PART III: COOPERATIVE PATHS TO COMMUNITY DEVELOPMENT

CHAPTER 9.

THE GREEN BAY PACKER MODEL: COMMUNITY-OWNED TEAMS

In addition to being an active form of recreation for tens of millions of Americans, sports is also a major industry. The combined market value of the 113 major league baseball, basketball, football and hockey teams in the United States and Canada is estimated at about $13 billion. This chapter looks at the ownership of professional sports teams, with a particular focus on teams owned by the communities in which they play.

The Green Bay Packers have been community-owned since 1923. How did this happen? Why haven't other major league teams followed suit? The chapter also examines the "transitional" community ownership of the Kansas City Royals and the successful, long-term, local ownership of seven minor league baseball teams.

The key issue of this chapter is the anomaly of major league sports teams in the United States and Canada having strong, regional fan and local government support, but, with one exception, no reciprocal commitment to their communities. The chapter poses the question: Can the scattering of major and minor league examples of community ownership pave the way for future relationships between teams and local communities that are characterized by mutual support, long-term commitment and cooperation?

DR. WEBBER KELLY, GREEN BAY PACKER HALL OF FAMER

E.G. Nadeau's great uncle, Dr. Webber Kelly, died in 1951. He was inducted into the Green Bay Packer Hall of Fame in 1994. Dr. Kelly never played or coached a down of football in his life, although he was the team physician and a member of the Packers' executive committee during the 1920s, '30s and '40s.

Being the team doctor and a director, however, were not the reasons for his induction. This honor was based on the fact that he played a key role in keeping the team in Green Bay in the early 1920s and again in the

1930s – two crisis periods when the Packers were on the brink of folding or leaving town. Uncle Webber was one of five men who conceived the idea of making the Packers a community-owned team and who turned this idea into a reality.

FOOTLOOSE AND LOYALTY-FREE

Before examining the Packers' ownership structure, let's take a brief look at the economics of the 113 major league baseball, basketball, hockey and football teams in the United States and Canada. The cumulative financial impact of these teams is impressive – almost $6 billion in total team revenue in 1994 from gate receipts, other stadium revenue (luxury boxes, parking and concessions), media revenue, and earnings from licensing and merchandise.

But the importance of professional sports in our economy is far less than the hype and glitter might indicate. Allen Sanderson argues this case convincingly in his article "Bottom-Line Drive." According to Sanderson, the average major league baseball team generates much less revenue in a year – about $70 million – than a mid-size department store. Full-time employment for all 28 major league baseball teams combined, including the players, is less than 2,000. Thus, in reality, professional sports teams are small-to-medium-sized businesses, not the large, powerful corporations they appear to be.

The dominant position of professional sports in our society is primarily cultural and psychological, not economic. Most American men, a sizable minority of American women and many of our children of both genders avidly follow one or more pro sports teams, usually teams that are based in or near our hometowns or the cities where we grew up. In this chapter, we won't analyze the origins of this sports fixation. Suffice it to say that pro sports teams (and college and high school teams as well) appear to be an extension of the fan's individual and community identity. If my team does well, it's a source of personal and civic pride. If it does poorly, I might be upset, but I can grouse about it with my friends, neighbors and workmates and, thus, even losses can lead to community interaction. And, of course, following sports is an escape. Personal troubles and community problems disappear, at least temporarily, in the theater of a sports event.

There is an important irony in the relationship between fans and the teams they support. With few exceptions, it's a very imbalanced relationship. Local sports followers and local governments identify closely with local teams and support them over the long haul. The large majority of professional sports teams have shown no such commitment to their communities. In an article entitled "The Shakedown," *Sports Illustrated* reported in 1995 that 39 professional sports team owners were threatening to move their teams to other cities if they didn't get what they wanted. The concessions demanded were usually in the form of new or renovated stadiums, more luxury boxes, or better lease arrangements. In other words, more than one-third of professional sports owners were simultaneously blackmailing their communities with variations on the theme of "Give us what we want or we're outta here."

Historically, the sale and relocation of teams has a similar dynamic to the trading of player cards. The Boston Braves became the Milwaukee Braves and now are the Atlanta Braves. The Seattle Pilots are now the Milwaukee Brewers. The Minnesota Lakers are now the Los Angeles Lakers. (Did you ever wonder why a team on the Pacific Ocean is called the Lakers?) The Oakland Raiders became the Los Angeles Raiders and then went back to Oakland. The Cleveland Rams became the Los Angeles Rams and, thanks to a $20 million cash payment and the offer of a new stadium, became the St. Louis Rams in 1995. The Cleveland Browns are off to Baltimore in 1996. The Seattle Seahawks may go to Los Angeles; the Houston Oilers to Nashville. And on it goes.

Who gains from these moves and threatened moves? Certainly not the fans and municipalities left behind. It can also be persuasively argued that many of the "winning" communities are financial losers as well, having paid far more to entice or retain the teams than they receive in economic benefits.

It doesn't have to be this way. In the remainder of this chapter we look at how the home team can truly become the home team. We provide several examples illustrating how teams and their communities can have a cooperative relationship rather than the current lopsided one in which footloose owners call the shots.

One Team That Won't Pack Up and Leave

The Green Bay Packers are the only major league sports franchise in the United States and Canada that is owned by the community in which it plays. The team has been community-owned for more than 70 years. With fewer than 200,000 residents in the metropolitan area, Green Bay, Wisconsin is the smallest community in North America with a professional sports franchise. Despite the small size of its home market, the Packers rank in the top 20 percent of all major league sports teams in terms of its franchise value. Since the team almost doubled the number of luxury boxes at Lambeau Field prior to the 1995 season to 193 and all of these boxes are sold, the financial picture is even better in 1995 and 1996. There are 20,000 people on a waiting list to buy season tickets in a stadium with a seating capacity of 60,000. It's common for season tickets to be willed from one generation to the next and to be hotly contested in divorce proceedings.

What might be surprising is that the current economic strength and popularity of the Packers come despite the team's not winning a National Football League championship or a Super Bowl since 1967, the last year Vince Lombardi was coach. In fact, there have been some downright mediocre seasons over the past 28 years. And yet the community has remained loyal, if sometimes disgruntled, during this long dry spell. Part of this patience stems from a long tradition of winning football in Green Bay up through the Lombardi era – 11 world championships between 1929 and 1967, including the first two Super Bowls. But a good part of this loyalty through the lean years is due to the fans' commitment to *their* team.

Green Bay's formula works. How did it come about? Why haven't other communities adopted this obviously successful approach?

The Packers have been owned by their community almost since the beginning of professional football. Green Bay fielded a citywide, semi-pro team that played other cities in the Midwest beginning in 1896. The team was christened the Packers in 1919 because it was sponsored that year by the Indian Packing Corporation, a meatpacking company. The organizers of that team were E.L. "Curly" Lambeau, who was both coach and a star player and had played college football for Notre Dame, and George Whitney Calhoun, the team manager and a reporter for the Green Bay Press Gazette.

The team was undercapitalized from the start. After a couple of rained-out games and weak attendance in 1922, the Packers were already on the verge of bankruptcy. A small group of influential citizens (including Dr. Kelly) who didn't want to see the team go away, held a series of meetings in 1922 and 1923 to figure out how to raise the necessary capital to keep them in town. The first effort at fund raising did not go well, so the organizers regrouped. They decided to reorganize the team as a non-profit organization to be called the Green Bay Packer Corporation. All the profits generated by the corporation were to be turned over to a local American Legion chapter. This struck a positive note in the immediate post-World War I era. The organizers were able to sell 1,500 shares in the form of $5 stock certificates at the beginning of the 1923 season and, thus, were able to save the team and, inadvertently, establish a new form of professional sports ownership in the United States. To quote the Packer historian, Larry Names:

"Everyone… did his part to write this incredible chapter in the histories of Green Bay, free enterprise, social conscience (after all, man cannot live by bread alone; he must also have football), the National Football League, and sports in general.… Their task was monumental, but they varied not from it.… [T]hey refused to accept defeat and renewed their efforts to put Green Bay on the NFL map for good."

The Packers faced two other financial crises over the next 30 years. The team went into receivership in 1933 in large part due to low ticket sales resulting from the Depression. In order to get out from under $19,000 in debt, the Green Bay Packer Corporation was dissolved in 1935. Green Bay Packers, Inc., also a non-profit organization, succeeded the old corporation. Green Bay Packers, Inc. was capitalized with 600 shares of no par (e.g., no financial value) common stock at a price of $25 per share. A local American Legion post continued to be the team's financial beneficiary.

The third financial crisis in the Packers' history came in the late 1940s and 1950. Its primary cause was the formation of the All-American Conference and a bidding war for players that sharply increased the operating expenses of NFL teams, including the Packers. In 1949, the Packers held an intrasquad game on Thanksgiving as a fund-raiser to reduce the Team's estimated $90,000 debt. The event was successful thanks to 500 volunteers who sold tickets for the game. The intrasquad game, however, was not enough to turn the corner on the Packers' financial woes. In 1950, the stockholders of Green Bay Packers, Inc. agreed to conduct another stock sale drive, this time raising $125,000 through the sale of 5,000 shares priced at $25 per share. The maximum number of shares allowed per shareholder was 200 in order to avoid any one individual or company having too much control.

The structure of the Packers since 1923 has undergone few changes even though the old Packer organization was dissolved and a new one formed in 1935. One exception is that the 1,500 shares of voting stock in the old corporation were no longer in effect after the dissolution. There were about 4,600 voting shares remaining in 1995, owned by approximately 1,900 shareholders, the large majority of whom are located in the Green Bay area. These shares entitle their owners to voting rights, but, because it is a non-profit corporation, the shares have no financial value. There is an annual stockholder meeting at which a 20-member board of directors is elected. The board meets five times a year and elects a seven-member executive committee. Of the directors and officers, only the elected team president receives a salary.

The Packers don't meet the definition of a formal cooperative because the shareholders control the corporation but don't "own" it. In most respects, however, it operates like a co-op. It has a broad base of shareholders, none of whom control a large enough block of stock to dominate decision-making. The corporation is operated to provide a service to the community, rather than to make a profit for its owners. It's difficult to imagine the circumstances under which the team would ever leave Green Bay. If this approach to professional sports has worked so well in Green Bay, why haven't any of the other 112 major league sports franchises adopted this model?

A Royal Legacy in Kansas City

Broad-based community ownership is not the only way to establish and maintain a cooperative relationship between a sports team and the community in which it plays. Prior to his death in 1993, Ewing Kauffman put together a plan to donate the Royals to the Greater Kansas City Community Foundation in order to ensure that the team would stay in Kansas City. The plan was a complicated one, establishing a limited partnership of five investors to run the team and issuing nonvoting stock to the Foundation. A key factor in this deal was the need for a ruling by the Internal Revenue Service that a professional sports franchise could be run as a "charity." A favorable IRS ruling finally came in the summer of 1995, thus legitimating Kauffman's donation. A further complication of the deal was the stipulation by other major league baseball owners that the team had to be sold to a private owner by the year 2000. In other words, the owners were willing to accept non-profit ownership in Kansas City as a transitional, not as a permanent, option.

The strategy of Kauffman and his trustees is to use the next few years to strengthen the Royals' financial position and, thus, make the team a more attractive purchase for a new local owner. If this strategy fails, the sale of the club will be opened up to nonlocal buyers. Because of his commitment to the Kansas City area, Kauffman entered into a long-term stadium lease in the early 1990s on behalf of the Royals. The lease doesn't expire until 2015 and was designed to make it very expensive for any subsequent owner to relocate the team to another community.

Kauffman's efforts to keep the Royals in Kansas City may or may not be successful. They provide an example of how a community-spirited owner can creatively attempt to keep a team locally owned even in the face of poor financial performance and obstacles put in his way by other club owners.

Joan Kroc, former owner of the San Diego Padres and the widow of Ray Kroc, the founder of the McDonald's hamburger chain, also attempted to guarantee that the Padres stayed in town. However, her attempt to donate the club to the city of San Diego in 1987 was foiled by a veto by her fellow major league baseball team owners. The club has since been sold to other private investors and remains in San Diego, for now.

Other teams, such as the Milwaukee Brewers, the Baltimore Orioles and the Cincinnati Reds, have long-term stadium leases that greatly reduce their likelihood of leaving town. In a number of cases these "agreements" have amounted to little more than blackmail.

The agreement between the Milwaukee Brewers and the state of Wisconsin, entered into in October 1995 and being revised in the summer of 1996, is a case in point. The state agreed to put up about $160 million for a new stadium with a retractable roof and luxury boxes. The Brewers' share was $90 million – $50 million in debt financing and the remainder to come primarily from the presale of luxury box seating and from other financial benefits of the yet-to-be-built stadium. In other words, the Brewers financed their share with no money down, although they did enter into a 25-year lease agreement. The state and the city of Milwaukee will receive no share of ownership and no direct return on their investment, although there are many indirect benefits from retaining the team in the state.

Public funds were invested directly in the purchase of the Pittsburgh Pirates and the Montreal Expos. In 1985, the Pirates were sold for $41 million, of which $26 million came from 12 private investors and the remaining $15 million came from the city of Pittsburgh. The city was barred by major league owners from receiving any equity for its investment. Similarly, the city of Montreal and the province of Quebec put up $33 million out of a total of $98 million for the purchase of the Expos. For their investment, the two governmental bodies received no share of ownership and no voice in decisions related to the club.

MAJOR LESSONS FROM THE MINOR LEAGUES

The Packers may be the only major league team in the United States and Canada that is community-owned, but it's not the only professional sports team in this category. Other excellent examples can be found in the minor leagues. One of them is located 20 miles south of Green Bay.

The Timber Rattlers are a Class A affiliate of the Seattle Mariners, playing in the Midwest League. The team is owned by the Appleton Baseball Club, Inc., founded in 1958. Like the Packers, the club is structured as a non-profit organization. In October 1995, it had 240 members who owned from 1 to 50 voting shares each at a purchase price of $50 per share. Members also pay a $25 annual fee. They elect a 21-member board of directors, who in turn elect an eight-member executive committee. Last year, the club launched a major promotion drive in conjunction with its relocation to a new stadium in Grand Chute. The club changed the team's name from the Appleton Foxes to the Wisconsin Timber Rattlers and aggressively marketed its new statewide identity. The results: an increase in the number of tickets sold from 76,000 in 1994 to 209,000 in 1995; and merchandise sales in 1995 that ranked the team number one in sales among all minor league teams in the country, thanks to an attractive logo design and brisk, national sales of caps and t-shirts. These revenues are plowed back into the stadium and the team.

At least one other club has a non-profit structure similar to the Packers and the Timber Rattlers. The Toledo Mud Hens, a Triple A baseball team, became a non-profit organization in 1965. (For you M*A*S*H buffs, Corporal Klinger was an avid fan of this team.) The club donates its profits back to the county for stadium expenses. It has set new profit records for each of the last five years.

At least three minor league baseball teams are locally owned, broad-based, for-profit corporations: the Rochester (NY) Red Wings, the Indianapolis Indians, and the Syracuse Chiefs.

The Red Wings have 8,000 shareholders who own 42,000 shares. The club has never paid a dividend and has made a commitment to Monroe County that it will not pay a dividend during the next 20 years as part of a 20-year lease agreement for the baseball stadium. The Red Wings may be a for-profit corporation in legal terms, but their overriding concern has been keeping the Red Wings in Rochester rather than turning a profit. All three of these clubs were reorganized in the late 1950s and early 1960s, when major league teams decided to cut down on the number of minor league teams they were willing to support. Many local communities had to decide whether to buy the minor league franchises in their towns or lose them. These three clubs opted for private, for-profit corporations. Some chose non-profit ownership. Others became county-owned.

The Scranton/Wilkes Barre (Pennsylvania) Red Barons and the Columbus (Ohio) Clippers are each owned by the counties where they're located. They are both Triple A teams in the International League. Two adjacent counties own and oversee the Red Barons through a Multipurpose Stadium Authority, which is operated by the counties "just as they would ... run a solid waste plant...." Both teams report having an oversight board or executive committee of some type, but, at the same time, the counties give plenty of decision-making room to the general manager and the front office.

Whether non-profit, for-profit or county-owned, all the minor league clubs mentioned above report that they are in good shape financially. The Packers and the seven minor league teams discussed here provide strong evidence that a variety of community-based forms of sports team ownership have worked well in the United States. What's more, they have stood the test of time – almost three-quarters of a century for the Packers and two to four decades for the minor league examples. So if community ownership works so well, what can we do to make it more pervasive?

A MORE LEVEL PLAYING FIELD

In an interview for this chapter, Ed Garvey, an attorney and former executive director of the NFL Players Association, said, "You can't reform major league sports ownership. You have to start with new leagues." Garvey was referring to the old boys' (and, to a small extent, the old girls') network that controls each of the four major leagues and the rules they have established to maintain the current patterns of ownership. For example:

• The leagues prohibit full or partial ownership by government entities in major league sports teams, as illustrated by the Montreal Expo and Pittsburgh Pirate examples given above. This rule preventing equity investment by government bodies limits opportunities for local ownership.

• League owners as a group retain the right to prevent the sale or relocation of a team.

• Major league baseball requires that a single investor have at least 51 percent ownership of a team rather than a broad-based group (such as would be involved in community-based ownership).

It would be possible through public pressure, legal challenges in the courts and congressional changes in antitrust rules to erode some of this monopolistic power. But there is another problem besides the power of the owners: the unwillingness of communities to pursue strategies for local control. With the single exception of Green Bay, no community has gone beyond lip service when it comes to taking ownership or trying to take ownership of a major league sports team. A number of cities have shown a willingness to fork over tens of millions of dollars to build and renovate stadiums, to improve access roads and parking, and to provide direct financial incentives to owners (such as the $20 million paid by the city of St. Louis to the owner of the Rams). But none has launched a serious effort to actually own a team, nor has any city worked with local businesses and citizens to help them purchase a franchise.

Community ownership of sports teams is not a complicated issue. If a community wants a sports team and wants to insure that the team will remain there for a long time, the best ways to achieve these objectives are to own the team directly or have a long-term contract with a team owner that minimizes the likelihood of an untimely departure.

The local non-profit ownership structure of the Packers has served the fans and community of Green Bay well. When the Packers became a community-owned team, however, the cost of the franchise was a pittance compared to the cost of a team today. Local investors paid less than $150,000 to keep the team solvent and in Green Bay. Most professional sports teams today are valued at more than $100 million.

This price escalation does not mean that community ownership is impossible today. It means that communities wanting to ensure that their teams stick around must use somewhat different financial tactics than the citizens of Green Bay used. There is no magic formula for how to structure a community buyout of a team. Several options are presented below:

1. Form a non-profit corporation that is supported by public and private grants and by stock sales that allow for voting rights, but no financial return. This is similar to the Packer model.

2. Form a broad-based corporation or cooperative in which individuals and businesses purchase stock to buy the team. This is the approach used by the Rochester Red Wings.

3. Establish a public authority owned by state and/or local governments to buy the team. The Columbus Clippers are county-owned.

4. Create a corporation that includes both public and private ownership (a combination of 2 and 3).

5. Have a community-owned corporation (1, 2, 3 or 4) that joint ventures with a private owner or owners (such as the current owners of the Brewers).

It may seem daunting to raise $100 million or more from local investors. But it's really not such a big deal. A number of local and state governments have recently committed $200 million or more to building new stadiums. Most metropolitan areas have a core group of community-minded corporations, foundations and wealthy citizens who support local causes. Other businesses and sports fans can have a cumulative impact on meeting fund-raising goals. The ingredients are there. Leadership and a good financing plan are all that's needed. Of course, it also helps tremendously if the owner who is selling a team wants it to stay in town (as did Kansas City Royals owner Ewing Kauffman).

Creating and capitalizing a community-based corporation is one of two main steps necessary for success. The other step is to convince major league owners to approve the sale of the team to this new corporation. One might argue that the owners would never approve such a sale because their charter prohibits this type of broad-based ownership structure. As a former representative on the NFL owners council put it, "the owners make the rules and they can change the rules." If there were a broad sentiment among sports fans that the sale be approved, the owners may acquiesce to the pressure and let the sale go through. Then, there are always the courts. Recent court cases involving the sale or relocation of professional sports teams have tended to favor the rights of the individual owner over the rights of the league. For example, the courts upheld Al Davis' right to move the Raiders from Oakland to Los Angeles over the objections of the NFL owners association.

To a large extent then, community ownership boils down to will and commitment. If the business, political and sports leadership of a community really want to assure themselves of having a local franchise, they can do it. They can secure ownership of an established team or an expansion team, or they can enter into a long-term agreement with a team owner.

The fact that more than one-third of the 113 professional baseball, basketball, football and hockey teams in the United States and Canada recently threatened or are currently threatening to relocate if they don't get the economic concessions they want from their communities exemplifies the power and the arrogance of these owners. Local and state governments have let themselves be subjected to this kind of blackmail in exactly the same way that they have given away huge concessions to manufacturing businesses that have pitted communities against one another in no-win bidding wars.

Professional sports teams are intended to be a source of entertainment and pride for local fans and of economic and cultural benefits for local communities. Professional baseball, basketball, football and hockey can return to these simple priorities, but not until communities regain control over what has become a footloose and unaccountable ownership structure. The Packers show the benefits of local accountability, as have numerous minor league sports teams. Now it's time for more communities and more Uncle Webbers to take ownership of their sports teams.

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CHAPTER 10.

PROVIDING POWER TO RURAL COMMUNITIES

There are about 1,000 consumer-owned businesses providing electricity to some 30 million people, primarily in rural America. Most of us, even many who are member-owners of these cooperatives, know little or nothing about them – neither their history nor how they currently affect our day-to-day lives.

Electricity is not the only kind of power these co-ops deliver. They are also a means to strengthen rural economic and community power. Many rural areas are losing farms and people. Rural communities have more than their share of poverty and less than their share of jobs. Health, transportation and other services are harder to provide because the population is dispersed.

This chapter takes a brief look at the history of the rural electric cooperative movement in the United States and provides several examples of electric co-ops today that are working with their members to help provide economic empowerment as well as electricity to their communities. The chapter concludes with the observation that, because these co-ops literally network with every home and business in their communities, they have the potential to be an even more powerful force for locally based development.

WHEN THE LIGHTS CAME ON

The beginning of rural electrification in the United States is an exciting and inspiring story. For the most part, the privately owned power systems that covered most cities and suburbs during the first third of the 20th century had neglected rural America. These utilities didn't see enough profit in stringing lines from farm to farm or in providing service to other low-density communities. In 1910, a survey conducted by the National Electric Light Association concluded that the number of "farmers using electricity was almost too small to report." At that time there were approximately 6.5 million farms in the United States. In The

Advance of American Cooperative Enterprise: 1920-1945, Joseph G. Knapp does an excellent job chronicling the origins of rural electrification.

There were a few scattered rural electric co-ops in those early years. For example, farmers near Granite Falls, MN, piggybacked their electric co-op power lines on the city's distribution system beginning in 1914. Similar co-ops were set up in rural communities in Iowa, Idaho, Washington and elsewhere in the late 1910s and early '20s. But no systematic state or national rural electrification effort emerged until a decade later.

In the 1930s, two federal programs, the Tennessee Valley Authority and the Rural Electrification Administration, set the stage for rural electrification to spread across the entire country. President Franklin D. Roosevelt signed the Tennessee Valley Authority (TVA) Act in 1933. The TVA had a broad mandate that included developing hydroelectric power and "fostering an orderly and proper physical, economic, and social development" of the area.

In 1933 and 1934, TVA staff worked closely with the residents of Alcorn County, MS, to make reasonably priced electricity available in the county. The keys to success proved to be low-cost power from hydroelectric dams; a high percentage of households and businesses agreeing up front to join the new county electric co-op and to purchase power from it; and a loan program that spread the repayment of the co-op's start-up costs over a number of years. The Alcorn Electric Power Association was a precedent-setting success. It became the model for hundreds of other electric cooperatives that were established around the country during the following decade.

Roosevelt established the Rural Electrification Administration by executive order in 1935. The pilot successes of TVA and the Alcorn co-op were key factors in convincing the administration that rural electric cooperatives should be the vehicle for providing electricity to rural areas throughout the country. In community after community, local citizens mobilized, went door to door signing up their neighbors to become co-op members and celebrated when the power arrived. The day the lights came on was one of those never-to-be-forgotten moments for rural residents of that era.

Electricity radically transformed rural life. Electric pumps, conveyor belts, feed grinders, milking machines, refrigerators, electric stoves, radios and washing machines removed some of the menial and grueling tasks from farm work for both men and women. As Senator George Norris of Nebraska, co-sponsor of the Rural Electrification Act wrote: "I had seen first-hand the grim drudgery and grind which had been the common lot of eight generations of American farm women....Why shouldn't I be interested in ... [their] emancipation?" In only five years, from 1936 to 1940, about 600 rural electric cooperatives were formed with assistance from the Rural Electrification Administration. By 1940 about one-fourth of all farms in the United States were served by these co-ops.

EMPOWERMENT TODAY

The lights came on in most parts of rural America more than 50 years ago. Today, a system of 1,000 local rural electric cooperatives (often referred to as RECs) and 60 regional cooperatives, which generate and transmit power to the local cooperatives, serve 30 million people in 46 states. One difference from the early years is that, for the most part, the excitement and active involvement of co-op members are gone. This should not be surprising because two or three generations have passed since the organizing activities and the initial electrification in the 1930s and '40s.

Another change from the early years is in how some RECs view their mission today. Historically, many electric co-ops saw their role as providing electric power at the lowest possible price. In the past decade or so, some co-ops have broadened this role to include assisting business retention and growth, promoting job creation, and fostering other changes that provide social and economic benefits in their service areas. These co-ops are in the business of developing community and economic power as well as distributing electrical power. At the same time, the broader empowerment role of these co-ops has served to revive their members' knowledge about, and involvement in, their co-ops. The examples presented below describe rural electric cooperatives that provide both kinds of empowerment in their service areas.

POLITICAL POWER IN JACKSON COUNTY, WI

Mike Anderson is a deal maker, a man with lots of energy, always on the lookout for community and economic development projects that might benefit Jackson County, WI. Anderson has been president and CEO of Jackson Electric Cooperative since 1979. Since then he has served eight years as mayor of Black River Falls, WI (the Jackson County seat), founded and is president of the county's economic development corporation, chairs the board of the local business incubator and is an officer in a local bank. Anderson has acted on his strong belief that if rural electrics want to play a role in developing their communities, they must get involved in political and economic activities. This involvement goes beyond his own role as CEO. Other Jackson Electric board members and employees are also active in county affairs.

This community leadership of Jackson Electric Cooperative has contributed to the county's excellent record of bringing in outside companies, creating and expanding local businesses, and creating jobs over the last 15 years. In the early 1980s, Jackson Electric, city and county officials, and other community leaders secured federal financing for an industrial park. The two largest businesses in the park, a forest products company and an electric motor manufacturing company, employ 600 people.

The co-op also played the lead role in starting up a small business incubator in 1990. In 1996, the tenants of the incubator included a training center for Western Wisconsin Technical College, a print shop owned by the Ho-Chunk Indian Tribe, a job service office, Riverfront (a non-profit employment and training center for developmentally disabled people) and two other small businesses. Altogether, 80 people were employed in the incubator building in early 1996.

While some communities have shunned the idea of being the site of a federal or state prison, Jackson County successfully recruited a new state correctional facility because of the positive job impact it would have in the county. In 1996, the prison had about 350 employees. This number is expected to reach 500 by the year 2000.

Jackson Electric has established a close working relationship with the Ho-Chunk Indian Tribe on the business incubator and on other projects. Tribal lands are dispersed in central and west central Wisconsin. The tribe has chosen to establish its headquarters and to undertake a major expansion of its casino in Jackson County. When these two projects are completed, they will result in 500 additional jobs in the county.

The overall effect of these developments has been rapid growth and diversification of the Black River Falls and Jackson County economy. They have contributed to a reduction of the county's unemployment rate from 15.4 percent in January 1984 to 4.6 percent in November 1995. The job growth strategy of Anderson and the Jackson Electric board has worked well during the past decade and a half. The co-op's involvement in political and economic development activities and its support of diversified economic growth through business recruitment, local small business development, the new prison, and the expansion of the Ho-Chunk tribe's administrative and business activities in the county have paid off in a big way.

UTILITY PLAYER IN NORTHERN MISSOURI

The four-county region served by North Central Missouri Electric Cooperative has a number of economic strikes against it.

•The area is geographically isolated.

•There has been a major outmigration throughout the 20th century. From 1980 to 1990 alone, the population dropped from 33,700 to 29,000 a 14 percent decline.

•There is a high incidence of poverty and underemployment. A 1986 study by the Harvard University School of Public Health included three of the region's counties among the 150 counties in the United States with the highest levels of hunger.

•The hills and clay soil make farming difficult. The agricultural crisis of the early 1980s hit local farmers particularly hard because many had farms that were marginal even before the advent of astronomical interest rates, falling land values and low commodity prices.

For North Central Electric Cooperative, an electric utility dependent on the economic health of this geographic area, these trends of the post-World War II period were bad news. The co-op began to address these economic problems in earnest in 1989. One of the first things the co-op did was to come up with a clear understanding of the underlying problem and a plan of action for solving it. According to Bruce Hensley, the co-op's manager of community and government relations, neither the basic problem nor solution was an agricultural one. Hensley notes, "Only about 5 percent of our member-customers are self-sustaining farmers who make most of their incomes from farming activities. Our co-op needed to move away from the mindset that its primary constituency was farmers. We and other electric co-ops are serving rural America, not just farmers." With that understanding, the co-op focused on job retention and creation as its primary economic objective.

The results over the last five years have been impressive. Hensley projects that the number of jobs in the four-county region will increase by 3,000 between 1990 and the end of 1996. This meteoric job growth already has stopped the hemorrhaging of the region's population. After decades of decline, the population actually increased by 2,725 (more than 8 percent) between 1990 and 1995.

What were the elements of this turnaround? Con-Agra, a large food processing company, carried out a major expansion of its Healthy Choice TV dinner plant in Milan, the largest city in the region, resulting in 150 new jobs since 1992.

The biggest employment gain, however, has come from the rapid growth of Premium Standard Foods, a pork production and processing company that has established hog-raising facilities and a processing plant in the area. Premium Standard will have 2,100 employees by the end of 1996. An additional 650 jobs in transportation, feed mill operations, retail sales and other activities are also attributable to this company's recent growth.

For both the Con-Agra and Premium Standard expansions, North Central Electric Cooperative provided two key elements to help pave the way: (1) goodwill, trust and community leadership built up over years of working in the region, and (2) an ability to work with the state and the municipalities and counties in the service area in order to secure grant and loan funds for the expansions. This coordination with the public sector was crucial because many state and federal economic development dollars flow through local governments.

There are other spin-offs from the expansion of these two businesses. The majority of employees of both companies reside on farms. Their off-farm employment is often the difference between being able to stay in farming or not. Thus, an indirect effect of nonfarm employment growth is the retention of family farms.

A negative consequence of the rapid job increase is a housing shortage. Some workers commute 50 miles or more each way daily to their jobs. The need for additional housing nearer to job sites is critical. In fact, Premium Standard is delaying the start-up of a second shift because of a worker shortage. More available housing near the plant would solve the problem. North Central Co-op is playing the lead role in addressing the housing shortage. The co-op has convinced the state of Missouri to allocate to nonurban areas some of the federal and state housing funds previously restricted to large cities. As a result, Sullivan County, the site of the Premium Standard plant, will receive grants and loans for the construction of a 100-unit subdivision to be completed in 1998. The city of Milan will not provide sewer service to the subdivision because it lies just outside the city limits. The co-op will bridge the gap by creating its own sewer subsidiary to meet the needs of the new housing.

The growth of the last few years also has exacerbated the need for an improved regional water supply system. Because of a shortage of below ground water resources, wells are not a reliable source of potable water. The area needs a regional water supply lake to meet current and projected demand. Again, the co-op has played the primary leadership role in addressing this need. It has formed the North Central Missouri Regional Wholesale Water Supply District as a co-op subsidiary and in 1996 was conducting a feasibility study to determine a timetable and financing for the system.

One of the things that characterizes North Central Missouri Electric Cooperative's approach to economic and community development is its willingness to go wherever it has to in order to solve local problems. The co-op worked with other local organizations and their leaders and with private companies to address the need for more jobs. To solve housing needs, co-op representatives worked at the state level to change allocation rules and to secure housing funds. The co-op is working at the national level to change lending practices that the co-op contends discriminate against moderate income housing in rural areas. The co-op's versatile approach to economic, housing and infrastructure development in the first half of the 1990s has already helped to shift its service area from decline to growth – for the first time in this century.

Plainly Successful in North Dakota

In some ways North Dakota's economic problems in the late 1980s parallel those of North Central Missouri. A big difference, of course, is that North Dakota is a whole state, not a four-county region. Only four states have a lower population density than North Dakota. Its population peaked in 1930 at 681,000. The state lost 22,000 people – about 3.5 percent of its population – in the 1980s alone, leaving 630,000 residents in 1990. Six thousand farms and ranches, representing 15 percent of all the farms in the state, disappeared during the same decade, according to the 1990 U.S. census.

But some people just don't know when to quit. Among them are the management and the board of directors of the North Dakota Association of Rural Electric Cooperatives. According to Dennis Hill, executive vice president of the association as quoted in *Rural Electrification*, "If we didn't stop the decline, it seemed to us inevitable that people would start asking why we need these rural electric and telephone cooperatives."

In 1990, the association hired Bill Patrie, former director of North Dakota's economic development commission, to lead its rural development program. Within five years, 22 new "value-added" cooperatives had been incorporated in the state. Almost all received development assistance from Patrie and the electric association's rural development program. As of late 1995, these co-op ventures represented $500 million of new investment in rural North Dakota; 1,400 jobs (not including 1,000 jobs that will come on line when a state-of-the-art corn fructose plant begins operation in 1997); and investment and marketing opportunities for 4,000 farmers and ranchers from North Dakota and neighboring states. Some of these projects, such as the Dakota Growers Pasta Company and the North American Bison Cooperative, are discussed in Chapter 1.

Patrie identifies five main ingredients in North Dakota's remarkable success with cooperative development: a shared business idea, credible local leadership, an honest feasibility study, a business plan with strong member input and a successful equity investment campaign. Two additional factors should be added to this list: (1) an effective co-op development organization and personnel (Patrie, his staff and the support of the North Dakota Association of Rural Electric Cooperatives), and (2) financial support (in particular from the state of North Dakota and the St. Paul Bank for Cooperatives).

This rural development approach is different from the Jackson County and northern Missouri examples – and indeed from any other development programs sponsored by rural electrics in the United States. For one thing, it's a statewide initiative supported jointly by the electric co-ops in North Dakota. Second, it's coordinated closely with technical and financial assistance resources provided by state government. Third, it concentrates on locally based cooperative development. The program works with groups of agricultural producers to identify businesses they can own jointly to enhance the returns from their farms and ranches. These three components have produced highly impressive results after only five years.

A Powerful Potpourri of Other Co-op Initiatives

With 1,000 rural electric cooperatives spread around the country, there are far more good examples of co-op-sponsored community and economic development projects than there is space to write about them. Following is a sampling of development activities:

Butler County Rural Electric Cooperative

in northeast Iowa got into the housing business in the early 1990s. The reason? A number of rural farmsteads were unoccupied because local banks considered them to be risky investments. Bob Bauman, Butler County REC's general manager, and the co-op's board of directors chose to do something about this problem. The co-op established a low-interest revolving loan fund to make these rural houses more financially attractive to home buyers. "We needed to keep our customer base," Bauman says. "We needed to keep those acreages filled." The REC has added a full-time housing specialist to its staff and a low-interest remodeling loan program to its home buyer program. The co-op's home finance programs respond directly to the shortage of quality, affordable housing in northeast Iowa around Allison, IA.

Kit Carson Electric Cooperative

serves the rural communities around Taos, NM. The area has a large Hispanic and Native American population and, historically, has had a high incidence of unemployment. Over the last seven or eight years, the co-op has concentrated on assisting locally based business development as a means to address the chronic job shortage. The co-op took a leadership role in starting up a small business incubator in 1990. The incubator building, which is leased, now has 14 tenants and a waiting list of prospective businesses. The non-profit incubator corporation is in the process of building a larger facility of its own scheduled to open in the summer of 1996. The co-op also launched a project to assist local woodcutters and small wood-processing companies to operate their own successful businesses.

Kotzebue Rural Electric Cooperative

lies 30 miles above the Arctic Circle, 550 miles from Anchorage and 240 miles from the nearest Russian island in the Aleutians. The co-op is looking into the feasibility of assisting the 14 villages in its service area to install wind energy turbines to meet a major part of their energy needs. The turbines will produce both electricity and thermal energy. The villages will use diesel generators when the wind isn't blowing. The co-op is working with a Vermont-based energy company that has designed turbines to withstand the extremely harsh weather of the Arctic region. If successful, the turbines will greatly reduce the cost of energy for these primarily Native Alaskan communities. Another innovative project of the co-op is to use waste heat from its diesel generators to power an "absorption freezer" that produces up to 12 tons of ice per day for use in the fishing industry. Thus, Kotzebue's strategy for economic development is based on reducing the extremely high cost of electrical and thermal energy in its service area and turning "waste" heat into economic returns for its members.

Steelville Telephone Cooperative

in Missouri provides a good example of a utility cooperative, other than a rural electric, that is playing a lead development role in its community. The co-op used profits from the sale of a cellular phone franchise to upgrade its technology and to form a local economic development corporation. The corporation provides seed funding to commercial and industrial projects in the Steelville area. There are about 260 rural telephone co-ops in the United States with 1.2 million members. Like their rural electric cousins, their survival and growth are tied to their service areas. Many have responded to declining populations by championing local economic growth.

Palmetto REC, South Carolina
Central Electric Membership Corporation, North Carolina

are two examples from among dozens of co-ops that have sponsored intensive community and economic development planning processes in their service areas. Working closely with local RECs, the **National Rural Electric Cooperative Association (NRECA),** based in Washington, D.C., assembles resource teams consisting of a range of housing, business, education, government and other professionals who spend several days meeting with a wide array of local citizens and touring REC service areas. Team members then prepare reports identifying the major problems they observed and heard about and, what is more important, they recommend actions to address those problems. Palmetto REC serves the popular resort community of Hilton Head. Therefore, a major part of the co-op's development strategy is to build on its locational advantages for vacation and retirement homes. Central Electric is working to strengthen the quality of K-12 schooling in its area. It's supporting a local educational foundation that provides teachers with small grants to introduce innovative features into their curricula. These are examples of national-local electric co-op partnerships designed to jump-start economic and community planning efforts. The local co-op plays the role of catalyst by bringing in expert resources to get the ball rolling.

Many rural electrics also are expanding the array of services they provide to their customer-members as part of their own business activities. Following are a few examples of these multiservice cooperatives:

EDGAR ELECTRIC COOPERATIVE ASSOCIATION,

based in Paris, IL, is providing two-way mobile radio and telephone services and water utility services in addition to the distribution of electricity.

VALLEY ELECTRIC COOPERATIVE,

headquartered in Glasgow, MT, offers telephone and computer services, cable and satellite television, and business data systems.

THE GUADELOUPE VALLEY ELECTRIC COOPERATIVE

in Gonzales, TX, provides distance learning services (interactive cable television for classroom use connecting area schools) and Med-Link services, as well as cable and satellite television. The co-op also has a financial assistance program for water supply cooperatives, operates a waste water subsidiary and is a supplier of equipment for volunteer fire departments.

These three cooperatives represent a few examples of a much larger phenomenon in which rural electrics are picking up the slack in their communities and providing an array of services not adequately provided by anyone else.

CONCLUSION

At the beginning of this chapter, we presented a brief summary of the long, proud history of rural electric cooperatives in the United States. Today, there is tremendous diversity among these cooperatives. Some co-op managers and board members see rural electrics as having the same mission as when they were founded 50 years ago – providing cheap power to farmers. Other co-op leaders, such as Bruce Hensley from North Central Missouri Electric Cooperative and Mike Anderson at Jackson Electric in Wisconsin, contend that rural electric co-ops have a very different mission from when they started. They point out that today farmers are only a small minority of their members. Agriculture is just one of many community and economic development areas in which rural electric involvement can make a difference.

The examples described above represent several different strategies being pursued by the development-oriented rural electrics. These strategies can be divided into four categories:

1. **Externally based development.** Many rural electrics, as well as many investor-owned utilities and local development corporations, have as their primary strategy for development the recruitment of businesses from outside the community. The negative name for this economic development strategy is "smokestack chasing." Most communities are not well-located to have a successful, externally based development strategy. Jackson County served by Jackson Electric Cooperative, is one of the exceptions to this rule. Interstate 94 runs right through the county. It's well-situated between the Twin Cities and Milwaukee/Chicago, making it an attractive location for both Wisconsin and Minnesota businesses seeking expansions or relocations. However, Anderson would hasten to add that attracting outside businesses is only part of Jackson Electric's strategy.

2. **Local business development.** Jackson County and the communities served by Kit Carson Rural Electric Cooperative in New Mexico both feature locally based small-business start-ups, retention and growth as key parts of their development strategy. This approach is particularly effective in rural areas that are not in a competitive position to recruit large outside businesses. It has the added advantage of creating a stable employment base that's less likely to relocate out of the community at some future date. Bill Patrie's work in North Dakota is consistent with the locally based business development approach. In his case, the emphasis is on creating new cooperatives as a specific kind of locally based business development.

3. **Multiservice strategy.** Several of the electric co-ops mentioned above have taken on expanded economic development and community service roles as direct business activities of the co-op. This is true for North Central Missouri Electric Cooperative as well as for the three examples of multiservice cooperatives presented immediately above. In this approach, the co-op may be assisting other types of economic development, but, in addition, the co-op is expanding its own role as a diversified business in the community.

4. **Participatory development planning.** In most of the examples presented above, the co-op management and the board of directors play an active role in determining and implementing the co-op's policies toward economic development. Overall, however, rural electrics have not done a good job in involving a broader group of cooperative members in these activities (although the resource team planning process developed by NRECA does build in broad community involvement in the

initial problem-identification phase). Thus, the creative ideas, skills, energy and commitment of consumer-members are largely untapped resources in the co-ops' development efforts. In the next chapter on community-based economic development, we look at a number of examples of local citizens playing an active role in identifying problems, proposing solutions and in carrying them out. This participatory approach is one that rural electrics should look at more closely, both to increase the co-ops' effectiveness in community and economic development and to increase their members' involvement and commitment.

There have been dramatic changes in the role of electric cooperatives since they brought power to rural America in the second quarter of this century. Now they are beginning to bring economic power to these communities as well. As the above examples illustrate, some co-ops are doing an excellent job of this. Because of their presence throughout rural America and because they are owned and controlled by the people and businesses they serve, electric cooperatives are in an excellent position to do a lot more.

Indeed, one could argue that electric co-ops *must* do more – in order to assure their own survival. The danger exists that if RECs, and the generation and transmission cooperatives that serve them, do not live up to their potential as economically and socially responsive, community-based organizations, they will be swallowed up by large, investor-owned utilities.

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