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REGIONAL ECONOMIC DEVELOPMENT: EVALUATION OF A LOCAL INITIATIVE IN NORTH DAKOTA

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ABSTRACT—Widespread economic problems in rural areas have stimulated interest in rural economic development, and particularly in locally-based development initiatives. This paper describes and evaluates a state/local economic development initiative that has been operational in North Dakota for almost ten years—creation of regional economic development funds financed by local option sales taxes. Data collected through interviews with managers of seven such funds, which have been operating from one to eight years, provide the basis for describing the economic development activities supported by the funds and the results of those efforts. The findings show that the businesses assisted have resulted in creation of substantial numbers of jobs. Six of the funds, which had been operating from four to eight years, provided support to businesses that created almost 4,500 jobs. Of the businesses supported, 89% were still operating at the time the study was conducted. The regional funds appear to be an effective economic development tool and also offer a mechanism for multi-community collaboration to achieve development goals. Additional research is needed to (1) identify key factors associated with success of these initiatives, and (2) quantify the extent to which the observed job creation can be attributed directly to the activities of the regional funds, by use of a "control group" of communities without such development programs.

Introduction

Economic problems that emerged in the 1980s served to emphasize the need for economic development and diversification in rural areas of the U.S. Nonmetropolitan areas are often characterized by dependence on one or a few key economic sectors and, therefore, are quite vulnerable to adverse changes in one of their basic sectors. During the 1980s, retrenchment of the energy industry in the Rocky Mountain and Great Plains states, depressed markets for agricultural products of the Great Plains and Midwest states, environmental and market constraints on the forest products industry in the Northwest, and restructuring of the manufacturing sector in rural communities across the country all led to economic stress for many rural areas (Leistritz and Hamm 1994). One result was a widening economic gap between rural and urban areas. During the 1980s, real per capita income in rural (nonmetro) counties fell, relative to their urban (metro) counterparts, and rural unemployment rates increased in both relative and absolute terms. Nowhere were these problems more evident than in the northern Great Plains, where most rural areas experienced employment stagnation or decline and high levels of net-outmigration (Hemmasi 1995; Lonsdale and Archer 1995).

The widespread economic problems of rural communities have resulted in a reawakening of interest in rural economic development. This interest in economic revitalization of rural areas has included some new emphases, compared to the rural development movement of the 1960s and early 1970s. Perhaps the most important of these has been the changing roles of various levels of government in the economic development process, with state and local governments assuming a more active role as the federal role has diminished (Clarke and Gaile 1992; Leistritz and Hamm 1994). Local and state economic development efforts have often aimed to encourage development by providing gap financing or other forms of venture capital to new or expanding businesses (Flora et al. 1993; Drabenstott and Morris 1991), as well as through more traditional approaches such as provision of infrastructure and enhancement of human capital through education and training (Smith and Fox 1990; Fox and Murray 1993). However, some states have begun to reexamine their development efforts (Eisinger 1993; 1995). Some programs have been discontinued because they were not perceived as cost-effective in attaining state goals.

A recurring theme in the literature dealing with rural economic development is the need for inter-community collaboration to achieve development goals (Korsching et al. 1992; Leistritz et al. 1992; Wells 1990). However, few evaluations of community collaboration efforts in economic development have been published to date.

The purpose of this paper is to describe and evaluate a state/local economic development initiative that has been in operation in several North Dakota communities for up to ten years. This initiative involves creation of community/regional economic development funds, financed by local option sales taxes. In the following sections of the paper, the economic development activities undertaken by the funds are described, including the number of businesses assisted, types of assistance provided (e.g., loans, grants), and amount of assistance provided. Then, the results of the funds' development activities are measured, including the percentage of businesses assisted that are still operating and the number of jobs created or supported. Finally, we attempt to identify factors affecting the success of these locally based economic development efforts.

North Dakota's Regional Development Funds

During the 1980s, the need for economic revitalization became evident in many parts of rural America, but perhaps nowhere was that need more apparent than in the upper Great Plains states. The 1980s was a period of severe economic stress for the agricultural sector, a situation commonly termed "the farm financial crisis." Also during the 1980s, falling world oil prices led to major reductions in oil exploration/extraction activities. Because its economy was heavily dependent on agriculture and the energy industry (i.e., oil and gas development), North Dakota experienced a severe economic downturn. During the period 1980-90, North Dakota recorded net outmigration of 11% of the state's population (the second highest rate in the nation). Its population decrease of 2.1% was the fourth largest percentage loss among all states. In addition, the states of North Dakota, South Dakota, and Nebraska all ranked among the lowest five nationally in personal income growth for the period 1981-89. As a result of these conditions, North Dakota policy makers sought ways to stimulate the state and local economies. Since the general economic decline was reflected in reduced state tax revenues, emphasis was placed on economic development measures which encouraged communities to help themselves though mobilizing local resources.

In 1987, the North Dakota Legislature enacted legislation enabling the state's home rule cities to levy local option sales taxes, up to a maximum of 1%, for the purposes of economic development, infrastructure improvements, property tax relief, and other community uses. By 1996, 39 cities had adopted local option sales taxes, with the proceeds directed toward a variety of uses (North Dakota Tax Department 1996). Many of these communities have rather limited retail trade sectors (and hence relatively low levels of retail sales), and some communities with substantial sales volumes and tax collections have allocated most or all of the proceeds from their local option sales taxes to property tax relief, specific infrastructure projects, or other community uses. However, several North Dakota trade centers have used sales tax revenue to create economic development funds, in order to provide financial assistance to new, expanding, or relocating businesses. Further, several of these funds are operating either county-wide or on a multi-county regional level, assisting businesses within the area around the central city. As such, these funds offer an example of multi-community collaboration to achieve economic development goals.

An important early step in our study was to identify communities which had established economic development funds financed at least in part from local option sales tax revenues. As of 1996, eight communities which served as trade centers for multi-county trade areas had established development funds based on local option sales tax revenues. These communities were all classified as wholesale-retail centers or complete shopping centers. The remaining communities with local option sales taxes were generally smaller towns with trade areas limited to a single county or less, or they had chosen to allocate their sales tax revenues to specific community projects. For example, Fargo used its sales tax revenue to build a domed stadium.

The administrators of each of the eight funds were asked to provide information about the fund's operations, including number and types of businesses assisted, location (county and town) of assisted businesses, amount and type (e.g., loan, grant, interest buy down) of assistance provided, number of jobs created or retained by the business, year that funding assistance was approved, and current status of the business (e.g., operating, closed, moved). Seven of the eight fund administrators provided this information. The remaining organization was either unable or unwilling to respond to our request, and it was dropped from the study.

Because the analysis which follows is based on the information provided by the fund administrators, questions could arise regarding the validity of the information provided. Specifically, the fund administrators might have a vested interest in making their program appear successful. However, our assessment is that this problem was minimal because most of the information provided came from annual reports prepared by the respective funds. Further, because the funds are administered by local governments, they are subject to audit requirements similar to those that apply to other local government activities. Finally, in addition to the information obtained from the administrators, we interviewed the owners or managers of a sample of businesses that had obtained assistance from the various funds. These interviews allowed us to verify the amount and terms of the assistance provided, as well as providing the business persons' insights about the funds' operations and the efficacy of the assistance they offer.

TABLE 1

POPULATION, RETAIL SALES, TRADE CENTER CLASSIFICATION, AND INITIAL YEAR OF FUND OPERATION FOR THE SEVEN CITIES IN NORTH DAKOTA WITH REGIONAL DEVELOPMENT FUNDS EVALUATED IN THIS STUDY (1996).

	Population						
City	City 1990 (no.)	Percent Change 1980-90 (%)	Trade Area* 1990 (no.)	Percent Change 1980-90 (%)	Retail Sales 1993 ($ mill.)	Trade Center Class**	Initial Year of Fund Operation
Dickinson	16,097	1.1	25,619	-5.2	160.0	CS	1995
Grand Forks	49,425	12.9	70,275	6.9	573.0	WR	1988
Jamestown	15,571	-4.4	25,011	-9.9	141.0	CS	1992
Minot	34,544	5.2	65,728	10.7	424.4	WR	1991
Valley City	7,163	-7.9	12,463	-9.8	54.6	CS	1991
Wahpeton	8,751	-3.5	13,518	-4.3	63.5	CS	1992
Williston	13,131	-1.5	19,300	-3.8	136.2	CS	1992

* Population for community's main trade area, as estimated by Bangsund et al. (1991). Trade area populations for Grand Forks and Wahpeton include North Dakota counties only.
** CS denotes complete shopping center. WR denotes wholesale-retail center.
Source: Coon et al. (1995).

Population and retail sales of the seven communities in the study are summarized in Table 1. These cities include two of North Dakota's four largest communities (i.e., Grand Forks and Minot), as well as five smaller regional trade centers (Table 1). All seven of these towns serve multi-county trade areas. Four of the seven cities lost population during the 1980s, and five experienced declines in their trade area population. Their retail sales in 1993 ranged from $573 million in Grand Forks to $55 million in Valley City. The cities also differed in the period over which their development funds had been operating. Grand Forks, which had established its Growth Fund in 1987 and made the first awards in 1988, had about eight years of operating experience in 1996, when the data for this study were collected. Dickinson, on the other hand, had little more than one year of operating experience.

Regional Development Fund Activities

Interviews with the administrators of the regional development funds, as well as review of annual reports and other materials summarizing the activities of these entities, indicated that the funds all had been established to assist in startup of new business ventures, expansion of current operations, and business relocation. Primary sector (basic sector) business activities, such as manufacturing and exportable services, have been the focus of these efforts. The regional funds have utilized a variety of financial tools, including grants, loans, equity investments, and interest buy downs. The financial assistance provided to individual businesses has ranged from a few hundred dollars to over one million dollars.

The regional development funds have rarely been the only entity participating in financing new, expanding, or relocating businesses. Rather, they typically have attempted to leverage their resources by working with private lending agencies, state entities, or other regional funds. As such, the funds frequently have been providing the equity or gap financing that is often critical to the success of new business ventures (Drabenstott and Morris 1991; Eisinger 1993). Many of the economic development projects in which the funds participated involved several contributing partners. However, the sections which follow describe only the financial participation of the funds in these projects.

The largest resource commitments of the regional development funds have been grants, loans, equity investments, and interest buy downs (Table 2). Grants, where the assisted business is not expected to repay the funds provided, were the largest category, 31% of expenditures overall, and also the largest item for three individual funds. However, the use of this tool varied considerably. Two of the RDFs used less than 10% of their resources for grants while two others invested more than 40% of their total outlays in grants. Loans, where the assisted business is expected to repay the funds provided generally with interest but often at below-market rates, were the second largest category of financial assistance overall. Again, the use of loans varied substantially among the regional funds. Equity investments where the fund acquired an ownership interest in the assisted business, were the third largest use of the regional funds' resources overall. This result was

TABLE 2

TYPE OF ASSISTANCE PROVIDED BY SEVEN REGIONAL DEVELOPMENT FUNDS IN NORTH DAKOTA, 1988-1995

Type of Assistance	Amount	Percent
Grants	$6,753,022	30.9
Loans	5,588,221	25.5
Equity Investments	4,923,000	22.5
Interest Buydown	2,903,192	13.3
Rent/ Lease Assistance	1,100,800	5.0
Loan Guarantee	607,571	2.8
Total	$21,875,806	100.0

based on major equity investments by two funds and limited use of this tool by others. Three of the seven funds made no equity investments. Interest buy downs, where a contribution of local resources enables a business to obtain a lower interest rate from a commercial lender, were a tool used by all of the regional funds. Interest buy downs amounted to 13% of overall expenditures. Only two funds used rent/lease assistance, where the fund makes part or all of a business's rent or lease payments for some time period. This rent assistance accounted for 5% of assistance overall. Three funds made loan guarantees, where the fund agreed to repay the loan if the borrower is unable to do so.

The amount of financial assistance provided by the regional development funds ranged from $500 to $2.5 million for individual applications (Table 3). About 11% of the successful applications were funded for amounts over $100,000, while 15% of awards were for $5,000 or less. The average award was about $65,000.

Some businesses had more than one successful application. A total of 244 businesses were assisted with 334 awards, for an average value of regional development fund assistance per business of about $90,000. About 32% of the businesses received $10,000 or less in assistance, 36.5% received from $10,000 to $50,000, and 31.5% received more than $50,000.

TABLE 3

FINANCIAL ASSISTANCE PROVIDED PER SUCCESSFUL APPLICATION BY SEVEN REGIONAL DEVELOPMENT FUNDS IN NORTH DAKOTA, 1988-1995

Amount of Assistance	Number of Assistances	Percent of Total
$1 to $5,000	50	15.0
$5,001 to $10,000	57	17.1
$10,001 to $20,000	55	16.5
$20,001 to $50,000	89	26.6
$50,001 to $100,000	46	13.8
$100,001 to $500,000	32	9.6
over $500,000	5	1.4
Total	334	100.0
Per Successful Application		
High	$2,500,000	
Low	$500	

The regional development funds offer an example of multi-community collaboration to achieve economic development goals. All seven of the funds assisted businesses located outside the city whose local option sales tax provided the RDF's resources, and all but one assisted businesses located outside the county (Table 4). Overall, 34% of the assisted businesses were located outside the cities where the fund was based (central city), and 24% were located outside the counties where the fund was based. These two groups of businesses will be referred to collectively as *rural* businesses in the discussion that follows.

The rural businesses received about 9.9% of the fund's total resources used for business assistance. The financial assistance received by the rural businesses averaged about $25,500, compared to $89,700 per business overall and $123,900 per business located in the central cities. The differences in

TABLE 4

LOCATION OF BUSINESSES ASSISTED BY SEVEN REGIONAL DEVELOPMENT FUNDS, NORTH DAKOTA, 1988-1995

City	Number of Businesses Assisted*	Location of Business: Central City	Elsewhere in County	Outside County	Percent Outside Central City	Percent Outside County
Dickinson	2	1	0	1	50.0	50.0
Grand Forks	37	33	1	3	10.8	8.1
Jamestown	32	23	5	4	28.1	12.5
Minot	101	44	12	45	56.4	44.6
Valley City	23	19	1	3	17.4	13.0
Wahpeton	27	22	5	0	18.5	0.0
Williston	23	18	3	2	21.7	8.7
Total	247*	162	27	58	34.4	23.5

*Three businesses received assistance from more than one regional fund.

the levels of assistance may be attributable to the relative sizes of businesses funded, with rural businesses generally being smaller. However, information about the characteristics of individual businesses was not collected.

While all of the regional funds assisted rural businesses to some extent, their levels of this activity varied substantially. The Minot fund had assisted two-thirds (57 of 85) of all of the rural businesses that were funded by the regional development funds (Table 4).

Several fund managers discussed their rationale for supporting rural businesses. They indicated they assisted rural businesses in their trade area because: residents of the outlying communities had helped provide the fund's resource base, through their retail purchases in the trade center; and, economic growth in outlying communities should enhance the trade center's long term viability.

The variation among communities in the extent of assistance provided to businesses in outlying areas may stem from several factors, including location relative to state borders, geographic extent of the community trade

TABLE 5

TOTAL FUNDS USED FOR BUSINESS ASSISTANCE AND OTHER ECONOMIC DEVELOPMENT ACTIVITIES BY SEVEN REGIONAL DEVELOPMENT FUNDS IN NORTH DAKOTA, 1988-1995

City	Business Assistance		Other Activities		Total
	($000)	%	($000)	%	($000)
Dickinson	165	100.0	0	0.0	165
Grand Forks	6,452	92.0	562	8.0	7,014
Jamestown	5,442	97.5	141	2.5	5,583
Minot	4,831	89.6	563	10.4	5,394
Valley City	1,004	79.6	258	20.4	1,262
Wahpeton	3,145	89.2	380	10.8	3,525
Williston	837	95.4	40	4.6	877
Total	21,876	91.8	1,945	8.2	23,821

area, and the philosophy of the fund's administrator and board of directors. Three of the communities are located near the state's borders: Grand Forks, Wahpeton, and Williston. While a substantial portion of their respective trade areas lie in the adjacent states, the funds' policies (explicit or implicit) preclude assisting businesses located outside the state. The trade areas of the various communities within the state differ substantially in the geographic area and in the number of counties they encompass (Bangsund et al. 1991). For example, the main trade area of Minot includes parts of seven counties, while the main trade area of Wahpeton includes only one North Dakota county, plus an adjacent county in Minnesota. In general, communities with more extensive trade areas appear to also have assisted more businesses located in outlying areas. The most important factor, however, appears to be the general philosophy of each community's leadership, as reflected by the fund administrator and board. Some communities have viewed their fund as a resource for **regional** development, while others have viewed it more as a **community** development resource.

In addition to direct financial assistance to individual businesses, the regional development funds provided financial resources for other economic activities in their respective regions. These efforts included assistance in developing a community's industrial infrastructure, e.g., an industrial park, to support future business needs. Other activities have included funding feasibility studies and supporting community marketing efforts. Overall, about 8% of the total resources of the regional funds have been used for these purposes (Table 5).

Results of Business Assistance

During the period 1988 through 1995, the seven regional funds played a role in supporting about 4,500 jobs, through business creation, expansion, or retention (Table 6). The funds' resource outlay per job supported was about $4,900. The outlay per job supported varied substantially among the funds, ranging from $2,173 to $7,548 per job. The average annual outlay for business assistance by the six funds that had been operating for several years ranged from $201,000 (Valley City) to $1,360,000 (Jamestown), and the annual average number of jobs supported ranged from 58 (Williston) to 320 (Minot).

Two considerations should be kept in mind in interpreting these data. First, while the businesses assisted were responsible for creating or, in some cases, maintaining the jobs listed, some of these jobs might have been created even without the assistance of the funds. However, a high percentage of the business owners and managers interviewed indicated that they would not have undertaken their business startup or expansion without RDF assistance. Second, the "outlay per job" figures discussed here refer only to outlays by the funds and should not be confused with the "cost per job" figures sometimes cited in the economic development literature (Leistritz and Hamm 1994). As noted earlier, the regional funds' resources were often highly leveraged with resources from other entities.

When the businesses assisted are arrayed by the amount of assistance received, the businesses that received more than $50,000 accounted for 86% of the funds' resources while making up only 31.6% of the businesses (Table 7). Conversely, the businesses that received $20,000 or less, as a group, accounted for 45% of all businesses receiving financial help, but collectively received only about 4% of all monies. When the total employment supported is examined, the businesses that received $20,000 or less accounted for only

TABLE 6

EACH REGIONAL DEVELOPMENT FUND IN NORTH DAKOTA, 1988-1995

City	Cumulative Financial Assistance ($000)	Cumulative Jobs Supported*	Assistance per Job** ($)	Average Annual Financial Assistance ($000)	Average Annual Jobs Supported
Dickinson	165	NA	--	165	--
Grand Forks	6,452	1,015	6,358	806	127
Jamestown	5,442	721	7,548	1,360	180
Minot	4,831	1,598	3,023	966	320
Valley City	1,004	462	2,173	201	92
Wahpeton	3,145	458	6,873	786	114
Williston	837	231	3,619	209	58
Total	21,876	4,485	4,878	2,734	561

* Full-time equivalent jobs.

** Refers only to regional development fund assistance; many businesses received assistance from other sources as well.

NA—information not available.

about 15% of all employment. The businesses that received more than $50,000 in assistance accounted for about 75% of all employment.

The regional development funds' expenditures per job supported were least for the businesses that received the smallest awards (Table 7). The expenditure per job increased steadily with the amount of assistance provided to a business, up to amounts of $50,000. For the businesses that received over $500,000, the outlay per job was almost twice the overall average. Reasons for these variations in outlay per job may include: leveraging of the fund resources, and larger awards to support new capital intensive enterprises. As noted previously, the regional funds were seldom the only entity participating in financing business ventures. Cases of small commitments may indicate greater participation from other entities. The funds

TABLE 7

BUSINESSES AND JOBS SUPPORTED, BY AMOUNT OF ASSISTANCE PER BUSINESS FROM SEVEN REGIONAL DEVELOPMENT FUNDS, NORTH DAKOTA, 1988-1995

Financial Assistance Received ($)	Total Financial Support		Businesses Supported		Total Employment		Employment Per Business	Funds Per Job*
1 to 5,000	110,250	0.5	36	14.8	164	3.7	4.6	672
5,001 to 10,000	350,525	1.6	42	17.2	256	5.7	6.1	1,368
10,001 to 20,000	503,583	2.3	32	13.1	261	5.8	8.1	1,931
20,001 to 50,000	2,065,642	9.4	57	23.4	475	10.6	8.3	4,350
50,001 to 100,000	2,284,849	10.4	29	11.9	774	17.3	26.7	2,951
100,001 to 500,000	8,027,784	36.7	40	16.4	1,587	35.4	39.7	5,059
over 500,000	8,533,173	39.0	8	3.3	968	21.6	121.0	8,818
Total	21,875,806		244		4,485		18.4	4,878

*Refers only to regional development fund assistance; many businesses received assistance from other sources as well.

participated in several major agricultural processing ventures. These projects were typically large, capital intensive undertakings, compared with other manufacturing and exportable services ventures initiated in North Dakota over the past few years (North Dakota Agricultural Products Utilization Commission 1997). New agricultural processing projects were among the largest regional fund commitments to individual businesses.

The regional fund outlay per job created was less for rural businesses than for those located in the central city. The outlay per job for businesses located outside the county where the fund was based was $2,300. And, the outlay per job for businesses located outside the central city, but within the fund's county, was $2,800, compared to an overall cost per job of about $4,900. The lower outlay per job for rural businesses may reflect greater

TABLE 8

BUSINESS FAILURE RATE FOR BUSINESSES ASSISTED BY REGIONAL DEVELOPMENT FUNDS, NORTH DAKOTA, 1988-1995

City	Failed Businesses		Financial Assistance	
	No.	%	($000)	%
Dickinson	0	0	0	0
Grand Forks	4	10.8	282.8	4.4
Jamestown	4	12.5	41.5	0.8
Minot	16	15.7	558.9	11.6
Valley City	2	8.7	19.8	2.0
Wahpeton	0	0	0	0
Williston	4	16.0	38.0	4.5
Total*	30	11.5	941.0	4.3

*The total number of failed businesses was 28; however, two of the businesses that failed had been assisted by two different regional development funds.

leveraging of the fund resources in these ventures, or smaller average business size.

Of the 244 businesses assisted by the seven funds, 28 (11.5%) closed by the time the study was conducted (Table 8). These businesses had received a total of $941,000 of the regional development funds, or 4.3% of the total outlays for business assistance. The average assistance per failed business was $33,600. The percentage of assisted businesses that failed ranged from 16% for the Minot and Williston funds to no failed businesses for Dickinson and Wahpeton. Differences in the funds' operating history should be kept in mind when differences in the percentage of businesses that failed are evaluated. The Minot fund has been operating since 1991 and the Williston fund since 1992, whereas the Dickinson fund began operation in 1995 (Table 1). In addition, it is possible that the Minot and Williston areas, still recovering from the economic trauma of the 1980s, constituted a less hospitable business environment than that existing in other parts of the state.

Conclusions

The purpose of this study was to better understand local initiatives in economic development, such as undertaken in several North Dakota communities by the use of regional development funds based on local option sales tax revenues. The results clearly support this strategy of economic development in local and rural areas.

The efforts of the funds to date have been focused on job creation. Interviews with officials responsible for the seven regional development funds indicated that they all considered job creation through assistance in initiation or expansion of primary sector businesses their principal goal. About 92% of the resources committed by the seven funds from 1988 to 1995 were used for direct support of business startup, expansion, or retention. The remaining 8% of the funds' resources were used for purposes that indirectly support job creation, such as improvement of a community's industrial park or support of a project feasibility study. However, recently some emphasis may be shifting toward wage scale and other quality-of-work factors.

The regional funds used a variety of financial tools to assist businesses. Grants, loans, equity investments, and interest buy downs accounted for the largest resource commitments. Whatever the financial tools used, however, the funds apparently attempted to leverage their resources. Only one (Minot) provided quantitative information on the amount of leverage created through participation of other entities. From 1991 through 1995, the Minot fund contributed $4.8 million to various business projects, while other entities contributed an additional $37.9 million. Thus, for each dollar from the Minot fund, another $7.80 from other sources was included in the financial package.

The regional funds appear to have had substantial success in job creation. Six funds, which had operated from four to eight years, provided support to businesses that created 4,485 jobs. The resource commitment per job created was about $4,900 overall, ranging from about $2,200 to $7,500 among the six funds. Further, most of the businesses assisted by the funds (88.5%) were still operating at the time the study was conducted. Failed businesses represented only 11.5% of the businesses assisted and 4.3% of the RDF funds committed. As a result of the funds' success in facilitating local development, they appear to have strong local support. Several of the local option sales taxes have come up for re-approval and have passed by large margins.

The need for multi-community cooperation to achieve development goals has been widely discussed, and these regional development funds appear to offer an excellent example of such collaborative efforts. The funds studied appear to be structured so that assistance can be provided to projects located anywhere within the trade area. And, the fund managers interviewed appeared to support the concept of assisting regional rural businesses. The extent to which the funds assisted rural businesses, however, varied substantially. Two-thirds of all rural businesses assisted received their support from one fund (Minot).

Although the research reported here is specific to a single state, the findings should have wider applicability. The economic pressures on rural areas have been pervasive in recent decades, and these problems have been particularly evident in the Great Plains region. State and local governments throughout the Great Plains have been seeking effective mechanisms to stimulate economic revitalization. The diminishing federal role in the economic development process has provided an added stimulus for state and local government involvement. As various state and local governments gain experience with different types of economic development programs, studies similar to the present one should be encouraged. In addition, future efforts to evaluate such programs could benefit from both a larger sample size, including more funds and more years of operating history for each fund, and more information concerning the businesses funded and the total financing package. More extensive and detailed information would allow more rigorous analysis of factors affecting outcomes. Also study designs could include "control" communities without development funds as a contrast, or other mechanisms, to enable analysts to more clearly define the role of economic development initiatives in stimulating job growth or other outcomes.

In conclusion, regional development funds appear to be an effective economic development tool. They offer a mechanism through which trade center communities can provide key financial assistance for business creation, retention, or expansion, as well as funding activities that indirectly support job creation. They also offer a mechanism for effective multi-community collaboration to achieve development goals.

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