

policy profiles

CENTER FOR GOVERNMENTAL STUDIES Northern Illinois University

issue: *The Future of Rural Illinois: Predicaments and Possible Solutions*

By Norman Walzer and Brian Harger

- *Rural Illinois is losing population with the sharpest overall decline happening in working age residents.*
- *By 2025, roughly half of Illinois' rural residents will soon be under the age of 20 or over the age of 65.*
- *Declining rural populations could mean a drop in tax revenues and less influence with state government.*
- *Rural leaders must start now to develop pro-active rural development initiatives designed to address and reverse current demographic trends in rural communities.*
- *This Policy Profiles offers suggestions for starting the task of improving the demographic trends in rural Illinois.*

Editor's Note: This *Policy Profiles* is the latest in a continuing series looking at the long-term outlook for the future of rural Illinois. Without actions being taken by the people, by their state, county, township, and city/village governments, that outlook could be bleak. This *Policy Profiles* outlines the problems of rural Illinois and offers suggestions about what can be done to keep life in rural Illinois both happy and prosperous.

Despite its location in one of the world's most productive agricultural regions, rural Illinois faces a future made uncertain by changes in its population and fiscal resources:

- The population of Illinois' rural areas is declining and growing older.
- The rising costs of high quality public services, especially education, are making it harder and harder for rural areas to deliver services considered vital to a vibrant future.
- Local officials must find new approaches to economic development and seek changes needed to make rural areas attractive to potential incoming residents.
- Continued population losses in rural areas, combined with continuing growth in the cities and metropolitan regions, have eroded the political influence of rural areas in state and federal policy decisions.

These trends are making it harder and harder for rural leaders to call attention to rural issues and to secure the financial or programmatic support to maintain infrastructure and essential public services needed to maintain the viability of life in rural communities.

But this same aging population also offers opportunities for increased volunteerism and can sometimes provide better access to support from community foundations and from other local improvement initiatives that can be organized or recruited to the task. Older residents often have a long-standing commitment and the financial means to sustain and assist local efforts to promote or sustain a high quality of life in local communities.

In any event, the next seven to ten years (2025 and beyond) will bring major changes to rural areas and these changes will require innovative policy approaches if the future of Illinois' rural life is to be assured. Such approaches will be discussed later in this *Policy Profiles*.

What is happening now in rural Illinois?

Previous issues of *Policy Profiles* dealing with rural Illinois have examined the structures of rural local governments, declining labor participation rates, workforce issues, and other critical considerations that have important rural implications.¹ This issue builds on previous *Policy Profiles* by considering important demographic trends and their likely

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repercussions for rural areas. Programs in other states that are offsetting the likely impacts of similar trends are highlighted to suggest policies and pathways that Illinois residents, businesses, and governments may choose to pursue.

This issue of *Policy Profiles* presents an overview of what may happen in rural areas based on projected demographic trends and describes actions taken in other states to address similar issues. This is an especially opportune time to examine future trends because Baby Boomers will be the fastest growing population segment over the next ten years and will be the largest population cohort in many rural counties. While some elderly people will leave rural Illinois after retirement, those who remain will inevitably require services beyond those currently provided. Further, projected declines in the working-age population will limit the ability of local governments to generate tax revenues to fund infrastructure and public services needed to maintain a high quality of life in rural communities.

How is Illinois' population expected to change by 2025?

The Illinois Department of Public Health (IDPH) projects county populations by age and sex at five-year intervals between 2010 and 2025 using the widely accepted Population Cohort Survival method.² Projections, especially those for rural areas, are always less precise because of data errors and small sample sizes, **but they are likely to be accurate over a 15-year period** and can alert policymakers and residents to the need for actions that, if started now, will help mitigate future challenges.

Of the 62 rural counties in Illinois, 50 are projected to lose population between 2010 and 2025. Of those, 12 will experience double-digit declines (**Figure 1 on the next page**). While most rural counties in Illinois will probably lose population, counties in

southern and western Illinois are expected to be particularly hard hit by these losses. Expected losses such as 17.7 percent (Mason County), 17.6 percent (Pulaski County), 16.8 percent (Gallatin County), and 14.4 percent (Jasper County) suggest that significant adjustments in resources and public services will be needed in the next several years.

The IDPH population projections also show the declines are concentrated in younger residents – those under 20 years of age – who have decreased by 20,158 (5.8 percent) between 2010 and 2015. This trend reflects a recent drop in birth rates, postponement of marriage, deferment of family and household formation among young adults, and out-migration from the state.

Although modest gains will occur in the younger working-age populations of 20 to 34 year-old (4,292) and older working-age (50 to 64 year-old) residents (5,729), these changes will be insufficient to offset declines in other age groups (**Figure 2 on the next page**).

Out-migration of young families, whether seeking better employment and education opportunities or to find better public services such as pediatric health care no longer available in some rural areas, compounds the population declines. In these cases, rural Illinois will not only lose working-age adults, but also their children who represent future residents and consumers of local schools and other services. In recent years, increasing numbers of these young families who have left rural Illinois for adjacent states have cited rising taxes and better employment opportunities³ as reasons. Since addressing these disadvantages in Illinois will be a major key to the stability of rural areas, the effort will require both state policy intervention and locally led initiatives.

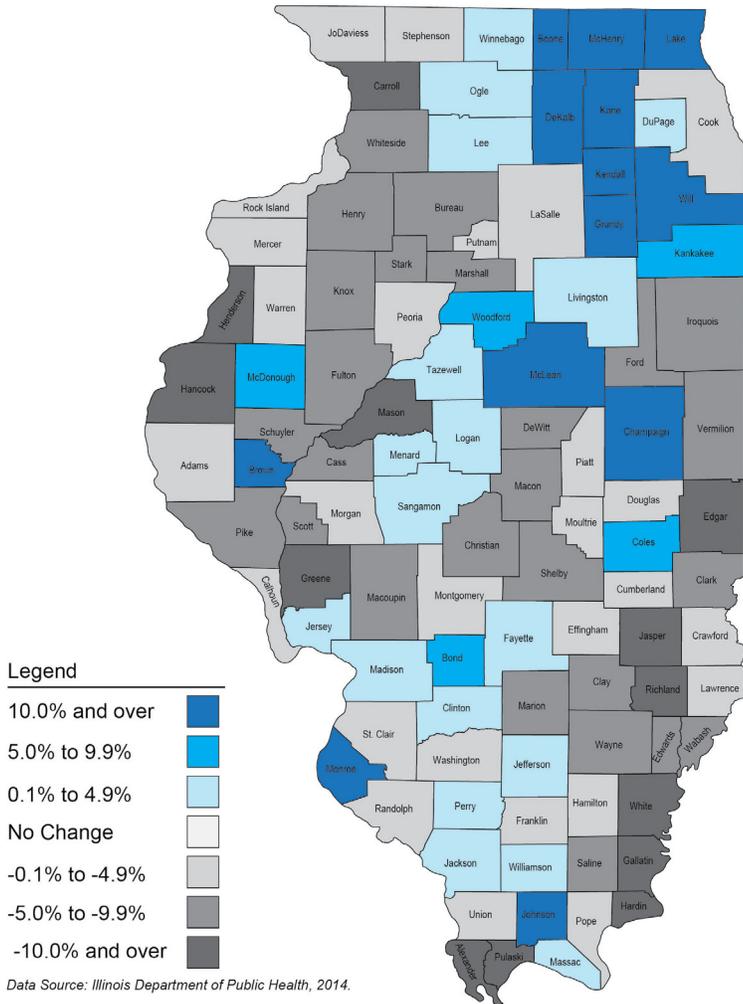
By contrast, the 65-year and older population cohort represents significant population growth in rural counties. The growth primarily involves those aging in place, but rural areas do have features attractive to retirees from urban areas—lower cost of living; less expensive housing; calmer, less frenetic lifestyle; more opportunities for involvement in civic life; closer access to health care; a higher concentration of senior citizens—all of which are appealing to those seeking an active life-style in retirement. Rural areas can offer opportunities for involvement in public decisions and social activities.

The Baby Boom population will live longer and require more elderly services such as assisted living environments and health care. Diminished mobility of this population group means that such services must be delivered in easily accessible ways—and that is easier to accomplish in smaller communities.⁴ But the more senior residents rural communities attract, the more attractive the community becomes for those providing such residential services as shopping, health care, home care, and entertainment services. The potential for attracting senior citizens should not be overlooked by planners seeking to reverse rural population decline.

What problems will come with rural population decline?

Expected changes in age distribution in rural counties indicate that policy issues must be addressed soon (preferably starting now). Statewide, in 2025, an estimated 18.9 percent of the population will be 65 years or older and that percentage will be even higher (**Figure 3 on page 4**) in rural counties.⁵ Two trends are of concern. First, residents 65 years and older may increase 27.1 percent between 2010 and 2025 as other population groups decrease. Thus, by 2025 nearly as many people will be 65

Figure 1 Illinois Population by County: Percent Change 2010 - 2025

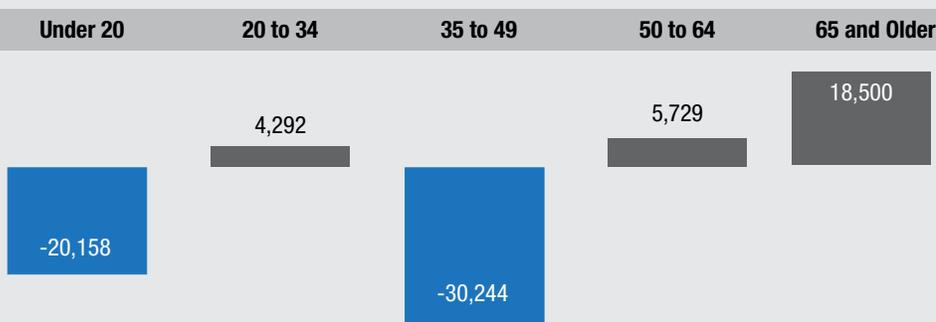


years and older as those under 20 years of age in many rural counties. Together, these groups will represent 45.8 percent of the rural population *within the next decade!*

The related trend is the loss in working-age residents between 20 and 64 years of age. Each age group within this category is projected to *decline* in the next *seven to ten years*. Aggravating the situation is the decrease in population of those under 20 years of age. This means there will be fewer young workers available to enter the workforce in the future. These statewide comparisons mask even more serious issues faced by counties in some parts of Illinois.

The result of these trends is that much of rural Illinois will have a smaller potential workforce in 2025 than in 2010. Given the growing demand for workers with specialized skills, the prospects for rural economies do not seem promising without significant in-migration from nearby metropolitan areas or other regions. Alleviating this issue will require policy interventions to retain current residents, reverse out-migration patterns currently underway, and find ways to attract more senior citizens to retire to rural communities. All of these interventions will require that rural areas be seen as more desirable places in which to live.

Figure 2 Population Change by Age Group: 2010-2015 Illinois Non-Metropolitan Counties



Source: U.S. Census Bureau, 2010; Illinois Department of Public Health 2015.
A summary Table of Population Changes by County can be accessed on the CGS website:
<http://www.cgs.niu.edu/services/data-visualization.shtml>⁶

What is the Future of Rural Illinois?

What approaches can rural communities and counties take to turn around these troubling trends? Predicted population declines, reductions in working-age populations, rising pension costs, and increases in elderly residents suggest a need for significant adjustments in public services and possibly governmental arrangements for delivering them in the near future. The working-age population will represent only a slight majority of the population in rural

Figure 3 Population Change Projections by Age Group: 2010-2025

Illinois Non-Metropolitan Counties	Census	IDPH Estimate	Share of Total Population		Percent Change
	2010	2025	2010	2025	2010-2025
Total Population	1,527,657	1,473,215	100.0%	100.0%	-3.6%
Under 20 Years	379,385	339,422	24.8%	23.0%	-10.5%
20 to 34 Years	272,929	269,994	17.9%	18.3%	-1.1%
35 to 49 Years	294,894	259,499	19.3%	17.6%	-12.0%
50 to 64 Years	316,601	268,958	20.7%	18.3%	-15.0%
65 Years and Older	263,848	335,341	17.3%	22.8%	27.1%

Source: U.S. Census Bureau, 2010; Illinois Department of Public Health, 2014.

Illinois in (an estimated 54.8 percent versus 57.9 percent in 2010) and expected birth and mortality rates indicate a continued decline. Remaining rural residents will face a heavier tax burden to sustain public services, deteriorating infrastructure, and pensions, as well as support services for dependent population groups.

Maintaining a viable workforce is critically important, especially in small communities and counties. Even though youth (those under 20 years of age) and the elderly (those 65 and older) will be nearly equal shares of the rural population, their needs for public services and ability to contribute to the local economy differ significantly. For example, youth require career development and skills training programs, including internships and apprenticeships, to prepare them for entry into the workforce. Unfortunately, in sparsely populated rural counties, fewer high quality workplace learning opportunities are available, limiting access to viable careers.

Many long-time elderly residents have considerable education and experience, but are often mismatched with local employment opportunities and retraining them for new careers can be problematic.

Because of increased longevity and better overall health compared to previous generations, they can participate in the workforce longer and continue contributing to the local economy. However, keeping them in the local workforce may require changes in policies and employment practices. Many elderly who choose to leave urban areas and spend their retirement years in smaller rural communities bring their pensions with them and provide a much needed increase in local spending. However, they will not come unless there are near-by facilities for shopping, health care, and leisure activities.

Within the next ten years or even sooner, many rural counties in Illinois will face the prospect of balancing a growing demand for health care with one involving a gamut of elder-friendly services. At the same time, arrangements for delivering some health-related services are changing as small rural hospitals and clinics struggle financially, with many potentially closing in the next decade.⁷ Rural counties will also face fiscal difficulties from growing pension obligations for retiring local long-term residents, an uncertain level of state government financial support, and a shrinking working-age population from which to raise revenue.

Although some local governments are beginning to respond to these issues, to date many are without comprehensive, long-term solutions that will allow them to deliver the expected level of public services at lower costs. Two examples of needed local adjustments are better coordinated economic development (workforce and business retention/expansion) and changes in public service delivery arrangements. *While there is no obvious ‘quick-fix’ to address these demographic trends, a proactive rural development initiative that helps rural leaders take steps in the next five to ten years to address them is imperative to the future viability of these areas.*

This will require finding ways to maintain or revitalize Illinois’ rural economies. Strategies for doing this include:

- Maintaining and, hopefully, expanding Illinois’ rural, qualified workforce;
- Attracting new, private investment that creates or retains jobs for rural residents;
- Fostering collaboration between state and local agencies to improve the investment climate in rural Illinois;
- Making rural Illinois more competitive with the rural areas in surrounding states.

Illinois has an opportunity, not only to play catch-up, but also to design programs with incentives that are future focused. Attracting investments to target projects in rural areas need not be expensive, but they must offset some unfortunate, but pervasive, negative impressions of Illinois.

A focus on local strengths and potential is a place to begin to design strategies that will appeal to future residents. Set forth below are three examples of how other states—Wisconsin, New York, and Vermont—are guiding their rural development initiatives.

These examples can serve as models for the ways Illinois could guide local efforts in addressing similar needs.

Wisconsin Futures Project. One of the more extensive statewide initiatives to help local governments find new ways to address expected changes is the nonprofit Local Government Institute of Wisconsin (LGI). Begun in 2007 as a combined effort of municipal, township, and county organizations, LGI assesses the needs and potential in various regions of Wisconsin that face many of the same issues as rural Illinois counties.⁸ An LGI analysis of individual regions explored potential development scenarios and suggested ways in which local agencies might respond.

LGI also maintains a website with tools, technical information, and best practices of potential use to local leaders. While the site is not exclusively rural, it could be especially useful as a starting point for rural areas in Wisconsin which lack access to technical or management expertise. For example, it provides a regional roadmap for governmental transformation that local leaders elsewhere might use to address unique issues.⁹

New York Regional Councils. New York took a different approach. It organized regional councils across the state to develop long-term strategic plans to bring about economic growth and provided incentives to each council to implement unique local strategies.

The regional councils affect how the state invests its resources, adopting a community-based, bottom-up approach. Private-public partnerships of local experts and stakeholders consider each region's needs. For example, in the Startup-NY program, entrepreneurs in certain types of businesses on or near college campuses need not pay state income taxes for ten years. This effort links laboratories

and technical expertise on community college and university campuses with entrepreneurs to build a synergy for regional development.

New York's approach includes a competitive process for state resources focused on infrastructure and related catalytic projects recognizing regional strengths and opportunities to create new jobs and expand the tax base. For example, the 2015 Upstate Revitalization Initiative (URI) focused additional resources on the northern and western parts of New York State after several decades of industrial decline and population losses.¹⁰

ThinkVermont. Vermont, a small and predominantly rural state, experienced a chronic labor shortage precipitated by an aging population and out-migration of youth. It recently launched the "*ThinkVermont MOVE*" initiative, a \$3.2 million program to help identify out-of-state working-age millennials and tourists with an interest in moving to Vermont. The program also targets out-of-state college students with incentives to retain them after graduation. These include connecting prospective residents with job placement and training assistance, educational support, assistance for housing down payments, and reimbursement for relocation costs for those moving to Vermont as full-time residents. It also offers a referral bonus for Vermonters who refer out-of-state people who become full-time residents and encourage those who have left the workforce to return. ThinkVermont's goal is to attract 2,200 new workers per year to the state.

What is possible in Illinois?

Many issues facing Illinois rural areas also confront other states. Based on a review of what has worked elsewhere, Illinois might consider a multi-pronged approach to help revitalize rural areas. *Regardless*

of the approach taken, however, it is most important that local policymakers be fully involved, and that they be fully engaged in building on local strengths in innovative ways.

High on the list of local strategies is retaining current small businesses in rural areas. The aging population includes business owners approaching retirement, many with no heirs interested in continuing the business. Business succession programs aimed at helping transition successful local businesses to new management will be key to stabilizing rural populations, especially for businesses essential to quality of life, such as grocery stores and automotive service stations. Minnesota, for instance, conducted a state-wide survey of small business owners to identify plans, issues, and needs to manage businesses and retirement plans. Especially significant was the importance attached to mentorships and access to social capital. The survey results were then used in designing strategies to promote business succession programs.

In a related approach, Wisconsin and Iowa use Community Supported Enterprises (CSEs) to retain businesses such as grocery stores that are considered essential to local quality of life.¹¹ Groups of residents organize to invest in a local enterprise and hire a manager for the operations. The enterprise generates a financial return that can repay initial debt or, in some cases, provide a return to investors. Crowdfunding platforms such as the "The Local Crowd"¹² have been used in many areas to finance small businesses and CSEs that perhaps would not continue after an owner retires. Vermont also uses CSE's to develop, successfully, a variety of enterprises in rural areas or small towns.¹³ State agencies support these efforts with technical assistance, loans, and other development tools, resulting in a coordinated statewide initiative.

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Local tax incentives, such as forgivable loans or property tax rebates for first-time home buyers who remain in the area for a set number of years, help encourage young families to live in rural areas. Some of these residents may telecommute or start businesses in areas when technical assistance and low-cost loans are available. Research by Winchester and others regarding trends in Great Plains states shows how these areas experienced “brain gains” using similar efforts.¹⁴

High-speed broadband is essential to several of these strategies so continued efforts to upgrade this capacity is important and can help launch small rural service businesses linked to customers in large metro areas. Federal funds from the U.S. Department of Agriculture – Rural Development and other agencies can provide resources for these efforts. Broadband is also growing in importance in delivering quality telehealth services that are so essential to retaining elderly residents.

To offset a shrinking workforce in the future, encouraging older employees to update their skills and remain working longer will pay big dividends, since it is often easier to retain people in rural areas than to attract new residents. Flexible schedules with part-time assignments, workplace accommodations for physical needs, transportation to work, and similar approaches used by some companies can be expanded. Rural areas can work with businesses to implement these arrangements.

The nation’s workforce is changing, and rural areas must accommodate the trends and preferences of residents of all ages if they wish their communities to remain viable. Longer life spans are changing how people plan their careers; they want more flexibility in working conditions and the ability to launch enterprises based on skills and interests. Helping young entrepreneurs

effectively use the internet and social media to market products and services or otherwise promote their business ventures is important. Gratton explores issues that changing workforces will face in the future with ideas on how to adjust to them.¹⁵

What is going on in Illinois now?

The ideas suggested above are only a few examples of the numerous directions that Illinois could take, and none requires large amounts of public resources. Programs offered through Small Business Development Centers and the Illinois Department of Commerce and Economic Opportunity can help rural community leaders in new and innovative ways. Since 1986, the Governor’s Rural Affairs Council (GRAC) has organized and coordinated efforts by state agencies, universities, and private groups to help local leaders access state resources and design new efforts to address specific needs.

To help local leaders and elected officials in Illinois design local public service delivery systems and respond to these anticipated demographic changes, GRAC,¹⁶ recently commissioned Northern Illinois University’s Center for Governmental Studies to prepare a guidebook setting out ways in which local agencies can modernize the system of delivering services.¹⁷ This web-based resource provides data and information needed by Local Efficiency Assessment Program leaders to provide high quality services with lower tax rates in the future.

The Illinois Institute for Rural Affairs (IIRA) at Western Illinois University provides applied research and policy evaluation materials to identify rural needs and design remedies. It hosts an annual conference that highlights best practices and encourages rural leaders to find suitable approaches, including some of the ideas described in this *Policy Profiles* issue.

Rural Partners started in 1989 as a nonprofit state rural development council to help state and local agencies eliminate barriers to participating in federal programs. Collaborations by member agencies can help private sector groups address specific rural needs. Many other groups, such as Cooperative Extension, regional planning agencies, and others, can also help with these efforts. What may be lacking at this point is effective coordination of these efforts.

The recently designated Illinois Opportunity Zones are an excellent first step in encouraging investment in rural areas.¹⁸

Summary

Rural Illinois will face many serious challenges in the next *five to ten years* if projected demographic trends unfold as expected. However, Illinois has a network of resources available to local leaders to shape a better future if they are willing to design and implement well-thought out strategies that build on local assets. Coordination among state and local agencies can be difficult, but solutions need not be expensive if all groups are committed to a shared goal of preparing rural counties in Illinois for a viable future. The farm crisis of the 1980s brought a renewed spirit and dedication to renewal. The same can happen in the state’s current rural population crisis. Rural demographic trends and current fiscal concerns could be another stimulus for the state to develop and implement new and innovative rural strategies for the future. The Illinois Opportunity Zones are an excellent start.

Endnotes

¹Walzer, N. and B. Harger, “The Rural Exodus: What should be done to respond to loss of rural population?” *Illinois Issues*, August 10, 2017. URL: <http://nprillinois.org/post/illinois-issues-rural-exodus>; Walzer, N. and B. Harger, “Unemployment, Labor Force Participation and the Illinois Work Force” *Policy Profiles*, May 2017. DeKalb: Center for Governmental Studies, Northern Illinois University; Blanke, A and Walzer, N. “Work Force Turnover and Replacement in Downstate Illinois.” *Policy Profiles*, October 2015. Center for Governmental Studies, Northern Illinois University; Walzer, N. and Harger, B. “The Rural Midwest: How Is It Faring?” *Rural Research Report*. Vol. 23, No. 1, 2012. Macomb: Illinois Institute for Rural Affairs, Western Illinois University; Walzer, N. and Harger, B. “Population Trends in Rural Downstate Illinois.” *Rural Research Report*. Vol. 22, No. 4, 2011. Macomb: Illinois Institute for Rural Affairs, Western Illinois University.

²For more detail about the methods and approaches used, See: https://www.illinois.gov/sites/hfsrb/InventoriesData/Documents/Population_Projections_Report_Final_2014.pdf

³Poll: Illinois voters divided over remaining in the state. Paul Simon Public Policy Institute, October 10, 2016, Southern Illinois University at Carbondale. <http://news.siu.edu/2016/10/101016par16116.php>

⁴The primary negative consequence of attracting more senior citizens to a rural community is that such residents may qualify for more generous property tax relief which can further reduce the public resources to provide services to them.

⁵*Population Projections, Illinois, Chicago, and Illinois Counties by Age and Sex*. Springfield, IL: Illinois Department of Public Health, 2014, Table 1.

⁶<http://www.cgs.niu.edu/services/IDPH-non-metro-population-trends-2010-2025.xlsx>

⁷See: <https://www.usatoday.com/story/news/nation/2014/11/12/rural-hospital-closings-federal-reimbursement-medicare-aca/18532471/>

⁸<http://www.localgovinstitute.org/>

⁹https://www.co.sauk.wi.us/sites/default/files/fileattachments/county_administration/page/1202/lgi_road_map.pdf

¹⁰*Upstate Revitalization Initiative (URI)*, Empire State Development, State of New York. <https://esd.ny.gov/about-us/signature-projects/upstate-revitalization-initiative>

¹¹Walzer, N. & Sandoval, J. (2014). *Emergence and Growth of Community Supported Enterprises*. DeKalb, IL: NIU Center for Governmental Studies. See: <http://www.cgs.niu.edu/Reports/Emergence-and-Growth-of-Community-Supported-Enterprises.pdf>

¹²<http://www.thelocalcrowd.com>

¹³<http://www.cgs.niu.edu/Reports/Emergence-and-Growth-of-Community-Supported-Enterprises.pdf>

¹⁴http://www.iira.org/wp-content/uploads/2015/03/Brain_Gain_of_the_Newcomers_Ben_Winchester1.pdf

¹⁵<https://www.youtube.com/watch?v=JJIu1Wq1nA&feature=youtu.be>

¹⁶Governor’s Rural Affairs Council. *Rural Revitalization: The Comprehensive State Policy*. Springfield, IL. April 5, 1990.

¹⁷For more information, see www.cgs.niu.edu as additional updates on the GRAC Government Modernization Guidelines are developed.

¹⁸See: <https://www.illinois.gov/dceo/Pages/OppZn.aspx>

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Norman Walzer, Ph.D. is a Senior Research Scholar in the Center for Governmental Studies. He started the Illinois Institute of Rural Affairs at Western Illinois University and directed it for 15 years before coming to CGS. His major research interests include local economic development, including innovative financing tools such as Community Supported Enterprises. He is also preparing a guidebook that uses a local Efficiency Assessment Process (LEAP) to help local public officials modernize the governmental structure used to deliver public services.

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