Main Messages

Millions of Americans live in communities that are persistently poor, decade after decade, regardless of how well the national economy is doing.

The stresses associated with living in high-poverty communities undermine children’s ability to reach their full potential.

Racial segregation is one of the strongest predictors of whether a child born into poverty will live in poverty as an adult.

In metro areas, better public transportation connects job seekers in distressed communities with wider regional opportunities.

In rural areas, high-speed Internet expands opportunities and overcomes barriers to jobs, education, and social services.
Zip Codes, Census Tracts, and Cul-de-sacs

Since the year 2000, the number of people living in communities with poverty rates of 40 percent or higher has doubled,\(^1\) ensnaring nearly 14 million people.\(^2\) If “Concentrated Poverty” were a state, it would be the fifth most populous in the United States. But public and private investment can do more to support job creation and connect residents to regional opportunities.

When the federal government declared the War on Poverty more than 50 years ago, it was in large part a reaction to concentrated poverty. The seminal book on concentrated poverty is Michael Harrington’s 1962 bestseller *The Other America*. In it, he described the abysmal conditions he saw in inner city slums and isolated rural communities.\(^3\) The book challenged the belief, culturally ingrained in most Americans, that prosperity is within reach of everyone in the United States.

Today, conditions in high-poverty communities are not as shocking as when Harrington published *The Other America*. Nutrition programs such as SNAP and WIC have eliminated the stark hunger and malnutrition that in some places were on par with developing countries. In other ways, however, progress has stalled. Communities are more segregated by income than ever, due to rising economic inequality and persistent racial discrimination. Whites make up nearly half of all U.S. residents living in poverty, but poor Latinos are more than three times as likely as poor whites to be living in areas of concentrated poverty, and poor African Americans are almost five times as likely.\(^4\)

Safety net programs protect people from the worst hardships of poverty. But beyond safety nets, people need ladders of opportunity to climb out of poverty. The communities people live in can make or break the opportunities they have. The core problem with concentrated poverty is that the worst effects of poverty—failing schools, poor quality food, lack of health care, limited access to transportation—snowball as poverty rates get higher.\(^5\) The problems reinforce and exacerbate each other.

Living in concentrated poverty is unremittingly stressful for everyone, but it is particularly damaging to children. Toxic levels of stress can disrupt the architecture of children’s developing brains, rerouting neurological pathways and putting them at higher risk of physical and mental health problems, lowering their academic achievement, and threatening their connections with work and other responsibilities as adults.\(^6\) Too often, children who grow up in such communities end up staying there.

**Fifty Years of Place-based Programming**

There are two main approaches to concentrated poverty: place-based and people-based. The first works to change the conditions in the community—for example, by improving housing or schools. The second is mainly concerned with helping individuals and families, in some cases using programs such as housing choice vouchers to enable people to leave.

Place-based initiatives are as old as the War on Poverty. First generation place-based efforts sought to redress social and economic inequalities with a focus on service delivery and better housing. Many early efforts were in rural areas such as Appalachia, the Mississippi Delta, and Native American reservations. After the urban riots of the late 1960s, however, place-based efforts focused primarily on urban areas.

In the 1980s, place-based programs began to emphasize using the market economy to reduce inner-city concentrated poverty. Both the “Enterprise Zones” of the 1980s and the “Empowerment Zones” of the 1990s offered tax credits to businesses to create jobs and spur economic development in these areas. Neither version was effective, largely because high taxes are not the primary reason businesses do not invest in low-income communities. The major problem is lack of infrastructure, which the tax-based approaches did not tackle.\(^7\)

The most sophisticated place-based interventions engage multiple stakeholders in government, community-based nonprofits, residents, philanthropy, and the private sector.\(^8\) A long-term commitment drawing on the strengths of all the stakeholders is paramount to achieving a sustainable neighborhood transformation.
Some of the most effective place-based initiatives focused on regulatory reform. The Community Reinvestment Act of 1978 expanded access to credit in low-income areas and made it illegal for banks to “redline” communities of color, a practice that significantly damaged property values. Title I of the Elementary and Secondary Education Act of 1965 guaranteed federal funds to schools serving low-income communities. More recently, the 2015 Affirmatively Furthering Fair Housing rule required cities, counties, and states that receive federal funds for housing to take proactive steps to reduce concentrated poverty and long-standing segregation.

Under President Obama, the federal government recommitted to place-based programming. The new Neighborhood Revitalization Initiative (NRI) coordinated an assortment of such initiatives. The goal was to adopt a comprehensive approach by bringing together partners in several different government agencies. The NRI also emphasizes collecting data to monitor and evaluate performance. In the project’s early phases, stakeholders identified structural barriers to closer collaboration among partners and began to develop ways of avoiding or overcoming them.

According to an October 2016 Urban Institute report, “The impact of many of these programs on the distressed communities and vulnerable residents they serve may not be known for a number of years as many of the implementation grants are still in process. Already, however, the new initiatives provide insights about how the federal government can make progress in relating to local governments and philanthropy and

Box 3.1

Travis

At 33, Travis is finally beginning to feel like he is in control of his life. He has a steady job dealing blackjack at the Horseshoe Casino in Baltimore. He works from late at night until early morning. Those hours suit him fine. When he gets off work, the streets are quiet and it would be hard to run into trouble.

He has been on his own since he was 14 years old, when his mother died and he started living on the streets of Baltimore. He was born into poverty in a rough neighborhood that was even rougher without his mother’s supervision. Over the next decade, he rarely had money to eat and was often homeless. His problem wasn’t finding a job—it was holding onto one. He seethed with anger. At the fast-food jobs where he worked, it was never long before he lost his temper and started cursing at managers, co-workers, and customers.

He developed a substance abuse problem that, in the end, led him to a faith-based recovery center. It offered counseling to help him get control of his anger and a job training program that, for the first time, showed him how to be an employee—what is appropriate at work, basics like showing up on time, and how to draw a line between his personal life and what happened on the job. He was mentored by other recovering addicts who had wrestled with similar issues and could advise him when he was struggling.

Travis doesn’t plan to make a career out of dealing blackjack. His goal is to complete certification requirements to become a peer recovery specialist. But the job helps him pay his bills and keep food in the refrigerator. He also uses some of the money to help his nieces and nephews avoid the mistakes he made along the way.
in coordinating its own activities to advance place-based initiatives.9

In 2010, Obama launched Promise Neighborhoods, inspired by one of the most renowned place-based initiatives in the country, the Harlem Children’s Zone. The Children’s Zone covers nearly 100 square blocks of Central Harlem and offers a K-12 charter school. All the school’s third-graders are working at or above grade level, and 96 percent of the 2016 graduating class is attending college,10 even though 77 percent of the students come from low-income families and are eligible for free or reduced-price school meals.

The Promise Neighborhoods use schools to build strong family and community systems designed to ensure that children in high-poverty neighborhoods receive a continuum of support services “from cradle to career.” By the end of 2016, nearly 700 schools and 1,000 community partners had received more than $286 million in Promise Neighborhood grants.11

Race, Place, and Opportunity

Charlotte, N.C., is one of the fastest-growing cities in the country. Between 1994 and 2014, its total employment grew by 53 percent, compared to 22 percent in the rest of North Carolina.12 Charlotte and its surrounding suburbs developed a reputation as one of the most desirable places in the country to live.

Lately, however, Charlotte has also become known for something much less attractive: in 2014, it ranked last in economic mobility among the 50 most populous U.S. cities. Children raised in poverty in Charlotte are more likely to remain poor as adults than children in any of the other 49 cities.13

City leaders were embarrassed by the 50th place finish as well as worried that the bad news on economic mobility could hurt both the city’s reputation and its growth. In 2015, stakeholders formed an Opportunity Task Force to study Charlotte’s barriers to economic mobility and develop recommendations to help lower them.

In March 2017, the task force released its much-anticipated report. Its recommendations focused on becoming more like high-mobility areas in five key ways: less residential segregation, less income inequality, better primary schools, greater social capital, and greater family stability.14

Implementing the recommendations will upset the status quo and may prove very difficult. As the editorial board of the Charlotte Observer noted, similar reports produced by other task forces have all too often ended up sitting on shelves collecting dust.15

Charlotte’s low economic mobility is largely due to racism—more specifically, racial segregation and mass incarceration. The Opportunity Task Force report recommended efforts to keep incarceration from undermining stable families: “It is not difficult to imagine how disruptive the incarceration of a parent can be to the stability of a family. Given the disproportionate incarceration of African-American and Latino men in North Carolina and across the nation, an uneven burden is placed on many of our community’s families.”16

The degree of racial segregation is one of the strongest predictors of the level of economic mobility. Half of all students in Charlotte attend schools that are 90 percent or more nonwhite.17 The city is not alone in school segregation—nationwide, public schools are more segregated now than they were a half-century ago.18 The Civil Rights Project at UCLA reports that the percentage of schools that are “hyper-segregated, in which 90 percent or more of students are minorities,” has more than tripled in the last three decades, from 5.7 percent to 18.4 percent.19

Unfortunately, education and housing policies have reinforced and deepened racial segregation—in Charlotte and elsewhere. The Charlotte schools were less segregated in 2000, before a court decision released the school system from an earlier integration mandate.20 Federal housing policies, starting with low-cost mortgages in the 1930s and continuing with the GI Bill available to soldiers returning from World War II, led to the largest accumulation of middle-class wealth in the nation’s history, but they excluded African Americans. This only worsened residential segregation. More
recently, gentrification has displaced families of color by pricing them out of neighborhoods where some have lived for generations.

Data on the composition of two populations in Charlotte, African Americans and whites, shows clearly the impact of mass incarceration (see Figure 3.1). Among people ages 19 or younger, both whites and African Americans have the expected gender ratio—roughly half males and half females. Among whites ages 20 to 54, the data also show a rough gender balance, with 439 fewer men than women. But among African Americans ages 20 to 54, there are 17,000 fewer men than women. Mass incarceration means that thousands of men are literally missing from the African American community—and so are their potential contributions as fathers, husbands, brothers, sons, workers, members of communities, and voters.

Nationwide, one in three African American males and one in six Latino males born in 2001 are likely to be incarcerated during their lifetime. African American men between the ages of 20 and 24 without a high school diploma have a greater chance of being incarcerated than employed.

Two-thirds of families in the United States with an incarcerated parent struggle to meet basic needs such as food and housing. Most ex-offenders rejoin the communities they left behind when they entered prison. They struggle to reconnect with family and find a place in the community. Place-based interventions in communities of color focus on enabling former inmates to reintegrate into society and enabling families and neighborhoods to adjust to their return. It is particularly impor-

**Figure 3.1**  
African American Population of Charlotte by Age

<table>
<thead>
<tr>
<th>Age group</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5</td>
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</tr>
<tr>
<td>5-9</td>
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<td>5.0%</td>
</tr>
<tr>
<td>10-14</td>
<td>3.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td>15-17</td>
<td>3.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>20-24</td>
<td>4.3%</td>
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<td>4.5%</td>
</tr>
<tr>
<td>30-34</td>
<td>8.9%</td>
<td>8.9%</td>
</tr>
<tr>
<td>35-44</td>
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</tr>
<tr>
<td>45-54</td>
<td>6.1%</td>
<td>7.5%</td>
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<td>55-64</td>
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<td>75-84</td>
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<td>3.3%</td>
</tr>
<tr>
<td>85 and over</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Note: US Census Bureau data, 2010-2014 American Community Survey 5-Year Estimates. 

**Moving and Schooling to Opportunity**

Housing choice vouchers are one of the most effective interventions to increase economic mobility and reduce intergenerational poverty. One example is Moving to Opportunity, an experimental program administered by the Department of Housing and Urban Development in the 1990s. It provided vouchers to families living in severely distressed public housing to move to low-poverty neighborhoods. The program included about 1,800 families in five cities. Overall, children in families who received the vouchers excelled in school and were more likely to attend college than...
At Risk in Charlotte

Sixteen young men and women between the ages of 12 and 17 join us in a conference room on a bright Saturday morning in March 2017. Bread for the World Institute staff have come to meet with them. The youth are enrolled in a Life Skills Intervention Program that meets on Saturday mornings at the Urban League offices in downtown Charlotte.

Charlotte’s branch of the Urban League provides services to some of the city’s most-at-risk youth. The group we meet with live in some of the poorest neighborhoods and attend the city’s most disadvantaged schools. The risks they face range from dropping out of school to substance abuse to incarceration to chronic unemployment.

Nationally, one in eight young people between the ages of 16 and 24 are disconnected from school or from both work and school, meaning they are neither in school nor working. Once youth become disconnected, the risk to their future increases. Disconnection is what the Urban League is trying to preempt.

The most talkative member of the group tells us he is 12, although he looks closer to 10. When we ask what he wants to be when he grows up, he says he would prefer to stay home with his mother and protect her from danger. Most of the others say they are interested in attending college, but none of the older ones approaching graduation feels that high school has prepared them well for college. One of the 17-year-olds wants to become a nurse. When we ask whether anyone in her family is helping her reach her career goal, she responds sharply that she has no support system at home. But she sounds determined. “I asked my teacher what can I do to improve my grades to get into college,” she said.

One of the Urban League staff compliments her and points out that she is creating a support system for herself. “The teacher you went to is going to work for you because you’ve shown you want help. Now we’d love for you to have that support system at home, but if you don’t have it there, then you can create it with other people who are around you,” the staff member said.

Another of the Urban League staff commented after the meeting, “There is a young man who is involved in one of our computer training programs. I noticed that he wasn’t eating lunch when other students in the class were, and I asked, ‘Don’t you have anything to eat?’ He didn’t have money for food and was so proud that he didn’t want to say he was hungry. I connected him to services so that he has food now. When you’re hungry, it affects your whole person and your ability to succeed. Now he’s doing better in class because he has food. When the support you need is there for you, you should not feel ashamed in asking for it.”
their peers who remained in distressed public housing. Economists Raj Chetty and Nathaniel Hendren, who studied the long-term effects of Moving to Opportunity, found that children of all ages benefited, but that the younger children were when they moved, the better they did.28

In policy jargon, a housing choice voucher is a people-based approach, designed to aid individual residents of the distressed community. It would be shortsighted to conclude the Moving to Opportunity experiment proves that people-based approaches are superior to place-based approaches, and therefore policymakers should abstain from investing in place-based approaches. Since not everyone can move away, the success of the children in the Moving to Opportunity program emphasizes the need to invest in neighborhoods with concentrated poverty. Place does matter to economic mobility.

Good schools can alter the trajectory of children’s lives, as we are witnessing in the Harlem Children’s Zone that the Promise Neighborhoods Initiative seeks to replicate. Investments in education can prevent students from dropping out and reduce their risk of going to prison. Neighborhoods with failing schools and high dropout rates are also neighborhoods with high incarceration rates. Looked at another way, nearly two-thirds of the people currently in prison are high school dropouts.29

Local governments are trying new approaches to improve schools. Baltimore, a city with low economic mobility and high incarceration rates, has turned 43 of its public schools into hubs for engaging diverse partners to promote youth and community development.30 In Seattle, a cradle-to-career partnership between government and philanthropy is working across seven school districts with concentrated poverty to improve achievement and prepare students for postsecondary education.31

Most funding for K-12 education comes from state and local governments. The federal government’s share of K-12 funding is only about 8 percent.32 There is a big difference between the federal government’s role in providing safety nets and its role in providing ladders of opportunity. Federal funding can provide every child with a nutritious school lunch, but cannot ensure that every child gets a quality education.

Need-based aid has increased the number of low-income students attending college and decreased the college dropout rate.33 With a budget of $30 billion, Pell Grants help nearly 8 million students attend college or enroll in a certificate program.34 More than 50 percent of African American and 40 percent of Latino college students receive financial aid through the program,35 and more than half of all students who receive grants have family incomes of less than $20,000 (see Figure 3.2).

Going to college can help people of color and people from low-income families advance, but it is far from enough to end inequality, even for individuals. African American college graduates earn less than their white counterparts, and they also finish college with more student debt.36 The pay gap is getting bigger, not
smaller. In 1979, African-American men who had just earned a bachelor’s degree were paid slightly less than 95 percent of what their white male peers were paid; by 2015, they were paid only 82 percent of the white male salary. The trend is similar for African American women with college degrees when compared to their white counterparts.37

Mass Transiting to Opportunity

Publicly funded investments can and should improve neighborhood conditions. Even more important, when it comes to work, government resources can and should connect low-income neighborhoods with regional economic opportunities.

“The primary employment challenge facing residents of distressed urban neighborhoods is access to job opportunities in the larger region,” says Margery Turner of the Urban Institute, who has called for strategies best described as place-conscious rather than place-based.38 She explains “place conscious” as follows: “These strategies recognize the importance of place and target the particular challenges of distressed neighborhoods. But they are less constrained by narrowly defined neighborhood boundaries, more attuned to market-wide opportunities and barriers, and open to

Community Organizing in Chicago

Chicago is the birthplace of community organizing in the United States. Community organizing is essentially a bottom-up approach to reducing poverty and revitalizing neighborhoods. It enables residents to see that they themselves are the most powerful and sustainable instruments of change in their communities.

The Southwest Organizing Project (SWOP) in Chicago is an example of community organizing at its best. In 2013, SWOP received the John D. and Catherine T. MacArthur Foundation’s Award for Creative and Effective Institutions, the nonprofit equivalent of the foundation’s “genius award” for individuals. It was given to SWOP for effective community organizing in general and for its anti-foreclosure work in the wake of the Great Recession in particular.

SWOP is an institutionally based community organization, bringing together 37 dues-paying member institutions that participate in the organization’s collective actions. Successful community organizing engages multiple stakeholders since there is no single “silver bullet” that will solve all the problems of low-income communities. SWOP members include religious organizations, schools, social service providers, and businesses. SWOP organizers bring them together to agree on and implement strategies and to engage with key actors at multiple levels.

The neighborhoods where SWOP works have higher poverty and unemployment rates than the city average. Chicago Lawn is the poorest of the five areas where SWOP member institutions are located, with a median household income of $33,000. At the height of the foreclosure crisis, Chicago Lawn had twice the foreclosure rate as the city of Chicago overall. In one 20-block area, 93 properties were left vacant after the housing crash. Latinos and African Americans, who made up nearly 90 percent of the residents, were heavily targeted by subprime lenders.

As part of the anti-foreclosure work, Neighborhood Housing Services, a SWOP member institution, provided counseling and mediation services that helped hundreds of families keep their homes. Working through another partner, real estate company Brinshore Development, SWOP has purchased vacant properties that will be used to increase the supply of affordable housing. After the properties are rehabilitated, SWOP
member churches reach out to parishioners interested in buying or renting in the neighborhood. Would-be homeowners or renters can also learn about affordable housing opportunities through the activities SWOP leads at schools for students and parents.

SWOP was founded in 1996 with the mission of encouraging a multiracial and multicultural response to the increasing diversity in the area and promoting social cohesion. SWOP’s current areas of focus include reducing violence, advancing the rights and civil liberties of immigrants, and improving achievement in public schools through parent, student, and school staff engagement.

Senior organizer David McDowell explained, “Jobs are the logical result of the work we’re doing in the schools. If we’re going to be successful getting people out of the gang life, the outcome of that work is their seeing that a job is a better option.” SWOP was also instrumental in passing a statewide law in 2013 that made it possible for undocumented immigrants to obtain a driver’s license. Being able to drive expanded the job opportunities available to community residents.

Perhaps the most important feature of SWOP’s legislative work, as with its other work, is that residents of the community are leading in their own fashion. “We need community leaders who can educate political and policy leaders from firsthand experience,” said Chris Brown, director of operations. “The more involved they are, the more rooted in the community they become.”

The Southwest Organizing Project, also known by its acronym SWOP, has been a key actor in a range of successful campaigns on behalf of low-income communities in Chicago.
a more difficult time affording monthly passes despite discount rates.

In recent years, poverty has been rising faster in suburbs than in either urban or rural areas, as rising real estate prices in cities push low-income residents out to the suburbs in search of affordable housing. Affordable housing is often further from work and therefore increases transportation costs. Without access to public transit, low-wage workers living in low-income suburban communities are dependent on a car to get to their jobs, raising their commuting costs by almost two-thirds.44

There are currently no federal programs to help with transportation costs along the lines of SNAP, Medicaid, or housing vouchers. Some large cities, including Seattle and San Francisco, offer fare-discount programs for low-income commuters who use public transportation.

President Trump has said that infrastructure development is one of his priority issues. This is certainly much needed, as transit systems across the nation struggle to cope with aging infrastructure and the Department of Transportation reports a maintenance backlog that will cost $90 billion.45 A Harvard Business School survey named better public transportation as the top choice in upgrading the nation’s infrastructure.46

The business case for investing in public transit is clear to anyone who has driven during rush hour in a major metropolitan area. The average commuter spends 42 hours every year stuck in traffic.47 Bottle-necks on the nation’s roads fray drivers’ nerves, make everyone late for work, and reduce productivity. Daniel Chatman of the University of California at Berkley and Robert Noland of Rutgers University built a computer model of expanding public transportation in 300 metropolitan areas across the United States. They found that a 10 percent expansion in transit service could increase economic growth between 1 and 2 percent. The total economic benefit varied, as one would expect, based on the size of the metropolitan area and on how much congestion the additional transit would eliminate. Generally, the bigger the city, the bigger the benefit.48

In all future infrastructure projects, there should be a deliberate and well-executed effort to ensure that communities of color are key beneficiaries of any improvements.

Where expanding public transit is not an option, policymakers should consider helping low-income households purchase (and maintain) cars. Nonprofit organizations in metropolitan areas that provide affordable auto loans to low-income families cannot keep up with demand.49 Research by the Urban Institute shows that access to a car raises employment rates among low-income people.50

**Rural Communities**

**Persistent Poverty Counties in Rural America**

Nearly 1.6 million people in the United States live in homes without full indoor plumbing.51
Most of these homes are in rural areas, primarily the Deep South, Appalachia, and Native American territories. In Lowndes County, Ala., one of the poorest counties in the nation (population 10,703), less than half of the population is connected to a sewer line. The municipal government cannot generate sufficient tax revenue to finance extensive sewer systems, and most households by themselves cannot afford the thousands of dollars it costs to put in a septic tank.52

Distressed rural communities have much in common with their metropolitan counterparts. In both cases, underdeveloped or dilapidated infrastructure poses a barrier to economic development. Rural areas face some unique challenges. People travel long distances to reach jobs, schools, health care, and even food. In some parts of the country, a 100-mile trip to the nearest supermarket is not uncommon.

Thirty-four million people in the nation lack access to broadband, two-thirds of them in rural areas.53 A 2015 Pew study found that among Americans who were looking for work, four out of five were using online resources, and one-third said that online resources were the most important.54 Broadband has become absolutely necessary to attracting new businesses. A 2015 Cornell University study reported that counties with low broadband adoption rates had less growth in both business formation and total employment than similar counties with higher adoption rates.55 In 2017, members of Congress called for $40 billion in new federal funding to improve broadband access across rural America. They compared their push to the 1930s-era campaign for rural electrification.

Both poor rural areas and poor urban areas share the problem of child poverty. Child poverty rates in rural and metro areas exceed the poverty rates of the rest of the population of these areas by more than 30 percent.56 In 2015, one-fourth of rural children and more than one-fifth of metro children were living in poverty. There are 558 persistent child poverty counties in rural America, meaning that in 558 counties, more than 20 percent of the children have been poor for the last 30 years.57

Researchers at the Economic Innovation Group, a bipartisan policy group, compared economic conditions in U.S. counties with data on intergenerational mobility collected by Chetty and Hendren. They found that distressed rural counties have the lowest mobility rates of all.58 Alabama, Mississippi, and West Virginia have lower mobility than any other state.59 Racism is a big part of the problem, as rural communities in Alabama and Mississippi struggle against the legacy of slavery and Jim Crow. The African American poverty rate in Lowndes County is 37 percent, compared to a white poverty rate of just 3.4 percent.60 Another part of the problem is substance abuse. In West Virginia, opioid addiction has a stranglehold on rural communities across the state. It has the highest death rate from opioid overdoses in the country.61

Members of Congress and federal policymakers from rural states struggle to bring attention to rural poverty. Poor conditions in urban areas are far more visible. When deep poverty is off the grid, perhaps literally, it is more difficult to publicize. The fact that the opioid epidemic affects mostly whites has brought some new attention to rural areas.

Rep. James Clyburn (D-S.C.) has managed to spark bipartisan interest in rural poverty with the use of a clever catchphrase. His “10-20-30” plan calls for steering 10 percent of federal spending to counties that have had poverty rates of 20 percent for 30 years or more, i.e., to persistent-poverty counties. Eighty-five percent of such counties are rural62 and would therefore be the primary beneficiaries of the 10-20-30 plan.

Well intended as it is, the 10-20-30 plan does not go far enough. For example, Cook County, Ill., home to the city of Chicago, has a poverty rate of 17.1 percent, falling below the 20 percent threshold.63 Using only this one metric, Cook County appears to be much better off than Lowndes County, with a poverty rate of 28.5 percent. But in reality, the wealthy suburbs in Cook County mask severe levels of hardship in many Chicago neighborhoods. Chicago’s 77 area census tracts include several on the south and west sides with poverty rates of
40 to 60 percent. Under the 10-20-30 plan, these communities would be missed because they are hidden within Cook County.

The U.S. Department of Agriculture (USDA) program *StrikeForce for Rural Growth and Opportunity* is designed to direct USDA resources to persistent poverty counties. *StrikeForce* is primarily a capacity-building program. USDA staff work with local stakeholders to increase awareness of USDA programs and provide technical assistance.64

Arkansas was one of three StrikeForce pilot states. USDA, with independent review by the University of Arkansas’s Division of Agriculture Research and Extension, studied the program’s impact in the state’s 25 participating counties from fiscal year 2011 through fiscal year 2013. The evaluation found that program investments provided between 5,708 and 6,997 additional jobs per year for Arkansas residents and increased residents’ total income by between $147 million and $178 million.

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**Figure 3.3 Persistent Poverty Counties, 2015**

*Note:* Persistent poverty counties are those where 20 percent or more of county residents were poor, measured by the 1980, 1990, 2000 censuses, and the 2007-11 American Community Survey. Note that county boundaries are drawn for the persistent poverty counties only.

In one of his last interviews as the head of USDA in the Obama administration, Sec. Tom Vilsack noted that 50 percent of rural development resources are spent in persistent poverty counties. A caveat is that USDA’s entire portfolio of rural development programs is less than 1 percent of the department’s budget, so the 50 percent spent in persistent poverty counties is still a relatively modest amount.

**Changes in the Rural Economy Call for New Strategies**

**Farming**

The “farm bill” is the major piece of legislation that sets policies and provides resources for rural America. It is supposed to serve all rural residents. It is not surprising that it is known as the farm bill since it has always focused on agriculture. A small section addresses nonagricultural rural development.

In the early 20th century, the farm bill’s emphasis on agriculture made sense since farms and rural America were, if not one and the same, closely linked. But Congress has not updated the farm bill to reflect the very different realities of the U.S. rural economy of the 21st century.

The continued focus on agriculture perpetuates an idea that has not been accurate for generations: that large numbers of people in the rural United States work on farms. Even more importantly, the emphasis on agriculture means that our nation’s current resources and policies for rural areas benefit only a small percentage of the Americans who live there. The number of farms in the United States peaked in 1935 (see Figure 3.4). Today, just 6 percent of the U.S. rural population works in agriculture.

Farm-dependent counties are among the most sparsely populated in the United States. They continue to lose population, despite high demand for agricultural products, since young people can’t earn a living and are forced to look for jobs elsewhere. This is because modern farming is a highly mechanized, capital-intensive enterprise. Economies of scale dictate which farms are viable, and the family farms that thrive are large, sophisticated operations. The effects on communities have been all too predictable. Schools and hospitals close and main streets die out.

**Figure 3.4 Distribution of Nonmetro and Metro Employment by Industry Group, 2014**

Note: Employment is full-time and part-time jobs, by place of work.

This is not the entire story. Away from the big farms, younger people are filling the demand in metropolitan areas for fresh, locally grown foods produced with a gentler environmental footprint. Since 2000, locally grown food has been a rapidly growing subsector in agriculture. But neither the big farms nor the newer niche producers look anything like what we may think of as “the old days” of family farms.

Mining

Rural communities that are dependent on extractive industries, such as coal mining communities in central Appalachia, are also experiencing rapid declines in population—a reflection of how difficult it is to diversify such economies. McDowell County, in southwest West Virginia near the Kentucky border, was home to nearly 100,000 people in 1950. By 2015, the population had fallen below 20,000, and the exodus continues. The counties that have lost the most people are disproportionately coal-mining counties—for example, nine of the top 10 population-loss counties in West Virginia.

Mining pays well compared to other sectors, but there are no longer enough jobs to go around. In Kentucky, fewer than 7,000 people work as miners. That is less than half of 1 percent of all workers in the state. This is because most of the coal has been extracted. Strip mining and mountaintop removal extract the remaining deposits closer to the surface, but these techniques require only a fraction of the workers that had been needed for deep underground mining.

A more recent threat to coal mining jobs is the increasing popularity of natural gas. Charles D. Kolstad, a senior fellow at the Stanford Institute for Economic Policy Research, said that a confluence of factors dating back to the 1970s explains the decline of coal. These include railroad deregulation, new fracking technology and the rise of natural gas, and the expansion of solar and wind technologies. Natural gas is less expensive than coal, and it has tripled its share of U.S. electricity production since the late 1980s. In Kolstad’s view, it is unlikely that environmental policies will dramatically improve the prospects of the coal industry.

Communities that depend on natural resources are locked into cycles of boom and bust, and this very instability discourages outside investments that are needed to diversify. Efforts to attract outside investment are made even more difficult by the communities’ remoteness from metropolitan markets and services. Finally, Appalachia’s terrain adds physical barriers to the challenge.

The interstate highway system built after World War II largely bypassed Appalachia’s rugged mountainous terrain. In 1965, the Appalachian Regional Commission (ARC) was formed with the express purpose of addressing the region’s isolation. More than 50 years later, the ARC continues its core project of developing a highway system to promote economic development. It functions essentially as a broker of regional collaboration, bringing together federal, state, and local governments with businesses, nonprofits, and other community leaders.

“With ARC leading the brokering efforts,” says economist Mark Partridge of Ohio State University, “resource-scarce distressed regions can undertake programs that would otherwise be impossible.” One of these programs is the Hatfield-McCoy Trail System, made up of more than 700 miles of dirt roads that were cut through the mountains by coal and logging companies. The trail system, used by recreational riders of All-Terrain Vehicles, Utility Task Vehicles, and off-road motorcycles, has become one of the fastest-growing destinations in the country for off-road riders. It stretches across nine counties in the southwest region of West Virginia, including McDowell and other high-poverty counties. In 2014, the trail system generated an estimated $22 million in economic activity and supported 237 full-time jobs.

The ARC’s role is to put in place the infrastructure needed to support tourism. In 2016, nearly 40,000 riders used the trails, 83 percent came from out of state. To meet the demand for lodging, restaurants, and other services, the ARC and the Hatfield McCoy Regional Recreation Authority are working to bring investment dollars into the region. Since the trail system opened in 2000, 40 new lodging options and 20 new restaurants have opened to capture tourism dollars.

In a new phase of the project, a $1.38 million grant from the ARC will be used to expand the trail system into Kentucky and Virginia and is expected to create another 50 businesses and 225 jobs.
in tourism do not pay as well as in mining, but there are increasing numbers of them. As with farming, it is certainly an economic and cultural shift from older generations of men going down into the mines.

Manufacturing

Rural communities lost more than a third of their manufacturing jobs in the short period between 2000 and 2010. The biggest losses were in lower-skill sectors such as textiles, as companies moved production to other countries. Twenty-two percent of the U.S. rural population lives in manufacturing-dependent counties, so these job losses have had huge ripple effects.

Manufacturing jobs are important in rural areas. They provide almost 15 percent of total earnings, compared to 9 percent in metro areas. In addition, the median pay in rural manufacturing jobs is higher than in any other sector except mining.

Box 3.4

Dad’s Enterprises

In 1999, Tuskegee, Ala., native Debra Ann Willis-Baldwin launched her commercial construction and office-building contractor company, Dad’s Enterprises, Inc., with just a credit card and some savings. Five years later, she was invited to Washington, D.C., to receive the award for “small disadvantaged business contractor of the year.” (Dad’s Enterprises was considered disadvantaged as a business owned by an African American woman). Today, Dad’s Enterprises generates nearly $2 million in annual revenues.

Willis-Baldwin comes from a modest background and developed a love for construction by working alongside her father, a “jack of all trades” employed by Tuskegee University. An important catalyst for her own career came when her father was pushed out of farming and ended up taking the job at Tuskegee. His father and grandfather had been farmers, but as an African American man in the Deep South, he encountered blatant discrimination from government agencies when he applied for a loan and other support. He was far from the only one; Ms. Willis-Baldwin helped him submit a claim to join a class action discrimination lawsuit filed by black farmers across the South against the U.S. Department of Agriculture.

The settlement agreement, Pickford v. Glickman, came too late for her father and most of the other claimants, but Willis-Baldwin was heartened by the realization that the federal government was acting to redress some of the historical disadvantages that African American entrepreneurs had suffered.

Ninety-five percent of Dad’s Enterprises contract work is with the federal government. Much of the company’s work is in Macon County, Ala., a persistent-poverty county whose county seat is Tuskegee. Over the years, Dad’s has hired many out-of-work or underemployed workers in the trades. Dad’s has handled major renovations at Maxwell Air Force Base in Montgomery. The company has also done renovations in Atlanta’s Sweet Auburn Historic District, including in Dr. Martin Luther King Jr.’s family home.
The largest share of jobs and earnings in both rural and metropolitan areas are now in service industries, but the composition of the service sector is different. Service jobs in rural areas require a lower skill level. Significantly higher pay in manufacturing explains why manufacturing-dependent communities struggle to identify strategies to adapt to an economy without manufacturing. One manufacturing firm in a community provides a significant boost to the local economy and improves the outlook for other businesses.

North Carolina has seen its share of manufacturers leave rural areas of the state. On a single day in 2003, 3,900 workers at the Pillowtex factory in Kannapolis discovered that they were being laid off. The regional textile industry was in decline and some other mills had already shut down, but there had never been anything like the Pillowtex closure. In fact, it is still the largest-ever mass layoff in the Southeastern United States. Some families had worked for Pillowtex for generations. At its peak, the factory employed 16,000 people.

The community responded with vigorous support for the dislocated workers, who came primarily from Rowan and Cabarrus Counties. The community college serving the two counties proved to be an invaluable asset, enrolling up to half of the dislocated workers in retraining programs. The college established the R3 Center to “refocus, retrain, and reemploy” individuals who had lost their jobs when Pillowtex closed.

The R3 Center was not expecting to remain open for nearly 15 years and counting, but it took on a new challenge when the Great Recession hit North Carolina. “The advantage with Pillowtex was they all came from the same place, so we knew the skills they had,” said Craig Lamb, vice president of corporate and continuing education at Rowan-Cabarrus Community College. “In 2008, we had people coming to R3 from finance, health care, and other industries, so we had broader challenges.”

The R3 Center continues to evolve. Today, it reaches out to people in the community who need jobs.

The center provides career coaching, free workshops, and skills training, and it connects jobseekers with employers looking to hire. In three months or even less, people can earn certifications for any of a variety of occupations through the R3 Center—from truck driver and forklift operator to several health care occupations. The R3 Center has received foundation grants, such as an award of $560,000 from the Golden Leaf Foundation for an advanced manufacturing program and a second grant for a new light...
diesel program. In 2016, North Carolina’s voters approved a Connect North Carolina bond of more than $500,000 for the R3 Center.

“Manufacturing is still employing people,” says Lamb, “but fewer of them and at a higher skill set. We partner with 36 manufacturing firms who are ready to hire our graduates in jobs that pay $15 per hour or more, with benefits. That’s a major leap for many of the people we enroll.” Training that leads to full-time employment with benefits and an opportunity for advancement goes a long way to build stability and give people faith in their communities and the future.

Small Business Is a Big Deal

Supportive policies and programs to improve the productivity of local businesses have the potential for significant payoffs in terms of economic growth and community development. Small business development and entrepreneurship produce faster economic growth in rural communities.85

One of the main reasons this is true is that when businesses are locally owned, more of the profits stay in the community, spent at other local businesses. Too often, using economic development dollars to attract outside firms brings diminishing returns on investment, both because such recruitment usually requires regulatory and tax concessions and because large chains send most of their profits back to corporate headquarters rather than keeping these funds circulating in the community. As a result, local independent businesses have an employment “multiplier” more than twice that of chains.86

Small businesses and entrepreneurs need capital, management support, and infrastructure to flourish. Community Development Financial Institutions (CDFIs) are providing some of the capital in more than 1,000 locations around the country. CDFIs help coordinate private and public sector investments, largely in economically distressed rural and urban communities that are underserved by mainstream or traditional lenders. In addition to small business development, CDFIs work to help finance home purchases and develop community resources such as affordable housing, health centers, schools, and community centers. Some also provide a range of management support services.

CDFIs may be local banks, credit unions, or any of several types of mission-driven financial institutions that take a market-based approach to supporting economically underserved communities. To qualify as a CDFI, entities must be certified by the U.S. Department of Treasury, making them eligible for the CDFI fund, which awarded more than $543 million in financial assistance, loans, and bond guarantees in fiscal year 2016.87

An example of a CDFI success in the Native American community is Four Bands Community Fund of Eagle Butte, S.D., which serves communities on the Cheyenne River Indian Reservation. With support from Four Bands, Robi Miller, the owner of the Daily Bread Bakery, expanded her customer base to include local

Native American entrepreneur Robi Miller of Timber Lake, S.D., opened the Daily Bread Bakery in 2014 on the Cheyenne River Indian Reservation.
The New Markets Tax Credit at Work in Janesville, Wisconsin

On Dec. 23, 2008, the General Motors assembly plant in Janesville, Wisc., turned out its last vehicle. The oldest General Motors plant in the country closed up shop, another casualty of the Great Recession.¹

Janesville is the hometown of current Speaker of the House Paul Ryan, who has represented Wisconsin’s 1st congressional district since 1999. When news broke that the GM plant was closing, Ryan reportedly called the head of GM and pleaded with him not to close the plant, saying, “You know you’ll destroy the town if you do this!”²

The fate of other Rust Belt towns gave Ryan reason to fear the worst. The GM plant was the town’s biggest employer. When plants close, marriages fall apart, children begin showing up at school hungry, and substance abuse soars.

Janesville continues to struggle to create jobs to replace those that were lost. In 2015, Festival Foods, a family-owned grocery chain based in Wisconsin, opened a new store, taking over an 88,000 square-foot site vacated by a K-Mart store. The store has 73 full-time workers, 57 cashiers/floor staff earning an average of $13.02 an hour and 16 managers at an average wage of $23.90 an hour. The construction phase employed 98 people with an average salary of more than $51,000.³ These jobs are not enough to replace those at GM, but they are helping the town recover.

And the grocery store has done more than just create jobs, because it is located in what had been a “food desert”—an area with a significant number of low-income residents that do not have a supermarket with an adequate supply of fresh, healthy foods.

It is unlikely that Janesville would have been able to attract Festival Foods without the New Markets Tax Credit (NMTC). More than 72 percent of all NMTC investments have been in communities suffering severe economic distress, including poverty rates of 30 percent or more.⁴ Since its creation in 2000, the NMTC has proven to be a powerful tool for providing credit to businesses in credit-starved communities. The federal government has made many attempts to encourage private sector investment in low-income communities, but few have been as successful as the NMTC.

In November 2016, the Treasury Department, which administers the NMTC, allocated a total of $7 billion, of which $2.8 billion is for projects in rural areas.⁵ The $7 billion will finance the program’s investments in hundreds of businesses and community facilities, from retail stores and manufacturers to affordable housing and health centers. Moreover, the NMTC has done more to reduce the number of food deserts than any other program. In 2016, it provided financing for the creation or expansion of 38 new grocery stores.⁶
restaurants and other businesses. She later took advantage of Four Bands services beyond financing, including business coaching.

The Center for Rural Affairs (CFRA), a CDFI in Lyons, Neb., offers business training, technical assistance, and networking to entrepreneurs in distressed communities across the state. In 2006, Maria Alvarado, a mother of five children, needed more flexible work hours, so she quit her $13 an hour job at a wireless company and launched Avarado’s Tax Services from her home. As the business began to grow, she sought help from CFRA and enrolled in several of its business training courses, met with a mentor, and participated in meetings with other CFRA clients. With a $2,000 award that she received through CFRA’s Rural Enterprise Assistance Project, she moved the business from her home office to a storefront, which gave it more visibility and enabled it to continue to grow. Since then, she has added a travel agency and money transfer services.

USDA has a program that awards grants to organizations that support very small rural businesses with services such as training, technical assistance, and small loans. This Rural Microentrepreneur Assistance Program (RMAP), as its name says, serves microenterprises, defined as either a sole proprietorship or a business with no more than the equivalent of 10 full-time employees. The United States is a nation of small businesses—in fact, more than 90 percent of all businesses are microbusinesses.

Since 2010, USDA has made 300 awards, totaling nearly $25 million. Examples of how these awards have been used include enabling a small tool and replacement parts business in rural Kentucky to expand its facility from 1,000 square feet to 30,000 square feet and hire seven new staff members; helping a honey bottling facility in Nebraska raise the money needed to purchase its building and modernize its equipment; and enabling an organic fruit and vegetable farm in California to expand to sell at farmers markets and a co-op grocery store.

The Small Business Administration (SBA), USDA, and other government agencies have an important role to play in supporting microbusinesses, but so far, it has not been a priority. In fiscal year 2016, the SBA guaranteed nearly $29 billion in loans to small businesses, but only $58 million went to microloans. USDA’s Rural Microentrepreneur Assistance Program is even smaller, with an annual budget of just $3 million.

Microbusiness owners are more likely to be women and people of color. They are also more likely to be “necessity entrepreneurs” as opposed to “opportunity entrepreneurs.” While opportunity entrepreneurs may choose starting a business over other options, necessity entrepreneurs create businesses largely because they have few options to earn a living. It has become harder to find a well-paying job without a college diploma, for example, but starting a business does not require one.

The Great Recession caused a significant increase in small businesses started out of necessity. More than two-thirds of entrepreneurs use personal savings to get their business started, and more than one in five rely on family for funding. New businesses started by people of color are at a significant disadvantage because the median wealth of white households is 20 times that of African-American households and 18 times that of Latino households.

Strong public safety-net programs are important for all entrepreneurs. When economist Gareth Olds of the Harvard Business School studied the relationship between nutrition assistance and entrepreneurship, he found that when states expanded the Food Stamp Program in the early 2000s, it increased the chances that families eligible for food stamps would start an incorporated business by 16 percent. Most never actually enrolled in the Food Stamp Program, but knowing that it was available reduced the risk of entrepreneurship enough to encourage them to go ahead. This is something Olds already understood from his own experience growing up in Anchorage, Alaska, where his parents started a small business when he was 6, and the
family used food stamp benefits and Medicaid. “They went out on a limb, and it worked,” he says, crediting federal assistance programs for equipping their success. “That security, having that in the back of your mind, changes the risks you’re willing to take.”

Expatriate Communities Support Entrepreneurs

Immigrants from Central America have built a community around the Crossroads Farmers Market in Langley Park, Md. Langley Park, on the border of Washington, D.C., is more affordable than most communities in the area. Many men work as day laborers, many women clean houses and offices. Nearly half of the community’s Latino households live below the poverty line.

The market, which opened in 2007, is a bustling place where small businesses flourish. Rosa Linares’ market stall is the most popular. Linares is the eldest of 11 children. She began farming at the age of 8 with her father in El Salvador. Here in Langley Park, she sells fresh herbs such as chipilin and epazote—plentiful in Central America and important to its cuisine, but difficult to find in the United States. Linares picks her produce very early in the morning with the help of a headlamp. She has a two-acre plot located just a few miles from the market. She sells about $500 worth of produce every week the market is open, an important supplement to what she earns as a childcare provider and office cleaner.

The market opened with the help of Casa de Maryland. Central American immigrants founded Casa in 1985 in a Presbyterian Church basement in Langley Park’s neighboring town, Takoma Park. Casa is now a national leader in providing immigrant-focused services. In 2017, the church and Crossroads opened a...
community kitchen to support local small-scale food entrepreneurs who want to expand their businesses. Nancia Sical was part of the first group to complete a microenterprise training program, and she was the first prepared food vendor at the market. She is busy every day preparing carne asada, roasted corn, plantains, and tostadas. The community kitchen will help her expand her fledging catering business, giving her space to work that she doesn’t have in her home.

Crossroads was the first farmers market in the country to double the value of purchases made using SNAP benefits, up to $20 a week. The practice has spread to farmers markets across the country. The market also helps families who qualify apply for SNAP. Everyone who is here legally and meets the income criteria is eligible, along with the U.S. citizen children of those who are undocumented. Rosa Sanchez, who has been the market’s SNAP outreach worker for the past nine years, has signed up hundreds of families who did not realize they were eligible. About 85 percent of the shoppers now receive some form of federal nutrition benefits.

Sanchez was 13 when she left El Salvador for the United States with her mother. She asked why did you bring me here, and her mother said so that you can go to school. Now when she asks people why they are here, more often they say it was to escape gang violence than for the economic opportunity. Sanchez reports that when she asks more recent immigrants what brought them to the United States, the answer is likely to be the need to escape organized gang violence at home. El Salvador’s murder rate is as high now as during the country’s devastating civil war in the 1980s. Everyone in the Langley Park community has family or knows someone with family who has been killed in gang-related violence.

The days are marked by the community’s persistent anxiety about immigration policy. The streets buzz with rumors of sweeps by Immigration and Customs Enforcement (ICE). Everyone knows someone who has been deported. People who are undocumented spend as little time outside as possible, and they may not answer a knock at the door unless they know who it is.

In the summers, teens from the neighborhood volunteer to work at the market. They grew up accompanying their mothers to the market to shop. The presence of these willing volunteers suggests that the market means as much to the next generation as to the adults. One of the volunteers is Marioli, 15 years old and a U.S. citizen whose parents are from Guatemala. She is one of her high school’s top students and wants to be an immigration lawyer. She has seen kids who ended up in foster care after their parents were deported, and she knows others who worry that the same could happen to them.

The zip codes where children are born and grow up too often limit their opportunities and threaten their potential, whether they are urban neighborhoods of concentrated poverty or rural areas of persistent poverty. This chapter has looked at many communities struggling with poverty. Diverse as these areas are, their residents face many of the same barriers to achieving the near universal goal of earning enough money to support their families and build stronger communities. In order to meet the goal that the United States set in 2015, to end hunger and food insecurity in our country by 2030, we need strategies that reach people who have been left behind.

This chapter has also identified a variety of strategies that have helped break this cycle in some communities and have the potential to help many more. These range from building partnerships among government, communities, and the private sector to strengthen schools, to supporting entrepreneurship and local businesses, to building public transportation systems and making broadband Internet available, to grassroots strategies to diversify the local economy. There are many opportunities for federal policies to support the hard work and commitment of people in low-income communities and deepen the impact of their efforts.