



## RURAL ECONOMIC DEVELOPMENT SUPPORTING RURAL ENTREPRENEURSHIP

The Wisconsin economy has rebounded from the low of the Great Recession, but the economic recovery has been uneven. Most of the job and income gains have occurred in urban areas of the state, while rural areas have not seen the same level of recovery.

### **Fostering New Businesses is Key to Economic Growth**

We need new businesses to help fuel our economy, especially in rural areas. Since the end of the Great Recession, Wisconsin's rate of sole proprietorship growth has averaged 1.26%, nearly a full point below the national average. Professor Steven Deller from the UW Department of Agricultural and Applied Economics explains why this is a concern:

*"Research has shown that net job growth comes from business start-ups, or entrepreneurship. Unfortunately, Wisconsin has one of the lowest new business formation rates in the nation, adjusted for the population size of the state. If new business formation is vital to economic growth and Wisconsin has a very low rate of business start-ups, we can expect modest rates of employment growth."*

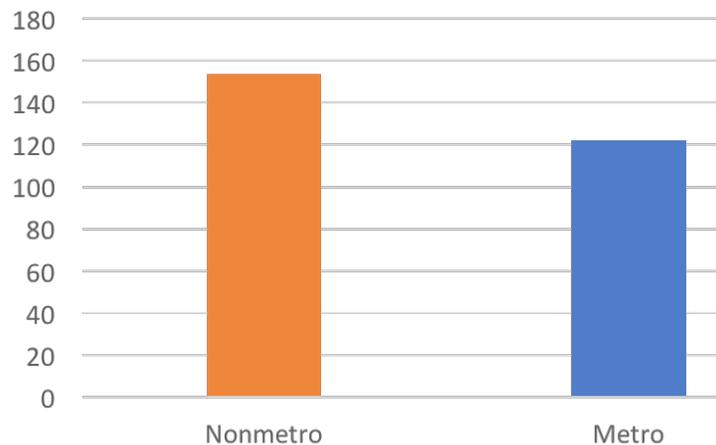
### **Entrepreneurship is a Strength of Rural Wisconsin**

Rural Wisconsin shines when it comes to business start-ups. According to UW Economic Development Specialist Tessa Conroy, *"Entrepreneurship seems an especially promising strategy for development in rural communities which are surprisingly entrepreneurial. Rural counties have both more proprietors and higher business survival rates compared to urban areas."*

Job Growth Index  
Wisconsin, 2016



Proprietorship Per 1000 Residents,  
Wisconsin, 2016



*Graphs source: Tessa Conroy, Economic Development Specialist, UW-Extension, The Rural-Urban Divide in Wisconsin: Informing Economic Development, 2018 UW Ag Economic Outlook Forum.*

## FOSTERING RURAL ENTREPRENEURSHIP: WHAT CAN THE STATE DO?

Historically, “economic development” has consisted of tax incentives and other giveaways to entice out-of-state businesses to set up operations in Wisconsin. All too often, however, these companies leave when the government money runs out. This boom-and-bust cycle hits rural communities especially hard, because there are few other employers who can pick up the slack when a large employer leaves a rural community.

A better strategy is to build from the ground up, capitalizing on the ingenuity and human capital that already exists in our rural communities. The following are Farmers Union’s recommendations for fostering rural entrepreneurship:

### Current Legislation:



**Cookie Bill - AB 360 (Ott):** Home bakers won a court victory in October 2017 to be able to start their businesses. AB 360 would impose a burdensome \$10,000 gross sales cap on these businesses – the lowest cap in the nation.



**Winery Hours - AB 433 (Nygren) and SB 311 (Harsdorf):** Allowing wineries to stay open past 9pm in order to host weddings or other social events.



**Cider samples – AB 509 (Kooyenga) and SB 409 (Miller):** Allowing a Wisconsin winery to provide taste samples of cider produced by another Wisconsin winery.



**On-Farm Building Use for Social Events – AB-187 (Tranel) / SB-137 (Marklein):** Making it easier to use historic barns for weddings or events.

### Guidance for \$50 Million Rural Economic Development Fund

To the greatest extent possible, prioritize funds for:

- Expanding broadband infrastructure
- Disbursement by county and local economic development agencies
- Leverage Existing Success: Certain USDA programs (Value-Added Producer Grant, Specialty Crop Block Grant, Farmers Market Promotion Program, and Rural Cooperative Development Grant) have been especially helpful for Wisconsin startups. WEDC should provide matching funds to Wisconsin grant applicants seeking to leverage Federal investments through these programs.
- And finally, a caution: Low-interest loans and grants to dairy farms through WEDC may actually deepen the current dairy crisis, by fueling an over-supply of milk just as the Dairy 30x20 program did. A better investment for the dairy industry would be to re-launch the Dairy Business Innovation Center, which gave rise to 43 new dairy plants, 72 expanded dairy plants, and more than 50 new cheese varieties, sparking \$1.2 billion in industry reinvestment between 2004 and 2012.

### In the Next Budget

- **More money for broadband** specifically – on the order of \$50 million for broadband alone
- **Boost funding for the Buy Local, Buy Wisconsin grant** at DATCP
- **Re-instate DATCP’s Agriculture Development and Diversification program**, which generated \$13 of economic activity for every \$1 of state investment in mini-grants to ag-based startups. This program was de-funded in the 2011/2013 budget.
- **Funding for the UW Center for Cooperatives** to expand technical assistance to new cooperative start-ups
- **Low-cost health insurance** through the Medicaid program for entrepreneurs. Lack of affordable health insurance is a tremendous barrier to starting one’s own farm or business, especially for single adults or those who do not have a spouse providing health insurance.



Photo by Kriss Marion