles Stuart Mott Foundation.**[27] The Mott Foundation sponsors a variety of programs that might be relevant to funding the RPI's work. These include programs focusing on environmental issues and policy, economic self-sufficiency and pathways out of poverty, and solving community problems through public policy development that can lead to systemic change. Mott funds may be used for technical assistance, assisting with the dissemination of findings, and (occasionally) program-related investments.

**Pew Charitable Trusts.**[28] The Pew Charitable Trusts support nonprofit activities in the areas of culture, education, the environment, health and human services, public policy and religion. The Trusts make strategic investments that encourage and support citizen participation in addressing critical issues and effecting social change. Several of the targeted program areas have relevant dimensions for rural Arizona.

**Economic Development Administration.**[29] This agency within the US Department of Commerce manages a wide variety of programs aiming to generate jobs, retain existing jobs, and stimulate industrial and commercial growth in economically-distressed areas of the United States. Some of these programs fund targeted technical assistance efforts, and consequently might be considered to fund specific RPI projects. EDA's "Partnership Planning Grants for Economic Development Districts, Indian Tribes, & Other Eligible Areas" program provides long-term support for organized efforts to enhance the economic development capability of distressed areas, including research into development policy issues. The EDA also has a short-term (1-3 years) planning grant program for sub-state areas that could support economic development policy efforts.

Finally, the EDA's occasionally provides long-term funding to establish and operate programs using university resources to provide technical assistance on economic development projects and programs. Such an arrangement might be a good prospect for supporting those portions of the RPI's work that focus on economic development policy issues.

**Institutional Support from the State.** The Arizona legislature might consider a proposal to provide funding to establish and maintain the basic operations of the RPI through the host university's budget. Several outreach-oriented centers and institutes currently receive such support at all three of the state's public universities. Unfortunately, Arizona's current fiscal constraints and university cutbacks reduce the likelihood of significant new funding for an RPI initiative in the short run.

**Sponsorships of the RPI.** The Rural Policy Institute could consider soliciting sponsorships for the general support of the Institute. Organizations and individuals interested in advancing rural policy could pay an annual fee (at various levels) to be recognized as sponsors of the RPI. The Center for the New West, a private non-profit think tank, is a good example of a policy-oriented institute that depends heavily on sponsorships from private sources. Its list of major supporters[30] includes quite a few firms doing business in Arizona.

**Summary of Sources of Funds.** Predicting accurately how much funding may come from each of these sources is not possible in advance of discussions with the various organizations. However, some rough estimates may be offered, reasonably portraying a plausible mix of sources of support.

By Year 5 of the RPI's operation, sponsored projects could provide for a significant portion (perhaps 30% to 40%) of the overhead costs of operations and administrative staff time, in addition to fully funding the

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[26] http://www.wkkf.org/Programming/
[27] http://www.mott.org/programs/cs-us.asp
[28] http://www.pewtrust.org/grants/index.cfm?image=img3
[29] http://www.osec.doc.gov/eda/pdf/GPO26198.PDF
[30] http://www.newwest.org/whoweare/supporters.html

direct costs of those projects. (The minimal startup budget shown in Table 2 would provide more than $19,000 in recovered Year 1 overhead expenses to the RPI, but these would not actually be available until the second year, so they are not shown in that budget.)

The favorable response of a federal agency such as the EDA to a request for RPI support might lead to something in the range of $75,000 to $100,000 per year in operating funding. As stated earlier, estimating how much in-kind support the RPI's host institution could offer is difficult, but annual in-kind support in the range of $20,000 to $40,000 is not unreasonable. In addition, donations from RPI sponsors (as discussed in the previous section) might account for a small but meaningful share (perhaps 5%) of the total RPI budget. Finally, grants from various foundations or agencies might provide support for a portion of the general operating costs of the RPI.

## IMPLEMENTATION RECOMMENDATIONS

Successful establishment of the RPI will require:

- strong support from key constituencies,
- commitment of substantial financial resources, probably from multiple sources, to support the RPI's operations,
- insightful program guidance from the Institute's advisory board and director,
- efficient management of the Institute's projects and activities, and
- clear, compelling communication about the RPI's studies and their findings.

Meeting the first two of these requirements will be a major focus of effort in the RPI's pre-start-up phase. Potential funding sources will want to see clear evidence of support and need expressed by rural leaders and organizations dedicated to rural issues. Moreover, these sources may make their commitments contingent upon funding from other sources. Cultivating the moral and financial support of key partners will be a primary objective of the RPI's director during its gestation period, and this effort may require several months to achieve a critical mass of funding.

During this early development phase, the RPI will not need to be staffed fully. Ideally, the host university could provide in-kind assistance in the form of office space and facilities, allocation of existing staff to the RPI on a part-time basis, and the like, thereby reducing short-term operation costs.

It will be important for the RPI to undertake one or more policy-analysis projects early in its development to serve as models of the kind of work it can do. Such "pilot" projects should help make the case with potential sponsors for major support of the RPI and for funding additional projects. The amount of project work undertaken by the RPI will likely grow steadily over the first few years, until the Institute reaches a level of activity that is relatively self-sustaining.