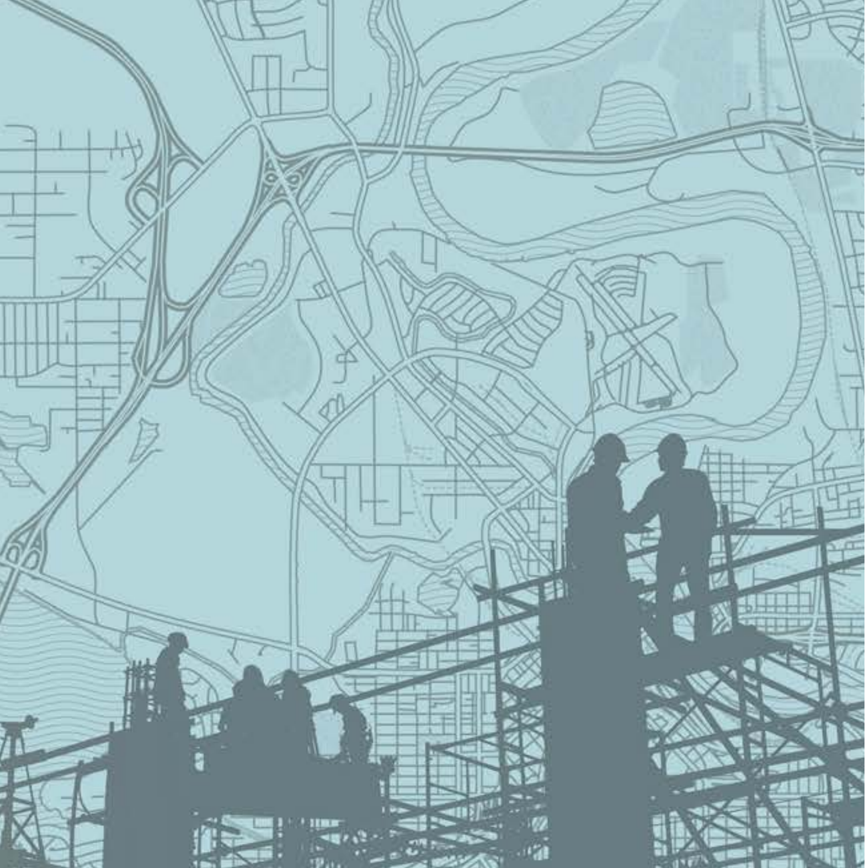

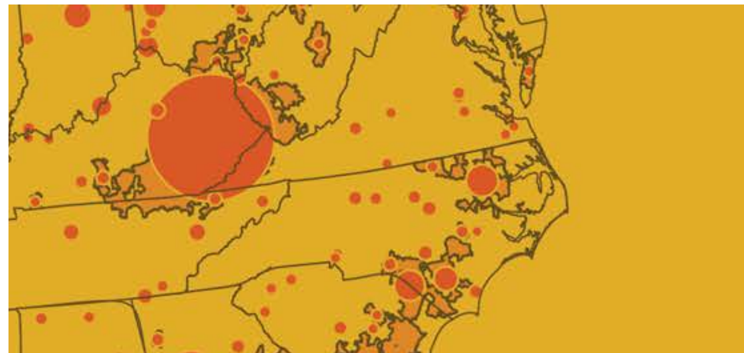

Advancing Economic Development in Persistent-Poverty Communities

ECONOMIC
INNOVATION
GROUP

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I. Preface

In policy debates in the United States, poverty is often thought of as an individual or family issue: a condition of being low income, and oftentimes, dependent on public support to make ends meet. But poverty is also a spatial phenomenon. Numerous communities across the country have been poor for generations: think parts of Appalachia, the Mississippi Delta, the southern border, or Chicago's South Side. These places do not just house poor people; they also seem to perpetuate poverty. Living in them can leave an indelible mark. This report seeks to understand why poverty persists in these communities and identify how federal policy can more effectively address the challenges that keep them poor.

Thanks to recent empirical advances, we now understand that the longer a child is exposed to a high-poverty environment, the less likely it is that they will climb the income ladder as adults.[1] Places shape the future of children via school quality, exposure to violence, pollution, and social influences, among other channels.[2] The social aspects are especially important, with recent research showing that places that foster more connections across class lines improve upward income mobility for residents.[3] Although the causal effects of place on economic outcomes appear weaker for adults,[4] there are myriad avenues through which living in a disadvantaged area inhibits human flourishing. Proximity to environmental hazards,[5] greater exposure to violence,[6] and worse health outcomes[7] are just some of the ways living in a high-poverty neighborhood can harm both children and adults. In general, poverty rates are highly correlated with other socioeconomic indicators; where poverty rates are high, populations are generally suffering on multiple fronts.

1 Chetty and Hendren, 2018.

2 Chyn and Katz, 2021; Sharkey and Elwert, 2011.

3 Chetty, 2022.

4 Chyn and Katz, 2021.

5 Downey and Hawkins, 2008; Manduca and Sampson, 2021.

6 Sampson, 2018.

7 Yang and Scott, 2020.

In addition, poverty is highly correlated with a lack of work. Nationwide, only 1.8 percent of adults who were employed full-time year-round landed in poverty in 2021, compared to 12.2 percent of those who worked less than full-time and 30 percent for those who did not work at all.[8] Rates of not working vary significantly by geography, sometimes reflecting the poor economic conditions of an area, and sometimes reflecting the deeply ingrained characteristics of a place or population that has functionally become detached from the labor market. Economic development policy has a critical role to play in combating poverty in the United States where poverty stems from regional economic weakness, on the one hand, and the weak labor market connections of a people in a place, on the other.

The intransigence of local poverty matters because it keeps the number of Americans living below the poverty line higher than it would be if opportunity was distributed evenly across the map. For too many Americans, the poverty of their surrounding community inhibits their potential—preventing them from building wealth or connections, reducing human capital formation, or increasing gaps between employment spells. A persistently high poverty rate in an area can be thought of as an alarm bell, signaling to policymakers that something fundamental in the local economy has broken down and prevented these places from fully engaging in U.S. economic life.

And yet, the challenge is by no means insurmountable. The country has made important progress over recent decades. Violent crime rates have dropped precipitously since the early 1990s.[9] Although the number of high-poverty neighborhoods remains stubbornly elevated, fewer poor people are living in extreme poverty, or in communities with a poverty rate above 40 percent.[10] These improvements show that meaningful change is possible, and they should serve to embolden a new generation of federal initiatives to rekindle economic opportunity in persistently poor places and tap into the economic potential of people living in them. As the country begins a fresh cycle coming out of the pandemic, it is time to lay the policy foundations to ensure that another era of economic growth does not come and go, only to leave thousands of the country's neediest communities, and millions of their residents, behind.

8 Creamer et al., 2022.

9 Sampson, 2018.

10 Based on the dataset created for this report, a half million fewer people live in a census tract with a poverty rate above 40 percent today compared to 1990.

II. Executive Summary

Persistent-poverty communities are in some ways the country's ultimate left-behind places—areas that have maintained high poverty rates for decades, seemingly detached from the nation's broader economic growth. The federal response to this enduring challenge has evolved over time. The working definition of persistent poverty was laid out in the *American Recovery and Reinvestment Act of 2009,* which directed certain federal agencies to dedicate at least 10 percent of their funding streams to counties that have had a poverty rate above 20 percent for the past 30 years, a formula referred to as the 10-20-30 provision.

The 10-20-30 framework represents a significant advancement in defining the challenge of persistent poverty and making it a permanent feature of federal policy. However, federal policy still has not risen to meet the full scope and scale of the problem under the framework. Measuring persistent poverty only at the county level misses large areas of persistent poverty in urban settings, because most metropolitan counties are too populous and economically diverse to register as persistently poor county-wide, even though they contain a majority of both the affected communities and the affected populations. Designed to secure set-asides from existing programs, the framework has delivered little impetus to develop novel programs specifically tailored to the problem of persistent poverty. Even the methodology for identifying persistent-poverty communities is not standardized across agencies, leading to large divergences in which counties qualify as persistently poor and undermining needed federal coordination in these areas.

It is time for federal policy to evolve again to support America's most left behind communities. This report contributes to that evolution in several significant ways, both quantitatively and qualitatively. It puts forth **contiguous groups of persistently poor census tracts** as a more refined alternative to the current county-only definitions. While these groups are more methodologically complicated to create, they offer a right-sized geography for economic development interventions, more precisely identify areas of persistent poverty within counties, and are better aligned with the empirical evidence on the effects of neighborhoods on individual outcomes and opportunity. **Typologies** (see p. 8 for a list of typologies) are created to differentiate persistent-poverty communities from each other while also highlighting key commonalities. A **development assessment** scores communities based on those typologies across 14 distinct metrics to identify strengths and weaknesses in the local economic foundations and to inform development strategies. Finally, a set of **case studies** provide an analysis of four distinct persistent-poverty communities to help understand the local dynamics that perpetuate poverty—and draw lessons from initiatives past and present that have tried to break the cycle.

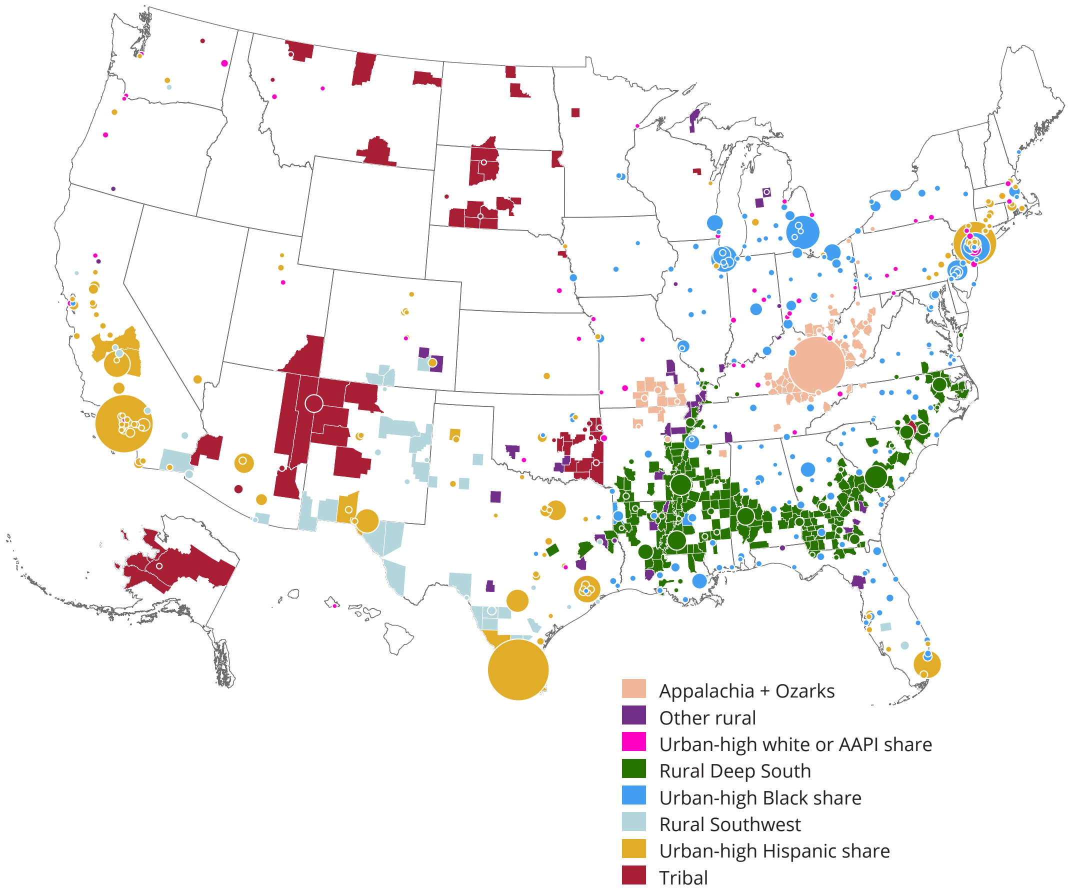
The report's key findings include:

- **35 million Americans reside in a persistent-poverty community.** These communities are identified using a novel geography that groups together adjacent persistent-poverty census tracts into distinct persistent-poverty tract groups (PPTGs). Altogether, the approach captures 15 million more Americans living in persistent poverty communities than when counted only at the county-level. Among the hundreds of additional areas of persistent poverty that come into focus are large, urban, and demographically diverse communities such as one in central Los Angeles with a population of 1.2 million, and ones in Chicago and Houston with 500,000 residents each. The approach also offers greater precision in identifying persistent-poverty areas in rural settings.

- **Tract groups are more representative of the population living in persistent-poverty areas.** More than twice as many Black and Hispanic Americans are represented in PPTGs than in persistent-poverty counties, as well as 20 percent more white Americans in those PPTGs than at the county level.

- **Race and region define the map of persistent poverty.** A single racial or ethnic group tends to predominate in each persistent-poverty area—pointing to the deep historical roots of the challenge everywhere it arises. Blacks are overrepresented in the band of persistent poverty that stretches from East Texas to Southern Virginia, a living legacy of the region's agricultural and slave-holding past. Many tribal counties in the western states are rich in natural resources, culture, and language. However, a centuries-long pattern of economic and social exclusion has left them with some of the country's most persistent and widespread pockets of poverty. Many predominantly Hispanic counties along the Southern border also trace their lineage as persistently poor communities back centuries. Similarly, white poverty in Appalachia and the Ozarks is rooted in the economic histories of those regions. Comparable forces of segregation and barriers to opportunity are key protagonists behind persistently poor neighborhoods in American cities. Shared experiences and histories naturally lead to the creation of distinct typologies of persistently poor communities.

FIGURE 15: Typologies of persistent-poverty counties and persistent-poverty tract groups (centroids scaled by population)



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

- **Each typology exhibits different strengths and weaknesses across the building blocks of economic development.** Prime-age employment rates and educational attainment tend to be low across all persistent-poverty communities. Affordability tends to be a greater challenge in more urban settings, while proximity to good-paying jobs is rare in rural ones. Measures such as infrastructure quality and upward income mobility vary significantly across the different typologies.

- **It is very rare that once high-poverty places eventually turn around.** Only 7 percent of counties that were high poverty in 1990 had poverty rates fall comfortably below 20 percent by 2019 and also experienced population growth in the process. Most either benefited from exurban sprawl or growth in the mining and extraction industry. The weak state of private sector development in persistently poor areas likely inhibits more turnarounds from taking hold.

Case studies were conducted in four persistent-poverty communities falling into four different typologies: Phoenix, Arizona (Urban-high Hispanic share); North St. Louis, Missouri (Urban-high Black share); Big Horn County, Montana (Tribal); and Gadsden County, Florida (Rural Deep South). Despite the geographic and cultural differences of these communities, several key themes emerged from these case studies that help to identify the binding constraints on their development. All of these four distinct communities grappled with:

- **Disconnection from regional growth**: At the regional level, economic growth alone does not necessarily translate into prosperity that reaches persistently poor areas. The very persistence of poverty in South Phoenix exemplifies this, located in one of the fastest-growing regions in the country. The same holds true in St. Louis, where a burgeoning innovation sector has yet to translate into much direct economic opportunity for residents of persistently poor areas.

- **Insufficient local institutional capacity**: Most persistent-poverty communities are by definition resource-limited, with many needs and a comparatively small tax base given their economic distress. Limited capacity makes it difficult to do basic economic development work, ranging from applying for federal grants to attracting new businesses. For example, Big Horn County, Montana, had no full-time economic development position until recently.

- **Inadequate infrastructure**: Infrastructure issues large and small hold back growth. For example, residents of North St. Louis pointed out that the poor condition of their infrastructure degrades their quality of life and discourages potential residents and businesses from locating within the area. Meanwhile, plans to develop a freight corridor in Gadsden and build out a rail spur in Big Horn are examples of the types of larger infrastructure investments that could help kickstart the development of private industry were they to come to fruition.

- **Anemic small business ecosystems**: All four case study communities struggle to foster entrepreneurship and cultivate a healthy small business ecosystem. Some contend with limited access to capital or the leakage of resident earnings to more economically vibrant neighbors. In others, local population loss makes it harder for businesses to survive. All four grapple with the need to cultivate a more robust pipeline of local entrepreneurs.

- **Inadequate workforce development systems**: Every case study community has employment opportunities for residents able to complete the necessary training and to successfully find and keep a position. However, these opportunities are practically out of reach for many poor residents. Gadsden and St. Louis lack the workforce development infrastructure needed to connect low-skilled workers to higher paying employment at scale. In rural Big Horn, degree completion is a major challenge, and in expansive, decentralized Phoenix, limited transportation access to job centers erects barriers.

This report's quantitative and qualitative analyses reveal a tangled knot of forces at work in most persistent-poverty communities that keep them from escaping poverty. The long-term work of finally, durably, advancing economic development in persistent-poverty communities can begin with a few basic steps: more precision in diagnosing the problem, better alignment of policy tools with community needs, greater cultivation of a local partner network, and a focus on simultaneously incubating private sector activity while strengthening connectivity between poor places and the rest of the economy. There is much that federal agencies can do in collaboration with each other and partners on the ground to set persistently poor communities on a better trajectory. Key themes to guide the next stage of policy ideation and implementation include:

- **If the federal government is committed to attacking persistent poverty at its roots, it needs to do two things: invest more in these places and invest more wisely.** Based on this report's methodology, the problem of persistent geographic poverty is at least 72 percent larger by population than the federal government's current county-based measurement. Given the true scale of the problem, both more direct development-related funding and customized policy solutions that address the unique challenges of persistent-poverty communities are needed. Here, the Recompete Pilot Program may serve as a model of a sizable, flexible, economic development-oriented funding stream that could eventually be scaled.

- **Federal partners must better coordinate their interventions to maximize successful outcomes in persistent-poverty communities.** Due to the overlapping nature of issues facing persistently poor communities and the scarce resource environment in which most of them operate, a lack of collaboration and coordination across federal agencies hinders effective interventions and ensures each individual federal investment undershoots its potential. Without coordination, there is a much higher risk that isolated investments fail in the absence of complementary initiatives or supportive follow-on activities, squandering already scarce resources when collaboration could lead to better local outcomes without significant new funding.

- **Federal goals would be best served by a standardized methodology for defining persistent-poverty areas.** Congress should ask the U.S. Census Bureau to set the authoritative qualifying criteria for persistent-poverty communities to be used across all federal agencies. In that process, the Census Bureau should work with affected agencies to explore the feasibility of incorporating census tracts or tract groups into the model. Federal program officials and recipient communities alike would be better served by agencies working off a single, authoritative, complete, and predictably updated map of persistent-poverty areas.

- **Congress and federal stakeholders should look beyond the poverty rate and consider other metrics to design place-based policies that target economically distressed areas.** Most persistent-poverty communities are embedded in wider areas that are broadly struggling but not necessarily pervasively and persistently poor. The poverty rate itself is fraught with measurement challenges and controversies. When designing and implementing place-based economic development policy, measures such as median incomes and prime-age employment rates should be considered to more precisely target economically lagging areas.

- **The core economic development challenge in persistently poor communities is to stimulate private economic activity.** Given the anemic state of private sector development in most persistently poor areas, federal interventions must strive to stimulate markets, attract private capital, and empower residents to become productive economic actors. People-based strategies around career pathways, workforce development partnerships, and re-entry programs should be accompanied with more place-based ones around investment incentives and capital solutions, public-private partnerships, and placemaking.

- **Given persistent poverty's deep historical and localized roots, the federal government must support locally-grown strategies and bottom-up capacity building.** Truly sustainable economic development strategies stem organically from their environments. The federal government can support such strategies by elevating the problem, setting bold national goals around it, and following through with sustained financial commitments and novel programming. Perhaps most important, however, are direct investments to incubate local capacity in persistent-poverty communities so that they can take control over their futures.

Advancing the economic development of persistently poor places requires strengthening the ties between them and the rest of the nation's economic and social fabric. Persistent-poverty communities suffer from too little connectivity: too few jobs, too little investment, too much economic and social isolation. The task for policymakers and economic development practitioners is to develop the next generation of programs and tools tailored to the specific needs of persistent-poverty communities to better integrate them into the nation's economic fold. Some elements of this playbook have already been outlined, but the field of economic development still has more questions than answers and will need to embark on a new era of brainstorming, experimentation, and innovation to rise to the challenge.

III. Defining persistent poverty

Background and history

"Persistent-poverty areas" have been part of the country's policy lexicon since at least the 1980s.[11] The U.S. Department of Agriculture (USDA) first classified counties as being persistently poor in 1990.[12] But it was not until the 2008 financial crisis that the term rose to its current prominence as an organizing principle for federal investments.

The American Recovery and Reinvestment Act of 2009 contained what has become known as the "10-20-30" provision, which required 10 percent of funds from specific development programs to go to persistently poor counties, defined as those that have had a poverty rate of 20 percent or higher for at least 30 years. This requirement statutorily applies to certain programs administered by USDA's Rural Development arm, the U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund, and the U.S. Department of Commerce's Economic Development Administration (EDA).[13]

Each of these three agencies has devised its own county-level methodology for determining persistent poverty. Large divergences spanning data sources, benchmark years, and treatments of margins of error have emerged across them in the absence of a standardized federal approach. For example, the three agencies agree on a core of 330 counties, but another 180 counties appear on only one or two lists. EDA creates its list using the latest Small Area Income and Poverty Estimates (SAIPE) data combined with historical decennial censuses and updates it annually. USDA and the CDFI Fund rely on 5-year American Community Survey (ACS) data from fixed time periods, leading to relatively outdated lists.[14]

11 Wilson and Aponte, 1985.

12 U.S. Department of Agriculture, 2019.

13 GAO, 2021.

14 Ibid.

Below the county level, a federal definition of persistent-poverty areas does not functionally exist. Federal programs ranging from Empowerment Zones in the 1990s to New Market Tax Credits in the 2000s to Opportunity Zones in the 2010s have generally relied on static snapshots in time of income and poverty, namely the low-income census tract criteria, which generally requires a census tract have a poverty rate of at least 20 percent or a median family income below an area-based benchmark.[15] Proposed legislation that would extend the 10-20-30 provision to qualifying census tracts also uses high, rather than persistent, poverty as the criteria even though it claims the persistent-poverty county framework as its antecedent.[16]

The temporal dimension to poverty truly matters, however. Not only are persistently poor places higher-need and more economically distressed than simply high-poverty places, as later sections of this report will show, but the very *persistence* of poverty is also what motivates the federal place-based policy intervention: these communities have been locked into a low-level equilibrium for decades. It is very unlikely they will climb out of that equilibrium absent an intervention to fix whatever market failures or other economic, social, or policy problems contribute to the persistence of poverty in the area.

This push for a persistent-poverty framework that extends to census tracts is timely because the country is just now entering the era in which creating longitudinal estimates of poverty at the tract level is possible. The U.S. Census Bureau had not fully "tracted" the country (meaning they had not designated census tracts to cover the entire country's map) until 1990, and consequently there was no way to measure persistent poverty on a nationwide basis at the tract level for many years. Now, with nearly 30 years of data for every census tract in the country, it is possible to identify places where poverty has stubbornly persisted at a neighborhood-level resolution. The research community has begun to do exactly this.[17] The resulting insights are especially valuable in metropolitan contexts where the spatial concentration of poverty often only comes into focus below the county scale. However, determining the persistence of poverty at the census tract level is also more methodologically complex. Unlike counties, which tend to have stable boundaries, census tract boundaries can change with each new decennial census to reflect increases and decreases in population. This requires interpolating estimates for preceding years across tract portions to achieve consistent boundaries.[18]

15 See Title 26 Section 45D(e) of the U.S. Code.

16 *An Act Targeting Resources to Communities in Need* (H.R.2055, 116th Congress), 2019.

17 Benzow and Fikri, 2020; Cortright and Mahmoudi, 2014; Logan et al., 2020.

18 Logan et al., 2020.

Poverty rate as a barometer for economic distress

The Census Bureau's Official Poverty Measure (OPM) provides the foundation of analysis in this report, but it is subject to several shortcomings in evaluating the lived experience of low-income people in the United States.[19] The headline federal poverty rate has changed little since the 1970s, but the experience of being poor has changed considerably, and there is no doubt that the "officially" poor today experience a higher level of material comfort than they did decades ago.[20] There are several reasons for the growing gap between estimate and experience, including that the poverty rate is determined based on pre-tax income, does not pool income from cohabiters, and does not include the value of many safety net programs, such as food stamps, housing assistance, Medicaid, or the Earned Income Tax Credit, which do much to support households and alleviate the condition of poverty.[21] Nor does the OPM, for its part, consider the cost of living, which varies across regions of the country. The Supplemental Poverty Measure (SPM) corrects for several of these concerns by taking taxes, transfers, and the other benefits of the safety net into account. However, SPM estimates are subject to their own critiques and not provided below the state level, which prevents them from being used to analyze poverty in smaller geographic units such as counties or neighborhoods.[22]

Despite these shortcomings, the federal poverty rate is the established benchmark around which Congress makes and the Executive Branch administers policy. Subsequent portions of this report discuss whether alternative indicators could serve as better guides for place-based interventions, but the report finds that the poverty rate is closely correlated with other metrics of economic distress. The individual experience of poverty will vary immensely depending on where the individual lives and their background, but insofar as any single metric can capture the economic struggles of a place, the poverty rate is one of the most effective.[23] Persistent-poverty communities do differ dramatically from each other, but it is rare to find a place with a persistently high poverty rate that is not economically distressed in some way. The question of how the federal government can better advance economic development in persistently poor communities—and other areas like them—stands independent from debates around the methodology underlying the measurement of poverty itself.

19 For further discussion of issues with the OPM see Blank, 2008; Kolesnikova and Liu, 2012; Meyer and Sullivan, 2012; Ziliak, 2018; and Madrick, 2020.

20 Burtless, 2014; Burkhauser et al., 2019.

21 U.S. Census Bureau, 2021.

22 Burkhauser et al., 2021.

23 Kim and Loh, 2020.

Methodological considerations

Absent an established federal standard, this report adopts a methodology to be both broadly consistent with the current federal framework and provide harmonious persistent-poverty criteria for both counties and tracts. Thus, while this definition is anchored around the 20 percent poverty rate threshold that is codified in statute as denoting persistent poverty, it also tries to incorporate a few practical improvements to smooth the edges of arbitrary statistical cutoffs and address certain shortcomings inherent to the poverty measure itself in identifying truly needy places.[24]

EIG defines a persistent-poverty county or census tract as an area that registered at least a 20 percent poverty rate in both the 1990 Decennial Census and the 2015–2019 American Community Survey (ACS), as well as in either the 2000 Decennial Census or the 2006–2010 ACS.[25] For context, the overall poverty rate for the United States was 15.5 percent on the 2015–2019 ACS.

This project's need for census tract-level data necessitated the use of the ACS.[26] In the interim years, geographies were only required to meet the poverty threshold on either the 2000 Decennial Census data or the 2006–2010 ACS (in fact, 89 percent of persistent-poverty tracts and 83 percent of persistent-poverty counties met both). This allowed places to temporarily fall out of high-poverty status but still be considered persistently poor if the progress proved fleeting enough that they returned to a high-poverty state by the end of the period. This additional flexibility brings in 66 counties that would otherwise have been excluded.

Two important objectives framed the decisions made here to define persistent poverty. First, we wanted to allow for a realistic "gray area" to capture communities on the margins of persistent poverty while also ensuring that the highest-need corners of the country remain the primary focus of the analysis. Second, we wanted to ensure that this methodology was replicable and could lay the groundwork for a standardized future federal definition of persistent poverty at both the county and tract levels. For a robust discussion on additional factors to consider in defining persistent poverty, see the Appendix.

24 In the research community, a 20 percent poverty rate is often used to designate high-poverty neighborhoods and a 40 percent poverty rate used to designate extreme or concentrated poverty (Kneebone and Holmes, 2014; Jargowsky, 2003). Other research has used 30 percent to identify high-poverty areas (e.g., Cortright and Mahmoudi, 2014; Benzow and Fikri, 2020). Given the policy applications of this project, this research defers to the 20 percent federal benchmark.

25 Poverty data is no longer provided in the decennial census beginning in 2010.

26 Hence the source of the biggest methodological divergence between this study and EDA's methodology, which relies on SAPIE data that is not available for sub-county units.

Solving for students: an important methodological advance

College campuses and tracts adjacent to them (in addition to a handful of counties with large college towns) pose a special challenge for defining persistent poverty. The Census Bureau does not include students living in dormitories (or anyone living in group quarters, for that matter, which includes prisons and military bases) in the population for whom poverty status is determined, but students who live off campus are considered in calculating local poverty rates. Students are typically lower income than the general population, and their presence can inflate the poverty rate of otherwise well-off areas.

Although no federal agency attempts to control for the effect of large student populations on local poverty rates, this analysis pilots a methodology designed to correct for it and bolster the integrity of the persistent-poverty universe. The methodology was designed with the goal of filtering the most affected locations out of the sample rather than embarking on a universal student-based adjustment of all local poverty rates, where compounding margins of error at small geographies could lead to unreliable results. We employed a two-step process to exclude areas with large student populations from being considered persistently poor:

1. Areas where the student share of the population[27] exceeds 80 percent were excluded entirely, regardless of poverty status. This only affected census tracts and almost exclusively led to the removal of college campuses.

2. Areas where the student share of the population falls between 20 and 80 percent were given an adjusted poverty rate for 2019 that excluded students.[28] As with the standard poverty rate, areas had to have a non-student poverty rate of 20 percent or higher to qualify as persistently poor. (No adjustment was made for areas where the student share of the population fell below 20 percent).

Overall, this methodology succeeded in removing places that clearly should not be considered persistently poor, such as a group of census tracts around the University of California-Berkeley campus (which had an 8.8 percent average poverty rate after excluding off-campus students) while retaining places that may need additional investment, such as the area around Tuskegee University in Alabama, which still has a 23.8 percent poverty rate after off-campus students are removed. Twenty counties were also excluded after controlling for students, including Charlottesville, VA (University of Virginia), Lafayette County, MS (University of Mississippi), Monongalia County, WV (West Virginia University), and Clay County, SD (University of South Dakota).

27 Sourced from ACS table B14001: School Enrollment by Level of School for the Population 3 Years and Over: Share made up of undergraduate and graduate students.

28 This adjusted poverty rate subtracts undergraduate and graduate students from the three-and-older poverty universe population and from that universe's population living in poverty. Sourced from ACS table B14006: Poverty Status in the Past 12 Months by School Enrollment by Level of School for the Population 3 Years and Over. Tables can be cross-referenced, and students can be removed from the full poverty universe to produce similar results.

IV. Geographies of persistent poverty

Persistent poverty can be diagnosed at different geographic scales. Each scale can be thought of as a setting on a microscope, revealing a different pattern as the resolution increases or decreases. This section will survey the geography of persistent poverty at two primary scales—counties and census tracts—before introducing a novel third option that may be particularly well-suited to targeting economic development interventions, especially in metropolitan contexts: the concept of persistent-poverty tract groups, which is to say groups of adjacent census tracts that together comprise pervasively and persistently poor areas.

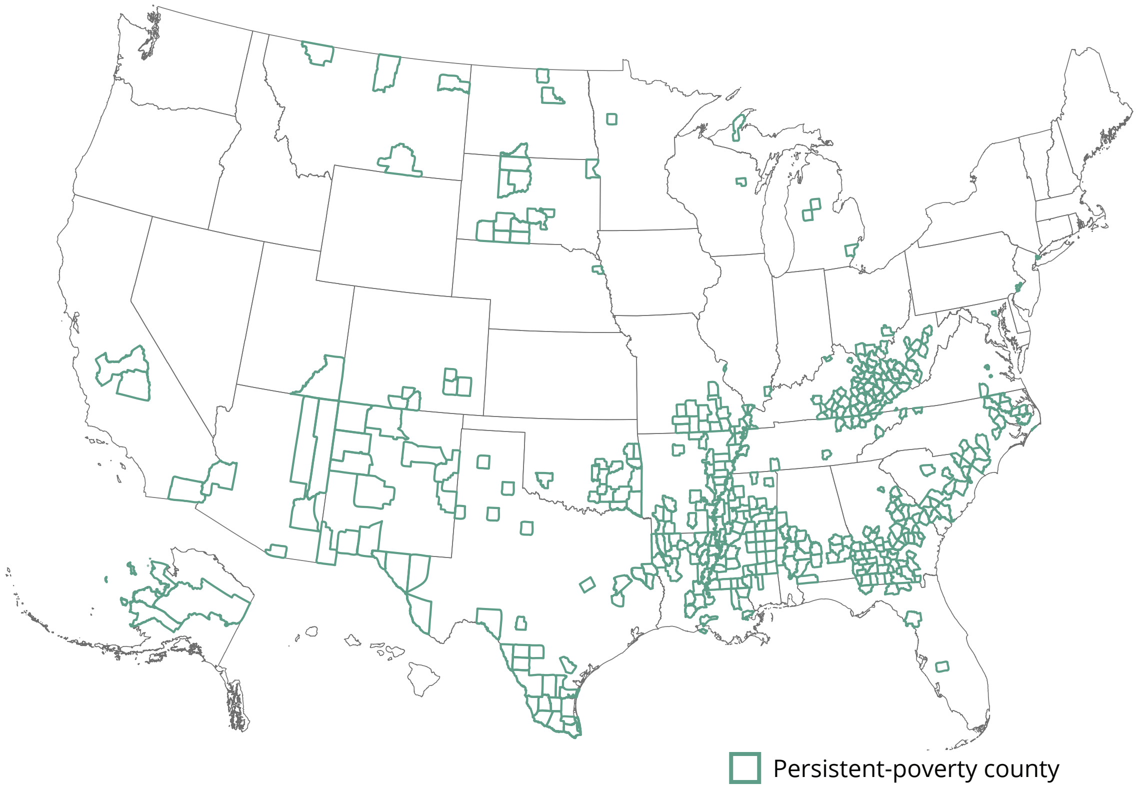
Persistent-poverty counties

Most persistent-poverty counties are rural, but urban ones contain the majority of residents.

In total, 415 counties qualify as persistently poor based on this report's methodology, excluding Puerto Rico and other U.S. territories.[29] These counties represent 13 percent of all counties in the United States and 6 percent of the country's total population—20.5 million people in total. Together, these counties have an average poverty rate of 26 percent. The Southern census region is home to 81 percent of persistent-poverty counties, while just 11 percent are in the Midwest, 8 percent in the West and only 2 percent in the Northeast. Most of the population of persistent-poverty counties live in the South as well. Persistent-poverty counties tend to cluster together in broadly disadvantaged regions such as Appalachia or the Lower Mississippi Delta.

29 Puerto Rico and U.S. territories were excluded from this analysis due to limited data availability. Nonetheless, these areas are demonstrably impoverished and in need of continued investment.

FIGURE 1: Map of persistent-poverty counties, EIG definition



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Even though most persistent-poverty counties are rural, the preponderance of the population living in them is urban. Eighty-four percent of persistent-poverty counties are non-metropolitan, but 65 percent of the total population of persistent-poverty counties live in metro areas. This difference is driven by a handful of persistent-poverty counties with very high populations, including Philadelphia County, Pennsylvania, and Bronx County, New York.

FIGURE 2: Largest and smallest persistent-poverty counties by 2019 population size

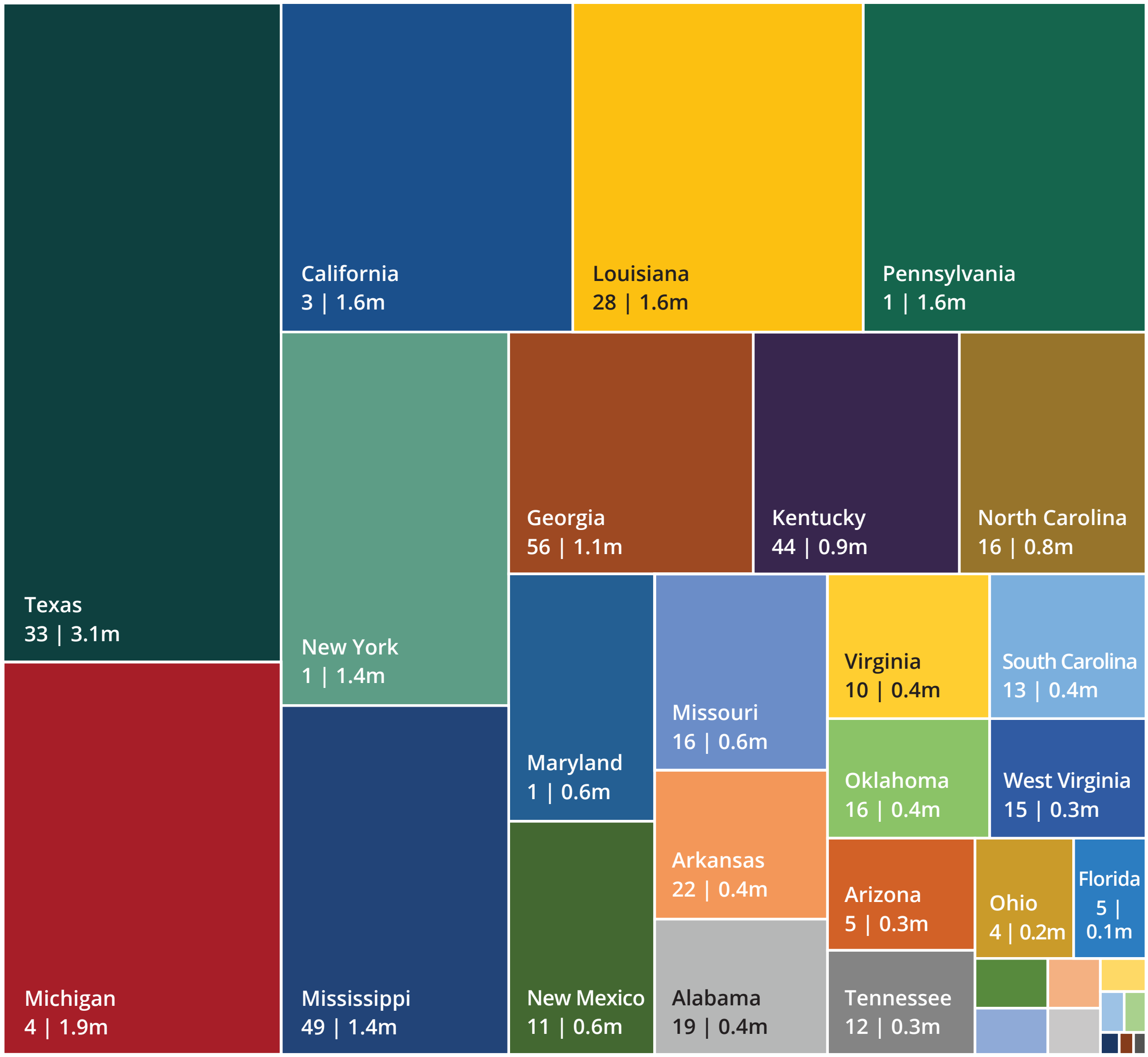
10 largest counties	Population	10 smallest counties	Population
Wayne County, MI (Detroit)	1,757,300	Cochran County, TX	2,900
Philadelphia County, PA	1,579,100	Ziebach County, SD	2,800
Bronx County, NY	1,435,100	Webster County, GA	2,600
Fresno County, CA	984,500	Quitman County, GA	2,300
Hidalgo County, TX (McAllen)	855,200	Culberson County, TX	2,200
El Paso County, TX	836,100	Robertson County, KY	2,100
Baltimore City, MD	609,000	Mellette County, SD	2,100
Tulare County, CA (Visalia)	461,900	Buffalo County, SD	2,000
Cameron County, TX (Brownsville)	421,700	Taliaferro County, GA	1,600
Orleans Parish, LA (New Orleans)	390,800	Issaquena County, MS	1,400

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

States that host the largest number of persistent-poverty counties are different from the states with the greatest number of people living in persistent-poverty counties. The majority of persistent-poverty counties are rural and sparsely populated. As seen in Figure 3, Mississippi's 48 persistent-poverty counties have about the same population as New York's one (the Bronx), just as Louisiana's 28 contain as many people as California's three. Texas has the most residents living in persistent-poverty counties, mostly on account of populous counties along the southern border. Both the number of persistent-poverty counties, most of which are rural, and the number of people living in a persistent-poverty county, most of whom live in an urban area, matter for policy; the two angles offer complementary perspectives on the problem.

FIGURE 3: Persistent-poverty counties

Grouped by state and 2019 population (count | population)



South Dakota 11 | 62k, Colorado 6 | 58k, Montana 4 | 45k, Alaska 4 | 42k, North Dakota 3 | 25k, Illinois 3 | 16k, Utah 1 | 15k, Nebraska 1 | 7k, Minnesota 1 | 6k, Wisconsin 1 | 5k

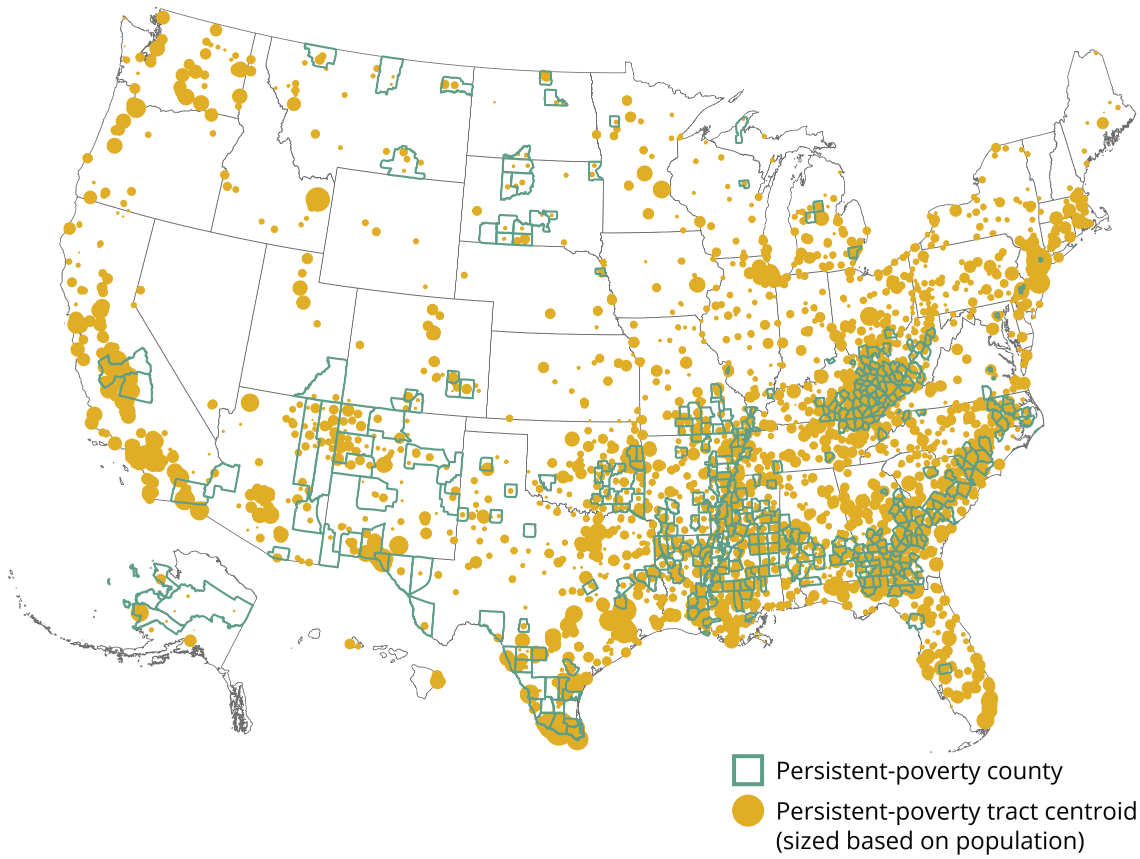
Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Persistent-poverty census tracts

Census tracts better capture the full map of persistent-poverty communities

On the latest data, 9,437 census tracts across the 50 states and the District of Columbia met the persistent-poverty criteria, containing 34.2 million people. Of that 34.2 million, 10.9 million are below the poverty line. Figure 4 shows the population-weighted centroids of persistent-poverty census tracts sized by their population with persistent-poverty counties overlaid. This allows the small but densely populated tracts in the country's urban areas to be more visible on the country's map of persistent-poverty places alongside their rural counterparts. Nearly every persistent-poverty county also contains persistent-poverty tracts, evidence of the extensive coverage achieved by a tract-level measurement with little off-setting loss of representation for places also well-captured by county-level measures.

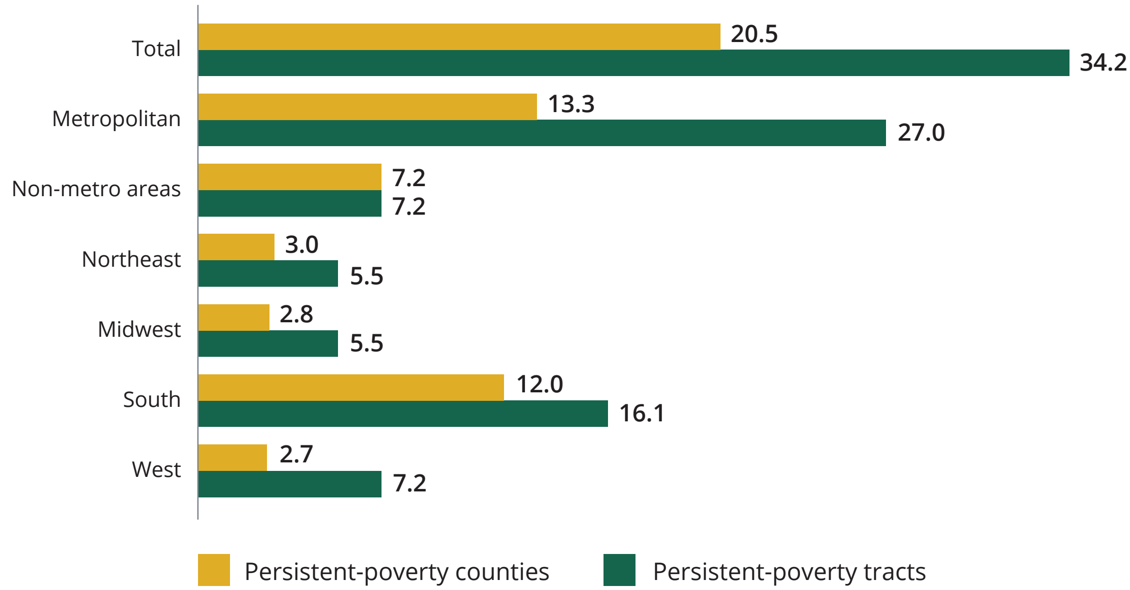
FIGURE 4: Combined map of persistent-poverty census tracts (centroids sized by 2019 population) and persistent-poverty county boundaries



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Figure 5 provides another look at the extent to which a census tract-level view completes the map of persistent poverty in the United States. The metropolitan population in a persistent-poverty area more than doubles when considering census tracts, while the non-metropolitan population stays constant. This granular approach provides a more representative picture of persistent poverty across regions, too. The South (the expansive census region that extends from Texas and Oklahoma in the west to Maryland and Delaware in the east) still hosts the largest number of people living in persistent-poverty communities, but in other regions poverty is more metropolitan in nature and thus their presence in this targeted universe expands much more substantially with a tract-level measurement. For example, the West, where 24 percent of the total U.S. population resides, represents just 13 percent of the population in persistent-poverty counties but 21 percent of the population in persistent-poverty census tracts.

FIGURE 5: Total population of persistent-poverty counties and tracts by place type (millions)



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Persistent-poverty areas are higher need than simply high-poverty ones

While high-poverty tracts make up nearly one-quarter of the country's census tracts and one-fifth of the country's population, the subset of persistent-poverty tracts (high-poverty ones that have been so for at least 30 years) make up just 13 percent of the country's census tracts and 11 percent of its population. On average, these persistent-poverty tracts perform worse than simply high-poverty tracts on a wide range of indicators that measure economic distress. The average poverty rate for persistent-poverty tracts is 34 percent compared to 27 percent for high-poverty tracts (excluding those that are also persistently poor). Nearly a quarter of persistent-poverty tracts have a poverty rate of 40 percent or higher, an indicator of how common extreme poverty is in these places. In a similar fashion, persistent-poverty tracts tend to have lower median household incomes, higher shares of prime-age adults not working, adults with no high school diploma, and higher shares of vacant housing.

FIGURE 6: Differences between persistent-poverty and high-poverty tracts

	Persistent-poverty tracts	High-poverty tracts, not persistently poor	Persistent-poverty counties	High-poverty counties, not persistently poor
Poverty rate	33.9%	27.4%	26.2%	22.7%
Median household income	$33,100	$41,800	$37,000	$42,500
Non-white share of the population	68.9%	50.7%	44.1%	29.0%
Prime-age adults not working	33.2%	27.8%	34.3%	28.5%
Share with no high school diploma	25.0%	17.9%	20.5%	16.3%
Vacant share of housing stock	14.6%	11.1%	15.9%	13.6%

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

The same pattern holds at the county level. Persistently poor counties have higher poverty rates (+3.5 percent) and lower incomes (-$5,450) on average than high-poverty counties. A nearly 6 percent greater share of prime-age adults are not working, and persistently poor counties skew much more towards minority populations—the average one is 44 percent minority, compared to 29 percent for the average high poverty county. In other words, at all geographic scales, the temporal dimension is an important and differentiating indicator of economic distress.

Shortcomings of both the county and tract views

There are shortcomings to both the county and census tract-level approaches to defining persistent poverty. Counties are simultaneously over- and under-inclusive of targeted areas. They are over-inclusive in that parts of many counties with high poverty rates are often quite well-off. For example, most of the western half of Wayne County (Detroit), Michigan, is low-poverty; as is the eastern half of Gadsden County, Florida, one of this report's case studies. Across the map, only half of census tracts in persistent-poverty counties are themselves persistently poor. Yet in many other contexts, counties are under-inclusive, missing large pockets of poverty because of the lack of standardization across states in how counties are defined. California, the most populous state, has only 58 counties with an average population of 684,000. The next most populous state, Texas, has 254 counties with an average population of 114,000. A lot more poverty gets masked in California's relatively larger counties. Even within states, Cook County indisputably houses the biggest concentrations of poverty in the state of Illinois, but, with over 5 million people, the county-wide poverty rate is only 14 percent. In the end, only 27 percent of the country's persistent-poverty census tracts are in persistent-poverty counties, and only half of the census tracts in persistent-poverty counties are themselves persistently poor. Counties have many advantages—they align with administrative units, and many economic development processes operate on these larger scales—but relying on them entails embracing a large degree of imprecision.

Groups of contiguous persistently poor census tracts form a single, cohesive, and pervasively struggling geographic unit suitable for targeting economic development-related interventions in rural and urban communities alike.

Census tracts have their own shortcomings, too. Often the geographies are too small to represent areas that are appropriate for targeting economic development-related interventions, which by nature operate at regional scales. The data can be skewed by local idiosyncrasies, capturing pockets of people who are statistically poor but living in areas that are not. They rarely conform to meaningful administrative boundaries, either. Considered in isolation, census tracts are simply too numerous to marshal and coordinate scarce resources around.

To get around these issues, this report advances a third option: defining persistent-poverty areas as groups of contiguous persistently poor census tracts that together form a single, cohesive, and pervasively struggling geographic unit suitable for targeting economic development-related interventions in rural and urban communities alike. These tract groups do not circumvent all of the issues identified—they rarely conform to administrative boundaries, for example—but they are large and discrete enough to serve as functional areas for strategy development and policy implementation. While Congress and administrative agencies may not orient programming around these tract groups in the near term, they represent a meaningful conceptual advance in precision geographic targeting which should inform future policy.

Towards a new geography of persistent poverty: census tract groups

Incorporating contiguity into the discussion of persistent poverty is important because the effects of poverty are compounded when it is pervasive across a large area rather than isolated in small pockets.[30] This is true at large geographic scales where there is a tendency of persistent-poverty counties to cluster together in distinct regions that are widely struggling. But contiguity is especially important to take into account at small geographic

30 Eberhardt, Wial, and Yee, 2020.

scales to more accurately diagnose the economic circumstances of a place. For example, residents of a poor census tract surrounded by well-off ones have greater access to services, opportunities, and amenities than the residents of a poor census tract embedded in a group of other poor census tracts. Research shows that census tracts that are part of a larger struggling area are the most resistant to improvement and the least resilient in the face of economic downturns.[31] This spatial context—the relative advantage or disadvantage of a community's surroundings—is critically important in evaluating poverty at all scales, but especially across small geographic units.

Only 4 percent of persistent-poverty tracts are "islands" and not adjacent to any high-poverty tracts, persistent or not. Many of these may be home to single affordable multifamily housing complexes that drive up the poverty rate by concentrating large numbers of low-income people in otherwise well-off areas, for example, or have poverty rates that reflect more idiosyncratic factors than they do local economic conditions broadly.

It is also exceedingly rare for a low-poverty census tract[32] to be adjacent to even a single persistent-poverty tract: just 6 percent of low-poverty tracts are adjacent to at least one persistent-poverty tract. This finding highlights the extreme socioeconomic sorting that defines the landscape of American life and previews a later discussion about how persistent-poverty tract groups reflect economic segregation within metropolitan areas.

Building persistent-poverty tract groups

In order to construct contiguous groups of persistent-poverty census tracts, we identified all persistent-poverty tracts that shared a border with at least one other persistent-poverty tract. As Figure 7 shows, the more clustered persistent-poverty tracts are, the more economically distressed they tend to be. Although there is no rule that dictates where the minimum number of persistently poor tracts that constitute a group must be set, we selected four as the cutoff because it established a higher-need geography compared to smaller groups while still including nearly four-fifths of all persistent-poverty tracts. Groups of four or more persistent-poverty tracts have, on average, higher poverty rates by 5 percentage points and lower median household incomes by about $5,000 than standalone persistent-poverty tracts. Adjacent high-poverty tracts were added to the persistent poverty cores, as were any single tracts completely surrounded by them.[33] Nearly all persistent-poverty tract groups (89 percent) have at least one adjacent high-poverty tract, and the average group has five.

31 Delmelle, Thill, and Wang, 2016; Delmelle and Thill, 2014.

32 Low-poverty tracts are defined here as those that have maintained a poverty rate below 10 percent in every decade since 1990. There are 20,897 census tracts that meet this criteria.

33 In effect, these added 2,100 adjacent high-poverty tracts to groups and 177 completely surrounded low-poverty tracts.

FIGURE 7: Descriptive statistics by persistent-poverty group size

Number of persistent-poverty tracts in a group	1	2	3	4 or more
Number of persistent-poverty tracts	1029	682	447	7279
Average poverty rate	28.4%	29.8%	30.4%	32.8%
Median household income	$38,200	$37,500	$36,000	$33,800

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

In the end, we identified 463 distinct spatial groups of four or more persistent-poverty census tracts, referred to as persistent-poverty tract groups (PPTGs). On average, these PPTGs are more populous than the average persistent-poverty county, with an average population of 75,700 compared to 49,100 for counties. These groups capture 77 percent of persistent-poverty tracts (7,279 in total). PPTGs are not just more populous because they tend to be more urban; rather, the approach of merging contiguous persistently poor areas into a single geographic unit shows the true weight of persistent poverty in all types of communities. The large tract group covering the rural Four Corners region of the southwest is divided across four states and multiple counties, for example, but regarded as a single persistently poor geography it is home to 289,000 people. All together, these PPTGs are home to 35 million Americans.

These PPTGs are meant to strike a balance between the narrow geographic targeting offered by census tracts and the reality that economic development related interventions—capacity building, fostering entrepreneurship, supporting anchor institutions, increasing access to capital, upgrading workforce skills, or investing in infrastructure, to name just a few—function at greater geographic scales.

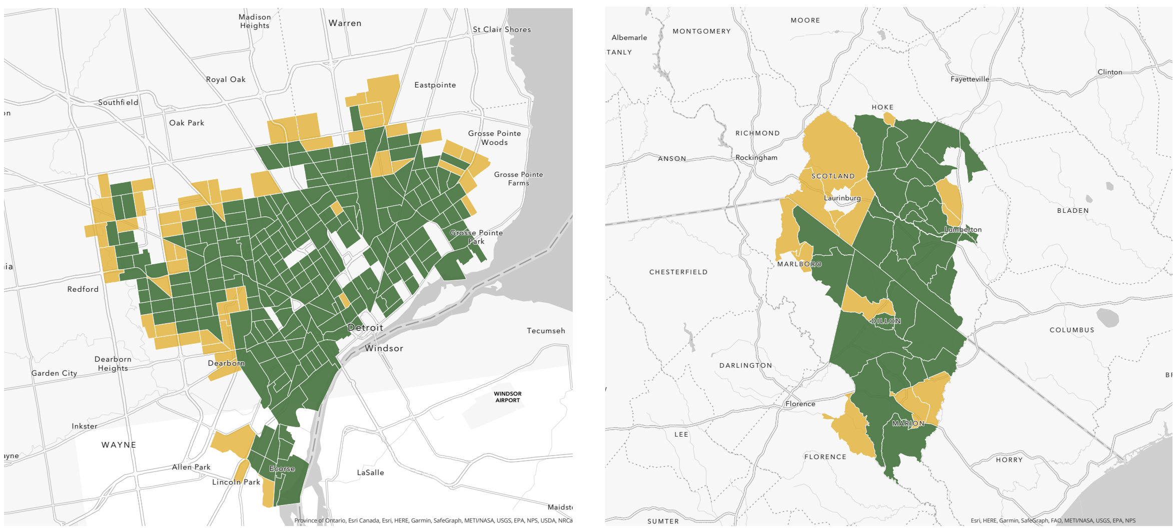
Tract groups highlight poverty's tendency to spread into adjacent communities

Adjacent high-poverty tracts were included in PPTGs because they are so important for understanding the evolving nature of spatial poverty, especially in metropolitan settings. The vast majority of PPTG cores are ringed by additional high-poverty census tracts—neighborhoods that have fallen into poverty over the study window. In general, this adjacency—newly poor places bordering enduringly poor places—showcases the tendency of poverty to spread spatially, such that a place bordering a poor neighborhood in one period is more likely to become poor itself in the next.

This tendency of poverty to spread can be observed empirically by comparing the number of high-poverty tracts adjacent to each PPTG core in 1990 and 2019. By definition, these core tracts were high-poverty in both periods, so the exercise here assesses how many of their neighbors were poor in each. Among the 463 PPTG cores, 58 percent had more high-poverty neighbors in 2019 than they did in 1990—meaning that local poverty has been spreading outward from more than half of PPTG cores over time. The largest increase was in Wayne County (Detroit), Michigan, where poverty spread from the urban core into the inner suburbs with an addition of 53 high-poverty tracts. In fact, it is far more common in most metropolitan areas for tracts adjacent to PPTG cores to fall into poverty than it is for them to climb out of it.[34] Detroit may be an extreme case, but even in rural areas, poverty can spread to adjacent census tracts over time. The PPTG that covers parts of rural North and South Carolina east of Charlotte is an example of how the same spread can occur in more remote communities.

FIGURE 8: Persistent-poverty tracts and new high-poverty tracts, Detroit urban group and North/South Carolina rural group

Detroit urban group | **North/South Carolina rural group**



Persistent-poverty tract | High-poverty tract

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

34 Benzow and Fikri, 2020.

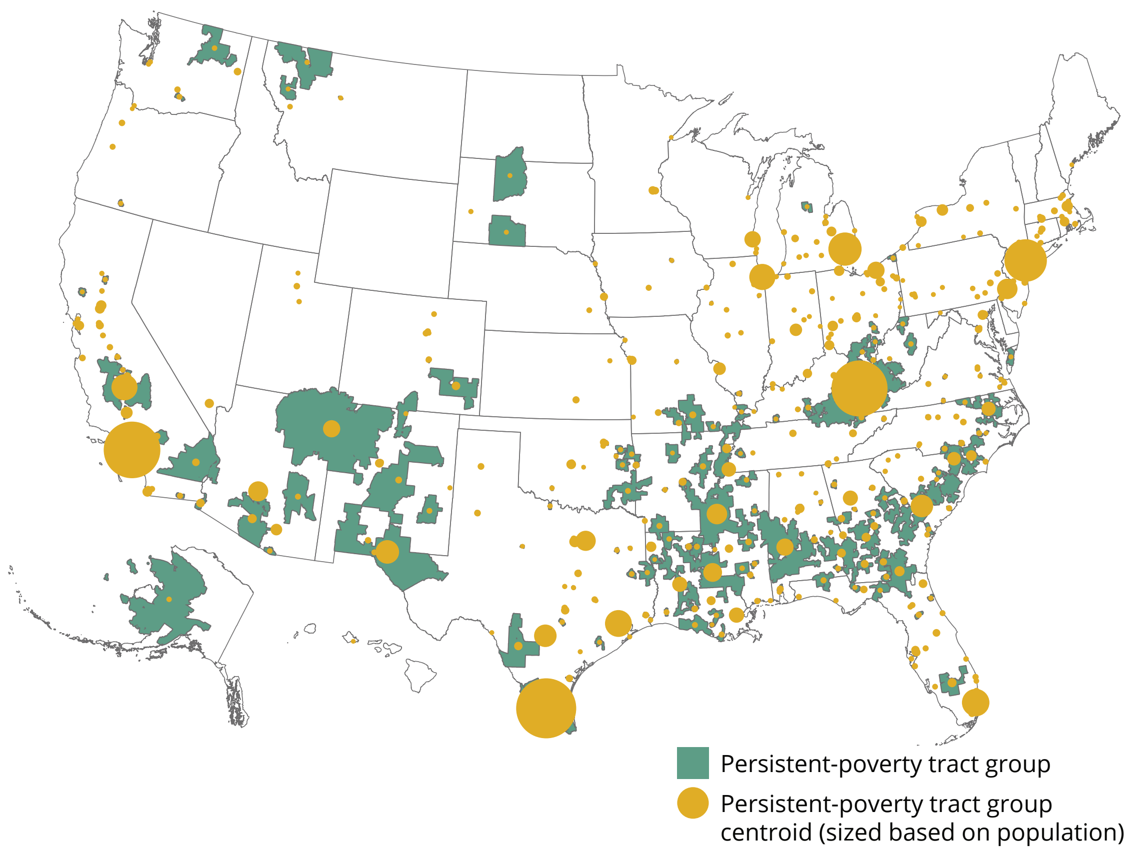
V. Persistent-poverty tract groups better reflect the true geography and demography of persistent poverty

Persistent-poverty tract groups offer a more precise and tailored geography for analyzing and addressing persistent poverty than either counties or census tracts individually. Most areas of urban poverty—and the disproportionately high numbers of Blacks and Hispanics who reside in them—are not captured in county-level definitions of persistent poverty. Census tracts examined in isolation and without reference to contiguity, for their part, overly fragment the map, which is deeply problematic when combating poverty through economic development requires spatially integrated interventions. PPTGs also reveal huge continuous rural areas of persistent poverty that span multiple counties and cross state boundaries, such as the group in central Appalachia, which spans 60 counties and covers 21,000 square miles. This ability to identify areas of pervasive, persistent poverty at large and small scales is the biggest strength of this novel geography.

Establishing the map of persistent-poverty tract groups

A population-weighted map of PPTGs clearly demonstrates how nationally-significant areas of persistent poverty get overlooked in a county-based framework. From Cleveland, Ohio, to Phoenix, Arizona, some of the nation's most significant expanses of persistent poverty do not register on a federal radar set to detect poverty at the county scale—arbitrary outcomes stemming from the underlying nature of county boundaries. This includes the 1.2-million-person, 283 tract-strong expanse of persistent poverty in Los Angeles County—a PPTG equal in population to that of Appalachia or the Texas border. This PPTG is missed because of the county's large size and population (at 10 million, it is the country's most populous county). At the same time, PPTGs capture expansive stretches of rural poverty, especially in the Deep South, where group boundaries stitch together entire regions of persistent poverty.

FIGURE 9: Map of persistent-poverty tract groups with centroids scaled by population



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

The value and policy relevance of this approach is clearly visible in examining the 20 most populous PPTGs (see Figure 10). Half of them are covered by persistent-poverty counties, meaning they are captured by and well-represented in the prevailing geographic lens applied by the federal government to persistent spatial poverty. The other half, however, are missed altogether at the county scale.

FIGURE 10: Twenty most populous persistent-poverty tract groups

Persistent-poverty tract group	Tract count	Group population	Share of tracts captured by persistent-poverty counties
South Texas	225	1,266,300	100%
Los Angeles, California	283	1,188,800	0%
Central Appalachia	331	1,176,200	87%
Bronx, New York	183	867,600	99%
Detroit, Michigan	273	658,600	97%
Queens-Brooklyn, New York	139	553,400	0%
Miami-Hialeah, Florida	102	527,900	0%
Houston, Texas	120	513,400	0%
Chicago, Illinois (South)	186	497,500	0%
Fresno-Porterville, California	104	495,700	88%
El Paso-West Texas-New Mexico	99	439,800	95%
San Antonio, Texas	93	415,400	0%
Rural South Carolina-Georgia	106	415,300	72%
Upper Mississippi Delta Region	122	371,200	96%
North Philadelphia, Pennsylvania	92	369,400	100%
Dallas, Texas	78	361,900	0%
Phoenix, Arizona	83	358,600	0%
Vicksburg, Mississippi Mid-Delta	79	331,000	97%
Chicago, Illinois (West)	100	301,000	0%
Cleveland, Ohio	154	296,900	0%

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Poverty can persist even against the backdrop of rapid regional economic growth

The greater fine-grained local resolution provided by PPTGs uncovers large areas of persistent poverty even within regions of burgeoning prosperity. Beneath the county level, huge swaths of persistent poverty can be found across the fast-growing Sunbelt, where relatively affordable housing and plentiful employment opportunities draw in the wealthy and poor alike, and in major metropolitan counties across the country, where sheer population size and economic diversity can mask huge sub-county variations in well-being. Fast-growing

Phoenix, for example, has more people living in a PPTG than North Philadelphia. The latter is captured by a persistent-poverty county (Philadelphia County), while the former (Maricopa County) is not.

How does entrenched neighborhood poverty persist in the shadow of growth and prosperity? In most parts of the country, multiple mechanisms may be at work. One is the idea of spatial mismatch, which holds that poor and often minority populations may reside in neighborhoods (generally urban) physically distant from burgeoning employment centers (generally suburban). Long commute times, inadequate public transportation, and even information asymmetries about available job opportunities can constrain access to jobs,[35] especially in regions with extensive job sprawl.[36]

A related idea is that of a skills mismatch. A fundamental gap between the skills of the local population and the requirements of nearby employers could present an even more significant barrier to accessing proximate opportunities. Quality job growth will be of little benefit to a low-income population that does not have the necessary credentials or background to get those jobs. And of course, residents of persistent-poverty neighborhoods may lack the social connections that provide ready access to quality job opportunities, just as they can confront discrimination in the job market based on race, soft-skills, or any number of other prejudices.[37]

Furthermore, once neighborhoods become poor, they tend to stay that way as housing becomes devalued, local services and schools deteriorate, and those with means seek out other locations. In other words, poverty can be perpetuated in space by markets themselves through the decisions of households, employers, and investors, on where to locate.[38] And when and wherever a neighborhood's economic decline starts to be accompanied by social deterioration, increased violence, and the like, poverty becomes very difficult to root out.[39]

When combined, these barriers to economic opportunity go far to explain how geographically isolated concentrations of low-income populations can persist in even the highest growth regions. However, they still present an incomplete picture. Historical segregation by race, ethnicity, and, increasingly, income continues to play a defining role in setting the map of persistent local poverty in the United States. The remainder of this section will explore those dynamics in depth.

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35 Wang, Wu, and Zhao, 2022.

36 Ong and Miller, 2003.

37 Chapple, 2006.

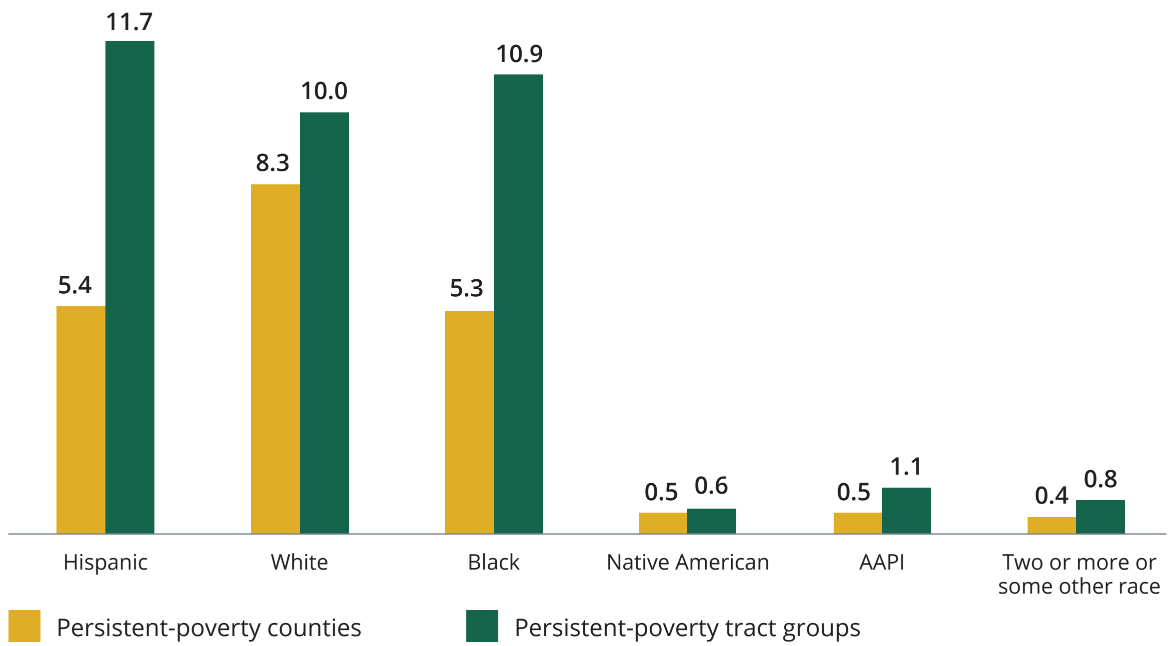
38 Perry, 2020.

39 Massey, 1998; Wilson, 1987 and 1997.

Race and segregation in persistent-poverty tract groups

The more complete geographic approach to measuring persistent poverty offered by PPTGs produces a more complete demographic picture of persistent poverty, too. At the county level, whites represent the largest group living in a persistent-poverty community. By contrast, Blacks and Hispanics both outnumber whites in PPTGs. Their populations in the persistent-poverty universe more than double moving from counties to PPTGs, while the white population increases by only 20 percent.

FIGURE 11: Total 2019 population of persistent-poverty tract groups and persistent-poverty counties by race and ethnicity (millions)



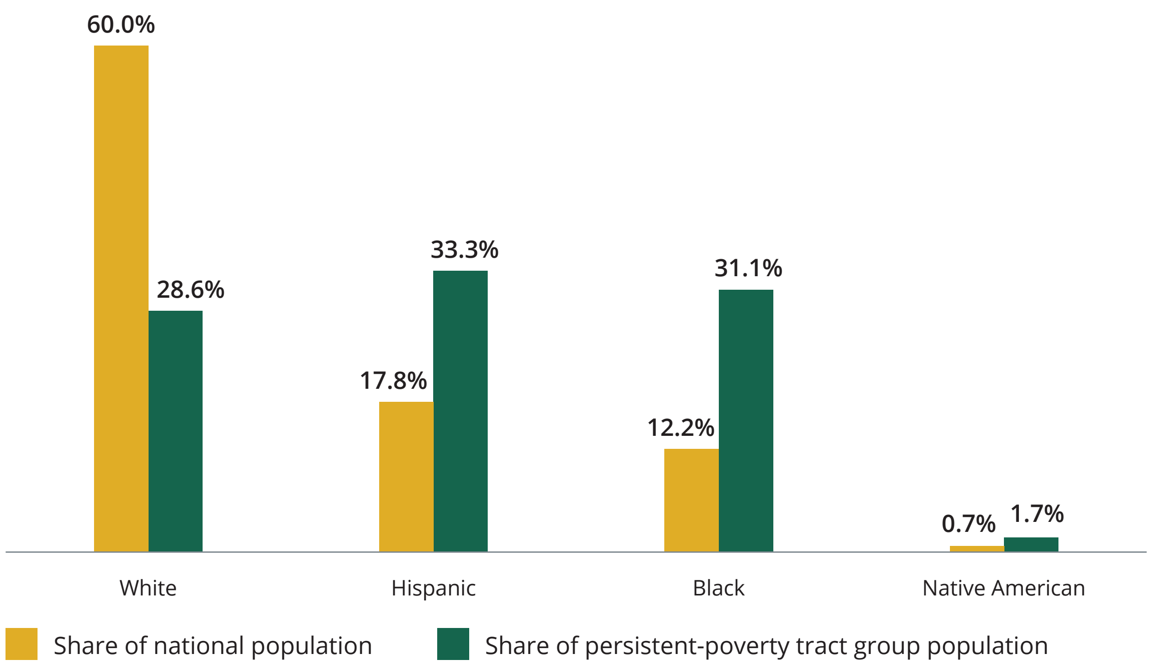
Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

PPTGs also more precisely capture the poor population belonging to each major demographic group. There are 4 million Blacks below the poverty line living in a PPTG compared to 1.7 million in persistent-poverty counties. The number of Hispanic poor increases from 1.6 million to 3.8 million while whites see a more modest increase from 1.3 million to 2.4 million. In other words, the Black poverty rate across PPTGs is 37 percent, compared to 32 percent across persistent-poverty counties. For Hispanics, the figures are 32.5 percent and 30 percent, respectively, and for whites 16 percent and 24 percent. The more refined tract groups are more purely poor, capturing more poor places and more poor people within them.

Blacks, Hispanics, and Native Americans are disproportionately likely to live in persistent-poverty communities

Blacks, Hispanics, and Native Americans are heavily overrepresented in poor places.[40] This is especially true for Black people who make up 12.2 percent of the country's population, but 31.1 percent of the population lives in a PPTG. The gap is slightly smaller for Hispanics but still significant with almost twice the national share living in PPTGs. And while only 1.9 percent of the population of PPTGs is Native American, 27.9 percent of Native Americans live in these communities, the highest proportion for any race or ethnicity. Whites make up 28.6 percent of the population of PPTGs, but they represent 60 percent of the country's total population, making them much less likely to reside in a community affected by persistent poverty than many minority groups.

FIGURE 12: Racial and ethnic breakdown of the population living in persistent-poverty tract groups relative to the country as a whole



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Many persistent-poverty tract groups exist against a backdrop of economic and racial segregation

PPTGs are, by definition, the product of the spatial concentration of low-income residents, and they are commonly found in metropolitan areas across the country. If each metro area's low-income residents were distributed equally across its neighborhoods, only about

40 Lichter and Johnson, 2007.

5 percent of metro areas have sufficiently large poor populations to contain any PPTGs at all. Thus, the very prevalence of these areas throughout the metropolitan United States points to the systemic social and economic sorting of populations across neighborhoods. However, the extent of the racial, economic, and social segregation PPTGs captures varies widely across the map.

If each metro area's low-income residents were distributed equally across its neighborhoods, only about 5 percent of metro areas have sufficiently large poor populations to contain any PPTGs at all.

Generally, an intuitive relationship exists between the poverty rate of a metro area and the share of its population residing in a PPTG: as a metro area grows poorer, a rising share of its population resides in one of these contiguous expanses of low-income neighborhoods.[41] Yet several local factors intermediate and drive a greater sorting of low-income individuals and families into high-poverty places in some metro areas more than others.

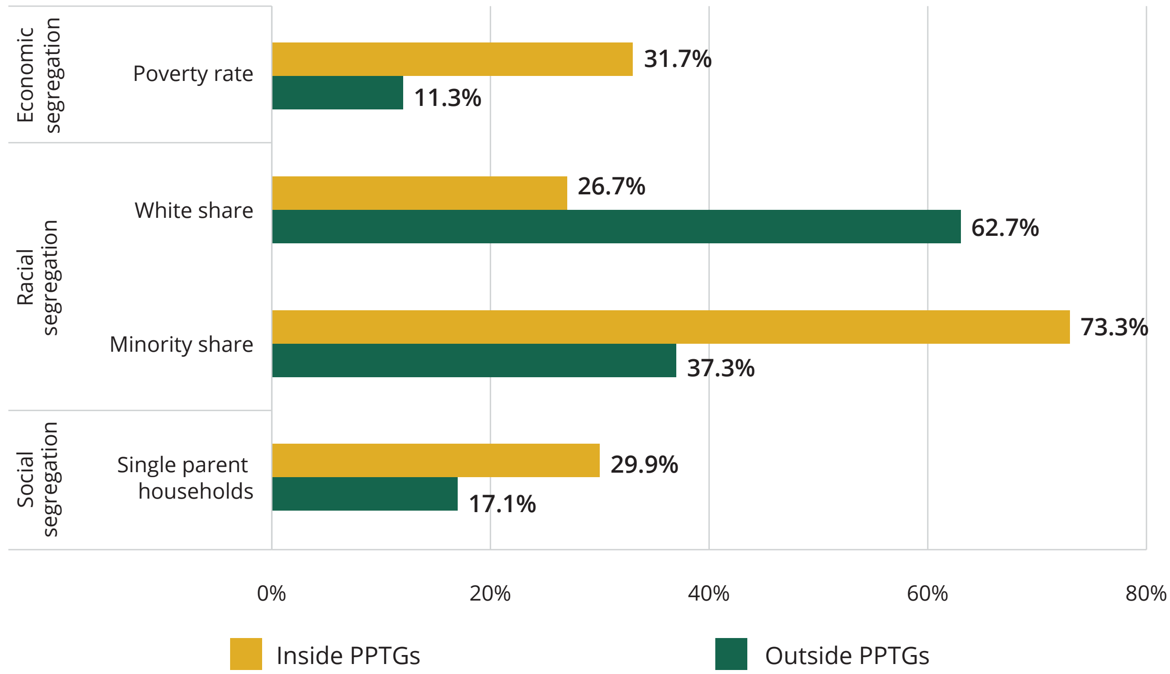
Around 70 percent of metro areas contain at least one PPTG. Those that do not are generally smaller (making it statistically harder to reach the qualifying threshold for a group), more homogenous, and sometimes very well-off-places, such as Boise, Idaho, or Madison, Wisconsin. In some of the largest metro areas without a PPTG, for example, Oxnard or San Jose, California, restricted housing supplies (regulation and zoning) ensure that poverty struggles to take hold at any significant spatial scale, often pricing low-income people out of the metropolitan footprint entirely.

On average, across the 251 metropolitan areas that *do* contain PPTGs, 33 percent of the low-income population reside in one of these spatial concentrations of poverty. This makes the poor population twice as concentrated in PPTGs as the population in general, on average.

There are huge gaps across socioeconomic indicators inside versus outside metropolitan PPTGs. Zooming in on the 100 metro areas with the most people living in PPTGs highlights this multidimensional segregation. Minorities represent 73 percent of the population in the average tract that is part of one of these groups, compared to 37 percent in the average tract that is not. For whites, the pattern is flipped: whites represent 63 percent of the population in the typical tract that is *not* part of a PPTG and only 27 percent of the population in the typical tract that is. In terms of economic segregation, the average tract-level median household income (MHI) in these PPTGs stands at only half the level it does outside: $33,400 versus $68,100. The average poverty rate is nearly three times higher. And in terms of social segregation, 30 percent of households are headed by a single parent on average in one of the PPTGs, compared to 17 percent in other tracts.

41 The correlation between metro poverty rates and shares of metro populations residing in PPTGs is 0.70 excluding the 88 metro areas with no PPTGs and 0.53 including them.

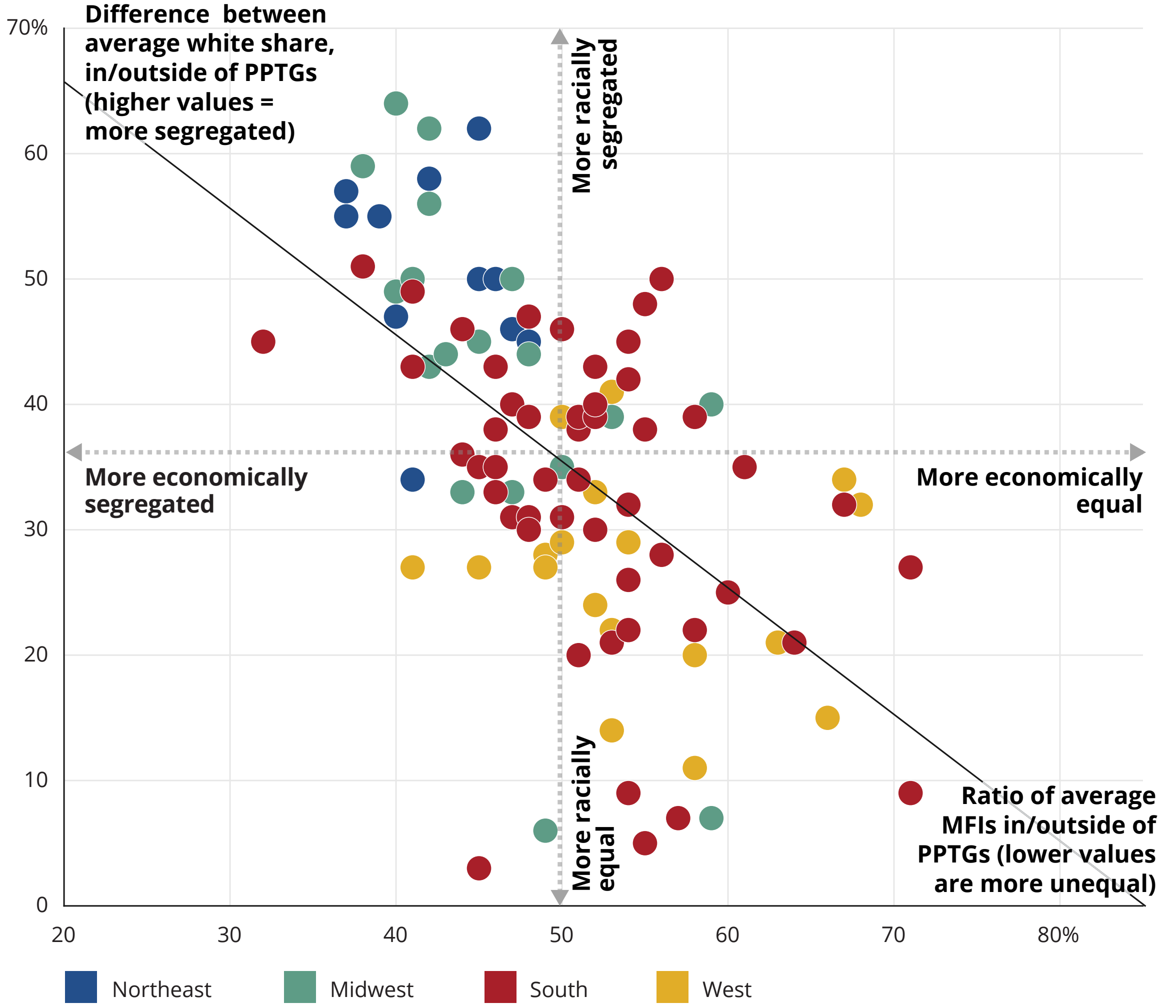
FIGURE 13: Characteristics of the average persistent-poverty tract group (PPTG) and non-PPTG tracts in the 100 metro areas with the largest PPTG populations



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Often, different types of segregation reinforce each other such that more racially segregated metropolitan areas tend to be more economically segregated ones, as well. Such compounding racial and income-based sorting (the upper left quadrant in Figure 14) is most common in the Northeast and Midwest and less common (bottom right quadrant) in parts of the South and West, particularly along the southern border. The most segregated metro area on lines of race is St. Louis (one of this report's case study locations), where 87 percent of the population inside the average PPTG tract belongs to a racial or ethnic minority compared to 23 percent on average outside the PPTG. The typical tract's median household income in the PPTG is only 40 percent of the typical tract's income outside the PPTG. Contrast that with more egalitarian Brownsville, Texas, where both racial and economic segregation run very low because the demographic and economic differences between the PPTG and the rest of the metro area are much narrower.

FIGURE 14: Assessing racial and income segregation across the 100 metro areas with the greatest persistent-poverty tract group (PPTG) populations



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Segregated PPTGs can be found even in metro areas where poor residents are reasonably dispersed across neighborhoods. In the Washington, DC, region, for example, a highly segregated, predominantly Black PPTG (with both the widest median household income gap and widest single-parent household gap in the sample) contains only 7 percent of the metro area's poor population, the second lowest figure among major metro areas. Several Sun Belt metro areas have similarly small shares of their poor populations concentrated in PPTGs, including Orlando, Florida; Atlanta, Georgia; Nashville, Tennessee; Denver, Colorado; and Las Vegas, Nevada. These areas may still grapple with poverty in varying guises, but the spatial concentration of it is lower by the standards of their peers. By contrast, in many of the least-segregated metro areas along the southern border, PPTGs encompass very large shares of both the poor population and the total population. In these places, the lack of segregation locally reflects the relative ethnic homogeneity of the population combined with the pervasiveness of high poverty rates.

Segregation also defines and sustains persistent poverty in many rural regions

Segregation is typically considered an urban phenomenon, but the same dynamics play out across much of rural America, especially in persistently poor corners of the South and West. In five states, PPTGs outside of metropolitan areas contain more than half of their states' poor rural populations: Arizona, Louisiana, Kentucky, Mississippi, and New Mexico. In Arizona, minority groups make up 87 percent of the PPTG population, compared to only 32 percent of the rural population in the rest of the state. In North Carolina, minorities make up 64 percent of the PPTG population, versus only one-quarter in rural areas outside. It is important to note that our PPTG methodology may understate rural segregation by requiring at least four persistently poor census tracts to be adjacent to each other—a difficult threshold in low-density areas. For example, Big Horn County, Montana, is a predominantly Native American persistently poor county and one of this report's case studies, but only three of its census tracts qualify as persistently poor, meaning it does not contain a PPTG as defined here.

In some ways, the geography of rural segregation in the United States is the inverse of the geography of metropolitan segregation. In metro areas, segregation runs highest in the cities of the Northeast and Midwest—part of their industrial legacy—but many of the same states register very limited levels of rural segregation (in part because their rural areas tend to be less poor overall and more homogeneously white). By contrast, in the southern and western regions where metropolitan segregation is comparatively less acute, rural segregation is more so—again part of their unique histories.

VI. How race and region set the map of persistent poverty

A close look at the map of persistent-poverty areas in the United States quickly reveals how inextricably tied together present-day poverty is with matters of race and region, or the specific history of a people in a place.

A single racial or ethnic group tends to predominate in each persistent-poverty area, and this group varies by region. Blacks predominate in the South and urban areas in the East and Midwest. Whites predominate in Appalachia and the Ozarks region. Hispanics are the largest group in most of the Southwest, and Native Americans populate most of the persistently poor counties in the Mountain West and Great Plains.

These regional concentrations of people and poverty tend to share characteristics that give them a distinct sense of place. Appalachia, for example, has been described as a "multifaceted culture that includes geographic and social isolation; the relationship of the people to the land; the value of kinship ties; … distrust of outsiders and government; powerlessness and reluctance to change; fatalism."[42] Similarly, history and race are interwoven into the band of persistent poverty that stretches from East Texas to Southern Virginia, commonly referred to as the Black Belt, a moniker originating in the region's agricultural and slave-holding past. Many tribal counties in the western states are equally rich in natural resources, culture, and language, yet the centuries-long pattern of economic and social exclusion has created some of the most persistent and widespread pockets of poverty in the country. Many predominantly Hispanic counties along the Southern border also trace their lineage as persistently poor communities back centuries.

The history of persistent poverty

In many ways, the map of persistent poverty is living history. A clear link exists between continued Black poverty in the rural South and the long shadow of slavery, for example.[43] Even after the Civil War, federal, state, and local public policies and private practices

42 Elam, 2012.

43 O'Connell, 2012; Joint Economic Committee, 2019.

undermined Black wealth creation and economic advancement well into the 20th century. In the Reconstruction South, newly freed Black farmers were prevented from becoming economically successful through calculated efforts to keep them from owning land—especially high-quality land.[44] Anti-poverty programs were resisted throughout the Civil Rights Era.[45] School segregation reduced human capital accumulation, exclusionary college admissions continued the contemptible tradition of separate and unequal, and labor market discrimination reduced the returns to the education individuals did receive. Unfair and discriminatory lending practices further undermined Black economic advancement. The political economy of the region left poor and minority populations with little power or decision-making autonomy over their own communities' fates. These disparities have calcified over the generations such that Black poverty today is endemic in the rural South.

Many Blacks who sought to escape the poverty of the rural South by moving to rapidly expanding northern cities during the Great Migration experienced economic success, but racial equality was impeded by the combined forces of deindustrialization, federal highway construction-led suburban sprawl, and neighborhood-level segregation that hollowed out once stable, middle-class, and upwardly-mobile Black communities.[46] Discriminatory zoning codes and banking practices prevented Blacks from moving to opportunity.[47] In the wake of "white flight," Black neighborhoods that were already suffering from overcrowding and devaluation experienced further disinvestment as the tax bases for entire cities dwindled.[48] An increase in poverty, crime, and incarceration rates in subsequent decades further eroded family structures and children's outcomes in low-income Black communities.[49]

To this day, levels of social, racial, educational, and economic segregation run highest in these Great Migration-destination cities of the Northeast and Midwest. Neighborhood segregation may have diminished somewhat over the past few decades,[50] driven in part by the outmigration of the Black middle class from distressed neighborhoods,[51] but a high share of Black Americans continue to live in neighborhoods of elevated poverty with low-quality schools.[52] This continuing segregation undermines both human and social capital accumulation: a quality education is one of the surest pathways out of generational poverty, and one additional way children climb the income ladder as adults is by developing friendships with more affluent peers, a type of social capital that is difficult to develop when sorted into schools with other low-income children.[53]

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44 Newkirk, 2019.
45 Smith, 2019.
46 Cohen, Lownes, and Zhang, 2022.
47 Turner and Greene, 2020; Townsley, Andres, and Nowlin, 2021; Anderson and Jones.
48 Rothstein, 2017.
49 Wildsmith, Manlove, and Cook, 2018; Burger and Kapron, 2017; Maxwell and Soloman, 2018; Blankenship et al., 2018.
50 Elbers, 2021.
51 Sharkey and Elwert, 2011.
52 Rothstein, 2015.
53 Chetty et al., 2022.

The shadow of history looms similarly large over persistently poor tribal lands, which register some of the highest poverty rates in the country. Nearly one-quarter of the Native American population still live on reservations,[54] and many reservation lands were ceded by the federal government precisely because they were remote and low quality, offering poor foundations for economic development.[55] While the reservation system has enabled generations of Native Americans to protect their culture and maintain connections to the land, it has also contributed to the separateness of Native American society. Independence and sovereignty are proudly guarded, and social, cultural, and economic integration with the rest of U.S. society is resisted. This separateness helps to maintain indigenous culture, but it can also create barriers to commerce and economic development—from a different legal and regulatory regime to differing social norms around private property and entrepreneurship.

The Indian Gaming Regulatory Act of 1988 set the stage for the expansion of gaming operations on tribal lands and opened up a valuable new source of revenue for many tribes, with the funds being directed to new economic development efforts and even some instances of direct payments to tribal members.[56] Since then, these funds have helped boost investments in tribal colleges and social services because, unlike other governments, tribal governments are typically unable to generate property or other taxes to help pay for social programs.[57] These valuable sources of revenue, however, are not as lucrative or feasible in more rural places, where the market is smaller and fewer potential customers pass through the area. Revenues and royalties from energy projects have helped to drive down poverty rates in other tribal areas; in general, however, low labor force participation rates and insufficient employment opportunities continue to perpetuate Native poverty.[58]

The geography of persistently poor Hispanic communities stems from the enduring remoteness and isolation of the Southwest as well as more recent patterns of migration to other regions, which interface onto already-segregated metropolitan maps. At the county level, the largest concentration of Hispanic poverty is along the southern border, where “colonias” dot the rural and metropolitan landscapes. This term goes back decades and refers to settlements that originally housed agricultural workers and that, to this day, lack many basic necessities such as potable water, sewer systems, electricity, paved roads, and sanitary housing.[59] Around half a million people live in these communities, mostly in Texas.[60] Strong social ties and a strong sense of community and cultural cohesion are traits that these counties share with tribal counties, which are often similarly remote and geographically and culturally isolated.[61]

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54 U.S. Department of Health and Human Services Office of Minority Health, 2022.

55 Sandefur, 1990.

56 Akee et al., 2015.

57 National Congress of American Indians.

58 Redbird, 2021.

59 Texas Office of the Secretary of State, 2014.

60 Barton et al., 2015.

61 Ibid.

Hispanic poverty is also found in agricultural communities that have historically relied on low-wage migrant labor, such as California's Central Valley, and communities with strong cultural and migration ties south of the border. In more metropolitan contexts, lower-income Hispanics (especially recent immigrants) tend to live in segregated and high-poverty neighborhoods, similar to Blacks.[62] In both rural and metropolitan areas, high rates of recent immigration, large informal economies spawned in part by a lack of (or limited access to) formal employment opportunities, and comparatively low levels of educational attainment can help keep poverty rates elevated.

White poverty also demonstrates clear regional and historical patterns at the county level, concentrated in relatively remote parts of Appalachia and the Ozarks. Many of these places combined geographic isolation with independent cultures and industrial bases rooted in the extraction of natural resources, such as coal or timber, which enriched major landowners and corporations but failed to cultivate skills or industrial bases to spawn further economic diversification. Today, physical isolation combined with depleted local wealth stocks, chronically low levels of educational attainment, and a sense of social separateness continue to make economic development an uphill climb for these communities.

Lens on poverty in the Ozarks

The Ozarks region of Missouri and Arkansas contains a group of 12 persistent-poverty counties. These counties have an average poverty rate of 24.1 percent and are overwhelmingly non-Hispanic white.[63] Much like Appalachia, which shares similar demographic and geographic attributes, the Ozarks has a unique social and cultural history. Early white migrants of mainly Scottish, Irish, and English descent settled in the remote Ozarks and developed self-sufficient, largely resource-based communities that proudly resisted outside social and economic influence. Also like their peers in Appalachia, they struggled to develop economically and diversify away from these basic industries over time.[64]

During the "timber boom" in the early 1900s, milling companies based outside the region extracted timber and other resources, which provided dependable wage-labor for Ozark residents and delivered short-term economic growth.[65] However, the industry did little to seed a more sustainable economic foundation or diversify the industrial base.[66]

62 Reardon, Fox, and Townsend, 2015.

63 The 12 counties are: Fulton, Searcy, and Sharp Counties (AR); Butler, Douglas, Oregon, Ozark, Ripley, Shannon, Texas, Wayne, and Wright Counties (MO).

64 Larsen, 2014.

65 Smith, 1986.

66 Cunningham, 2007; Guldin, 2008.

In the 1960s, the states of Missouri and Arkansas, along with the federal government, began a land acquisition process in parts of the Ozarks region to establish state and national parks for public recreation and tourism, including the Ozark National Scenic Riverways (ONSR). To establish the ONSR, the National Park Service acquired private lands from resident Ozarkers via eminent domain.[67] In the process, long-term residents lost their ties to the land, lost stable stores of family wealth (academics debate whether they were fairly compensated[68]), and were displaced to other nearby communities outside of the protected areas. This disruption exacerbated poverty in the region.

Today, the ONSR spans over 80,000 acres in southeastern Missouri. It generates over $50 million in economic benefits in the region alongside jobs and growth in the service and tourism sectors through its over 1.5 million visitors annually—an impressive number for a region that remains relatively remote even though its natural isolation has been broken by a rail line and 4-lane highway (but still no interstate). The ONSR also has promoted regional population growth rates of approximately 1 percent annually as retirees and service and tourism workers move into the Ozarks.[69] Thus, one of the forces that contributed to the persistence of poverty locally by undermining generational wealth creation today represents the region's strongest asset as it aims to diversify and climb out of poverty.

For purposes of policymaking and specifically targeting economic development spending at persistently poor communities, the Ozarks presents an interesting problem. Howell County lies at the center of the struggling cluster and is the region's economic anchor, home to the largest community and lying at the crossroads of the region's infrastructure. Yet, it does not qualify as a persistent-poverty county—the hole at the center of an economically distressed donut. The logic of regionalism and economic development would maintain that investing in Howell County should be one of the soundest ways to uplift the entire persistently poor region yet doing so would not meet any federal standards for targeting low-income areas. In this, the region demonstrates both the usefulness and limits of qualifying criteria that can arbitrarily divide up coherent economic regions.

67 Ragsdale, 1991.

68 Sarvis, 2002.

69 U.S. Census Bureau.

Typologies of persistent-poverty communities

Persistent-poverty communities clearly sort along lines of **race, rurality,** and **region**. Together, these three angles yield a useful typology of places that can help guide interventions into persistent-poverty communities based on their unique characteristics. The causes, history, and experiences of poverty can be vastly different between a tribal county in South Dakota and a majority Black rural county in Mississippi. Similarly, a rural Hispanic county near the Texas border faces a different set of challenges than a majority Hispanic PPTG in New England despite a common shared ethnicity.

Eight typologies cover all persistent-poverty counties and tract groups and are defined as:

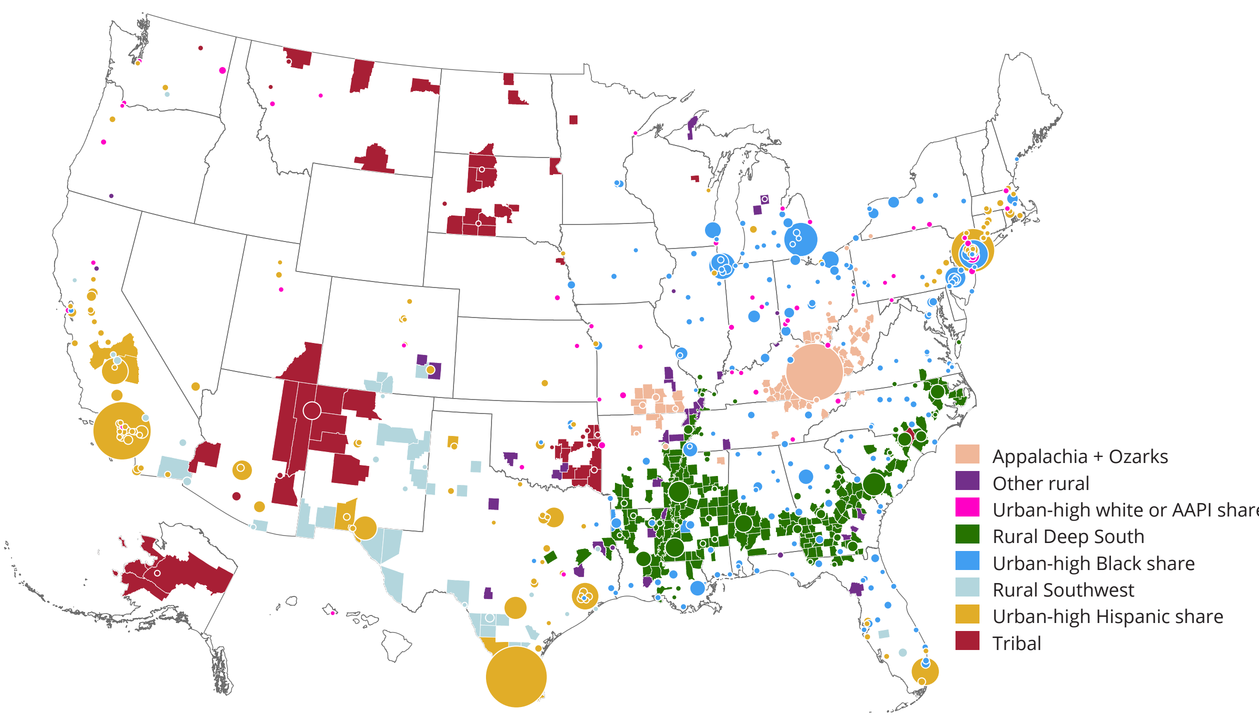
1. **Tribal**: Areas that contain at least 50 percent federally-recognized tribal land and/or at least 10 percent of the population identifies as Native American. This definition supersedes any other definition (some tribal areas also have a very high Hispanic share). This typology consists of 115 counties, 48 of which are persistently poor, and 16 PPTGs.
2. **Rural Deep South**: Rural counties in the South with a Black population share at least 1.5 times the national average (18.5 percent or higher). This region is also known as the Black Belt, a term that originally referred to the region's rich soil but now alludes to the long history of slavery and disenfranchisement, as well as the deep roots of Black culture, that define this part of the country to this day. This typology consists of 406 counties, 196 of which are persistently poor, and 42 PPTGs.[70]
3. **Appalachia and Ozarks**: Appalachian geographies are classified according to the Appalachian Regional Commission except for any that have a high Black share (those are categorized as Rural Deep South). Ozark counties approximately cover the more mountainous, rural counties in southern Missouri and northern/central Arkansas, again excluding any with a high Black share. The mountainous terrain these counties cover, their cultural distinctiveness, and their shared boundaries warrant distinguishing them from other rural counties. This typology contains 399 counties, 88 of which are persistently poor, and 18 PPTGs.
4. **Rural Southwest**: Rural counties with a Hispanic population share at least 1.5 times the national average (27.0 percent or higher). Most of these counties are either agriculture-dependent or close to the US-Mexico border. This typology contains 188 counties, 32 of which are persistently poor, and 19 PPTGs.
5. **Other rural**: Rural counties with no elevated minority presence and not located in Appalachia or the Ozarks. This typology consists of 1,486 counties, 33 of which are persistently poor, and six PPTGs.

70 For more on the Black Belt, see Womack, 2013.

6. **Urban-high Black share**: Urban geographies with a Black population share that is at least 1.5 times the national average (18.5 percent or higher). This typology consists of 58 counties, 10 of which are persistently poor, and 189 PPTGs.
7. **Urban-high Hispanic share:** Urban geographies with a Hispanic population share that is at least 1.5 times the national average (27.0 percent or higher). This typology consists of 42 counties, eight of which are persistently poor, and 121 PPTGs.
8. **Urban-high white or AAPI share:** Urban geographies with no elevated Hispanic or Black presence (some of these geographies contain elevated shares of other races and ethnicities). This typology consists of 406 counties, none of which are persistently poor, and 52 PPTGs.

In counties where both Black and Hispanic shares of the population are elevated, the county is identified based on which has the largest share. For example, the Bronx is 29 percent Black and 56 percent Hispanic, and was classified as Urban-high Hispanic share. The rural, suburban, and urban classifications for these typologies are based on locale classifications from the National Center for Education Statistics (NCES). In practice, urban area typologies reflect all urbanized areas and include many suburbs.

FIGURE 15: Typologies of persistent-poverty counties and persistent-poverty tract groups (centroids scaled by population)



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

VII. A dashboard of indicators to assess development in persistent-poverty areas

The economic development of a place rests on an array of foundations including the physical, financial, human, and social capital of the community. It depends on good governance and is bolstered by an active civic sector, too. And it is strengthened by affordability and inclusion. The health of all these different components varies widely across persistent-poverty communities.

To assess the development and equity challenges facing persistent-poverty areas, we selected 14 different metrics across seven conceptual buckets that can help provide a roadmap for where and how policy interventions may be able to fortify the building blocks of economic development across persistent-poverty communities, based on their unique circumstances. This exercise is conducted with a degree of humility. The metrics we examine are not exhaustive of the many forces shaping an area's development, but each captures a critical component of a successful local economy.

Six of the selected metrics are **people-based** (i.e., descriptive of the local population) and eight are **place-based** (i.e., descriptive of the local economy, jurisdiction, or built environment). Preference was given to metrics that were a) publicly available, b) updated often with relatively recent data, and c) available at the census tract level.[71] The typologies of persistent-poverty communities described above are crosswalked with these metrics to provide a comprehensive assessment of the unique challenges that different types of persistent-poverty communities face. Counties were chosen as the optimal geography to assess rural typologies, while PPTGs were chosen as the optimal geography to assess urban typologies.

The chosen metrics generally capture one of three things. First, they may capture critical inputs to development such as human and social capital or infrastructure. Others speak more to the level of economic development or performance. Examples include establishment growth, moderate- and high-income job growth, and employment rates for prime-age workers. The last set of metrics is intended to capture affordability and inclusivity, or the extent to which residents appear to be participating in, rather than left behind by, the economic development of an area. Examples include housing cost burden and the gap in median household income between the best- and worst-performing areas in a geography.

71 Three metrics were not available at the tract level and therefore excluded from the PPTG analysis: SBA loans, business applications, and local government establishments.

FIGURE 16: The 14 development assessment metrics

	Metric group	Metric name	Metric description	Metric source
People-based	**Workforce and human capital**	Associate's degree or higher attainment	Share of residents 25 and older who have at least an associate's degree.	American Community Survey, 5-year estimates, 2015–2019
		Prime-age adults not working	Share of workers 25–54 years old who are not employed or in the labor force.	American Community Survey, 5-year estimates, 2015–2019
	Social capital	Pre-K enrollment	Share of children 3–4 years old who are enrolled in school. The inclusion of this metric is based on literature that "suggests" lower-income households with lower social capital are less likely to enroll children in pre-K. And pre-K enrollment may enhance social connectedness for children, an important component of social capital.	American Community Survey, 5-year estimates, 2015–2019
		Historical income mobility	The mean income rank as adults of children who have parents at the 25th percentile of the parent income distribution. Parental income was measured from 1996 to 2000 and children's adult income was measured from 2011 to 2012.	Opportunity Insights
	Affordability	Housing cost burden	The number of low-income households (annual income below $50,000, includes both renters and homeowners) that pay more than 30 percent of their income in housing costs divided by total households. This captures what share of a geography's households are low-income and cost-burdened.	American Community Survey, 5-year estimates, 2015–2019
		Median household income (MHI) gap	Gap in MHI between the bottom 25 percent of block groups in a county and its state. For counties with fewer than 10 block groups, PUMAs are used. Tracts are compared to their respective state.	American Community Survey, 5-year estimates, 2015–2019
Place-based	**Local institutions and government**	Charitable associations per capita	Number of public charities in an area per 1,000 residents. Note, this does not take into account size of charitable organizations, just the density of those organizations.	Urban Institute
		Local government establishments	Total number of local government establishments in order to quantify government presence and capacity. Only available for counties.	Bureau of Labor Statistics, QCEW Survey
	Infrastructure	Broadband	The Internet Access Index gauges the quality and availability of high-speed internet and tracks the public's ability to subscribe to high-speed internet services.	Argonne
		Bridge quality	Share of bridges in an area that have been rated as "fair" or "poor" (less weight is given to bridges rated "fair").	U.S. DOT FHA, National Bridge Inventory
	Local market conditions	Establishment growth	Growth in business establishments from 2010 to 2019.	Census County and Zip Code Business Patterns data
		High- and moderate-income jobs per capita	High- and moderate-income jobs per capita in 2019. Census definitions are used for medium- and high-earning jobs and reflect a monthly salary of at least $1,251.	Census LODES-WAC data
	Access to capital	SBA loans	Loan dollars per capita.	U.S. Small Business Administration
		Business applications	Applications per capita.	Census Business Formation Statistics

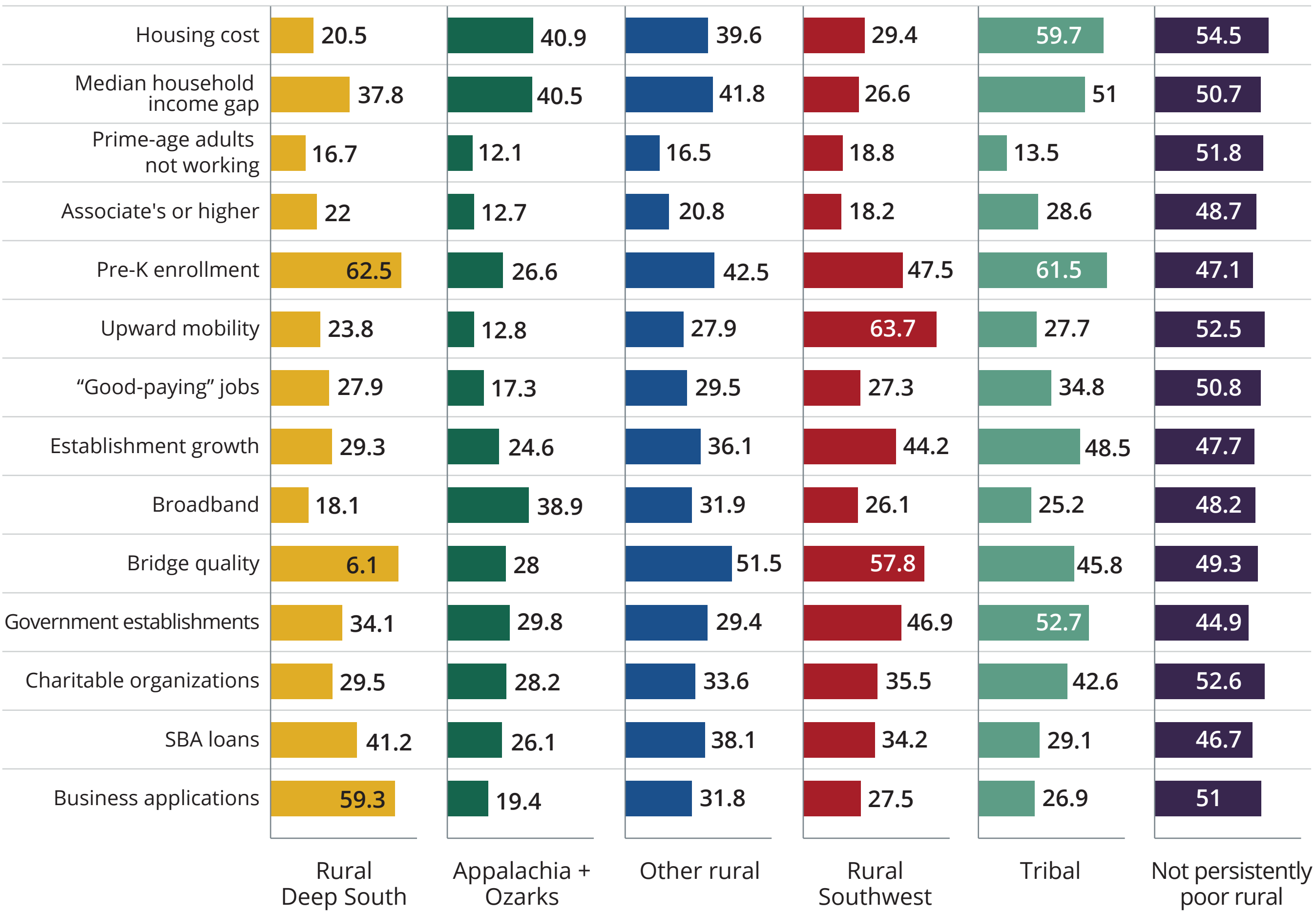
Each location's performance on individual metrics is converted into a percentile based on its rank among its peers. For counties that means any individual area's score on a metric can be interpreted as where it ranks in the national distribution, with low values (towards zero) denoting deficient performance and high values (towards 100) denoting strong performance. PPTG scores are based on a similar methodology applied to all census tracts nationwide and represent the average rank of the census tracts in the group. Finally, composite scores were calculated by taking each geography's average rank (equally weighted) across indicators and converting the resulting summary rank into a percentile. At the county level, San Francisco receives the highest score on this scale while Lee County, Virginia (a persistent-poverty county) scores the lowest.

Rural persistent-poverty counties tend to have few economic opportunities and lag on measures of work and educational attainment

The typical rural persistent-poverty county lags far behind other rural counties on most components of the development assessment, especially for the high share of prime-age adults who are not employed, lagging educational attainment, and limited access to good-paying jobs. By contrast, many rural persistent-poverty counties score better on measures of affordability, income inequality, pre-K enrollment, and physical infrastructure. Beneath those general trends, however, there is significant variation in strengths and weaknesses across the five rural typologies.

FIGURE 17: Performance of the average persistent-poverty county in each rural typology across the development assessment metrics

Metrics scored on a 0–100 index with a higher score indicating a better performance



Source: EIG analysis of multiple data sources.

The 88 predominantly white and rural counties in **Appalachia and the Ozarks** perform worse than any other region on 11 out of the 14 metrics. They register low rates of business establishment growth, the lowest levels of SBA funding, and infrastructure quality is often poor. The human capital base is underutilized, with low prime-age employment rates, and comparatively underdeveloped, with the lowest rates of associate's degree attainment and pre-K enrollment among their rural peers. Upward income mobility is lowest for this group, as well. Institutional capacity lags behind, with some of the sparsest networks of government establishments or charitable institutions. Relative affordability and limited income inequality are some of these communities' advantages. Broadband access runs higher than in any other persistently poor rural typology, too.

The 33 **Other rural** persistent-poverty counties are sprinkled throughout the South and Midwest and generally score much better on development measures, demonstrating the strong regional effects holding back their peers. Bridge quality, a proxy for infrastructure, is relatively high, and these counties score twice as high on upward mobility as persistent-poverty counties in Appalachia and the Ozarks.

The disproportionately African-American counties of the **Rural Deep South** have comparatively good physical infrastructure, with bridge quality ranking highest. However, they lag far behind on digital infrastructure, with the lowest levels of broadband access of any group. Rural Deep South counties have low establishment growth, but their new business applications are comparatively high, pointing to significant entrepreneurial potential. SBA lending on a per capita basis is very strong as well. Pre-K enrollment is high, but government establishments are relatively infrequent, and charitable organizations, which can help connect low-income residents to opportunity, are sparser on average. Households in these areas are most burdened by the cost of housing, too.

The disproportionately Hispanic counties of the **Rural Southwest** tend to be remote and agricultural. Half of these counties are specialized in farming, a higher number than any other typology. Broadband access is near average for persistent-poverty counties, scoring right alongside similarly remote tribal areas.[72] Promisingly, these counties rank first on upward mobility, implying that children who grow up in these areas have historically succeeded in improving their economic status from one generation to the next and pointing to underlying strengths in social capital. One explanation for this may be the higher share of recent immigrants (immigrants tend to be upwardly mobile) in this typology: on average 14 percent of the population is foreign-born. These counties also post well above average establishment growth for rural persistent-poverty counties, but residents have limited access to good-paying jobs and struggle to afford housing. Income inequality is more acute than in the other groups, too.

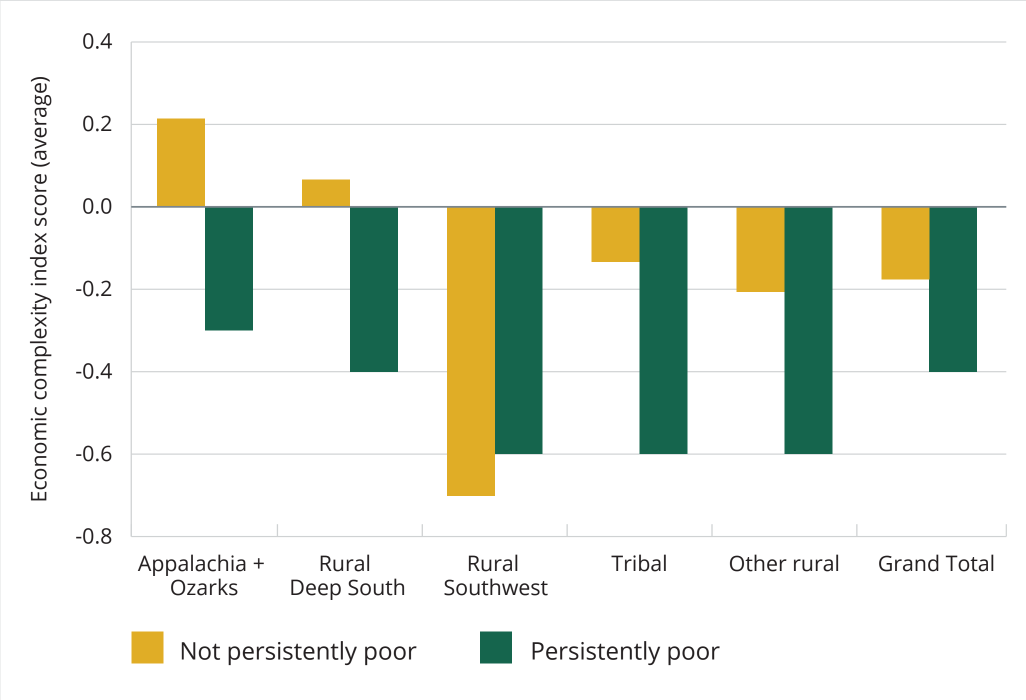
Tribal counties are the most remote typology and contend with the highest poverty rates, averaging 29 percent, although that figure is based on traditional earned income, which reflects only part of economic life in tribal areas (where much activity takes place off-market). Persistently poor tribal areas perform well compared to their rural peers for establishment growth and good-paying jobs but quite poorly for prime-age employment and access to capital. The disparity may be explained by their proximity to fast-growing mining and extraction industries: good-paying jobs are available on or near tribal lands, although in practice they may not be filled by Native workers. These counties do better than any other persistently poor typology on average on associate's degree attainment, although they still lag far behind national baselines. Persistently poor tribal areas register high pre-K enrollment, boast meaningful concentrations of active charitable organizations, and are the most affordable persistent-poverty counties on average. Tribal counties rank highest among their peers on local government establishments per capita, reflecting the importance of tribal governments in daily life.

72 Remoteness was determined using USDA's Frontier and Area Codes.

Economic complexity as a gauge of development

The "economic complexity" framework from development economics presents another compelling way to assess the level of development of a place. The concept was first created to assess the diversity, depth, and sophistication of countries' industrial bases and their prospects for future development.[73] It proved not only to be an effective predictor of economic growth, but also of reduced income inequality and more inclusive institutions.[74] A novel methodology and dataset compiled by scholars Benedikt Fritz and Robert Manduca applies the framework subnationally in the United States, calculating Economic Complexity Index (ECI) scores for metro areas and rural counties.[75] This sub-national ECI provides a useful summary statistic for capturing the stage of economic development of any particular corner of the country.

FIGURE 18: Economic complexity in rural areas by county typology



Source: EIG analysis of Fritz & Manduca's Economic Complexity Index (ECI) based on the Census County Business Patterns (CBP), 2015.

73 Hidalgo and Hausman, 2009.

74 Hartmann et al., 2017.

75 Fritz and Manduca, 2021.

In rural areas, persistent poverty is often associated with chronically low levels of economic development, or ECI scores below zero.[76] Economically complex rural places are almost never persistently poor, and persistently poor rural counties are rarely very economically complex. Fully 60 percent of persistent-poverty counties fall into the lowest tiers of the ECI, compared to 33 percent of non-persistent-poverty counties. These scores can be interpreted to mean that the industrial bases of these areas are relatively simple and undifferentiated, producing basic goods and services with limited import content and limited export value. The Rural Southwest is the exception, where complexity runs very low regardless of persistent-poverty status (in part because many non-poor counties in this group are so remote and sparsely populated).

In more metropolitan contexts, however, the ECI reminds us that economic development is not always a linear story of progress towards broadly-shared prosperity. The country's three most populous persistent-poverty counties are embedded in three of its most sophisticated economic agglomerations. The preponderance of urban PPTGs can be found in metropolitan areas with high levels of economic complexity. The foundations of advanced economic development exist in these places, but poverty persists nonetheless and for other reasons.

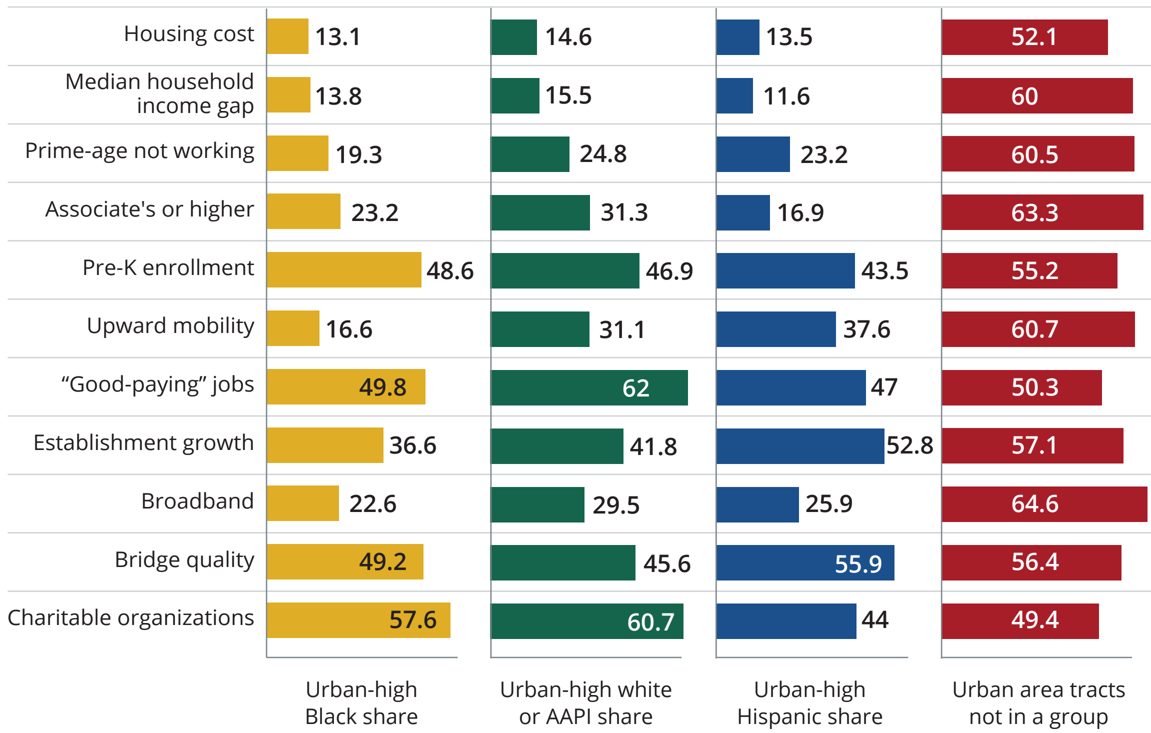
Urban area persistent-poverty tract groups exhibit some similar and some very distinct challenges relative to their rural counterparts

Inside urban areas, counties are an imperfect geography for scoring performance across the different development assessment metrics. Large urban counties are economically complex and typically exhibit broad disparities between areas of prosperity and areas of deep distress that get smoothed over at the county scale. This report's PPTGs circumvent that problem, and the development assessment reveals commonalities and differences in the nature of persistent poverty between rural and urban areas. Much like in rural areas, performance across measures varies by race and ethnicity. Unlike rural areas, though, urban PPTGs are challenged by affordability and income inequality. Most of them are geographically close to good-paying jobs and economic opportunities, but they struggle to reap the benefits of that proximity.

76 The data is structured such that non-metro counties receive their own ECI scores, under the assumption that they are relatively self-contained local economies, while metro counties receive metro-level ECI scores, reflecting the local economic integration that a metro designation implies.

FIGURE 19: Performance of the average persistent-poverty tract group in each urban typology across the development assessment metrics

Metrics scored on a 0–100 index with a higher score indicating a better performance



Source: EIG analysis of multiple data sources.

There are 189 **Urban-high Black share** PPTGs with a total population of 13.2 million, making them the most populous typology among persistent-poverty tract groups. They tend to be found in struggling legacy cities, such as Chicago, and Deep South cities, such as Memphis. These PPTGs lag behind other urban PPTGs on most metrics and have the lowest composite index score among urban areas. Despite their proximity to good-paying jobs, the rate of prime-age adults not working is lowest among its peers, and the average upward mobility score is about half that of peer PPTGs with other racial or ethnic profiles. Together, these metrics provide stark evidence for how disconnected Black urban persistent-poverty communities are from the economic opportunities usually offered by cities. They also register the lowest rate of business establishment growth within their boundaries. Broadband access, affordability, and income inequality all weigh heavily on these areas. Nevertheless, they are bolstered by dense networks of charitable organizations, and gaps between peers are much lower in Pre-K enrollment and bridge quality.

There are 121 **Urban-high Hispanic share** PPTGs with 13 million residents. Many of these are in high-cost parts of California, New York, or similar areas. Others can be found in sprawling Sunbelt cities, such as Phoenix. Unlike other urban area PPTGs, the average Hispanic ones register strong establishment growth and upward mobility, evidence of how economically dynamic these communities can be. They also enjoy above-average bridge quality, likely due to their locations in areas experiencing fast population growth and the new infrastructure investment that comes with it. The average PPTG in this typology scores lower than other urban area PPTGs on median household income gap, good-paying jobs, and educational attainment, evidence that residents of these communities often struggle to find sufficiently high-paying jobs. The network of charitable organizations is sparsest here, as well.

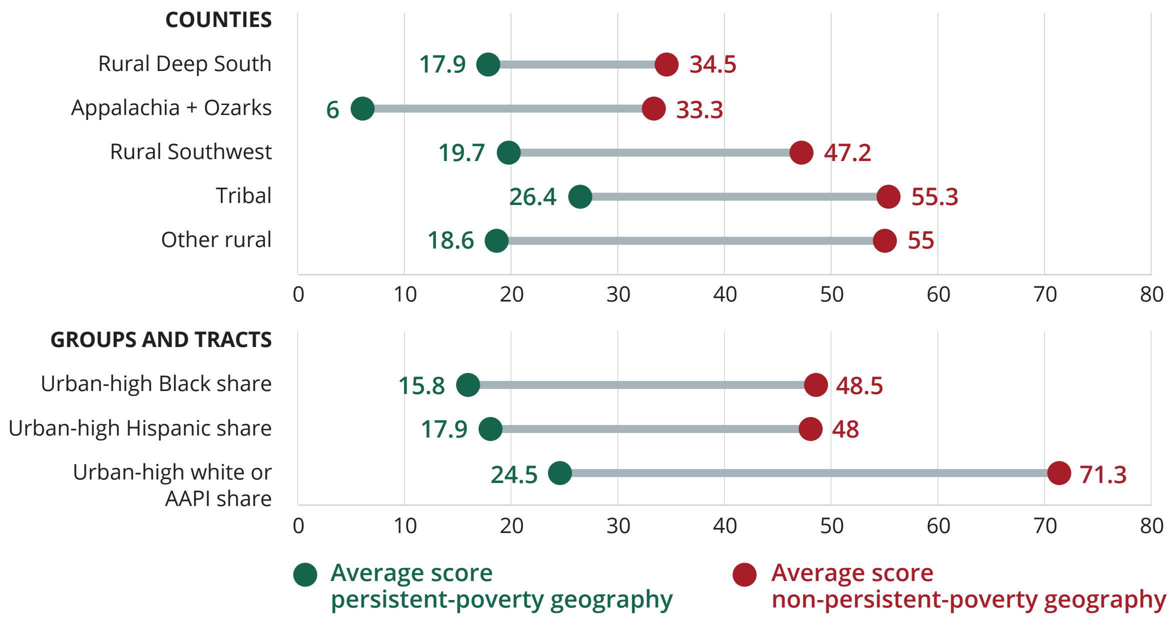
Urban-high white or AAPI share PPTGs are the least common among the urban area typologies, with a total count of 52 and a population of just 1.8 million. However, these areas can be found in a diverse mix of cities, including San Francisco, California; Springfield, Missouri; and Binghamton, New York. On average, these PPTGs score higher than their peers across nearly all metrics, with an average good-paying jobs score that exceeds even tracts outside of PPTGs, and notably higher educational attainment than more Black or Hispanic urban PPTGs. Nonetheless, they have the highest share of prime-age adults not working and face the same urban affordability crisis as the other urban typologies. Upward mobility lags far behind Hispanic urban areas and the average non-poor urban tract, too.

Despite much higher marks for good-paying jobs relative to their rural counterparts, all three urban area typologies have extremely low average workforce and human capital scores—a challenge they share with their rural counterparts. This along with low affordability scores suggests that residents of these urban PPTGs are experiencing the difficulties of living in urban areas without seeing proportional benefits. The economic development challenge for ending cycles of poverty in these communities is how to reconnect them to regional economic opportunities.

Persistent-poverty areas tend to score less than half as well as non-poor areas in the same typology on a composite development index

The composite scores that look at an area's performance across the full suite of metrics reveal that the average persistent-poverty community performs significantly worse than the average non-persistent-poverty community across every typology, underscoring the multifaceted development challenges facing these areas—and providing evidence that the persistent poverty definition captures real economic problems. In the end, persistently poor areas tend to score less than half as well as their not-persistently poor counterparts across all the measures together. Even where all counties in a typology share development challenges, they are exaggerated in persistently poor ones. For example, the typical non-poor county in the Appalachia and Ozarks group has an average rank across the 14 measures of only 33.3, placing it behind two-thirds of all counties nationally. Its persistently poor kin, however, scores much worse, landing only in the 6th percentile. Similar effects are at work in the Rural Deep South, where even non-persistently poor counties score low on the development assessment. Persistently poor tribal areas score best on the composite measure, although still only in the bottom 26th percentile nationally.

FIGURE 20: Index score for the average persistent-poverty geography and non-persistent-poverty geography across all rural and urban typologies



Source: EIG analysis of multiple data sources.

Note: Development scores reflect ranked percentiles within each universe, i.e., a county relative to all other counties, or the average tract in a PPTG relative to all other tracts. In that sense, scores are not strictly comparable between the two universes.

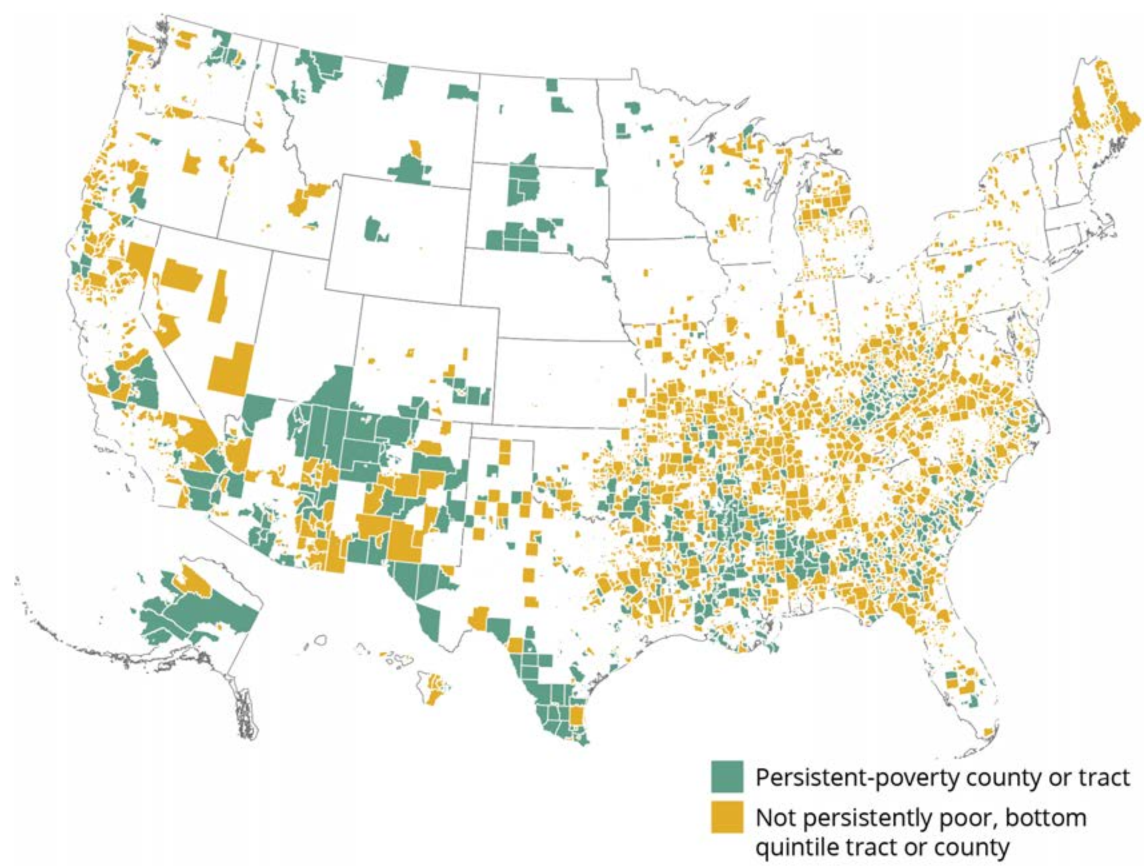
Among urban areas, where the composite score reflects the average rank of the average tract in each PPTG relative to all other urban tracts that are not persistently poor nationwide, sizable gaps emerge between more Black and Hispanic PPTGs and white or AAPI ones. The typical tract in an Urban-high Black share PPTG stands just below the 16th percentile of all tracts nationwide on this development assessment—despite its typical location in the heart of a metropolis. The typical tract in an Urban-high Hispanic share PPTG stands two percentiles higher. Urban-high white or APPI share PPTGs stand just shy of the quarter mark, still low relative to non-poor areas but exhibiting a baseline level of development that is higher than their other persistent-poverty peers. Outside of persistent-poverty areas, urban tracts that have elevated white or AAPI population shares score markedly higher than any other typology, showing how concentrated economic opportunities are in these communities, which cover much of the suburban metropolitan United States.

Persistent-poverty communities tend to be embedded in larger areas that are similarly struggling

The development assessment reveals both the strengths and the weaknesses of the persistent-poverty classification. On the one hand, it establishes how far behind development lags in these communities and begins to unpack why. On the other hand, it presents an alternate method for defining underdevelopment that underscores how relying on a single metric (poverty) to diagnose need can produce some arbitrary geographic results.[77] It suggests that there is perhaps unintended misalignment between the ideas of advancing economic development in persistently poor places, specifically, and advancing economic development in areas where development lags, generally.

Counties and tracts that are not persistently poor but rank in the bottom quintile on the development assessment's composite score tend to cluster together with persistent-poverty counties and tracts: 87 percent of these counties (n=364) share a border with a persistent-poverty county. Their close proximity to persistently poor areas is a testament to the regionality of economic distress and demonstrates how persistent-poverty areas are often embedded in even larger geographies that are broadly struggling. Especially at the county level, the lasting economic development of many persistent-poverty areas may be inseparable from the economic development of their broader regions. The only partial overlap of the maps of persistent poverty and underdevelopment highlights the limitations of a single metric like a poverty rate to fully capture the spectrum of economically struggling places—and risks getting in the way of regionally-integrated strategies to combat both poverty and lagging regional development.

FIGURE 21: The location of persistent-poverty tracts and counties compared to the location of other tracts and counties that score in the bottom quintile of the development assessment



Source: EIG analysis of multiple data sources.

77 Partridge et al., 2008.

VIII. Clear pathways out of persistent poverty are rare

Given the deeply rooted structural forces at work in most places that have had high poverty rates for decades, there are few recent examples of areas that have successfully escaped persistent poverty through their own intrinsic economic development rather than through out-migration, sprawl from neighboring metro areas, or striking it rich with natural resources. Examining where and why once-high poverty rates have fallen helps put the challenge policymakers face into perspective, and it should also provide motivation for innovative approaches and an enhanced commitment to corners of the country's map that have been struggling economically for very long periods of time.

Identifying a turnaround

It is surprisingly difficult to define a true, organic local economic turnaround quantitatively. A simple decline in a community's poverty rate can be triggered by a variety of demographic and economic shifts that may not always be unambiguously positive. A community can grow without long-term residents rising out of poverty in the process (the non-poor population in the denominator of the poverty rate can grow faster than the poor population in the numerator, in other words). Similarly, individuals below the poverty line can leave an area, lowering the poverty rate of a place that may not actually be experiencing any economic improvement (the poor numerator can fall faster, in other words). Reducing the poverty rate in an area is not necessarily the same as fostering inclusive economic opportunities, boosting social capital, and making an area a desirable place to live. For example, Green County, Pennsylvania, saw its poverty rate fall from 21.4 percent in 1990 to 13.5 percent in 2019, but it also lost 2,700 of its 39,600 residents, with most of that population loss occurring over the last decade as the county reeled from the end of a natural gas boom.[78] In this case, the extent to which a declining poverty rate signals real economic improvement is ambiguous: the community is less poor than it once was, but it is also smaller and appears no more resilient.

78 Martines, 2021.

This section therefore seeks to home in on the once-poor places that have improved on at least two measures: those that experienced a decline in the poverty rate to below the high-poverty threshold *and* an increase in population. At a minimum, this means that these counties achieved a relative reduction in poverty while maintaining demographic stability (in terms of population, not necessarily in terms of racial and ethnic mix). A further requirement that these counties have a 2019 poverty rate below 15 percent excludes areas on the cusp that could easily slip back into high poverty. We call these places "turnarounds." The core shortcoming of this approach has already been mentioned: that places can statistically turn around through population growth alone. Yet population growth is an important signal of economic development; combined, the measures convey that a place is becoming less poor as it develops. The business may be unfinished—meaning places may still need to work to achieve inclusive development—but the location is moving in the right direction. The analysis is only conducted at the county level to set aside the complex dynamics of neighborhood change within metropolitan areas.[79]

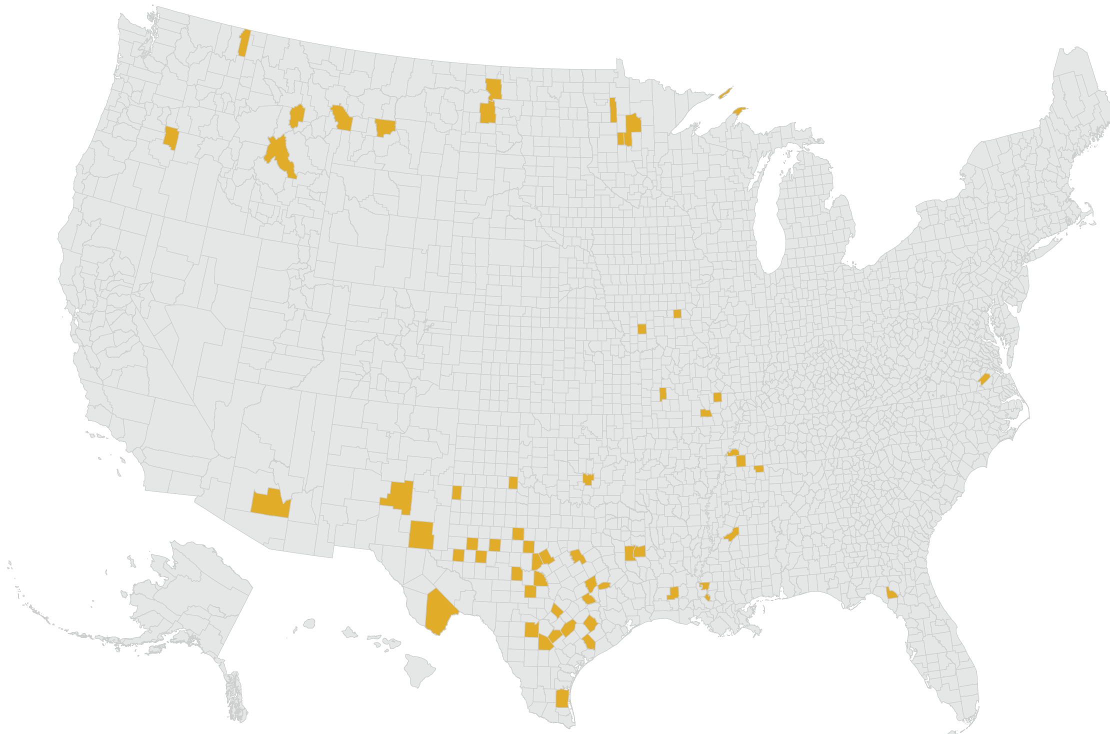
By 2019, only 7 percent of counties that were high poverty in 1990 had turned around

A total of 58 out of 854 counties that were high poverty in 1990 both successfully moved out of high poverty and gained population from 1990 to 2019, representing roughly 7 percent of all counties that were high poverty at the start of the period.[80] Among these counties, 22 had a population below 10,000, and consequently the change in the number of people below the poverty line was not substantial and at a higher risk of being distorted by margins of error in the data. At the other end of the spectrum, Pinal County, Arizona, which has a population of nearly half a million, represents a different kind of outlier. Its population in poverty doubled from 1990 to 2019, but its population above the poverty line expanded more, leading its poverty rate to fall. This suggests that in-migration and exurban sprawl may have changed the underlying nature of the location and reduced poverty rates by expanding the denominator (total population) faster than the numerator (poor population).

79 See Cortright and Mahmoudi, 2014 and Benzow and Fikri, 2020.

80 Note that we only require places to be high poverty in 1990, not persistent-poverty (i.e., high poverty in 1970, 1980, and 1990).

FIGURE 22: The 58 “turnaround counties” that have both climbed out of high-poverty status and added population since 1990



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Texas alone accounts for more than one-third of all turnaround counties, the vast majority of which were either specialized in mining and extraction,[81] heavily Hispanic, or both. Hispanic origin matters both because of the population’s high growth rate and the rapidity with which poverty has fallen for the group over the last 30 years nationwide. The poverty rate for Hispanics peaked at just over 30 percent in the early-1990s before falling to a historic low of 15.7 percent in 2019. Poverty rates for both Black people and Hispanics are highly cyclical, tending to fall rapidly in later stages of economic expansions.[82] Thus, the 2019 end year for this study, coming off the longest economic expansion in U.S. history ended by the COVID-19 pandemic, coincides with a likely low point in minority poverty nationwide, potentially overstating the number of durable turnarounds.

Nationwide, nearly half of these turnaround counties had a location quotient in resource extraction of 3.0 or higher, meaning there were at least three times as many mining and resource extraction business establishments in the area relative to the size of the local economy than there are nationally. Examples include Mountrail County, North Dakota,

81 Defined here as a location quotient for business establishments of 3.0 or higher in a NAICS 21 Mining, Quarry, and Oil and Gas Extraction.

82 Matthews, 2012.

which includes part of the Bakken shale formation, and Eddy County, New Mexico, which includes part of the Permian shale basin. While extraction industries can create boomtowns overnight and lead to economic growth for distressed communities, they can also lead to a strain on local infrastructure, especially schools and housing, which often struggle to meet demand. The surge in population may also lead to increases in crime, noise, traffic, and declines in health.[83]

These industries are also vulnerable to changes in demand and increased environmental regulation. In many cases, these rapid economic expansions play out in very rural, small population areas; the average turnaround county highly specialized in mining and extraction was home to only 15,600 residents, but most of them had fewer than 10,000. Much more derived wealth may accrue to landowners or non-local corporate and financial interests than to local populations, especially low-income ones. While the industries can offer good-paying jobs at modest levels of educational attainment, positions in many of the past decade's mining boomtowns (driven by new technologies around hydraulic fracturing) were often taken by non-local temporary residents due to insufficient local labor.[84] And given that economic opportunity is determined by geology in these sectors, mining and extraction can at best be considered a serendipitous path out of localized poverty, but not one that is broadly applicable to areas without similar natural resource endowments.

Measuring the quality of turnarounds is a challenge

The 30 turnaround counties *without* a clear specialization in natural resource extraction include several examples that reveal how difficult it is for such advances to be truly inclusive—or at least demonstrate the ambiguities that need to be navigated to make such an assessment.

After Hays County, Texas, which was propelled out of poverty by Austin's sprawl, Madison County, Mississippi, is the next most populous turnaround on the map. Madison saw its poverty rate drop from 24.3 percent in 1990 to 9.6 percent in 2019, while its population nearly doubled to 104,600. The Nissan automotive manufacturing facility that opened in 2003 and employs approximately 5,000 workers is widely seen as an economic development coup for the county. Today, the county hosts three high-poverty census tracts, home to 12,800 people (predominantly Black), in the city of Canton, down from eight tracts in 1990.

The fall in the poverty rate was almost completely driven by a dramatic fall in the county's Black poverty rate, from 47.9 percent in 1990 to 16.7 percent in 2019. As the total Black population nearly doubled over the period, the Black population in poverty fell by 4,600—significant progress by any measure. Over the same time period, Madison saw its median

83 Bartik et al., 2019.

84 Wilson, 2020.

household income expand from $102,200 in 1990 to $114,500 in 2019 (in constant dollars), while the median household income for Canton increased only slightly from $33,500 to $33,600. Most remaining residents of Canton are still decidedly low-income. Suburban sprawl from Jackson and the arrival of a large exurban manufacturing facility were sufficient to statistically lift the county out of persistent poverty, but they were not sufficient to eradicate the problem at smaller scales in the county seat. The case of Madison County and Canton demonstrate how intransigent poverty can be in space, even against the backdrop of successful regional economic development.

West Baton Rouge Parish, Louisiana, provides another local case of progress clouded by ambiguity. On the face of it, most economic indicators are promising: the parish's Black population increased by 4,000 between 1990 and 2019, and the Black poverty rate was reduced by half to 20.3 percent (the parish's overall poverty rate fell to 12.5 percent). The county's income per capita for Black individuals increased from $12,300 in 1990 to $21,100 in 2019 (in constant dollars). Yet the county has high location quotients in heavy industries like petroleum, coal manufacturing, and chemical manufacturing. Populations in the area suffer negative health effects from its location near dozens of petrochemical plants and refineries, part of a region in Louisiana nicknamed Cancer Alley.[85] However, the parish also has strong employment numbers in industries like utility system construction, and a $67 million solar farm recently opened.[86] To the extent that the county achieved its turnaround due to heavy industrial development, which came at a cost to human health, the arrival of clean energy investments raises the enticing possibility of advancing economic development while pivoting away from dirty industries in the future.

85 Terrell and James, 2020.

86 Schleifstein, 2022.

FIGURE 23: The 30 "turnaround counties" with a resource extraction business establishment location quotient <3.0

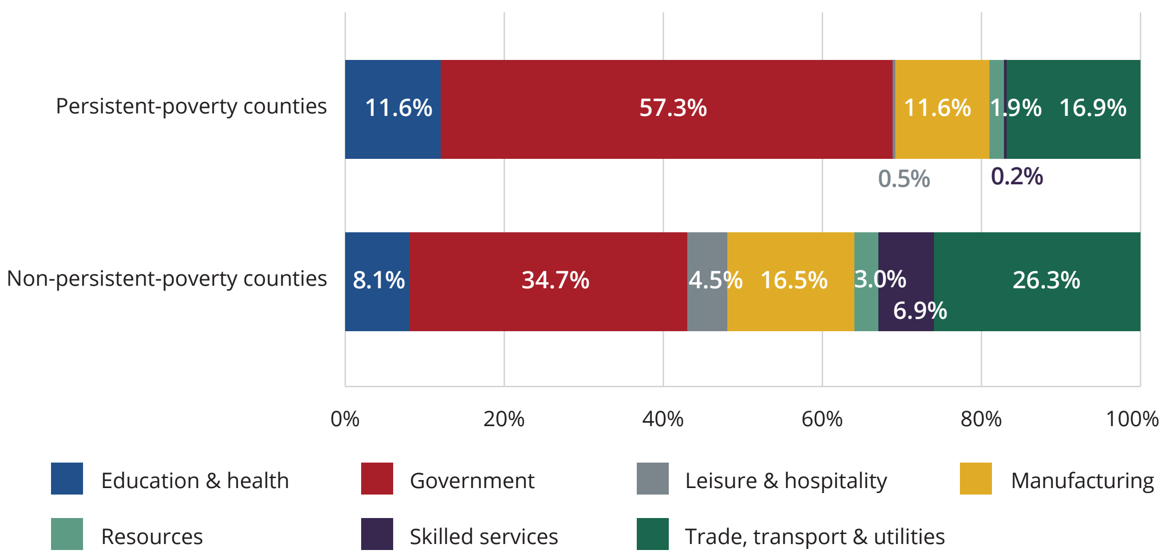
County, state	1990 poverty rate	2019 poverty rate	2019 population
Hays County, Texas	20.9%	13.7%	213,400
Madison County, Mississippi	24.3%	9.6%	104,600
Tipton County, Tennessee	20.0%	12.4%	61,400
Fayette County, Tennessee	24.1%	13.5%	40,200
Alcorn County, Mississippi	20.8%	15.0%	37,100
Cass County, Minnesota	21.8%	13.6%	29,300
West Baton Rouge Parish, Louisiana	20.3%	12.5%	26,100
Lincoln County, New Mexico	20.1%	10.6%	19,500
Dallas County, Missouri	23.2%	13.4%	16,600
West Feliciana Parish, Louisiana	33.8%	12.0%	15,400
Madison County, Texas	27.3%	12.0%	14,200
Wadena County, Minnesota	21.8%	14.3%	13,700
Comanche County, Texas	21.6%	11.2%	13,500
Pend Oreille County, Washington	20.2%	12.7%	13,400
Madison County, Missouri	21.9%	14.2%	12,200
Sussex County, Virginia	20.1%	13.1%	11,400
Clearwater County, Minnesota	22.7%	14.6%	8,800
Lafayette County, Florida	23.8%	12.8%	8,600
Daviess County, Missouri	23.2%	14.5%	8,300
Childress County, Texas	30.9%	13.9%	7,500
Bailey County, Texas	24.0%	8.7%	7,100
Carter County, Missouri	27.6%	13.4%	6,100
Scotland County, Missouri	25.4%	13.3%	4,900
Mason County, Texas	27.8%	10.7%	4,200
Granite County, Montana	21.8%	7.9%	3,300
Concho County, Texas	25.8%	12.2%	3,300
Keweenaw County, Michigan	20.6%	10.6%	2,100
Meagher County, Montana	20.1%	11.9%	1,900
Wheeler County, Oregon	20.9%	14.0%	1,400
Kenedy County, Texas	21.3%	5.5%	600

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Less complex industries and a lack of private sector development hold back many persistently poor rural counties.

What explains the struggles of historically poor communities to turn around? Over the past thirty years, local poverty continues to track with the underdeveloped nature of an area's private sector—especially in rural communities. These areas are much more likely to specialize in basic industries, such as mining, than they are in more complex traded sectors, and many have no significant economic specialization at all.[87] Most of all, however, the dominance of the public sector underscores the limited extent of private sector economic activity in many persistently poor counties. Government is the single largest employer in 57 percent of persistent-poverty counties compared to 35 percent of non-persistent-poverty counties. The share of Rural Southwest and Tribal persistent-poverty counties in which the public sector is the largest employer rises above 80 percent, reflecting the dominance of tribal governments on reservations and the federal government more generally in remote western areas that are proximate to border installations, national parks, or other public assets. Public sector jobs tend to be good jobs, but such areas may be susceptible to government crowd-out, which can inhibit economic diversification.

FIGURE 24: Largest employment sector for non-persistent-poverty counties and persistent-poverty counties



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Conversely, persistently poor counties are less likely to have manufacturing, skilled services, or even trade, transportation, and utilities as their dominant employment sector than non-persistent-poverty counties. These patterns hold after controlling for the rural

87 Based on EIG analysis of 2019 Bureau of Labor Statistics QCEW data.

nature of the country's persistent-poverty counties and imply that few places with strong traded sectors remain persistently poor. Manufacturing is the most prominent industry specialization in only 19 percent of persistent-poverty counties compared to 29 percent of non-persistent-poverty counties, and the manufacturing industries in persistent-poverty counties are on average much simpler and less complex than those elsewhere.

Where persistent-poverty counties do register notable industry specializations, they are often in relatively basic activities such as mining. More than one-quarter of persistent-poverty counties are more specialized in natural resource extraction and mining than any other major activity[88]—the sector associated with the lowest levels of complexity—compared to closer to one-fifth of non-persistent-poverty rural counties. The turnaround discussion showed that a specialization in natural resource extraction can be a pathway out of poverty, but it can also create a "resource curse" for communities that can undermine that turnaround by weakening entrepreneurship, local governance, and educational attainment.[89] In summary, struggles to advance sustainable high-quality private sector development appears to be a primary reason why instances of once high-poverty places rising out of poverty are rare. Such turnarounds are difficult to achieve and, when they do happen, typically come with caveats.

88 Specialization is determined as the two-digit industry sector that registers the highest location quotient in each place.

89 Partridge et al., 2012.

IX. Persistent poverty case studies

Introduction

The on-the-ground perspectives of people living and working in persistently poor communities are invaluable for going beyond the data and telling the story of why and how concentrations of people in poverty persist in a place. The four case studies presented here collect these insights from a diverse cross-section of the nation's persistent-poverty communities. These communities were selected for their geographic and demographic variety based on the typologies developed in this report. Yet at the same time, these case studies reveal significant commonalities in the economic development challenges confronting places that have been deeply poor for prolonged periods of time. They also demonstrate the value of qualitative research for understanding the needs of persistently poor communities, exposing important social, historical, and economic threads that purely quantitative research can miss.[90]

The case studies combine desk-based research into local histories and contexts with numerous interviews with a wide range of community leaders, from local government officials to main street organizations and community development nonprofits. At least 10 such stakeholder interviews took place in each community for a total of more than 50 interviews across all four. Most of these were conducted in-person on site-visits that provided the research teams with a tangible sense of the circumstances facing these communities. In addition to interviews, focus groups with an average of 10 residents and community members were conducted in each case study location to hear directly about the social and economic challenges of each community.

90 For another excellent series of case studies on many similar communities, see The Federal Reserve System and the Brookings Institution, 2008.

The four communities studied here are:

- **Big Horn County, Montana:** A vast and rural **tribal** community home to the Crow and Northern Cheyenne reservations that struggles with a lack of industrial and commercial development along with underdevelopment in the housing sector. The county has long depended on coal extraction for its economic base, and it must now find ways to diversify as mining activity declines.

- **Gadsden County, Florida:** A historically agricultural **Deep South** county of small towns that now struggles to redefine itself. Despite its proximity to fast-growing Tallahassee, it has not yet gained sufficient momentum to climb out of poverty. The county would benefit from greater institutional capacity and better regional economic integration.

- **South Phoenix, Arizona:** A predominantly **Hispanic urban** community at the heart of one of the country's fastest-growing metropolitan areas. The region's decentralized development and steady growth have made it easy to overlook the persistent economic distress south of downtown. The area is a prime contender for place-making strategies that restore value to neighborhoods.

- **North St. Louis, Missouri:** A predominantly **Black urban** community where poverty was seeded decades ago by deindustrialization, suburbanization, and discriminatory housing policies. New initiatives to stabilize communities by improving schools and building out from neighborhood cores hold promise, but depopulation remains a headwind and deep economic and social divides still separate North St. Louis from the broader region.

Across these communities several key themes emerged:

- **Disconnection from regional growth**: These case studies provide compelling evidence that regional economic growth alone does not necessarily translate into prosperity that is broadly shared or equally dispersed across neighborhoods. South Phoenix offers the starkest example of this, being located in one of the fastest-growing regions in the country. The same holds true in St. Louis, where innovation sector development has yet to offer much direct opportunity to persistently poor areas. A similar story plays out in rural contexts, too: both Gadsden and Big Horn struggle to benefit from the economic success of nearby Tallahassee and Billings, respectively. With weak economic foundations, growth in neighbors tends to suck more economic activity out of these struggling rural areas than it sends in the other direction.

- **Insufficient local institutional capacity**: Most persistent-poverty communities are resource-limited, with many needs and comparatively small tax bases given their economic distress. Limited capacity makes it difficult to do basic economic development work, ranging from applying for federal grants to attracting new businesses. Under-resourced local governments also struggle to find political champions or muster sufficient follow-through for larger projects that require a sustained focus and commitment. These are clear challenges for rural communities like Gadsden and Big Horn, the latter of which had no full-time economic development position until recently. But even in communities such as Phoenix, where local governments are better staffed and resourced, priorities may simply be elsewhere—revitalizing downtowns or creating amenities for growing areas. Fragmentation can erode capacity in both small towns (Gadsden) and big cities (St. Louis), as well as in the non-profit sector, by introducing coordination costs and eroding economies of scale. All four case studies encountered one type of capacity constraint or another—and several in some cases.

- **Inadequate infrastructure discourages growth**: Across all the communities studied, infrastructure issues large and small hold back growth. Basic services are often lacking, especially grocery stores and health care providers. In rural towns, like those scattered across Gadsden, sidewalks are necessary to support healthy main streets, and in urban areas like Phoenix they are even more necessary for providing safe access to public transit and employment opportunities. Residents of North St. Louis pointed out that the poor condition of their roads, sidewalks, and streetlights degrades their quality of life and discourages potential residents and businesses from locating within the area. In Big Horn County, poor water quality and the widespread lack of plumbing facilities signal that some basic needs must be met before higher order economic activity can take root. Opportunities for major infrastructure investments exist in all the communities. Examples include a freight corridor in Gadsden and a rail spur in Big Horn.

- **Anemic small business ecosystems**: All four case study communities struggle to cultivate a healthy small business ecosystem and foster entrepreneurship. In North St. Louis, efforts to promote business growth are held back by depopulation and a low density of economic activity. In South Phoenix, where the population is growing, Hispanic-owned businesses often struggle to successfully navigate the financial system while trying to serve cash-strapped residents. In Big Horn County and on the Crow Reservation, a pipeline of potential entrepreneurs and small business owners still needs to be cultivated, on top of issues of capital access and remoteness (which drives up costs). Gadsden's proximity to high-amenity communities elsewhere in the region makes it difficult to encourage residents to patronize local businesses. All four case studies demonstrate the need for holistic place-making strategies that address infrastructure, housing, and business growth in tandem.

- **A need for better and more aligned workforce development**: Every case study community had employment opportunities for residents able to complete the necessary training and successfully find and keep a position. However, across all the studied communities, these opportunities are practically out of reach for most poor

> residents. Both Gadsden and St. Louis lack the workforce development infrastructure needed to connect low-skilled workers to higher paying employment at scale. In Big Horn, the local tribal college may succeed in getting residents to complete training programs in needed fields, but too few students go on to find and keep their jobs, and fewer still graduate with a well-rounded enough education to start their own business. And in expansive, decentralized regional economies like Phoenix, job centers are oftentimes not easily accessible for residents of persistent-poverty communities. In persistently poor areas where many adults are out of the labor force altogether, workforce development systems must impart motivation and refresh many soft skills alongside marketable hard ones.

These communities face related challenges that may not have a clear economic development solution in the traditional sense but clearly affect a place's capacity for development. A lack of quality, affordable housing affects the bottom line in all four communities. The more income residents have to spend to keep a roof over their heads the less income they have to invest in their communities and in their future prosperity. The reduced tax base in these communities of concentrated poverty means there is less local funding for public schools. Oftentimes, that means that children are not getting the education they need to have better economic outcomes than their parents. Communities with underperforming schools will have trouble attracting and retaining families. The traditional economic development toolkit is not equipped to directly solve these problems, but the overlapping nature of so many of these issues in persistently poor communities is essential context for understanding why development may struggle to take hold.

CASE STUDIES

South Phoenix, Arizona: Poverty in the shadow of prosperity

Overview

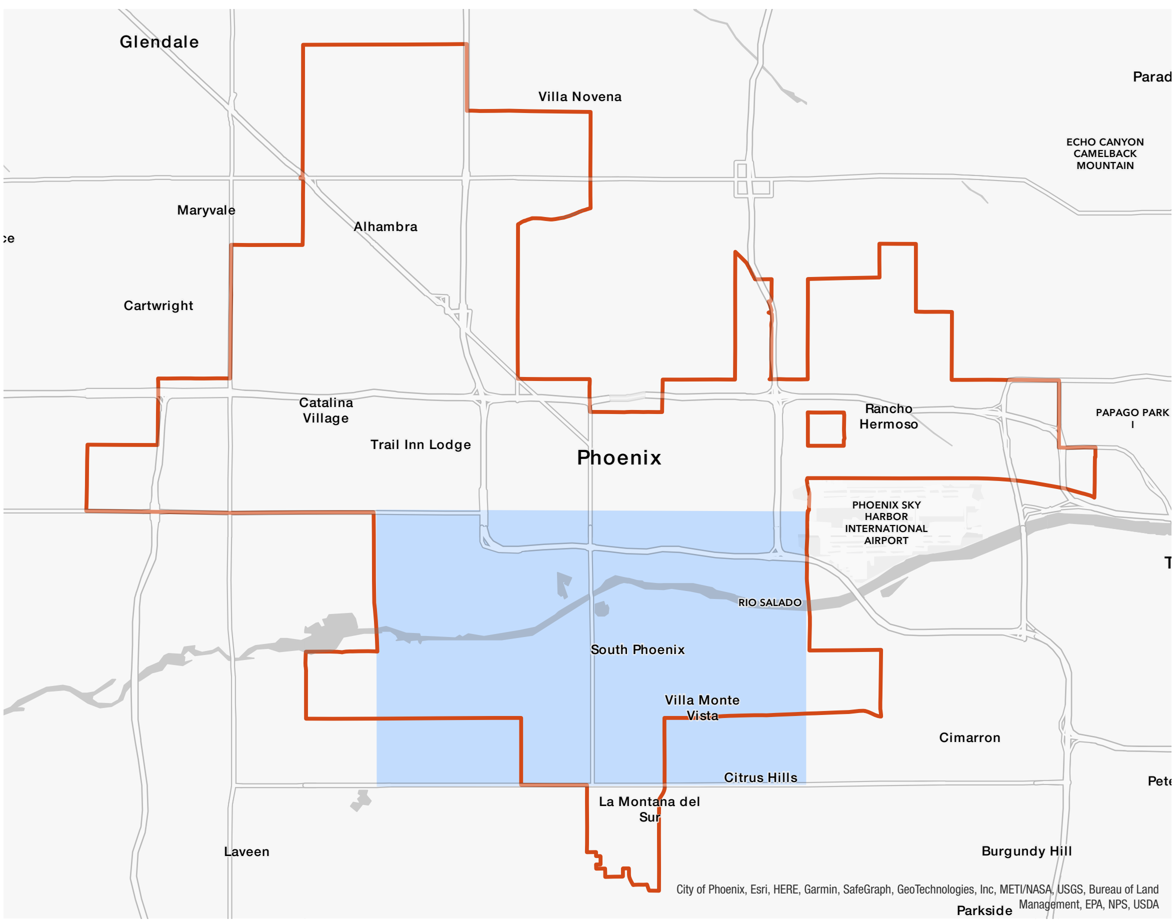
Phoenix is an example of how measuring persistent poverty at the county level can obscure communities that have been economically distressed for decades. Phoenix's persistent-poverty census tract group has a population comparable to major cities like St. Louis or Pittsburgh and stands in stark contrast to the city's robust economic growth and rapidly expanding population. The city's sprawling footprint and decentralized development has made it easy to ignore economically struggling areas close to the center in favor of new construction on the periphery. The city's socioeconomic divide is largely established between the neighborhoods north of downtown, which are generally home to a higher share of white residents and more affluent, and the neighborhoods to the south and west that have much higher minority shares (predominantly Hispanic) and tend to be lower income. As the city pushes for more infill development and an expansion of its transit system, many of these marginalized neighborhoods are now seen as desirable real estate, and there is a growing opportunity to reconnect them to the rest of the city.

While the transit expansion is a promising start to reconnecting Phoenix's persistent-poverty communities to the rest of the city, many other challenges need to be overcome as well. More affordable housing is badly needed throughout the city, especially in its persistent-poverty areas, which means the construction of denser, multi-family housing. A lack of basic infrastructure, such as sidewalks, bus shelters, and shade trees, hinder development in its poorer neighborhoods. Targeted programs to support struggling small businesses that capitalize on the success of programs already in place are also crucial for reducing poverty, especially after the negative impacts of the pandemic. Most importantly, there needs to be consistent engagement with community members to make sure they have a seat at the table in redevelopment conversations and play an active role in shaping the future of their community.

Geography and background

Phoenix's sprawling area of persistent poverty, with an overall poverty rate of 31 percent and covering 69 square miles, is home to 359,000 people—almost one-fifth of the city's total population of 1.7 million. For context, the Phoenix metropolitan area's population is 4.9 million. The persistent-poverty tract group covers the downtown core, many neighborhoods to the west, most of South Phoenix, and neighborhoods adjacent to the city's airport. Around one-third of the city's Black and Hispanic populations live in the census tracts that make up this group, while just 9 percent of its white population does. The group's average census tract is two-thirds Hispanic, more than twice that group's representation in the broader metropolitan area. One-quarter of all the Hispanic poor living in the Phoenix metropolitan area are concentrated here. This case study predominantly focuses on the area referred to as South Phoenix, highlighted on the map below, but the issues identified in that community are broadly applicable to low-income communities throughout the city and other urban Hispanic persistent-poverty groups.

FIGURE 25: Boundaries of the persistent-poverty tract group study area in South Phoenix



Persistent-poverty tract group boundaries   South Phoenix study area

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

In many respects, Phoenix's spatial segregation by race, ethnicity, and income is similar to most other American cities. Its low-income populations, overwhelmingly communities of color, are concentrated in the urban core of the city, while its more affluent and white residents have spread to the periphery of the city and beyond into the far-reaching suburbs. However, a notable characteristic that distinguishes Phoenix from older American cities is how the geographic separation between a majority-minority urban center and sprawling majority-white suburbs was part of Phoenix's development from its incorporation forward.[91] While more affluent residents in many other cities opted to live close to the center until they too were swept up in the country's rapid suburbanization in the mid-20th century, Phoenix was always more decentralized, and its rapid expansion mostly occurred after the car became king, giving those with the means an easy way to take up residence farther out. This ever-present drive and opportunity to expand the city outward goes far to explain why the city's low-income residents were largely ignored throughout the city's history and are only now being given some attention.

Poverty in Phoenix has persisted the longest in South Phoenix, which has housed the city's minority residents for generations. Today, the area hosts a mixture of land uses that range from busy commercial corridors to contaminated industrial sites and historic residential areas. Downtown Phoenix is separated from South Phoenix by an east-west railroad, a demarcation that can be traced back to the 19th century, and the railroad's presence contributed to the industrial development still present today concentrated between the Salt River and downtown.[92] As the city's growth accelerated in the early 20th century, Mexican Americans, who were primarily relegated to agricultural and industrial work, were segregated on the south side of these rail tracks.[93] Race restrictions against Black Americans, Hispanics, and Asians almost completely prevented people of color from purchasing property north of Van Buren Street, which bisects downtown Phoenix.[94]

Since the end of World War II, Phoenix and its surrounding metro area have seen continuous population growth. The city's footprint increased from 17 square miles in 1950 to 517 square miles today, a faster increase in land area than its increase in population, clear evidence of the urban sprawl that defines the city. Phoenix had just 107,000 residents in 1950, compared to 1.6 million today, with a 13 percent population increase just since 2010. By contrast, the total population of its persistent-poverty communities grew by a much slower 8 percent since 2010.

The construction of the I-10 and I-17 freeways in the 1970s and 1980s further partitioned the neighborhood and contributed to elevated air pollution levels.[95] In the same time

91 Bolin, Bob, Sara Grineski and Timothy Collins. "The Geography of Despair: Environmental Racism and the Making of South Phoenix, Arizona, USA," Research in Human Ecology, 2005.

92 Bolin, Bob, Sara Grineski and Timothy Collins. "The Geography of Despair: Environmental Racism and the Making of South Phoenix, Arizona, USA," Research in Human Ecology, 2005.

93 Ibid.

94 City of Phoenix. "South Central Transit Oriented Development Community Plan," 2022.

95 Bolin, Bob, Sara Grineski and Edward J. Hackett. "Environmental Injustice in the Urban Southwest: A Case Study of Phoenix Arizona," Design with the Desert, 2013.

period, the entire Golden Gate Barrio neighborhood to the east of downtown was razed to make way for the expansion of the nearby airport,[96] which resulted in the displacement of 5,000 Hispanic families who were pushed into neighborhoods like South Phoenix and Maryvale to the west of downtown.[97]

FIGURE 26: Key metrics, South Phoenix and Phoenix Metro area

Indicator category	Indicator	South Phoenix	Phoenix Metro
Demographics	Total population, 2019	358,600	4,685,300
	White	17.8%	55.2%
	Black/African American	9.3%	5.2%
	Hispanic/Latino	66.6%	31.1%
	Native	2.2%	1.9%
	AAPI	2.4%	4.1%
	Foreign born	27.9%	14.4%
Poverty and income	Poverty rate	31.9%	12.7%
	Median household income	$36,800	$67,100
Housing	Housing cost burden	38.2%	24.3%
	Vacant housing	11.9%	13.2%
	Owner-occupied	38.1%	64.4%
Education	Adults with no high school diploma	34.7%	11.5%
	Adults with Associate's degree or higher	18.0%	40.0%
Employment	Prime-age adults not working	29.8%	22.4%
	"Good-paying" jobs per 1000 prime-age workers	1,688	897
	Establishment growth rate, 2010–2019	3.8%	20.3%
Occupation	Management, business, science, and arts	19.6%	37.8%
	Service	27.7%	18.0%
	Sales and office	21.4%	24.6%
	Natural resources, construction, and maintenance	14.2%	8.5%
	Production, transportation, and material moving	17.1%	11.1%

Source: EIG analysis of U.S. Census Bureau American Community Survey, Longitudinal Employer-Household Dynamics, and Business Patterns data.

96 Barraza, Eduardo. "A Vanished Phoenix Barrio: Visions of Life on 16th St," Barriozona, 2004.

97 Taros, Megan. "With development plan, south Phoenix says it's time for rest of city to take notice," AZ Central, 2022.

Key challenges and barriers to revitalization

South Phoenix is sandwiched between the city's central business district to the north and an enclave of economically better-off neighborhoods abutting the sprawling South Mountain Preserve nature area to the south. Despite this advantageous location, adequate transportation options and significant commercial or housing development are lacking. A recent federally-funded study of transportation conditions in the community cited numerous challenges that have historically held back the region, including "land use industrialization, poor housing conditions, lack of infrastructure investments, and lack of access to health resources and opportunities."[98]

Housing is rapidly becoming more expensive

Phoenix's relative affordability, particularly in its housing market, has helped lure a steady influx of new residents to the region over the past several decades. But, as in many American cities, an affordability crisis is becoming a major concern, potentially threatening one of the city's primary economic advantages. Even with its steady population growth, Phoenix was able to position itself as a hub of affordability where home ownership was within reach for many Americans. Twenty years ago, the median household income for Phoenix's persistent-poverty communities was $40,600, and the median home value was $104,100 (inflation-adjusted to 2019 dollars), which made home ownership attainable for many low-income residents. In 2019, median household income stood at only $36,800 while home values had increased to $140,500. The last five years have seen steep increases in housing costs across the city's footprint: according to the Zillow Home Value Index, the value of a home citywide reached $433,700 in mid-2022, about double what it was five years earlier. While the steepest uptick is likely driven by the pandemic housing market, continued rapid population growth seems to suggest that this problem will continue to grow as a concern for the city's residents, its most low-income in particular.

Home ownership rates are lower in South Phoenix compared to the rest of the metro area, however, and most residents are renters. The growing affordability crisis across housing types has been decades in the making, with one study finding that over the past 30 years Phoenix has produced just 220,000 new housing units despite seeing its population grow by 820,000.[99] In metro Phoenix, which is among the top 10 metro areas facing the most severe affordable housing shortages, only 20 rentals are available for every 100 extremely low-income renters.[100] Since 2019, the average rent in the Phoenix metro area has increased by a substantial 28 percent—the fifth highest rate nationwide—and is a significant burden for the residents of South Phoenix.[101] Conversations with representatives of local development organizations in mid-2022 brought to light a broad need for more

98 City of Phoenix. "South Central Transit Oriented Development Project," 2021.

99 City of Phoenix. "Housing Plan," 2020.

100 Aurand, Andrew et al. "The Gap: A Shortage of Affordable Homes," National Low Income Housing Coalition, 2022.

101 Bhattarai, Abha, Chris Alcantara, and Andrew Van Dam. "Rents are rising everywhere. See how much prices are up in your area," The Washington Post, 2022.

affordable housing, but its delivery has been slow in a state where the ability of cities to require low-income housing in developments is restricted. While housing development has boomed in many parts of the metro area, approved projects tend to cater to the higher end of the market.

While most residents are renters, there is a notable contingent of homeowners in the community. It is common for owner-occupied housing units to have been passed down generationally. This can result in issues related to maintenance and upkeep of the structures, since upgrades to housing stock often occur when they are sold on the market. The housing stock of South Phoenix was largely constructed in the three decades following World War II, consisting primarily of detached single-family homes, although there are sizable populations residing in multifamily and manufactured housing as well.[102] On average, 53 percent of the housing stock in South Phoenix was built before 1970, compared to 15 percent for the broader metro. These older units can be less energy-efficient, leading to elevated utility costs for occupants.

Small businesses struggle to survive

South Phoenix's predominantly Hispanic local business community has a suite of challenges that create barriers to success. Neighborhood advocates point to decades of disinvestment in the broader community that has failed to create conditions in which businesses can thrive, such as adequate lending services, a lack of political support, and an economically struggling customer base.

Small business owners in Phoenix's low-income communities, especially those who are Hispanic or Black, tend to mistrust large financial institutions and rely on less formal banking institutions. This mistrust is also the result of decades of difficulties procuring loans needed to expand operations. Some businesses operate without a checking account or any formal bank services and many lack any kind of online presence. As a result, predatory lending practices are a major concern in the community, taking advantage of borrowers who are desperate or unfamiliar with the financial system. There are few community banks, particularly when compared with other states, and, until very recently, none of the local ones were minority-owned or focused on minorities.

More recently, the ongoing light rail construction has created a new set of challenges for businesses located along the corridor by making it more difficult to find and physically access neighborhood businesses due to street closures and other disruptions. Even as the city and local organizations worked to mitigate these issues, the pandemic exacerbated the frail state of the community's small businesses and decreased patronage even further. Local economic development representatives cited a lack of adequate engagement from government officials.

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102 City of Phoenix. "South Central Transit Oriented Development Community Plan," 2022.

Local First has had great success so far with its business incubator programs, Fuerza Local Business Accelerator and We Rise. These programs are designed to increase financial literacy and access to capital for Hispanic- and Black-owned businesses. They can serve as a model for more expansive incubator programs that can fit within a broader federal push to support a more inclusive entrepreneurship ecosystem.

Infrastructure impacts livability and connectivity

Infrastructure is one of the biggest challenges facing the community of South Phoenix. While the expansion of the city's light rail through the heart of the community will provide residents with a direct connection to downtown and neighboring areas, the city has been slow to address a lack of basic infrastructure across South Phoenix. Improvements to the existing transportation infrastructure are key, as the jobs of residents are not necessarily near their homes. There is an established system of bus routes, but local conversations indicate that the routes fail to efficiently connect residents in a timely manner with neighborhoods in other parts of the city they may need to go for work, or to obtain essential services such as groceries and healthcare.

Heat-related infrastructure is becoming increasingly essential in communities like South Phoenix, where residents are more likely to be reliant on public transportation or other means such as walking and biking. Many streets lack adequate sidewalks and shade trees are notably absent compared to more affluent neighborhoods. Bus stops also tend to be of inferior quality, and many do not provide any shade. Phoenix is increasingly feeling the impacts of climate change with severe heat waves now a common occurrence in the summer. There is a growing need for investment in economically distressed communities that are poorly prepared for the effects of climate change. An expanded federal role in increasing resilience in disadvantaged communities makes sense as climate change threatens the health and economic viability of residents.

Assets and opportunities

In many ways, South Phoenix should be considered prime real estate and facing intense development pressures. Proximity to downtown combined with large swaths of vacant or underutilized land are major selling points of the community. Geography aside, it is a culturally vibrant area with deep historical roots. The light rail may prove to be the catalyst for renewed investment in the community, although that will require careful follow through from a coalition of stakeholders to ensure that new development is both nurtured and designed to benefit the residents of South Phoenix.

Light rail may be a lifeline

When completed in 2024, the light rail extension through South Phoenix will make the central corridor of the community easily accessible from downtown Phoenix and beyond. There is substantial untapped potential for commercial and residential infill development along the line. Although the city's historic growth pattern has funneled investment into areas north of downtown, there are reasons to be optimistic that this will change in the coming decade as leaders reconsider a sprawl-based approach to development.[103] Despite this potential, new residents are not flocking to South Phoenix yet. Eighty-five percent of the city's population growth from 2010 to 2019 occurred outside of the study area.

Even as this consequential development promises to connect the neighborhood more closely with economic opportunities to its north, the risk of displacement and rising costs for residents is of the utmost concern. The potential for development spurred by the light rail line's construction is substantial: Phoenix's existing light rail line has led to $11 billion in investment in the transit corridor since its construction in 2010.[104] Most of the corridor is zoned for commercial use, but closer to downtown there are parcels zoned for industrial use and closer to South Mountain some parcels are zoned for multifamily housing. Whether or not there will be similar investment interest in the South Phoenix transit corridor is difficult to predict, especially since previous construction largely occurred in more economically successful communities. National research on the impacts of transit construction suggests that development will likely be spurred directly along the transit corridor, but that the impact may be more muted a few blocks from the corridor.[105]

The people and culture of South Phoenix make it unique

Chicano culture is a key part of the identity of many residents of South Phoenix, many of whom are descendants of some of the area's first Mexican settlers,[106] and efforts should be made to preserve and celebrate this cultural heritage alongside economic growth. This can range from preservation of historic structures to anti-displacement policies that support families that have lived in the community for generations. Most importantly, the cultural heritage of South Phoenix can be an integral part of a "bottom up" approach to economic development that builds on existing local assets. Projects that celebrate and incorporate local culture can help give the community a unique sense of place.

New immigrants are also an important part of South Phoenix's identity. While many Hispanic residents in South Phoenix have lived in the community for generations, the immigrant share of its population is twice as high as the broader Phoenix metro. The average upward mobility score for the South Phoenix persistent-poverty group is lower than many other Hispanic urban groups, a reflection of the real strains that poverty places on individuals and families locally. Nonetheless, the appeal of the community to new immigrants should be seen as an asset and a sign of underlying vitality and population churn. With the place-based approach to economic development put forth in this report, it is important to not discount the economic potential of the people living in communities with diverse and

103 City of Phoenix. "Housing Plan," 2020.

104 Reagor, Catherine and Jessica Boehm, "Development around light rail has changed Phoenix, Tempe and Mesa," AZ Central, 2018.

105 Sukaryavichute, Elina et al. "Opportunities and challenges for small businesses in new transit neighborhoods: Understanding impacts through in-depth interview," Regional Science Policy and Practice, 2021.

106 Dean, David and Jean Reynolds. "Hispanic Historic Property Survey," City of Phoenix, 2006.

complex social fabrics like South Phoenix. Economic development efforts in South Phoenix should not treat the area as a blank slate, but instead should set out to create pathways to opportunity for residents.

Institutional network gives South Phoenix an edge

A significant benefit of South Phoenix being in a rapidly growing urban area next to a thriving downtown is the network of organizations working to ensure its success. Regionally, the Greater Phoenix Economic Council (GPEC) is the flagship economic development organization. It has traditionally focused on growing the regional economy and business attraction with notable successes including revitalizing Phoenix's downtown. It pivoted to business retention during the pandemic, which helped to support struggling small businesses in communities like South Phoenix. Going forward, it has the potential to play a key role connecting South Phoenix to opportunities in the broader region and directing regional investments into the community.

Among the community organizations directly working in South Phoenix, Chicanos Por La Causa (CPLC) is the largest, and also the largest CDFI operating in Phoenix. It has been in operation for 52 years and has expanded into multiple states, even though it still maintains its main offices in South Phoenix. After the City of Phoenix, it is the largest landholder in South Phoenix and well-positioned to shape future development there. Smaller organizations, such as Local First, Wildfire Arizona, and Tanner Community Development, also work to make improvements in the community and focus on a wide range of issues from increasing the stock of affordable housing to expanding employment opportunities.

Although the tireless work of these organizations is a boon for South Phoenix, a common theme in interviews with these organizations was a lack of coordination between different entities working in the community. It is easy for a well-intentioned community organization to become siloed when it is using limited resources to advance scoped programs. Even local governments tend not to cooperate very well on large projects. For example, Valley Metro, the region's transit authority, and the City of Phoenix conducted separate efforts to engage the South Phoenix community during the construction of the light rail. Representatives of different community development organizations in Phoenix also noted a lack of follow through on the part of the city as a common challenge for turning plans to action. This has its origins in longstanding frustrations with historic apathy on the part of the city and a lack of follow through on promises made. Better collaboration across the constellation of community organizations and local government entities would strengthen the South Phoenix community further.

Conclusion

Phoenix is an economically vibrant city that is embedded in one of the fastest-growing regions in the country. Unlike some cities, it cannot attribute its expansive area of persistent poverty to a struggling regional economy or steep depopulation. In other respects, however, it is not dissimilar from the country's legacy cities, many of which are also characterized by rapidly growing suburbs that surround a distressed urban core. In the case of Phoenix, the city itself has embraced a suburban growth mindset and historically has prioritized outward expansion over the challenging work of creating opportunities in its oldest neighborhoods. A more inclusive vision of the city's future requires that these "left behind" neighborhoods be connected to the prosperity of the broader region. As the city expands its light rail system into its most economically distressed neighborhoods, there is a once-in-a-generation opportunity to spur development. This development should not come at the cost of substantial displacement of low-income residents, however, and future investments in these communities should be mindful of the high risk of this occurring.

CASE STUDIES

North St. Louis, Missouri: So close and yet so far from economic opportunity

Overview

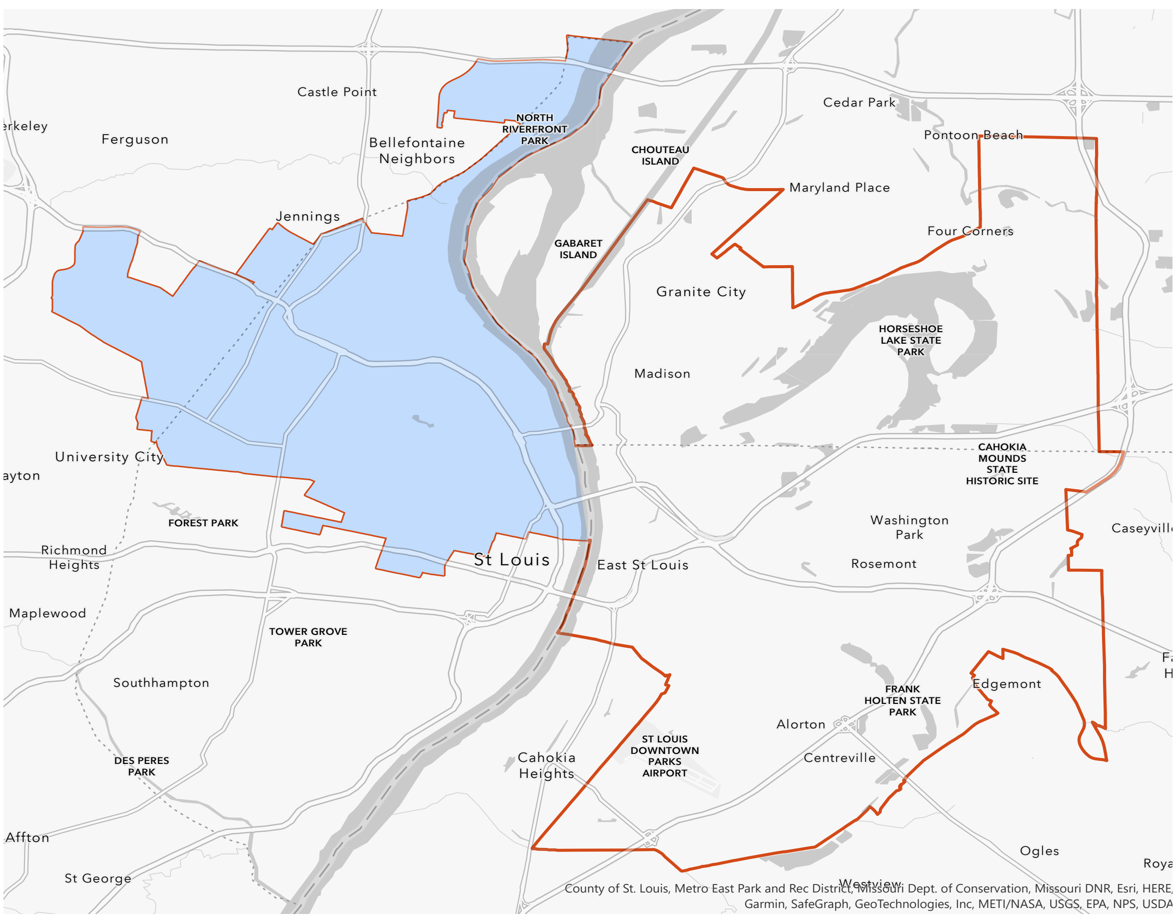
Once a thriving industrial metropolis, the St. Louis region grapples with slow growth and a long history of racial divides. The persistently poor group of census tracts centered around North St. Louis struggles under the weight of depopulation and decades of private disinvestment. This quadrant of the city is representative of the urban poverty facing many Black Americans that was seeded decades ago by deindustrialization, suburbanization, and discriminatory housing policies all across the Rust Belt. Revitalization is made all the more challenging by local government fragmentation, which, combined with such depopulation, has left many municipalities with depleted local tax bases and few resources to invest in themselves. Fragmentation extends to the civic sector, too, where community development organizations proliferate but achieve less separately than they could together.

Today, North St. Louis remains a stone's throw from economic opportunity in the city's flourishing central corridor and western suburbs, but residents expressed the feeling that their neighborhoods' fates were nearly completely cut off from those of the broader regional economy, so deep are the divides across all facets of economic and social life in the region. Leaders recognize that repairing that civic fabric is a top priority. New initiatives to cultivate local suppliers and contractors, stabilize communities by improving schools and building out from neighborhood cores, and intentionally marry advanced manufacturing with inclusive development hold promise, but decades of divides and mistrust have left even cautiously optimistic residents waiting to see results.

Geography and background

The City of St. Louis, which is separate from St. Louis County and has county-equivalent status, is itself considered a persistently poor county, with a poverty rate of 21.8 percent in 2019 (compared to 9.7 percent for St. Louis County). However, a more granular look at the census tract level provides a very different picture of the geography of local poverty. In reality, the region hosts a continuous expanse of persistent neighborhood poverty forming a single PPTG encompassing 75 census tracts stretching from inner-ring St. Louis County suburbs to the west and north, through the city, and all the way across the Mississippi River to East St. Louis, Illinois. Altogether nearly 200,000 people (62,000 below the poverty line themselves) live in this PPTG—one of the nation's largest. Our study focuses on the Missouri portions of this cluster, which includes the historically marginalized neighborhoods north of the "Delmar Divide," referring to the east-west Delmar Boulevard which divides the city by race and class. The core of the study area rests within the bounds of the City of St. Louis, where poverty has persisted the longest, but many challenges are shared with neighboring communities in north St. Louis County, just over the municipal boundary.

FIGURE 27: Boundaries of the North St. Louis persistent-poverty tract group study area



Persistent-poverty tract group boundaries   North St. Louis study area

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

In our focus groups and interviews, St. Louisans themselves readily pointed to how such divides define their city. More than perhaps any other city in the United States, St. Louis's history blends that of the industrial north with the formerly slave-holding south. Long before the so-called "Great Migration" sent millions of Black people from southern states to northern ones in search of industry and opportunity, St. Louis had an established, stable, and segregated Black community. As the city industrialized and the automotive, aerospace, and other manufacturing industries flourished in the post-World War II-era, so did the Black middle class, centered around North St. Louis.[107]

However, deindustrialization also took hold early and swiftly in St. Louis, and the mid-century wave of suburbanization crashed across an already-segregated map.[108] As urban conditions deteriorated, the sequential blows of white flight, Black middle-class flight, and then the flight of most remaining households with the means to get out exacerbated the decline of North St. Louis. The result was massive disinvestment from once-stable, majority-Black neighborhoods.[109] The city's population has more than halved since 1950, while that of the surrounding county has doubled, testifying to the zero-sum nature of intra-metro migration in the segregated and jurisdictionally-fractured region. Racial undercurrents lie beneath such a seismic regional reallocation of residents: the white share of the city's population fell from 82 percent in 1950 to 43 percent in 2018.[110] Today, St. Louis ranks as the 10th most segregated large metropolitan area in the country, similar to peer cities such as Buffalo, Cleveland, and Philadelphia.[111] Black residents in the city are three times more likely to live in concentrated poverty than whites.[112] In the North St. Louis study area, Blacks encompass 86 percent of the population compared to only 18 percent in the metro area.

The segregation and clustering of high-poverty, majority-Black neighborhoods make St. Louis demonstrative of the Urban-high Black share typology of persistently poor areas discussed in various sections of this report. Since the killing of Michael Brown in Ferguson in 2014, communities in the region have been immersed in conversations about racial injustice and have progressed further along the journey of racial reckoning than many others. The Ferguson Commission, appointed by former Missouri Governor Jay Nixon in 2014, examined how "systemic racism" embedded in the history of local and national institutions has disproportionately segregated Black communities from access to opportunity and caused disparities in everyday life.[113] Regional economic development entities have

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107 "A Preservation Plan for St. Louis Part I: Historic Contexts, The African American Experience," City of St. Louis; Cambria, N. et al. "Segregation in St. Louis: Dismantling the Divide," Washington University in St. Louis, 2018; Abello, Oscar P. "Breaking Through and Breaking Down the Delmar Divide in St. Louis," Next City, 2019.

108 Gordon, Colin. "Segregation and Uneven Development in Greater St. Louis, St. Louis County, and the Ferguson-Florissant School District," University of Iowa, 2015.

109 Baumann, Timothy, Andrew Hurley, and Lori Allen, "Economic Stability and Social Identity: Historic Preservation in Old North St. Louis," Springer, 2008.

110 Rowlands, DW and Tracy Hadden Loh. "Reinvesting in urban cores can revitalize entire regions," Brookings Institution, 2021.

111 Brown University, "Diversity and Disparities Index," Russell Sage Foundation and the American Communities Project, 2020.

112 City of St. Louis. "Fourteenth Street Mall: Overview and amenities," 2022.

113 The Ferguson Commission, "Forward Through Ferguson: A Path Toward Racial Equity," 2015.

since developed roadmaps for advancing racially and spatially inclusive economic growth in the region.[114] However, leaders and residents alike share the sentiment that with plans galore, now is the time for action.

FIGURE 28: Key metrics, North St. Louis and St. Louis metro area

Indicator category	Indicator	North St. Louis	St. Louis Metro
Demographics	**Total population, 2019**	121,600	2,804,900
	White	9.2%	73.7%
	Black/African American	86.0%	18.1%
	Hispanic/Latino	1.5%	3.1%
	Native	0.1%	0.2%
	AAPI	1.2%	2.6%
	Foreign born	2.1%	4.8%
Poverty and income	**Poverty rate**	32.0%	10.7%
	Median household income	$28,500	$65,700
Housing	**Housing cost burden**	43.9%	22.5%
	Vacant housing	41.7%	11.5%
	Owner-occupied	39.7%	69.3%
Education	**Adults with no high school diploma**	18.4%	7.3%
	Adults with Associate's degree or higher	13.5%	43.5%
Employment	**Prime-age adults not working**	33.4%	18.1%
	"Good-paying" jobs per 1000 prime-age workers	1,241	938
	Establishment growth rate, 2010–2019	13.5%	3.0%
Occupation	**Management, business, science, and arts**	25.1%	40.6%
	Service	31.8%	16.9%
	Sales and office	21.3%	22.3%
	Natural resources, construction, and maintenance	5.2%	7.6%
	Production, transportation, and material moving	16.6%	12.6%

Source: EIG analysis of U.S. Census Bureau American Community Survey, Longitudinal Employer-Household Dynamics, and Business Patterns data.

114 Furtado, Karishma et al. "The State of Education Reform," The Ferguson Commission, 2020; Greater St. Louis, Inc. "STL 2030: Jobs Plan," New Localism Associates.

Key challenges and barriers to revitalization

Despite the region's slow growth, lack of quality jobs is not the core problem facing North St. Louis, which lies in close physical proximity to downtown and numerous anchor institutions—as do many other persistent-poverty tract groups located inside metropolitan areas across the country. Instead, the quadrant of the city faces a series of stacked issues: getting residents into those jobs, helping residents keep those jobs, helping neighborhoods then keep those workers, and helping neighborhoods attract businesses. Thus, workforce development and educational attainment strategies are essential for breaking cycles of poverty and boosting the incomes of North St. Louis residents at the individual level, but economic development efforts also need to work on the physical development of the area and the fundamental economic conditions of North St. Louis itself. If the quality of the location does not improve, residents who attain good jobs will likely continue to move away and leave the area in persistent poverty. To truly turn around, North St. Louis needs to be reintegrated into the economic fabric of the region.

Stark population decline makes it challenging to maintain a sustainable level of economic activity in North St. Louis

In urban areas, a certain level of population and housing density is key to the revitalization of communities. Yet, the population of North St. Louis fell by 40 percent from 202,000 in 1990 to 122,000 in 2019, while that of the exurban counties in the metropolitan area jumped by 39 percent from around 300,000 to 418,000. This intra-metropolitan redistribution of population out of persistently poor communities presents one of the most formidable headwinds confronting the revitalization of the affected neighborhoods as households with means leave for communities that offer more safety, better schools, higher-quality services, and more stable home values. The continued drip of residents and activity from the area weighs on its economic prospects—few want to invest in an area with a shrinking consumer base.

Such depopulation has also left this once-urbanized area surprisingly low-density, which presents another hurdle to revitalization. With residential and economic activity so attenuated, there are too few neighborhood poles around which to anchor revitalization. New investment gets diluted or spread too thinly to achieve a critical mass of economic momentum that might catalyze a self-sustaining turnaround. One initially promising attempt demonstrates the challenge: the 14th St. Mall in Old North St. Louis was redeveloped by the City of St. Louis and community-based organizations between 2007 and 2010.[115] The revitalization project was initially hailed as a success as it temporarily halted population decline and attracted a wave of new residents and small businesses to the neighborhood's historic commercial corridor itself.[116] But the upswing did not last. Eventually, depopulation resumed, and few small businesses found they could succeed with so few people living, working, and spending in the community.

115 "A Preservation Plan for St. Louis Part I: Historic Contexts, The African American Experience," City of St. Louis.

116 Office of Policy Development and Research. "St. Louis, Missouri: Crown Square Historic Rehabilitation in Old North St. Louis," U.S. Department of Housing and Urban Development.

Relatively unique among major metropolitan areas is St. Louis' undersized immigrant population, at just under 5 percent. The lack of immigration from abroad contributes to the city's low headline population growth rate. Low rates of international immigration may inhibit the region's poor neighborhoods from turning around, too, as recent immigrants often seek out affordable neighborhoods and do not view local real estate markets with the same prejudices as long-term residents. Bolstering immigration could help backfill neighborhoods on the losing side of intra-metropolitan migration and blunt the zero-sum nature of population dynamics in the region.

Multiple factors inhibit demand to live and work in the area

North St. Louis suffers from traditional market mechanisms having broken down. Demand to live or do business in the area is too low. Normally, economies have the ability to self-correct. But in the case of North St. Louis, so much land is held by private speculators or in trust by the public sector in a complex patchwork that the market struggles to clear. Consequently, the area struggles to reactivate and redeploy its assets. Issues around vacancy, aging infrastructure, poor public services, and safety all compound the underlying problem that this urban area has undergone extreme disinvestment from which it is very difficult to recover.

Decline, once it sets in, has its own momentum. As middle-income and working-class families move out of North St. Louis and adjacent communities, municipal governments and public schools struggle to provide quality services to remaining residents.[117] This struggle then sets off a cycle that leads to more population loss, as poor schools and services drive out more residents.[118] Crime is perpetually on the mind of residents and in the prejudices of others in the region. In focus groups, residents complained of poorly maintained roadways and dilapidated public spaces as factors that keep people away. Residents were especially impatient with poor services in the City of St. Louis itself, where sufficient resources should be available to pick up the trash on time and keep the streetlights on.

Low-quality public services and schools contribute to the broader devaluation of properties in the neighborhood and stand in the way of attracting new residents. Meanwhile, old and abandoned buildings drive down property values and neighborhood quality. Fully 42 percent of the study area's housing stock is vacant, some of the highest rates of any neighborhoods in the country—and that figure excludes the extensive demolitions that have turned entire blocks green. Attesting to the extent to which market demand for land and property in North St. Louis has all but dried up, one interviewee mentioned that some of the properties fail to get even $5,000 at auction.

Because the neighborhoods are perceived as a poor store of value, it has been extremely difficult to get bank lending to open a business or renovate a house or commercial property in

117 Furtado, Karishma et al. "The State of Education Reform," The Ferguson Commission, 2020; Greater St. Louis, Inc. "STL 2030: Jobs Plan," New Localism Associates.

118 Bernhard, Blythe. "From falling enrollment to culture, top challenges for next leader of St. Louis Public Schools," St. Louis Post-Dispatch, 2022.

North St. Louis. The city's out-of-date zoning code, which has not been updated since 1947, makes attracting private investments to fuel the economic reinvention of the neighborhood even more challenging.[119] Many blocks—and sometimes several adjacent ones—that were once residential are now completely empty, with all prior structures demolished. Yet rezoning and repurposing such parcels on a plot-by-plot basis is costly, time-consuming, and uncertain—adding more barriers to redevelopment in an area that is already at a disadvantage relative to other parts of the region.

Thus, a key challenge facing North St. Louis is how to improve livability in the face of so many headwinds. With such limited demand, the area demonstrates the clear usefulness of a tool such as Opportunity Zones in principle. The federal investor tax incentive is designed to increase investor interest in particular areas by raising the potential returns they can look forward to if their investments are successful. However, such an incentive alone appears unable to move the dial significantly in a place with as many compounding issues as North St. Louis, which has seen little investment through the incentive itself. However, the City Foundry STL, a local Opportunity Zone investment towards the southern edge of the study area, is widely hailed as a community development coup, bridging St. Louis' divides and supporting minority entrepreneurs from diverse backgrounds.[120] An example of economically inclusive infill development, it may offer a model for other parts of the community, too.

Fragmentation combined with slow growth creates a zero-sum local economic situation

Governance in the St. Louis region is fractured from the highest to lowest levels. The metro area is spread across two states and 15 different counties. The city and county itself are separate entities. The county, for its part, consists of 88 municipalities after a few recent mergers and numerous unincorporated areas.[121] Many municipalities are very small; 21 of them have fewer than 1,000 residents. Meanwhile, the city of 300,000 was divided into 28 wards (nearly one for every 10,000 residents) represented by separate aldermen until the passage of a recent redistricting plan, which will reduce the number of wards in half.[122] By comparison, the city of Washington, DC, consists of only 8 wards for a population of 700,000.

In many ways, the region's history of divisions by race and class manifest themselves in this fragmented governance of municipalities. Even St. Louis City has a long history of gated communities, special tax districts, and exclusionary zoning. As in metro areas across the

119 Bartholomew, Harland. "Comprehensive City Plan: Saint Louis, Missouri," University of Illinois, 1947; Naffziger, Chris. "In 1947, city planners published a map of obsolete and blighted districts. The effects were disastrous," St. Louis, 2019.

120 Theodos, Brett et al. "An Early Assessment of Opportunity Zones for Equitable Development Projects," Urban Institute, 2020; Woytus, Amanda. "Advantage Capital launches a new fund to support minority-owned businesses and entrepreneurs of color," St. Louis Magazine, 2022.

121 County of St. Louis, Missouri. "Municipal Boundaries," Department of Conservation, 2021; "Tiny North County community Vinita Terrace merging into Vinita Park," St. Louis Post-Dispatch, 2017.

122 Board of Aldermen. "City of St. Louis Redistricting," St. Louis, Missouri, 2022.

country, many suburban municipalities established mid-century were expressly incorporated to keep residents' tax revenues in while keeping cities' problems out.[123] Locally, the result is a fractured regional tax base, continuous westward sprawl, and a rolling redistribution of economic activity within a region with slow headline growth.[124]

Fragmentation carries over into the civic sector as well. On the face of it, the region has a robust civic infrastructure: approximately 3,260 charitable organizations serve the St. Louis metro area communities.[125] This robust civic foundation represents a core strength of many of the predominantly Black urban counties and tract groups studied in this project. Many stakeholders stated throughout the interviews that there are many committed, passionate community-based organizations that work to bring positive changes to the region. Yet we also heard that the non-profit landscape is so fragmented that the aggregate impact of the vibrant ecosystem all too often adds up to less than the sum of its parts. In such a fractured landscape, organizations often find themselves competing against each other for scarce funding, duplicating efforts, and struggling individually to achieve scale.

Interviewees also acknowledged that the region needs more capable and effective actors and better policies and practices that encourage collaboration among them. Stakeholders generally agreed that St. Louis had too many, too small local governments *and* non-profit groups—and felt strongly that their capacity to carry out quality work varied immensely. Too many local governments were an obstacle to reform, rather than a visionary and empowering partner. For some this comes down to limited staff and resources under the tight budgetary constraints imposed by their limited tax bases, but for others it is a matter of capacity, priorities, and culture.[126] Accountability and collaboration are needed to help all the existing pieces in the community fit together better.

Assets and opportunities

Despite significant challenges, the St. Louis metropolitan area is rich in assets, starting with its people and their communities. More than 120,000 individuals reside in North St. Louis city, constituting the bedrock of resilience the community maintains in the face of its challenges. There are numerous opportunities to build on strengths, cultivate new ones,

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123 Huber, Joe. "The History and Possibilities of a St. Louis City-County Reunification," NextSTL, 2010; Rothstein, Richard. "The Making of Ferguson: Public Policies at the Root of its Troubles," Economic Policy Institute, 2014; Cooperman, Jeannette. "The story of segregation in St. Louis," St. Louis, 2014; Cambria N. et al. "Segregation in St. Louis: Dismantling the Divide," Washington University in St. Louis, 2018; Gordon, Colin. "The Urban Crisis in the Gateway City," St. Louis University Public Law Review, 2013.

124 Gordon, Colin. "The Urban Crisis in the Gateway City," St. Louis University Public Law Review, 2013; Florida, Richard and Patrick Adler. "The patchwork metropolis: The morphology of the divided postindustrial city," Journal of Urban Affairs, 2018.

125 Arena, Olivia and Kathryn Pettit. "Harnessing Civic Tech and Data for Justice in St. Louis," Urban Institute, 2018.

126 EIG interviews and listening sessions, Summer 2022; Missouri Senate Division of Research, "Report of the Interim Committee on Greater St. Louis Regional Emerging Issues," State of Missouri, 2021; Balko, Radley. "How municipalities in St. Louis County, MO., profit from poverty," The Washington Post, 2014; "Overcoming the Challenges and Creating a Regional Approach to Policing in St. Louis City and County," Police Executive Research Forum, 2015.

and experiment with new models. The city's rich base of anchor institutions, civic actors, and leaders across sectors can help provide both the vision and the resources to make transformational change happen. Perhaps most importantly of all, St. Louis is a region aware of its problems. Numerous initiatives are underway to overcome the fragmentation and segregation that has held the region, and its poor communities, back for too long. And through programs like Neighborhood Leadership Fellows, a new generation of leaders is taking the helm.

Overcoming fragmentation

Multiple organizations and initiatives stand out for their innovative approaches to overcoming the barriers presented by fragmentation. Regional leaders recognize that fragmentation is an obstacle to economic development and have been taking steps to find creative solutions around the issue.[127] In 2013, the independent city and county governments merged the business support functions of the two separate agencies—the Economic Council of St. Louis County and the City's St. Louis Development Corporation—to "more effectively promot[e] business expansion, retention, and job creation" throughout the St. Louis region.[128] As a result, the St. Louis Economic Development Partnership was formed, and it has since assisted the St. Louis City and County business community with development activities such as site selection and preparation, business incubators, and workforce development. The initiative expires in 2023, however, and with a mixed report card locally, its future is uncertain—signifying the practical difficulties inherent in overcoming fragmentation across governments.[129]

Civic leaders are trying to overcome fragmentation as well. For example, in 2021, five leading economic development organizations in the region—AllianceSTL, Arch to Park, Civic Progress, Downtown STL, Inc., and the St. Louis Regional Chamber—joined forces into Greater St. Louis, Inc., to better coordinate their expertise and resources around a shared vision of advancing a competitive, inclusive economy in the St. Louis region. As the region's flagship business association, Greater St. Louis, Inc., develops metro-wide economic development strategies together with business and civic leaders, provides capacity-building programs, and advocates for policy priorities that advance broad-based prosperity in the region.

One organization that stands out in particular is Beyond Housing. Through their 24:1 Initiative, the group works across 24 different small municipalities on long-term investment and neighborhood revitalization strategies, replenishing local tax bases, and reaching economies of scale in procuring or providing essential services.[130] Rare in the economic development space is Beyond Housing's recognition that improving public schools is

127 Coleman, Denny and Brian Murph. "Economic Development in St. Louis City and St. Louis County," Better Together, 2014.

128 Laws and Lawmaking. "Ordinance 69454: Intergovernmental Cooperation Agreement," St. Louis, Missouri, 2013.

129 Interviews and focus groups, Summer 2022.

130 Swanstrom, Todd et al. "Civic Capacity and School/Community Partnerships in a Fragmented Suburban Setting: The Case of 24:1," Journal of Urban Affairs, 2013.

essential for turning around neighborhoods, given how residential markets work in the United States. Thus, they have organized around a single school district, the Normandy school district in North St. Louis County, bringing different municipal governments and other stakeholders together to maximize the impact and make it sustainable. They have also adopted a multi-pronged approach of trying to broadly stabilize an area while investing in—and building out from—key nodes of activity in the community to improve the quality of residents' lives.[131]

Boosting connectivity between advanced industries and distressed neighborhoods

Geographically, North St. Louis' persistently poor communities are close to job centers in downtown and the Central West End, where significant public and private investments have seeded impressive turnarounds and a nation-leading innovation district. St. Louis has an ample base of blue-chip companies and growing advanced industry clusters in life sciences, agriculture technology, and more.[132] Yet, few tangible spillovers from these regional economic development successes have meaningfully materialized for more marginal communities, especially to the north. What is more, since the majority of jobs in the region's growing advanced industries are knowledge-based, there are few direct pathways to economic opportunity within them for residents of persistently poor areas such as North St. Louis.[133]

In a region as fragmented and divided as St. Louis, focus group participants expressed the sentiment that few benefits from such growth in advanced industries ever reaches them and their communities. There was clear division in our interviews between those who firmly believed that region-wide economic growth and development was an essential if insufficient prerequisite for turning around North St. Louis, and those who felt that economic and social ties were so completely severed that local economic fates were effectively distinct.

The reality is somewhere in between. Slow regional economic growth does present a headwind to community economic development, and stronger growth could make the task of revitalizing persistently poor areas significantly easier. However, it is also true that investment and job growth in the knowledge economy frontier will neither naturally trickle down to the most vulnerable families nor spill over to the most marginalized communities in any meaningful magnitude without intentional efforts to create real, concrete ties in terms of investment and jobs.

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131 Beyond Housing. "A Region is Only as Strong ss All of Its Communities," 2018.

132 Muro, Mark and Yang You. "Superstars, rising stars, and the rest: Pandemic trends and shifts in the geography of tech," Brookings Institution, 2022; Katz, Bruce and Karen Black. "Cortex Innovation District: A Model for Anchor-led, Inclusive Innovation," Drexel University, 2020; Donahue, Ryan. "Rethinking Cluster Initiatives: St. Louis, Agriculture Technology," Brookings Institution, 2018.

133 "Building a five-year plan to narrow racial gaps in small business growth in St. Louis," Next Street, 2022.

The new campus of the National Geospatial-Intelligence Agency (NGA) in North St. Louis is a clear case in point of this challenge. One of the biggest investments in the community in decades will eventually employ large numbers of highly-educated workers in advanced fields in a massive but secretive facility that, by its very nature, cannot be well-integrated into the community due to national security concerns.[134] Of course, the facility is still under construction, and it may yet serve as a catalyst. Anecdotal evidence suggests that land values around the complex are rising, implying that it still has the potential to deliver as an economic tentpole by stoking demand to live and work in a long-neglected corner of the region. Nevertheless, this unambiguous win for the regional economy may struggle to fulfill initial promises of serving as a neighborhood anchor and community hub. Such overpromising on what the innovation economy can directly deliver to the most hard-up residents and communities risks eroding trust in a region where it was already in scarce supply.[135]

As it looks forward, St. Louis has the opportunity—and in many ways obligation—to better connect its marginalized and underserved populations, centered on North St. Louis, to the benefits of the burgeoning regional economy. While many strategies are already percolating, in this work the region will find itself at the frontier of local economic development practice nationally. This is a toolkit that is still being assembled—and, auspiciously, a lot of that assembly and experimentation is taking place in St. Louis. Look no further than the St. Louis Development Corporation's long-awaited Economic Justice Action Plan, a bottom-up roadmap for individual economic empowerment that runs through neighborhoods, rooted in inclusive development, with concrete steps for businesses, residents, public entities, and other stakeholders to take to fundamentally change the city's economic promise.[136]

Another strategy for increasing the connectivity between regional growth and opportunity in long-disinvested communities is to tap into the purchasing power of the anchor institutions in the region, such as Washington University in St. Louis and BJC Healthcare.

In a promising extension of this practice, Greater St. Louis, Inc.'s recent jobs plan launches a Supply STL initiative to help private businesses, not just the usual "eds and meds" anchor institutions, to provide "a reliable and stable customer base" to fuel the sustainable growth of locally-owned minority businesses.[137] In this work of restoring ties, local civic organizations such as Invest STL and St. Louis Anchor Action Network can play a critical role in identifying and connecting small businesses and local entrepreneurs to large anchor institutions, as well as facilitating investment opportunities for underinvested communities.

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134 Schlinkmann, Mark. "More delay on bill creating 'protection' district around new north St. Louis NGA campus," St. Louis Post-Dispatch, 2022.

135 This sentiment was expressed by residents in focus groups held Summer 2022.

136 Develop St. Louis, "Economic Justice Action Plan," St. Louis Development Corporation, 2022.

137 Greater St. Louis, Inc. "STL 2030: Jobs Plan," New Localism Associates.

Connectivity can be strengthened in both hard and soft ways. Most transit lines currently run from east to west, for example, when north-south links would do more to help struggling residents access jobs in the region's core.[138] On the softer side, progress in reducing the social distance between someone growing up in North St. Louis and someone working in innovation districts is crucial, even if it may take a long time. This can come from outreach, events and programming, mentorship, partnerships, STEM pathways in school, customized training programs, entrepreneurship training academies, and the sort of active and genuine community engagement that organizations, such as the Cortex Innovation Community and BioSTL, are pioneering.[139]

These ideas and thinking are already well baked in Greater St. Louis, Inc.'s proposal for the U.S. EDA's Build Back Better Regional Challenge (BBBRC), which the region won in September 2022.[140] The award was granted to support region-wide, collaborative efforts to foster inclusive economic growth by leveraging existing regional assets—historical manufacturing base as well as growing bioscience and geospatial clusters—while also addressing past racial and spatial injustice. Particularly, the plan, titled *St. Louis Tech Triangle*, is inherently spatial and emphasizes the role of community-based organizations, embracing the intent to ensure broad-based opportunities and benefits for residents in North St. Louis City: job and business opportunities targeted for residents and underserved populations; training and apprenticeship opportunities; new spaces for community gathering and services; and streetscape improvements.[141] The proposal put the MLK Innovation Center at its core, with numerous initiatives to ensure that the new advanced manufacturing facilities supported by the grant serve as genuine neighborhood anchors with multiple mutually-reinforcing ties into the surrounding community. With the award of a BBBRC grant, St. Louis earns a "once-in-a-generation" opportunity to advance innovation and inclusion, together and intentionally. There is a palpable sense that now is the time to show what equitable economic growth means in the region. And the initiative heralds a long-awaited shift from planning to implementation in the region.

138 Kim, Jacob. "In push for the north-south MetroLink line, the route gets some tweaks," St. Louis Business Journal, 2022.

139 "Accelerating Inclusive Economic Growth in St. Louis," Cortex Innovation Community, 2022; "Diversity, Equity, and Inclusion," BioSTL: Driving St. Louis Innovation, 2008.

140 "Greater St. Louis, Inc.: St. Louis Tech Triangle," U.S. Economic Development Administration, 2022.

141 "St. Louis Tech Triangle: Build Back Better Regional Challenge, Phase 2," U.S. Economic Development Administration, 2022.

Conclusion

North St. Louis is a classic example of the highly segregated persistent-poverty tract groups that sit at the center of many metropolitan area economies today. In this instance, St. Louis City itself qualifies as a persistently poor county, but, with poor neighborhoods concentrated in the north of the city, the area demonstrates the value of the tract-group approach in very populous metropolitan counties in which poverty and plenty coexist in close proximity. Dramatic depopulation and disinvestment have contributed to a gradual winding down of economic life in many parts of the study area. This leads to many chicken-and-egg dilemmas: How to bring residents back with low-quality schools? How to cultivate small businesses without residents? How to stabilize the tax base without either? In response, stakeholders are cohering around an approach of building out from neighborhood cores, but most neighborhoods are still trying to swim upstream. Notably, with top-line regional economic growth relatively stagnant, the region still engages in a mostly zero-sum redistribution of residents and economic activity from declining areas to growing ones, often on the exurban fringe but, more recently, in the city's central corridor as well.

Fragmentation is a common theme across political, social, and economic life, and race is often the line on which life fractures. In the face of such multidimensional fragmentation, the concept of connectivity comes to the fore. Advancing economic development in North St. Louis requires cultivating more investment that crosses the "Delmar Divide" into North St. Louis, forging more career pathways for residents into good-paying jobs, fostering productive collaboration and economies of scale across the energetic base of community organizations, and harnessing the power of the region's formidable base of anchor institutions to stimulate private sector growth in the region's struggling quadrants.

CASE STUDIES

Big Horn County, Montana: A tribal community in search of its economic direction

Overview

Big Horn County is a rural community of over 13,000 people located in southeastern Montana, about an hour drive from Billings, the most populous city in the state. Two-thirds of the county's population identify as Native American,[142] and the county's persistent-poverty status is closely linked with the presence of two reservations: the Crow Indian Reservation, which covers nearly two-thirds of the county, and a small portion of the neighboring Northern Cheyenne Indian Reservation. Both on and off the reservation, many of the county's economic development priorities revolve around housing quality, adequate service provision, and job access and quality.

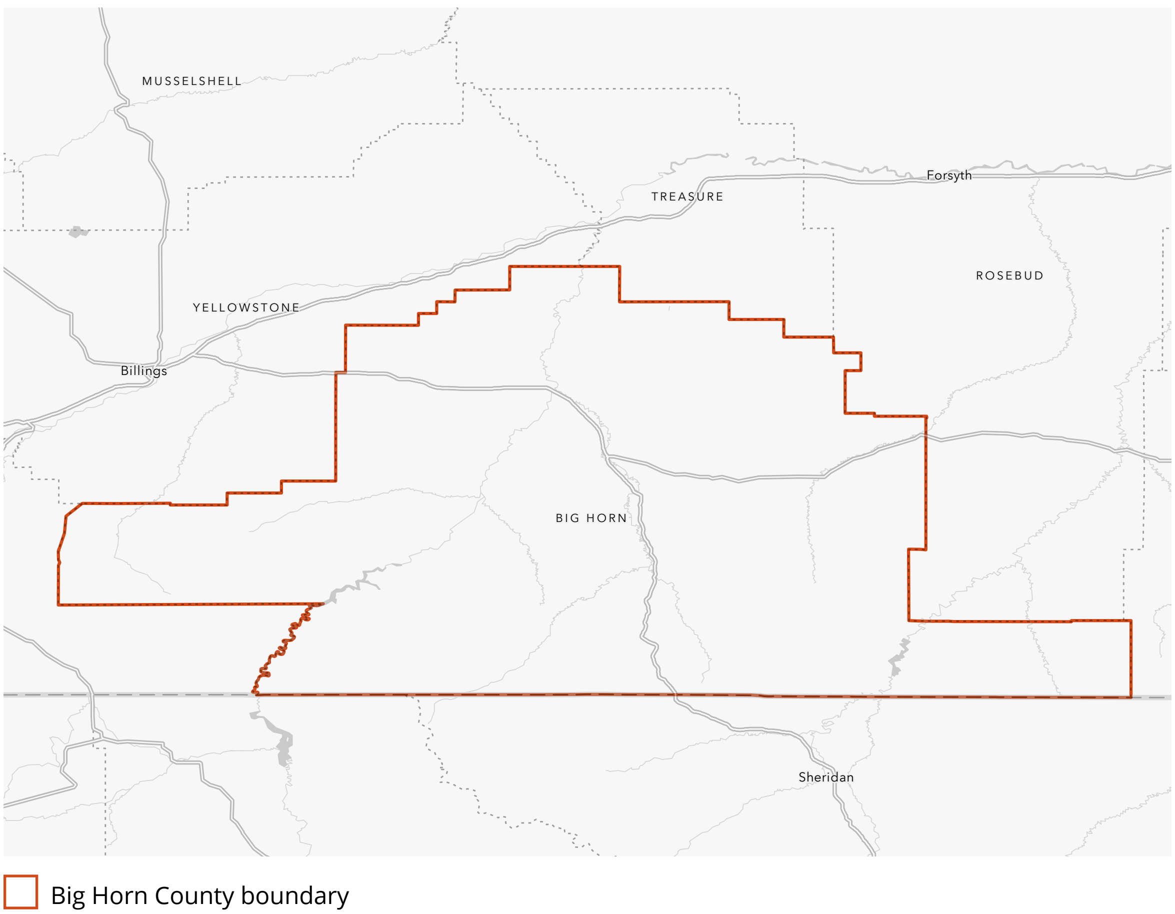
The local economy is largely centered around agriculture, government services, and coal extraction—the latter of which was a one-time source of valuable jobs and revenue that has slowed as an economic engine in recent years, prompting the urgent need for economic diversification. Tourism and recreation represent a relatively minor share of the local economy but offer one of the few near-term opportunities for economic reinvention. A proud tribal cultural identity that prizes independence and self-sufficiency offers unique opportunities to incubate Native entrepreneurs and enterprises rooted in the local culture.

142 Note: American Indian, Indian, Native, and Native American are used to refer to the people whose lives are characterized by this data. There are many official and unofficial designations of Native heritage from which to choose.

Geography and background

Big Horn County is a sprawling rural community in southeastern Montana defined by the presence of the Crow Indian Reservation—the largest in the state—covering approximately 2.2 million acres.[143] Hardin, the county seat, is home to just over 3,800 residents and provides most of the local options for shopping and other services. The Crow Tribe has a membership of 11,000, of whom 7,900 reside on the reservation, including many who speak Crow as their first language.[144] Crow Agency is the largest tribal community home to more than 3,200 residents alongside most of the tribe's government functions.[145] Despite the county's rurality, Big Horn is also influenced by its proximity to fast-growing Billings, which is grappling with an influx of newcomers, rising home prices, and intense competition for scarce workers. Thus far, more negative spillovers from growth in Billings have reached Big Horn County than positive ones.

FIGURE 29: Map of Big Horn County study area



Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

143 "Big Horn County, Montana," Office of the Governor of Montana, 2021.

144 "Big Horn County, Montana," Office of the Governor of Montana, 2021.

145 "Big Horn County, Montana," Office of the Governor of Montana, 2021.

In general, tribal counties exhibit the highest average poverty rate and the second-lowest share of prime-age adults not working among persistent-poverty counties. Big Horn County's lagging performance on economic metrics compared to the state overall is starkest when it comes to unemployment, educational attainment, and housing vacancy, although there can be large divergences in conditions within the county. For instance, in the average census tract on the Crow reservation, 43 percent of prime-age adults are not working, while the figure is 20 percentage points lower off the reservation.[146] In Hardin, the poverty rate is 19.6 percent, while just a short drive away in Crow Agency, the poverty rate is 40.6 percent.

A pillar of the county's economy has been its significant but declining reliance on coal extraction. The impending end of the coal mines as a source of local revenue appears nearer than ever with one estimate that approximately five years of viable reserves remain in the lone-operating tribal mine—a major hurdle to overcome as it still acts as the tribe's largest single source of revenue, providing about $15 million per year.[147] Between 2012 and 2021, mining-related federal royalty payments to Big Horn's county government fell by nearly 75 percent.[148] Even though it has been a major source of income, coal extraction has not translated into broad economic prosperity locally, and an over-reliance on the resource has arguably crowded out other private sector development and set the stage for a challenging transition as coal mining declines. The accelerated decline of coal increases the urgency around incubating a more robust private economy both on and off the reservation in Big Horn County.

Social dynamics are another layer that plays into the economic success or struggles of a community. As many rural communities are all too familiar with, issues around mental health and substance abuse have become major concerns in recent years—concerns voiced by residents in our focus groups and interviews in Big Horn, too. A lack of job opportunities can cause a drop in community pride and feelings of self-worth, which can then become a barrier to finding employment, creating a vicious cycle.[149] Even those who do manage to succeed economically are not spared, since the despair that comes with a lack of economic opportunity can also lead to feelings of "social jealousy" toward those in the community who do manage to find relative economic stability.[150]

146 American Community Survey 2015–19 census tract averages.

147 Western, Samuel. "Big Horn County, Montana: Leaving Coal Behind," Strong Towns, 2021.

148 Haggerty, Mark, and Nicole Gentile. "Quitting Fossil Fuels and Reviving Rural America," Center for American Progress, 2022.

149 Compton, Wilson et al. "Unemployment and substance outcomes in the United States 2002–2010," Drug Alcohol Depend, 2014.

150 Harrington, Charles. "American Indian Entrepreneurship: A Case for Sustainability," Journal of Leadership, Management, and Organizational Studies, 2012.

FIGURE 30: Key metrics, Big Horn County and Montana

Indicator category	Indicator	Big Horn County	Montana
Demographics	Total population, 2019	13,400	1,049,400
	White	26.8%	86.1%
	Black/African American	0.0%	0.4%
	Hispanic/Latino	6.4%	3.8%
	Native	64.3%	6.1%
	AAPI	0.1%	0.8%
	Foreign born	1.0%	2.2%
Poverty and income	Poverty rate	25.5%	13.1%
	Median household income	$49,900	$55,000
Housing	Housing cost burden	17.5%	23.0%
	Vacant housing	31.1%	19.2%
	Owner-occupied	63.4%	68.1%
Education	Adults with no high school diploma	10.4%	6.2%
	Adults with Associate's degree or higher	28.6%	41.3%
Employment	Prime-age adults not working	36.0%	19.2%
	"Good-paying" jobs per 1000 prime-age workers	724	905
	Establishment growth rate, 2010–2019	-8.5%	8.0%
Industry	Natural resources	13.1%	6.5%
	Construction	2.9%	8.2%
	Manufacturing	0.6%	4.8%
	Skilled services	37.5%	39.2%
	Leisure and hospitality	12.9%	11.3%
	Trade, transportation, and utilities	14.6%	19.3%
	Government	16.3%	5.9%

Source: EIG analysis of U.S. Census Bureau American Community Survey, Longitudinal Employer-Household Dynamics, and Business Patterns data.

Key challenges and barriers to revitalization

The challenges to economic development locally are some of those shared by many rural communities across the country. But in Big Horn and other tribal communities, a long history of active and passive discrimination toward the Native American population helps sustain economic and social gaps while fostering distrust. In general, there is a lack of industrial infrastructure and commercial development in the region, and investment is needed to upgrade and expand the housing stock.

The basic economics of both housing construction and repair are stacked against the area

Housing quality and affordability is a major impediment to economic development in Big Horn County, both on and off the reservations. While most of the county's housing stock consists of owner-occupied single-family homes, there is also a sizable contingent of mobile homes that make up about one-fifth of the housing units.[151] The existing housing stock is often poor quality, with more than half of residences rated as "fair" or worse condition. The issue is particularly acute on the reservation where upwards of 60 percent of units are substandard.[152] Many houses have simply been abandoned, leading to a significant share that requires immediate demolition, repair, or renovation.[153]

The lack of adequate housing construction has led to issues of overcrowding as well. County-wide, more than 12 percent of renter-occupied housing units are severely overcrowded, a problem that is particularly prevalent in Hardin and the surrounding area where an estimated 17 percent of renter-occupied housing units are severely overcrowded.[154] In the neighboring county, less than 1 percent of rental housing is similarly affected. In the census tract covering Crow Agency, an estimated 10 percent of owner-occupied housing units are classified as severely overcrowded.[155] One estimate suggests that at least 1,000 housing units are needed to alleviate the issue.[156]

Several local economic development officials ranked the lack of adequate housing as the biggest impediment to attracting workers and the related economic activity that would cater to them. Housing construction in the county is hampered by a skilled labor shortage and rapidly escalating development costs. The shortage of local construction companies and workers is further aggravated by surging demand from larger and more accessible population centers, making it harder for Big Horn residents to hire construction companies and other housing-related services amid the fierce competition.

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151 "Beartooth RC&D Regional Housing Study," Beartooth RC&D: Resource Conservation and Development, 2022.

152 "Big Horn County, Montana," Office of the Governor of Montana, 2021.

153 "Beartooth RC&D Regional Housing Study," Beartooth RC&D: Resource Conservation and Development, 2022.

154 U.S. Census Bureau American Community Survey 5-year estimates 2016–20; Policy Map "Estimated percent of renter-occupied housing units with more than 1.5 occupants per room, between 2016–2020."

155 U.S. Census Bureau American Community Survey 5-year estimates 2016–20; Policy Map "Estimated percent of owner-occupied housing units with more than 1.5 occupants per room, between 2016–2020.

156 "Big Horn County, Montana," Office of the Governor of Montana, 2021.

While these issues cannot be solved overnight, a comprehensive housing study produced by the local economic development organization Beartooth RC&D highlighted the most promising sites that could be developed into housing.[157] Where practical, housing developments could also be paired with other essential services, such as the inclusion of flexible office space for business incubation, job training centers, or childcare facilities. The recent creation of a Big Horn County government position dedicated to countywide housing issues also offers an opportunity to make progress on the comprehensive housing strategy and help promote the development of affordable housing on publicly-owned land.

Small and new businesses are essential to locally driven economic development but struggle to take root

The leakage of economic activity to places outside of the county means that residents' earnings are not spent and recirculated in the local economy. Instead, they bleed out into surrounding places, especially Billings, draining the county of its already meager income and tax base. Improving access to capital and business support services could foster business activity locally, both on and off the reservation.

With respect to access to capital, Native CDFIs play a vital role in local economic development efforts, but the growing demand for their services has put increased pressure on their operating and loan capital budgets.[158] Increasing the capitalization of Native CDFIs could help alleviate the demand for credit in these communities. Further financial support for revolving loan funds (RLFs) would also be beneficial given the high level of demand for such services from local organizations like Beartooth RC&D. These services are often the only option for helping those who are unbanked or need gap financing for the last portions of a loan, since these are typically services for borrowers who are unable to get funding through traditional routes. Promisingly, Plenty Doors Community Development Corporation, a Native CDFI based in the county, is part of a consortium that won a $45 million award from EDA as part of the Build Back Better Regional Challenge to seed an RLF serving tribal communities in the region and generally help accelerate the development of the indigenous finance sector locally.[159] An additional push to bolster the U.S. Small Business Administration's 7a loan program could benefit Native communities that have relied heavily on this as a source of business capital in recent years.[160]

With respect to fostering business activity, the complex legal divisions between the county, the tribes, and a host of federal government agencies presents a special challenge for economic development, which often requires coordination across tiers of government and with the private sector. As sovereign and independent entities, reservations have their

157 "Beartooth RC&D Regional Housing Study," Beartooth RC&D: Resource Conservation and Development, 2022.

158 "Access to Capital and Credit in Native Communities," The University of Arizona Native Nations Institute, 2016.

159 "Four Bands Community Fund Coalition Overarching Narrative," U.S. Economic Development Administration, 2022.

160 Akee, Randall. "The Great Recession and Economic Outcomes for Indigenous Peoples in the United States," The Annals of the American Academy of Political and Social Science, 2021.

own political and judicial institutions.[161] Oftentimes, these institutions are unfamiliar to non-tribal business entities, sapping demand to invest, partner, or do business in the area from outside the reservation. For example, the uniform commercial code, which facilitates commerce across states, generally does not apply on reservations.[162] Commercial disputes that arise on Native sovereign land are heard in tribal court, where non-tribal entities may feel that they will be at a disadvantage. Such perceptions—grounded or not—raise the risk premium non-tribal entities associate with doing business on reservations. Such complexities extend to land ownership and use as well, both of which are tightly controlled by the federal government. A little more than one-third of the total land comprising the Crow Reservation is held in trust by the U.S. Bureau of Indian Affairs, while the Crow Tribe directly controls 18 percent, and 32 percent of the reservation is actually owned by non-Indians.[163] Such complexity adds to uncertainty, which makes it harder for even land-owning members of the tribe to use land as collateral for loans.

Of course, the goal of economic development initiatives in tribal areas is to cultivate indigenous enterprise, not attract commercial activity from elsewhere. One of the biggest challenges conveyed by interviewees on this front stems from the ambivalent relationship many Native populations, the Crow included, can feel vis-a-vis market society. Cultural and historical preferences for a communal way of life as opposed to a more individualistic mindset play into the comparatively low likelihood that an individual ventures out to start a business on their own. As a result, small business ownership is low and the related support infrastructure is often weak in tribal communities, both in Big Horn County and nationwide. However, recognition of the importance of cultivating Native enterprise is growing, and local organizations such as Plenty Doors are stepping in to fill some of the gaps. Such efforts are vital in tribal areas but also in rural parts of the United States more generally, where entrepreneurship has lagged significantly in recent years. In the end, only 16 new employer businesses were launched in Big Horn County between 2018 and 2020—comparable to similarly rural and/or tribal counties in Montana and creating a needed 190 jobs, but too few to radically change the area's trajectory.[164] The county has the third-lowest self-employment rate in the state.[165]

Reservations and their nearby counties typically have significantly fewer business establishments of all kinds relative to the surrounding areas, especially when there are fewer than 15,000 residents, and the average revenue of the businesses that do exist tends to be smaller as well.[166] Low credit scores and a lack of collateral when seeking loans are

161 Akee, Randall and Miriam Jorgensen. "Property institutions and business investment on American Indian reservations," Regional Science and Urban Economics, 2014.

162 Harrington, Charles. "American Indian Entrepreneurship: A Case for Sustainability," Journal of Leadership, Management, and Organizational Studies, 2012.

163 "Big Horn County, Montana," Office of the Governor of Montana, 2021.

164 EIG analysis of U.S. Census Bureau Business Dynamics Statistics data.

165 EIG analysis of U.S. Census Bureau ACS 5-year estimates, 2016–20.

166 Akee, Randall, Elton Mykerezi, and Richard Todd. "Reservation Nonemployer and Employer Establishments: Data from U.S. Census Longitudinal Business Databases," Center for Indian Country Development, 2018.

significant roadblocks for many Natives looking to start a business. But ensuring residents are aware of—and utilize—existing assistance programs focused on financial literacy, business development, and support for entrepreneurs could help spur the growth of a local small business sector. The U.S. Government Accountability Office found that there are at least 22 federal programs across seven agencies that give out economic development assistance—such as grants and loans—to tribal communities, but these resources might be hard to know about or access, leading to lower uptake and impact than desired.[167] Providing dedicated spaces for entrepreneurs to meet and share ideas could also be useful in sharing such information and helping new business owners and potential entrepreneurs to make professional connections.

Upgrades to basic infrastructure and service delivery are essential for stoking economic growth

A major roadblock to economic development and business formation are long-standing issues with much of the infrastructure serving the community, ranging from basic utilities like water or waste disposal, to other vital services like grocery stores and health centers. The Crow Reservation no longer has its own full-service grocery store, for instance, and improved access to reliable broadband internet and cell phone service is also in demand. Complicating matters is the fact that the tribe is not a standard municipal government that can levy taxes on residents and properties to fund the provision of social services. Instead, it is dependent on other sources of revenues or grants to finance basic infrastructure.

The American Rescue Plan of 2021 set aside $1.75 billion for Native governments, with some of that specifically directed toward improving tribal housing.[168] Some of it could be used to upgrade water and sewer systems on the reservations. In census tracts encompassing the local reservations, 16.7 percent of housing units on average lacked complete plumbing facilities.[169] In Hardin and the non-reservation portion of the county, the rate was 4.1 percent, which is still high by national standards. According to a recent report from the local economic development district, a new system is planned to treat water for 80 percent of the Crow Reservation after an agreement was made with the federal government to upgrade a regional treatment plant and water system.[170] Until those upgrades can occur, however, the water quality on the reservation remains poor, and many households have issues with frequent dry wells and contamination problems or must rely on costly water delivery services.

The proximity to Billings and presence of major rail and highway infrastructure endows the county with more building blocks for development than some peers, but many of these still need significant improvements. Local leaders mentioned that the rail spur to the industrial park in Hardin, for instance, is not up to the appropriate standards for most heavy

167 "Big Horn County, Montana," Office of the Governor of Montana, 2021.

168 "The American Rescue Plan Act," Department of the Interior: Indian Affairs, 2021.

169 U.S. Census Bureau ACS 5-year estimates, 2016–20.

170 "Beartooth RC&D Regional Housing Study," Beartooth RC&D: Resource Conservation and Development, 2022.

industrial or agricultural uses, and the interstate has failed to help the county become a destination in and of itself rather than a way for most motorists to pass through the area—a situation common in many rural communities. In the end, the local consensus is that, since its completion several decades ago, the highway has helped more money flow out of Big Horn County to Billings than it facilitates in the other direction.[171] Reversing some of that flow is a core economic development challenge—and goal—for the county.

The institutional capacity of local governments and economic development organizations is overburdened

In Big Horn County, both the local and tribal governments grapple with challenges that are common to rural and low-income areas of being under-resourced and often understaffed relative to their needs. These dynamics can leave the highest-need places with some of the least institutional capacity, in the economic development jargon. Big Horn County only recently hired its first dedicated economic development staff. Beartooth RC&D conducted the region's first housing study with the support of special pandemic-era funding through EDA via the CARES Act. The economic development infrastructure on and off the reservation is still being built. If such infrastructure remains underdeveloped relative to the area's needs, the community will find it difficult to apply for, win, and effectively disburse the funding that it needs. Limits on institutional capacity can perpetuate an area's economic struggles.

The reservation itself is administered by the tribal government, the county's largest employer. In some realms this provides a more robust infrastructure for guiding economic and community development, but every entity faces its own set of challenges. Through interviews, tribal members and local economic and workforce development officials expressed a sense that changes in administrations, which take place every four years, can bring large changes in priorities. This can make long-term planning and follow-through difficult; by the same token, it is a challenge shared by non-tribal areas that see a change in party leadership, too (although turnover may stretch especially deep into the bureaucracy in this case). In addition, without a formal office building to house the government, interviewees expressed challenges coordinating with different arms of the public sector. Meanwhile, a growing base of non-governmental entities such as Little Big Horn College strengthen and diversify the ecosystem. As in every community, opening up more opportunities to partner with the growing tribal civic sector is an important priority for enhancing local institutional capacity, too.

The federal government, for its part, needs to collect more information on what programs it offers to tribal communities, how extensive uptake is (and why), and what models are most successful in tribal communities. In part due to the relatively small size of Native populations relative to other ethnic groups, there has been little significant evaluation of the effectiveness of government programs around job training, for example, on this

171 "Beartooth RC&D Regional Housing Study," Beartooth RC&D: Resource Conservation and Development, 2022.

population.[172] The U.S. Government Accountability Office recently called out the need for improved estimating and reporting of federal program commitments to tribal communities in order to identify areas in which better targeting or additional support is needed.[173] Additionally, many development projects have required continuous subsidies or additional federal assistance to maintain operations—meaning the investments failed to stand up something independently viable.[174]

Federal grants provide a vital source of funding for a range of programs locally, yet many local officials lamented the overly burdensome application process as being a major challenge given time and staffing limitations. The complicated grant process can seem biased toward those who are able to afford expert assistance and seems to prioritize those who have already applied for and received grants in the past. The need to obtain multiple bids on a project can be difficult in such a small and remote community, a problem that is similarly applicable to a requirement to obtain matching funds for grants given the relatively limited availability of donors or foundations that could theoretically provide them. Enacted in 2000, Executive Order 13175 permits waivers for tribal entities to get around such obstacles. Raising awareness about such workarounds could help mitigate any structural disadvantages in program design facing tribal entities. More generally, interviewees expressed a desire for more sustained in-person technical assistance from federal agencies or their partners to offer expertise on what is available and how to obtain it.

On this front, a new joint economic development position for the town of Hardin and Big Horn County was funded through a grant from the U.S. Department of Agriculture's Rural Community Development Initiative. The role is focused on business and housing development with an ambitious goal of spurring the creation of dozens of new businesses in the next few years. To complement this effort, there is a secondary focus on helping to shepherd through a new affordable housing project, along with an interest in providing a transit option from Hardin to Billings, creating an emergency shelter, and redevelopment of brownfield property.

Assets and opportunities

Big Horn County is frequently described by locals as a close-knit community, both in towns like Hardin and on the reservation, and there is a noted commitment to the community from the small number of business leaders in the area, according to locals and economic development experts. After a series of recent grants and hires, the county's economic development capacity has been significantly upgraded in recent years. Several ideas are percolating to kickstart the local economy's needed diversification.

172 Akee, Randall. "Sovereignty and improved economic outcomes for American Indians: Building on the gains made since 1990," Washington Center for Equitable Growth, 2021.

173 "Tribal Economic Development: Action is Needed to Better Understand the Extent of Federal Support," U.S. Government Accountability Office, 2022.

174 Mathers, Rachel. "The Failure of State-Led Economic Development on American Indian Reservations," The Independent Review, 2012.

Developing the county into a regional hub for recreation and tourism

Some of the most valuable and underleveraged assets available to Big Horn County and the Crow Reservation are their history and natural environment, consisting of millions of acres of largely unspoiled terrain. The availability of land for recreational and sport activities as well as the potential growth of the local tourism industry are significant. In addition to hydropower, the Yellowtail Dam and the Big Horn River already provide the opportunity for boating and other water-related recreation such as sport fishing, which contributed over $88 million to the local economy in 2017.[175] The county's most prominent tourism asset is the Little Big Horn Battlefield National Monument located just outside Crow Agency and run by the National Park Service. Before the pandemic, the site welcomed 241,000 visitors annually, generating $14.4 million in visitor spending and supporting 220 jobs.[176] While there is not a significant business presence on the reservation, there are many local artisans and crafts-people who could contribute to the growth of tourism centered around the battlefield and other festivals, such as the local Native Days celebration. There are numerous opportunities to build out a more sustainable and year-round tourism industry, and to get visitors to spend more money and time in the county as they pass on the highway.

Embracing a transition to renewable energy resources

There is an opportunity for the area to become economically competitive in the growing renewable energy sector, primarily wind power generation and potentially solar, along with the associated support industries of maintenance, power storage, and worker training.[177] Such a transition would beneficially diversify the local economy while still supporting the aims and goals of tribal governments to cultivate revenue-generating activities under their control.[178] As one interviewee put it, the transformation that must take place locally could be summed up as a move from a mindset of "how do we get money?" off of passive income streams like royalties from mining rights to one of "how do we make money?" The tribe may be able to steward clean energy investments more directly according to its values, too. The county, meanwhile, could look forward to cultivating a more predictable and sustainable revenue stream that helps it more intentionally invest in a more diversified base of future growth.[179]

Identifying ways to ensure workforce development programs are effective

The work of Little Big Horn College (LBHC) provides a solid foundation from which to build out effective workforce development programs. Located on tribal territory in Crow Agency, the college is a valuable county-wide resource that currently enrolls about 250–300 students

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175 Western, Samuel. "Big Horn County, Montana: Leaving Coal Behind," Strong Towns, 2021.

176 Western, Samuel. "Big Horn County, Montana: Leaving Coal Behind," Strong Towns, 2021.

177 Timer, Adie, Joseph Kane, and Caroline George. "How renewable energy jobs can uplift fossil fuel communities and remake climate politics," Brookings, 2021.

178 Akee, Randall. "Sovereignty and improved economic outcomes for American Indians: Building on the gains made since 1990," Washington Center for Equitable Growth, 2021.

179 Haggerty, Mark, and Nicole Gentile. "Quitting Fossil Fuels and Reviving Rural America," Center for American Progress, 2022.

per year on average. Tribal members make up most of the employees at the college, and many graduates end up working in the education sector as well as local government.

In recent years, the school has offered several apprenticeship and trade education programs focused on local in-demand industries like commercial truck driving, construction, and other housing-related fields, including plumbing, electrical, and carpentry. However, the programs have recorded mixed results to date due to limited sustained enrollment and inconsistent grant funding. Many participants fail to complete the programs, raising the question of whether wraparound services that support other essential personal needs related to safety and health are needed to improve rates of completion and job retention.

Conclusion

This vast and remote community combines the small-city industry of Hardin with the relative economic and social isolation of the Crow and Northern Cheyenne reservations. The county's challenges include difficulty achieving economies of scale in financing and development in such a sparsely populated area. The issue is linked with the county's struggles to attract and sustain commercial activity that can withstand the economic pull of the nearby population center, Billings. The housing stock needs to be expanded and upgraded throughout the county. Local economic development capacity is growing at the county and regional levels thanks to federal funding for new studies and hires, but it needs nurturing and sustained commitment. Fostering attachment to the labor force is a major challenge, and concerns about mental health and substance abuse are widespread. Furthering the economic development of Hardin with infrastructure and workforce upgrades will help Big Horn County as a whole, but on the reservations, incubating private sector activity and local entrepreneurship is a top priority. Such private sector development is becoming even more essential as royalties from local coal mines dry up, leading to a growing reliance on the public sector as the primary source of good-paying jobs.

CASE STUDIES

Gadsden County, Florida: Struggling to achieve liftoff

Overview

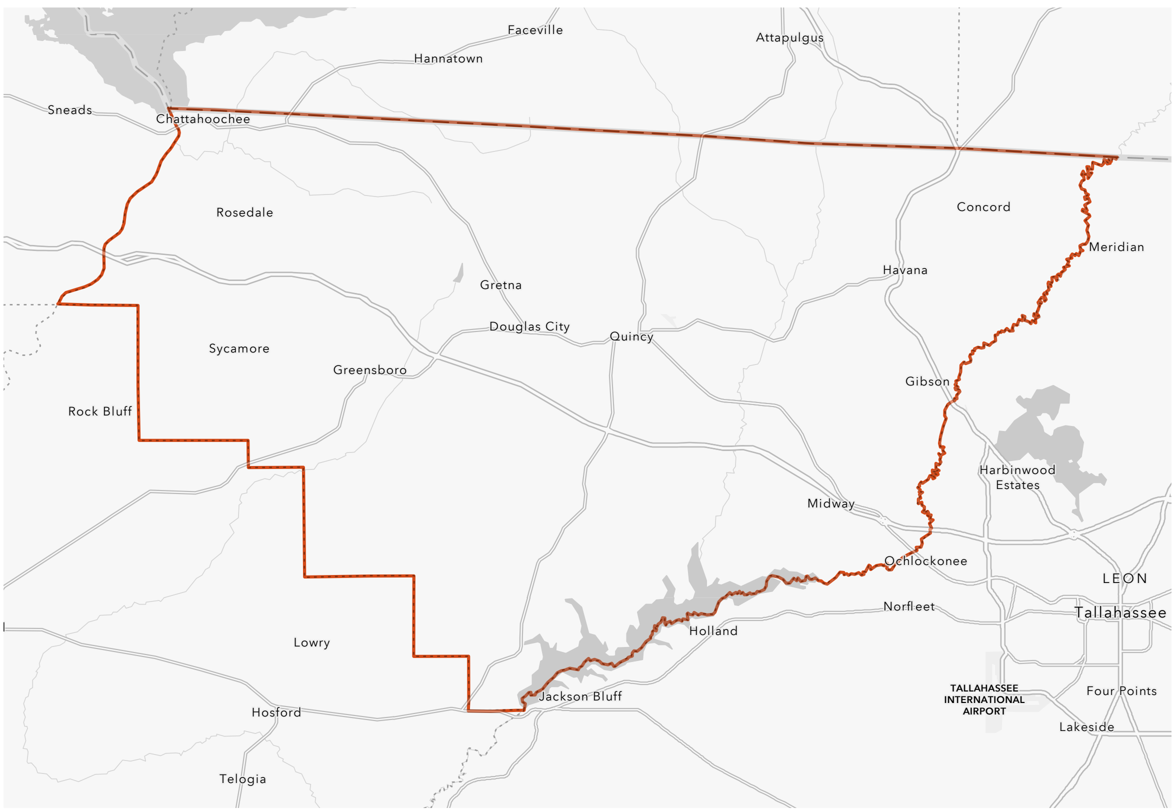
Situated just to the west of Tallahassee, Florida's capital, Gadsden is a rural county with deep agricultural roots even though most of its residents work in other industry sectors today. The county has a modest population of 46,000, and none of the six small towns scattered across it exceed 10,000 in population. Despite its proximity to a growing urban area, it is one of just two counties in Florida with a population above 30,000 that lost residents from 2010 to 2019. Although its population loss has not been severe and some of its towns are growing, its growth trajectory stands in stark contrast to the rapidly expanding population of the state elsewhere. Like many rural counties in Florida, it tends to attract retirees while struggling to hold onto working-age adults and families.

Gadsden has yet to capitalize on its various assets and gain the necessary momentum to exit the list of persistent-poverty counties even though it seems well-positioned to do so. Throughout the county, there is ample land that is shovel-ready for industrial and residential development, but projects tend to move forward slowly, if at all, largely due to local officials being slow to sign off on projects. While Gadsden's poverty rate has trended down over the past 30 years from 28 percent in 1990 to 23 percent in 2019, several of its towns still have poverty rates well above 20 percent, with clear disparities in income and wealth. Despite its demographic and economic challenges, Gadsden could very well pivot to growth over the next decade, but this will depend on the focused efforts of local leaders and carefully scoped state and federal investments.

Geography and background

Gadsden is situated in the Florida panhandle, with Georgia to the north and Tallahassee to the east. Lake Talquin forms its southern border with Lake Seminole accessible from the other side of the county. The Apalachicola River runs along its eastern border. Florida's Gulf Coast is reachable in around an hour's drive. Quincy is the county seat and its largest town. It sits in the middle of the county, just off Interstate 10, which runs east to west across the county. Smaller towns are scattered throughout the rest of the county. Chattahoochee, in the northwest corner, is the most geographically isolated, while Midway is a short drive from Tallahassee and stretches along Interstate 10. Gretna is not far from Quincy, and Havana is in the northeast, also not far from Tallahassee. The proximity to the interstate for most of the county and the dispersion of its towns is such that none is more than a short drive in any direction, making the county feel well-connected. Nonetheless, it remains very rural, with little spillover in suburban development from Tallahassee.

FIGURE 31: Map of Gadsden County study area



Gadsden County boundary

Source: EIG analysis of U.S. Census Bureau data and American Community Survey 5-year estimates.

Gadsden is Florida's only majority-Black county with 55.8 percent of its population falling into that group, and it is part of the historic, predominantly agricultural Black Belt region. Whites make up 32.3 percent of the population and Hispanics 10.4 percent. The racial composition varies substantially from town to town. Midway is 87.6 percent Black while Havana is just 49.2 percent Black, with whites making up most of the rest of its population. Quincy tends to be quite segregated, with Black people concentrated in the southern part of the town and whites mostly gravitating towards the northern parts of town. North Quincy boasts carefully maintained historic homes and lush yards, while south Quincy has visibly lower quality homes, less tree coverage, and more strip malls with vacant stores. This is a stark example of how poverty is not evenly distributed throughout the county.

Historically, like many rural counties in the Black Belt, most of Gadsden's wealth was concentrated in the hands of a small number of its white residents. Certain families' strategic investments in Atlanta-based Coca-Cola stock along with tobacco farming made Gadsden one of Florida's richest counties in Florida in the early 20th century. Although the county's wealthy residents invested money back into the county, as evidenced by improvements to the town of Quincy, their prosperity did little to expand economic opportunities for its mostly Black, low-income residents.[180]

When shade tobacco, Gadsden's primary cash crop since before the Civil War, went bust almost overnight in the 1960s, the county's mostly Black labor force suffered the most. Changes to wages and labor laws around this time made it cheaper to grow the crop in South America.[181] The low wages paid to the laborers who worked Gadsden's tobacco fields provided little generational wealth, and the decades following the collapse of the county's tobacco industry were defined by high poverty rates and few economic opportunities. By 1990, Gadsden's poverty rate was markedly higher than the Tallahassee metropolitan area, a clear indicator that its economy was out of step with the broader region. The county did see a meaningful reduction in its poverty rate by the end of that decade, buoyed by robust economic growth nationwide, but the economically turbulent 2000s drove up its poverty rate again. Economic growth in the 2010s brought poverty rates down again, but it is unclear if the county is well-prepared to handle another economic shock.

180 Rockwell, Lilly. "Quincy's Drink of Choice," Tallahassee Magazine, 2012.

181 Dunkelberger, Rosanne. "Remembering Shade Tobacco in Havana," Tallahassee Magazine, 2020.

FIGURE 32: Key metrics, Gadsden County and Florida

Indicator category	Indicator	Gadsden County	Florida
Demographics	Total population, 2019	46,000	20,832,600
	White	32.3%	54.0%
	Black/African American	55.8%	15.3%
	Hispanic/Latino	10.4%	25.5%
	Native	0.1%	0.2%
	AAPI	0.2%	2.7%
	Foreign born	4.9%	20.7%
Poverty and income	Poverty rate	22.8%	14.0%
	Median household income	$41,400	$55,700
Housing	Housing cost burden	20.4%	27.8%
	Vacant housing	18.3%	22.1%
	Owner-occupied	72.9%	65.4%
Education	Adults with no high school diploma	19.1%	11.5%
	Adults with Associate's degree or higher	22.5%	39.7%
Employment	Prime-age adults not working	35.9%	22.6%
	"Good-paying" jobs per 1000 prime-age workers	706	851
	Establishment growth rate, 2010–2019	1.9%	16.8%
Industry	Natural resources	3.2%	1.0%
	Construction	8.6%	7.6%
	Manufacturing	5.4%	5.1%
	Skilled services	38.2%	43.7%
	Leisure and hospitality	7.1%	12.2%
	Trade, transportation, and utilities	19.6%	21.0%
	Government	14.9%	4.2%

Source: EIG analysis of U.S. Census Bureau American Community Survey, Longitudinal Employer-Household Dynamics, and Business Patterns data.

Key challenges and barriers to revitalization

Gadsden's high share of adults without a high school diploma and prime-age adults not working are key factors explaining its persistently high poverty rate. Its poor performance on these metrics reflects structural issues with its public schools, workforce training, and overall economic growth. Like many rural counties, it struggles to attract large development projects, exacerbated by limited institutional capacity and competition from neighboring Leon County, which includes Tallahassee. Infrastructure investments are needed alongside substantial improvements to its talent pipeline to better prepare residents for participation in the regional economy.

Institutional capacity is limited

Institutional capacity is a significant challenge for Gadsden County. Most of its towns do not have a grant writer to assist in applying for federal or other funds. Given (at least the local perception) that successful grant applications are often built on having an established network of relationships and experience with the grant process, it has been particularly difficult for the towns to navigate through that process and even become aware of opportunities.

Gadsden's many town governments have broad leeway in terms of shaping development and economic growth within their boundaries. While this flexibility gives residents a strong voice in the future of their communities, it can also lead to a lack of coordination and capacity constraints needed to advance complex projects. Towns with better-managed governments, like Havana, tend to be more successful compared to towns with less stable governments, like Quincy, which has had substantial turnover in the past year. How well these towns interface with the Gadsden Economic Development Council matters as well, and there can be friction between county government and local officials.

The county government in Gadsden has limited capacity to move projects forward without buy-in from the local government whose jurisdiction the project falls under. A common refrain from local leaders is that projects get held up by local politics and do not get the approvals and permits necessary to move forward. Several local officials interviewed for this case study acknowledged that the county's municipalities need to be more decisive in green-lighting projects that will likely benefit the entire county. They also noted that this is difficult to achieve when small municipal governments vary in leadership quality, capacity, and vision.

The small business ecosystem is anemic

The proximity of Gadsden to Tallahassee is both an opportunity and a challenge for the county. At present, Tallahassee's proximity is a net economic loss for Gadsden. Major economic investments tend to happen in and around Tallahassee, and a lack of shops and restaurants in Gadsden increases the likelihood its residents drive to Tallahassee for amenities instead. There is anecdotal evidence that residents of both Gadsden and Tallahassee are more likely to cross state lines and go to small towns in Georgia if they want a small-town experience because those towns are more economically successful than the ones in Gadsden and have superior amenities.

Communities throughout Gadsden do not currently have enough economic activity to support more restaurants and shops, but the lack of those options makes it unlikely that they will be able to compete with their more prosperous neighbors. Chain businesses have proliferated in the county, especially around Quincy, while local, independent businesses struggle to survive for a variety of reasons. County residents placed some of the blame for a lackluster small business environment on elected officials who they claim have not done enough to encourage the growth of new businesses. These chain businesses do of course hire local workers, and many are franchises that may provide opportunities for local entrepreneurs, but they fail to create a distinct sense of place that is needed to draw in more visitors and encourage residents to shop and eat locally.

The public education system is underperforming

Local officials in Gadsden identified the K-12 public education system as one of the biggest impediments to the county's economic growth. Out of all the issues the county is struggling with, human capital is perhaps the most wide-reaching in terms of its impact. The high dropout rate for students and the low quality of the schools themselves fails to create the workforce in Gadsden necessary to attract manufacturing and transportation and logistics facilities. Recent data indicates that only 10 percent of 3rd grade students in Gadsden were proficient at reading,[182] a dismal statistic that indicates the uphill battle the county faces in preparing its youngest residents for future employment.

When Amazon recently decided to locate a fulfillment center in neighboring Leon County, the workforce was cited as one reason for its decision. Not only does Gadsden's K-12 system fail to prepare students for advanced jobs and higher education, but also it increases the likelihood that workers will be funneled into lower paying jobs. This leaves residents with less disposable income to spend in local businesses. Local officials in Gadsden County asserted that the high dropout rate combined with a lack of after school and summer programs increases the likelihood that young people in Gadsden will be inclined to engage in criminal behavior.[183]

Perceived and actual safety is an ongoing concern

Residents of Gadsden, more than local officials, expressed pessimism about the current state of the county, especially around safety issues and the feeling that a sense of community has been lost. While not directly an economic issue, this pervasive belief that Gadsden is becoming a more dangerous place makes residents less inclined to play and shop in the

182 Brown, Danielle J. "Florida's state reading results troubling: About 25% of 3rd graders could read 'proficiently'," Florida Phoenix, 2022.

183 Belfield, C., Henry Levin, and Rachel Rosen. "The Economic Value of Opportunity Youth," Civic Enterprises, 2012.

county. A recent uptick in overdose deaths has worsened this perception.[184] Over the long term, it may even lead to outmigration if concerns are not addressed. Places like downtown Quincy need foot traffic to attract new businesses, but this goal is difficult to achieve if residents do not feel safe.

Residents and local officials both acknowledged that law enforcement was inadequate and unable to respond to an uptick in crime during the pandemic. Each town is responsible for maintaining its own police force, and this leads to safety disparities within the county. Havana and Midway, for example, are well-policed based on interviews with residents and local officials, while Quincy does not have a sufficient police force to discourage crime.

Infrastructure holds back growth

While the road quality throughout Gadsden is sufficiently high, work needs to be done to make the main streets of its towns feel more walkable. This is especially true in Havana, where narrow sidewalks abutting a four-lane highway create an unsafe walking environment that discourages people from getting out of their cars and exploring the community. While there is some political momentum to improve the situation, the role of the highway as a hurricane emergency evacuation route has so far blocked any solution that would involve reducing the number of lanes, a necessary step for widening sidewalks in the town.[185] A possible compromise would be to only remove one lane and maintain the option for two northbound lanes in an emergency. Top-down decisions from state agencies, in this case the Florida Department of Transportation (FDOT), do not necessarily take into consideration unique challenges facing a particular community, however, and agencies may not be inclined towards working towards a compromise. FDOT has a reputation for prioritizing the expedient flow of motor vehicle traffic over safety and livability concerns.[186] Many poor rural communities struggle to navigate such power asymmetries.

Access to reliable, affordable, and high-speed broadband continues to be a challenge for the county. Local officials reported issues with outages even for municipal offices. Connectivity issues for residents are even more acute.

Housing in Gadsden is significantly more affordable than Tallahassee, but the county is not immune from the constraints that are affecting housing supplies nationwide. For some of Gadsden's towns, geographic barriers make it difficult to add more housing (Chattahoochee), and for others, the difficulties of expanding utilities into unincorporated areas hold back the development of more housing (Havana). Even for places with room to grow, the supply chain issues that have hindered housing construction for communities across America compound local challenges, too.

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184 Delgado, Jason. "Florida leaders blame fentanyl deaths in rural Gadsden County on border drug smuggling," Tallahassee Democrat, 2022.

185 "Agenda Item 6A: Town of Havana Main Street Assessment," Capital Region: Transportation Planning Agency, 2020.

186 Cogan, Marin. "The Deadliest Road in America," Vox, 2022. See Smart Growth America, 2022 for more information about the challenges of dangerous infrastructure in communities.

Assets and opportunities

For all its challenges, Gadsden is not lacking in assets. It retains much of its historic character and unique identity, has relatively affordable housing, and offers a distinctly rural living experience, even though most parts of the county are a modest drive from Tallahassee and its airport. The county has received a substantial amount of federal and state funding in recent years. For example, the American Rescue Plan brought $8 million to the county directed to individuals, businesses, churches, and nonprofits impacted by the pandemic. And in 2022, the state of Florida awarded the county $9 million to fund infrastructure and economic development throughout the county. Investments in the county that capitalize on this momentum have the potential to make the county an attractive destination for tourists and future residents alike.

Developing a vision for a more recreation-focused Gadsden

A recreation focus can be a viable development strategy for many rural counties that are looking to both attract and retain population. Although Gadsden has so far only made incremental progress towards establishing itself as a recreation-focused county, it clearly has much to offer outdoor enthusiasts. Despite its inland location, Gadsden's lakes and rivers offer recreation opportunities for both its residents and the broader region.

It took a natural disaster to accelerate efforts to develop a new vision for the county. On October 10th, 2018, Hurricane Michael made landfall as a Category 5 hurricane, the largest on record to hit the Florida panhandle. Although it weakened substantially by the time it reached Gadsden, it still managed to inflict widespread damage, mostly in the form of downed trees and power lines that cut power to most residents in the county. While the hurricane was unquestionably a disaster for the county, it also brought in a substantial amount of federal funding.

Gadsden County residents received around $13 million in federal funds to repair damage from the hurricane, and state funding has flowed into the county as well. A mix of projects to improve infrastructure and expand recreation opportunities have been planned in Quincy and Chattahoochee as part of the Recovery and Resiliency Partnership Program (R2P2)[187]—a technical assistance program funded by the U.S. Federal Emergency Management Agency (FEMA) that helps communities impacted by Hurricane Michael. Potential projects identified through the grant include enhancements to the main streets of the two towns and a long-term vision for additional recreational infrastructure, such as expanded pedestrian and bike infrastructure and improved greenspaces. However, most of these projects are not yet funded. Nonetheless, they provide a compelling and ambitious blueprint for how the county can transform itself into a place that offers a high quality of life to residents and visitors.

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187 "Recovery and Resiliency Partnership Projects (R2P2)," U.S. Federal Emergency Management Agency (FEMA), 2022.

Diversifying its industry mix

Government employment provides job opportunities for many of Gadsden residents and keeps unemployment numbers lower than they would otherwise be. For some towns, government entities are the largest employers. Gretna is almost entirely dependent on the nearby correctional facility, which is its largest employer. Chattahoochee's largest employer is Florida State Hospital, a psychiatric hospital just north of its downtown. Countywide, 15 percent of Gadsden's population is employed in public administration, higher than any other industry in the county and around three times the national share. This large percentage demonstrates the need for greater private sector economic diversification, a challenge Gadsden shares with many other persistent-poverty counties where a stable core of decent-paying public sector jobs sometimes crowds out private sector development and discourages the acquisition of more advanced and marketable skills.

There are several ways that Gadsden can better connect to the broader region and generate new employment opportunities for its residents. It is well positioned to expand its transportation and logistics sector. Its interstate and highway infrastructure connects Gadsden both to seaports like Port St. Joe to the south and to the rest of the Eastern Seaboard. It is also served by a railway mainline and the nearby Tallahassee International Airport. Indeed, a Gulf to Gadsden Freight Logistics Zone has been proposed by the Florida Department of Economic Opportunity that would be a transformative infrastructure project if it came to fruition.

Capitalize on existing institutional infrastructure

Gadsden has several higher education and vocational training institutions that have the potential to be partners in the county's future development efforts. Florida A&M University (FAMU) has a small extension site in Gadsden County that is focused on enhancing its agricultural sector through technological innovation. Gadsden Technical College and Tallahassee Community College both have a presence in Quincy, with the latter mostly focused on connecting residents to employment with limited class offerings. While none of these institutions currently have the capacity to be truly transformative in the county, they have the potential to be scaled up and leveraged to expand educational opportunities for Gadsden residents.

Gadsden is part of the EDA-designated Economic Development District, the Apalachee Regional Planning Council (ARPC), which is one of 10 such entities in the state of Florida. It serves a nine-county region by providing technical assistance to all the local governments within that region. ARPC has been instrumental in helping the county identify its assets and strategic advantages as well as secure different types of federal funding. Along with the Gadsden County Development Council, ARPC adds substantial institutional capacity to the county and will continue to help the county reach its economic development goals.

Conclusion

In many ways, it is surprising that Gadsden has struggled with a high poverty rate for so many decades. It is an asset-rich county in one of the country's fastest growing states. It offers historic towns and a distinct rural lifestyle while having ample land to redevelop and good infrastructure connections to accommodate both population growth and industrial development. And yet, it is also representative of how inequality can dampen economic growth. Struggling public schools, fragmented local governments with varying levels of capacity, a lack of economic opportunities accessible to lower income residents, and ongoing issues with crime and drug use create drags on the Gadsden economy. There are, however, reasons to be optimistic. Parts of the county, such as Midway and Havana, are doing quite well, and recent planning efforts have laid out a clear path forward for the rest of the county—especially if economic connectivity to the broader region is strengthened. Local commitment and targeted federal and state investment is needed to make those plans a reality.

X. Tracking EDA investments in persistent-poverty communities

Between 2010 and 2019, EDA invested well over $3 billion in projects in communities across the country, ranging from disaster relief grants to funding for long-term regional economic planning.[188] By nature, many of EDA's funding streams are regional, meaning each investment, grant, or project aims to serve a multi-county area. Nevertheless, project-level data provided by EDA allows us to examine flows to awardees located in persistently poor areas and with that, begin to paint a picture of the agency's involvement on the ground in these communities. Five core EDA programs award money directly to persistently poor communities or entities based in them, although many of EDA's other programs still touch these areas—including this research project, funded through the Research and National Technical Assistance program.

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FIGURE 33: Select EDA programs active in persistent-poverty counties

Program	Description/Goals
Economic Adjustment Assistance (EAA)	The EAA program assists communities and regions affected by natural disasters, natural resource depletion, mass layoffs, and other severe economic shocks caused by structural impacts to regional economies.
Public Works	The Public Works program is designed to fund physical infrastructure projects such as water and sewer systems improvements, industrial parks, business incubator facilities, expansion of port and harbor facilities, skill-training facilities, and brownfields redevelopment.
Partnership Planning* *Note: Data for this program was excluded from most of the analysis below.	The Partnership Planning program supports a national network of EDA-designated Economic Development Districts (EDDs) as well as local organizations (Indian Tribes and other eligible recipients) with long-term strategic economic development planning efforts, and helps communities undertake focused, project-specific planning activities.
Regional Innovation Strategies/Build to Scale	The Regional Innovation Strategies (now called Build to Scale) program funds efforts to facilitate innovation and entrepreneurship and increase access to risk capital. B2S is composed of the Venture Challenge and the Capital Challenge. The Venture Challenge supports entrepreneurship support programs and other models to accelerate high-growth entrepreneurship activities. The Capital Challenge provides operational support to help organizations and regions expand access to risk capital.
Local Technical Assistance	The Local Technical Assistance program provides grants for management and technical services, including feasibility studies or impact analyses.

Source: Descriptions via GAO.

About the data

EDA provided a project-level dataset with details on 6,800 individual investments and awards across its programs from 2010 to 2019, covering $3.2 billion in spending. For each project, the dataset provides information on funding it received from EDA, total project cost, project type, legislative source of funds, and a brief description of the project and its purpose. In the end, 6,300 projects or awards could be geo-coded to individual counties and 1,300 projects across two programs to individual census tracts. This tract-level information allows us to identify grants and awards to entities based in persistently poor areas *outside* of persistent-poverty counties, too, and presents a clearer picture of how EDA is engaging with persistent-poverty communities throughout the country.

The geographic granularity available differs across EDA's programs. For many Economic Adjustment Assistance (EAA) and Public Works projects, funding can be traced to the tract level, where it ultimately yields a job training center or new piece of physical infrastructure, for instance. Other grants, particularly those received by groups of counties or municipalities, are geared towards government capacity-building or regional economic planning and by their nature cannot be tracked with such precision.

The dataset inherently has some limits that stem from the nature of each observation. By design, most EDA projects are intended to have an economic impact that extends beyond the single geographic unit to which they get geocoded. The dataset captures the location of the entity that won an award, but not necessarily the area of performance or service that results from the award. In light of that, the subsequent analysis excludes all planning grants, which are awarded to multi-county regions by design, as well as all Trade Adjustment Assistance awards, and all Technical Assistance awards not classified as Local Technical Assistance. Any other explicitly multi-county award is excluded. Nevertheless, the analysis does include many other grants, be they disaster recovery, local technical assistance, or innovation-oriented, that function regionally in order to provide solid estimates of direct federal investments into particular communities. In the end, we analyzed $2.7 billion worth of investments. Despite some limitations, the dataset sheds important light on the depth and breadth of EDA's past engagement in persistent-poverty communities.

EDA invested nearly $400 million in persistent-poverty counties between 2010 and 2019 across a subset of its programs

Investments by region

Looking at this subset of EDA's activity between 2010 and 2019, roughly $383 million across 406 projects went to persistently poor counties, or roughly 12 percent of its entire portfolio spending that can be traced to individual counties. The share of overall investment going to persistent-poverty counties has held relatively steady each year. (It is important to note again the methodological differences between how persistent-poverty counties are defined in this report and how EDA defines them for purposes of statutory compliance; equally important to note is that the exact definition does not significantly alter the results).

Breaking that spending out by typology, between 2010 and 2019, persistently poor Rural Deep South counties received the most EDA funding in absolute terms, $112 million, or 29 percent of total EDA funding towards persistently poor communities. Urban-high Black share counties (23 percent, $88 million) and Appalachia and the Ozarks (19 percent, $75 million) ranked second and third, respectively. In this, allocations mostly track with areas that have the largest populations in persistent-poverty counties. The Rural Deep South is one of the most populous typologies and accounts for roughly half of the country's persistently poor counties (196 out of 415). There are only 10 Urban-high Black share counties that are persistently poor, but they have large populations. Both sets of counties (the latter of which includes New Orleans) received large amounts of disaster supplemental funding through EDA, too, largely due to their locations in parts of the country affected by hurricanes.

FIGURE 34: Select EDA investments in persistent-poverty counties by county typology

County type	EDA spending	Total projects	Total persistent-poverty counties	Population in persistent-poverty counties	EDA spending per capita
Rural Deep South	$111,924,000	105	196	4,684,000	$24
Urban-high Black share	$87,995,000	95	10	6,834,000	$13
Appalachia + Ozarks	$75,116,000	70	88	1,838,000	$41
Urban-high Hispanic share	$52,289,000	60	8	4,268,000	$12
Tribal	$26,615,000	50	48	1,112,000	$24
Rural Southwest	$15,102,000	17	32	770,000	$20
Other rural	$13,557,000	9	33	670,000	$20

Source: EIG analysis of EDA-provided data for the period 2010–2019.

Urban areas appear to lag further behind their rural counterparts in per capita spending terms, but that is mainly due to their larger population base. Dollars can reach individuals more efficiently in denser urban contexts, taking advantage of economies of scale. EDA made awards to 86 different grantees in Urban-high Black share counties, reflecting the depth of partnership capacity on the ground in many of these communities. EDA spending per capita on the subset of programs analyzed here is highest in persistently poor counties in the Appalachian and Ozarks region, followed by Tribal areas and the Rural Deep South.

Investments by program

EDA spending in persistent-poverty communities fell overwhelmingly into two categories: Economic Adjustment Assistance and Public Works, EDA's two largest funding streams overall. EDA spent $223 million on Economic Adjustment Assistance in persistent-poverty counties between 2010 and 2019, and $145 million on Public Works projects. Together, these program types accounted for 96 percent of EDA investments in persistent-poverty counties. Regional Innovation Strategies (RIS) accounted for $11 million in spending on persistent-poverty counties, while Local Technical Assistance totaled roughly $3 million.

FIGURE 35: Select EDA investments in persistent-poverty counties by program

Program type	EDA funding	Average project funding	Number
Economic Adjustment Assistance	$223,318,000	$971,000	230
Public Works	$145,326,000	$1,153,000	126
Regional Innovation Strategies	$11,088,000	$462,000	24
Local Technical Assistance	$2,869,000	$110,000	26
All projects	$382,600,000	$942,000	406

Source: EIG analysis of EDA-provided data for the period 2010–2019.

Of these four programs, only two are subject to the 10-20-30 provision that requires at least 10 percent of funding to go to counties that have had a poverty rate of 20 percent or higher for at least 30 years. Those two are its Public Works and RIS programs. Public Works tends to fund physical infrastructure, whereas RIS grants tend to be awarded to entities or consortiums to advance entrepreneurship and innovation in a regional geography. Looking only at persistently poor counties, 13 percent of Public Works grant dollars and 12 percent of RIS dollars went to targeted areas over the full 10-year period, based on our estimates and definitions. Tables below will show that share rises further when persistently poor census tracts are considered.

Public Works

On average, public works projects are the largest in persistently poor counties, averaging $1.1 million in EDA funding across 126 projects. For public works projects, EDA exceeded its mandate to invest at least 10 percent of funds in persistent-poverty communities, instead investing 13 percent based on our assessment and according to our definition and map of persistent-poverty counties. Perhaps unsurprisingly given that these projects tend to be infrastructure installations or involve physical construction of some kind, the average project cost was higher for public works projects than other project types in persistent-poverty counties.

Public works investments often lay the physical foundations for economic development, providing the infrastructure that makes it possible for economic activity to take root and grow. Without port facilities, rail spurs, and highway interchanges, goods cannot get to market. Without adequate water treatment facilities, public health suffers. Firms and households with the choice of where to locate will migrate towards the locations where public works are up to snuff. Yet, infrastructure investments vary significantly in their ability to help persistently poor communities. A bridge or an upgraded port facility may be beneficial for the regional economy, but whether it benefits low-income residents—even if it is in a persistently poor area itself—depends on numerous other local factors, starting with the labor market.

In other words, policymakers need to keep in mind that siting something in a persistently poor area is one thing; ensuring it helps positively connect low-income residents to economic opportunity is another. In some more urban contexts, persistently poor communities can be actively harmed by public works investments that place heavy industrial facilities in close proximity, lead to increased traffic and pollution, or undermine home values. Putting a needed wastewater treatment facility in the wrong place (i.e., in too close proximity to poor residents) may undermine the very goals the investment is intended to achieve. Federal agencies are generally aware of such risks and abide by "do no harm" principles when they consider these investments, but the incentive structure facing agencies rewards how many dollars they place in low-income communities, not what those dollars do. Such incentives should be considered in program design.

One example of the difficult balance between regional economic development and neighborhood-level transformation is a $4 million investment EDA made to rebuild a road in Hamtramck, Michigan, to facilitate truck traffic to and from a manufacturing hub there. The stubbornly high 55 percent poverty rate in the surrounding neighborhood suggests that this EDA investment did not move the needle on local poverty. However, rebuilding that road was an important step needed to attract auto manufacturers back to the area and bring investment and jobs to Detroit. In other words, it helped the region in a measurable way, but has not yet moved the needle on poverty in its host neighborhood.

Regional Innovation Strategies

Awardees based in persistent-poverty counties received 24 RIS grants totaling $11.1 million all together. These grants are part of EDA's flagship funding stream for driving innovation, increasing access to risk capital, and expanding high-growth entrepreneurship in the country's regions. On EIG's definition of persistently poor counties, which differs from EDA's and captures fewer counties, the agency more than met the statutory requirement of dedicating at least 10 percent of the program's funding towards such areas. Given the fairly significant divergences in EIG and EDA's maps of persistent poverty, this suggests that EDA safely, solidly, and with comfortable margins not just meets but exceeds its goals of targeting persistently poor areas regardless of the exact criteria used to define them. Based on EIG's measures, persistent-poverty counties received 13 percent of RIS funding between 2010 and 2019, more than doubling such counties' share of the national population (6 percent).

These RIS grants overwhelmingly went to urban persistent-poverty counties, comporting with the economic development logic of agglomeration and clustering that fosters innovation. Nevertheless, the quantitative analysis and case studies in this report make it clear that locating advanced economic activity in a persistently poor urban area does not automatically mean its benefits will either trickle down or spill over to the area's vulnerable populations and distressed communities. These investments in broader regional economic development may be prerequisites for uplifting struggling communities—it is hard to turn poor places around if they are embedded in broadly struggling regional economies—but alone they do not suffice in guaranteeing that poor populations will automatically be touched by, let alone benefit directly from, such investments. While baking inclusive strategies into innovation-driven economic development efforts is essential public policy, over the longer-term, policymakers may wish to evaluate whether scarce federal dollars are better spent providing persistently poor areas with customized programming more attuned to their stage of development than they are directing advanced innovative activity to be physically located in a struggling area. Such a mismatch can lead to suboptimal outcomes for both the programs and the community.

Planning grants

In many ways planning grants are some of the most important to persistently poor communities, but unfortunately, they are hardest to geo-code and therefore are excluded from the quantitative analysis above. These small-dollar grants are awarded to organizations that represent functional economic regions to devise local economic development strategies. They are integral to sustaining the work—and staffing—of numerous entities across the country dedicated to the economic advancement of their regions. Under the current administration, EDA's investment priorities ask awardees to place equity at the center of these strategies, which can take many forms—targeting workforce development or entrepreneurship support programs at particular populations, for example, as well as more explicitly spatial plans. At the same time, planning is only the first step. Struggling communities can have difficulty getting off the starting blocks even after plans are in hand, making the focus in these areas on execution and implementation just as important.

In accordance with their regional purpose, most grants under this category can be traced to one of approximately 400 Economic Development Districts (EDDs). Out of $313 million in total planning grants issued between 2010 and 2019, $250 million can be tracked to an EDD.

FIGURE 36: Planning grant funding to economic development districts with the largest shares of their population residing in persistent-poverty areas

Economic Development District	Share living in persistent-poverty county or persistent-poverty tract	Planning grants, 2010–2019
West Texas Development District	99%	$1,180,000
Cumberland Valley Area Development District	97%	$0
South Central New Mexico Council of Governments	97%	$1,520,000
Big Sandy Area Development District	94%	$25,000
North Delta Regional Planning and Development District, Inc.	92%	$770,000
Alabama-Tombigbee Regional Commission	90%	$403,000
Lake Cumberland Area Development District	87%	$0
East Central Planning and Development District	86%	$421,900
Ozark Foothills Regional Planning Commission	85%	$529,000
North Central Mississippi Planning and Development District	84%	$210,000

Source: EIG analysis of EDA-provided data for the period 2010–2019.

Accounting for people who live both in persistent-poverty counties and persistent-poverty tracts elsewhere, we can calculate the share of people in each EDD who live in persistent-poverty communities of some type—either counties or census tracts.[189] In 35 EDDs, a majority of people live in a persistent-poverty area, and in 64 more, at least one-third do. In districts such as the West Texas Economic Development District, Cumberland Valley Area Development District, and the region covered by the South Central New Mexico Council of Governments, more than 90 percent of people live in places considered persistently-poor. The 10 EDDs with the greatest share of their residents living in persistently poor areas received $5.1 million in planning grants among them between 2010 and 2019. Roughly $38 million went to EDDs in which at least one-third of the population lives in persistently poor communities.

189 The logic of including all census tracts in persistent-poverty counties but only persistent-poverty census tracts outside of those counties is to, first, align with how programs are currently administered (classifying places as persistently poor at the county level), and second, to add to that base the population in other persistently poor areas that current practices miss in order to provide a more complete picture of targeting.

Roughly one in six persistent-poverty counties received multiple direct investments across this subset of programming

Time and again in the case studies, the project team heard about the importance of a sustained and holistic federal commitment to persistently poor places in seeding durable turnarounds. While EDA represents only one corner of the federal government, it is nevertheless insightful to examine the number of EDA investments each persistently poor county has received. EDA is perennially under-resourced, and its programs are widely over-subscribed. EDA, like other federal agencies, faces a tension between helping as many communities as possible and concentrating investment into fewer places to reach a critical mass of catalytic resources. Investing in persistent-poverty areas is made more challenging by the relatively thin institutional capacity on the ground in many targeted communities—an EDA investment may be only as effective as the quality of its partners on the ground and their ability to carry a project forward. Meanwhile, lone investments are worthy and necessary—and indeed EDA may be the only federal agency providing meaningful economic development capital to these places—but their tally also provides a sense of the gap between present resourcing levels and what it will take to achieve a sustained commitment.

EDA's direct investments between 2010 and 2019 across the four programs reached 39 percent of persistent-poverty counties. In total, only 16 percent of persistent-poverty counties received multiple EDA investments through these programs over that time period, while 23 percent received one. This tally does not include planning grants or other EDA regional awards that may cover persistently poor areas as well.

Counties receiving no grants over this period have similar poverty rates to those that received at least one and are mostly proportionally distributed across county types. Notably, persistently poor counties receiving at least one grant had a combined total population of 15.5 million, whereas those that did not had a combined 4.6 million residents, meaning awards touched far more *people* in persistently poor counties than the initial tally may suggest. This is largely a result of the fact that all persistently poor urban counties with high Hispanic shares and all but one with high Black shares received at least one grant. Nevertheless, investments in urban contexts tend to look smaller in per capita terms, and scarce dollars may go a longer way or have greater marginal value in lower population areas, pointing to the ambiguities inherent in interpreting, let alone grading, these flows.

FIGURE 37: Frequency of awards to persistent-poverty counties

Number of projects	Persistent-poverty counties
0 projects	255
1 project	95
2–5 projects	49
6–10 projects	19
11–15 projects	4
16+ projects	2

Source: EIG analysis of EDA-provided data for the period 2010–2019.

Some persistently poor counties received much more EDA investment than others. Projects in the City of St. Louis received $30.5 million over 10 years and 16 different projects. The largest was a $15.7 million disaster relief grant to repair damage from 2008 flooding at the Port of St. Louis. Between 2010 and 2019, the city also received $2.3 million in Public Works grants and $1.8 million for RIS. Philadelphia, New Orleans, and Pike County, Kentucky, were also leading recipients of EDA investments among persistent-poverty counties. In EDA spending per capita, leading persistently poor counties look different. St. Louis, with a population of nearly 300,000, reverts to 38th. Estill County, Kentucky, with a population of 14,000, ranks first, receiving $283 per person thanks to a large Assistance to Coal Communities grant to facilitate workforce training and transitions into new industries. Notably, Pike County, Kentucky, with a population of 57,000, still ranks fifth at $255 per person.

In some places, EDA investments are ad hoc, particularly those dedicated to disaster relief: one-time responses to one-time events. But in other counties, such as Pike County, there is a clearer, long-term commitment. In the case of Pike County, repeated grants from EDA assisted in the expansion of Pikeville's medical school, key for the community's transition away from a coal-centered economy.

Insights from tract-level data show that roughly 30 percent of key EDA funding streams go to persistently poor areas

EDA project data from its two largest programs, Economic Adjustment Assistance and Public Works, typically comes with tract-level information, which allows us to even more precisely track where EDA investments are going. Of course, many of these projects and awards are specifically designed to have spillovers far beyond an individual census tract. Nevertheless, the augmented county plus tract view is instructive and reveals that EDA investments are more effectively reaching persistently poor areas than county-level data alone might indicate. Just among projects for which tract-level information is available, we find that $412 million in EDA funding can be traced to tracts that are persistently poor within counties not considered persistently poor. This sum is actually slightly larger than total funding for projects in persistent-poverty counties. Public Works projects account for $199 million of this total and $214 million fell under Economic Adjustment Assistance. In the end, roughly 30 percent of EDA's two largest funding streams went to projects in persistently poor areas.

FIGURE 38: Total amount of select EDA funding streams going to entities based in either persistent-poverty counties or persistent-poverty census tracts

Program	Persistent-poverty counties	Persistent-poverty tracts not in persistent-poverty counties	Share in persistent-poverty counties or persistent-poverty tracts	All funding
Economic Adjustment Assistance	$223,318,000	$213,733,000	28%	$1,535,982,000
Public Works*	$145,326,000	$198,775,000	31%	$1,095,861,000

Source: EIG analysis of EDA-provided data for the period 2010–2019.
*Subject to 10-20-30 requirement.

XI. Tying it all together

This deep exploration of the country's persistent-poverty areas exposes a tangled knot of forces at work in most of these communities that keep them from escaping poverty. This work strives to untangle some of those threads so that federal, state, and local policymakers alike can begin to address each in turn. With no single force at work, silver bullets will remain elusive. Instead, persistent poverty is a problem that will require resolve on many different fronts to tackle. And while it may require some patience, residents themselves are rightly *impatient* (if our focus groups are any guide), with their communities having benefited little as the nation flourishes around them. One of the first things the federal government—both Congress and the Administration—can do is establish a clear commitment to the economic development of persistent-poverty communities followed through with a thoughtful long-term strategy and resources tailored to their needs. This section lays out what else they can do to better identify persistently poor areas, understand their needs, empower local actors, and help catalyze economic development that leads to shared economic opportunity.

1. **The challenge of persistent local poverty is significantly larger than what the federal government's prevailing framework measures, raising questions about the adequacy of the current approach.**

   Residents of persistent-poverty counties, which is the geographic scale at which Congress currently directs some agencies to target certain programs, number 20.5 million. Yet the tract group perspective suggests that in reality over 35 million Americans live in large areas suffering from persistently high poverty rates. Thus, more accurately assessed across both rural and metropolitan contexts, the problem of persistent geographic poverty is significantly larger than the federal government's current measurement implies—at least 72 percent larger by population, based on our methodology.

   These figures present federal lawmakers with a serious dilemma. The resources the federal government has committed to tackling persistent local poverty are insufficient relative to the scale of the problem when it is defined at the county level. Resources appear even more inadequate when the true scale of the problem comes into focus. The very intransigence of high levels of poverty in so many different places suggests that business as usual is unlikely to change outcomes on the ground. Thus, if the federal government is serious about finally attacking persistent poverty at its roots, it needs to do two things: invest more and invest more wisely.

How should these dual imperatives, to invest more and invest better, manifest themselves? On the quantity side, the need for more dedicated funding is arithmetic. EDA is only one arm of the federal government, and a small one at that. It more than meets Congressional funding targets for persistent-poverty areas. And yet after a decade of such investments, it has only been able to reach 40 percent of persistently poor counties, and only 16 percent have received multiple investments. What is more, as an agency, EDA is tasked with leveraging modest resources to foster economic development in regions nationwide, not just persistently poor areas. Its budget pales in comparison to that of the U.S. Department of Housing and Urban Development, Department of Transportation, or Department of Agriculture's Rural Development programs. The solution is not for a greater share of EDA's scarce budget to be earmarked for persistently poor areas—indeed, trying to reach all of them would leave little money to meet EDA's many other goals and mandates. Rather, the solution is for Congress to appropriate more dedicated funding streams—and create tools to encourage more private and philanthropic investments—that are better aligned with lagging regions' needs. Here, the Recompete Pilot Program may serve as a model of a sizable, flexible, economic development-oriented funding stream administered by EDA and targeted to persistently distressed local labor markets.

Congress' method of operating under the 10-20-30 provision has been to set aside minimum portions of select funding sources for persistently poor areas. This approach is top-down. It takes an established funding stream often created to accomplish something other than address pockets of deep local poverty and directs some of it flows to needy areas. This report's research suggests that persistent-poverty communities may be better served by *customized* funding streams akin to Recompete that are informed from the bottom up by what communities need. For example, few persistently poor communities would rank innovation-oriented funding aimed to accelerate technology commercialization or foster a local venture capital ecosystem high on their priority list, but Regional Innovation Strategies (RIS) is one of the handful of programs to which Congress applies persistent-poverty set-asides. It is a tool that is not especially relevant to the problem of tackling regional poverty, and poverty reduction, if it happens, will only be an indirect consequence of success. There may be some persistently poor counties that happen to also be strong contenders for RIS grants—St. Louis being an exemplary one—but those regions can apply for innovation-oriented funding streams on their own merits.

In other words, even before committing to investing more, Congress needs to start investing better by making sure scarce federal resources are put to highest value local uses. The 10-20-30 formula successfully brought attention to persistent-poverty areas, but the federal government's approach to policy for these areas needs to shift from treating them as an afterthought to working to develop policy solutions that are tailored to their unique challenges and opportunities. This makes implementing and learning from Recompete a priority. In the meantime, an alternative to appropriating more money or devising other new programs may be to grant agencies more discretion in how they invest in persistent-poverty areas. Agencies should be encouraged to coordinate their investments in targeted communities more closely, too, to find efficiencies and complementarities that help every federal dollar go farther.

2. **Federal partners should seek opportunities to coordinate their interventions in persistent-poverty communities.**

   There is substantial overlap in economic development-related programming across federal agencies.[190] The web of relevant programming is even thicker in persistently poor areas, where economic development can encompass the basic needs of food, shelter, and safety. Due to the overlapping nature of issues facing persistently poor communities and the scarce resource environment in which most of them operate, collaboration and coordination across federal agencies is even more essential in these areas than most.

   In a rural area such as Big Horn County, Montana, where remoteness makes it very expensive to build and service, each agency's dollar will go farther if it can be paired with that from another so that, together, they can reach economies of scale. Investing in a single building to house a small business development center, a workforce training facility, a grocery store, and perhaps some affordable rental housing on the top floor will cost far less than trying to assemble permits and construction teams for four separate projects.

   Indeed, the risk of *not* coordinating in these communities is that investments fail and become isolated white elephants—particularly injurious icons of misdiagnosed priorities, insufficient resources, and irregular commitment for communities that are poor. Taxpayers, too, are much better-served by coordinated approaches that have higher chances of success—and returns—than by isolated investments supported only by the hope that they will grow.

190 In 2021, GAO identified several economic development efforts across the Departments of Commerce (Commerce), Housing and Urban Development (HUD), Agriculture (USDA), and the Small Business Administration (SBA) that appear to be overlapping and fragmented. See GAO, "Efficiency and Effectiveness of Fragmented Economic Development Programs Are Unclear," GAO-11-477R (Washington, D.C.: May 19, 2011).

Significant responsibility for such foresight and collaboration lies with local parties but navigating—let alone corralling on one's own behalf—the federal bureaucracy is notoriously difficult, especially for poor areas which tend to have only limited capacity in the first place. So, while federal agencies can encourage proactive local coordination across federal funding streams in line with local priorities, care needs to be taken not to penalize areas in earlier stages of institutional development.

Federal agencies, for their part, should have the procedures in place to be able to coordinate responses. The Rural Partners Network facilitated by the USDA is an example of a novel effort at collaboration between multiple federal agencies and community partners to improve information, coordination, and ultimately access to needed resources.[191] GAO recently called on the Department of Commerce to fulfill its duty to provide a similar service to tribal areas to aggregate and make available economic development funding opportunities across relevant agencies.[192] EDA already plays an incredibly important role through its planning programs, which support the development of comprehensive local economic development strategies through its network of EDDs. EDDs with pockets of persistent poverty could be required to clearly identify these areas and develop integrated local strategies around revitalizing them, identifying opportunities for coordinated federal funding as part of the process. Notwithstanding USDA's efforts around the Rural Partners Network, with the right inter-agency framework (and sufficient appropriations and staffing) EDA would be naturally positioned to assume a leadership role within the federal government in facilitating intentional collaboration in persistently poor or chronically economically distressed areas in particular. The premise here is not new—it was embedded in the theory behind Promise Zones—but the need remains.

3. **Federal goals would be best served by a standardized methodology for defining persistent-poverty areas.**

   This report shows how interrelated the problems affecting persistently poor areas are, touching housing, infrastructure, transportation, private sector development, and more. Each federal agency that is statutorily required to use the 10-20-30 provision uses different datasets and methodologies to create a list of counties that have had a poverty rate above 20 percent for the past 30 years. Federal funding streams for these issues are stove-piped across different agencies working off different sets of geographic targeting criteria. Program officials and recipient communities alike would be better served by agencies working off a single, authoritative, predictably updated map of persistent-poverty areas. Such coordination will foster complementarity in federal investments and increase the probability of success in communities.

191 More information at rural.gov.

192 For challenges facing tribal communities, for example, see GAO, 2022.

Accordingly, Congress should ask the U.S. Census Bureau to set the authoritative qualifying criteria for persistent-poverty communities. This recommendation echoes that of the Government Accountability Office in 2021.[193] Currently, agencies themselves determine which counties they consider persistently poor, leading to unnecessary divergences in methodologies that serve no federal policy purpose. The discrepancies not only undermine coordinated federal efforts in targeted communities, but they also force communities themselves to navigate a bureaucratic maze to determine which agencies consider them persistently poor, for which programs. In that process, the Census Bureau should work with affected agencies to explore the feasibility of incorporating census tracts or tract groups into the targeting universe.

The Census Bureau may ultimately wish to adopt a gradient approach rather than a strict either/or criteria to avoid qualifying cliff effects—where some deserving communities fail to qualify due to statistical quirks or blurry margins of error, while other qualifying communities graduate prematurely from the designation, undercutting their progress by removing important and effectual federal support. Combining a poverty-based criteria with another signal of economic distress such as low median family incomes or low prime-age employment rates will further filter the sample for places experiencing the deepest genuine economic distress.[194] Eligibility lists should be drawn up on a set, predictable, and regular timetable so communities know what to expect, and eligibility "off-ramps" should be built-in so successful communities are not punished with abrupt funding losses.

4. **At the same time, Congress and other federal stakeholders need to consider whether the official Census poverty rate, which tracks individuals, is the best measure around which to design place-based policies targeting economically distressed areas.**

   Alleviating poverty has long been a core concern of public policy. But the poverty rate is an inexact—and in policy circles, frequently contentious—measure.[195] At its heart, it is designed to assess individual or family welfare; it was not designed to assess the economic well-being of geographic areas. Places with large concentrations of low-income people are often economically struggling, so the distinction can be moot. But when designing and implementing place-based economic development policy, measures such as median incomes or prime-age employment rates may be better at identifying economically lagging areas and offer more precise geographic targeting.

193 GAO, 2021.

194 Upjohn Institute Economist Tim Bartik's work vouches heavily in favor of prime-age (non-)employment as a well-targeted indicator of economic distress. See for example "How State Governments Can Target Job Opportunities to Distressed Places," 2022.

195 Blank and Greenberg, 2008.

In general, any diagnostic framework to determine the eligibility of an area should be tailored to the nature of the problem the intervention is designed to meet. Here again, two indicators will often be better than one. For example, the poverty rate would be only one of two optimal measures for targeting a training program specifically designed to connect low-income people with quality jobs—the second being an employment or job quality-based indicator to establish not just that poverty was high, but that employment outcomes were lagging, too. EIG's Distressed Communities Index (DCI) demonstrates the value of more holistic approaches, combining descriptive statistics like the poverty rate with more dynamic ones such as recent growth rates.[196] The more complete picture of a place offered by this approach has led some federal agencies as well as states to use the DCI to target programs for distressed areas.[197]

The development assessment presented in Section VII of this report shows empirically some of the arbitrary outcomes produced by a poverty-based eligibility criteria, and where the use of the benchmark can get in the way of coherent regional economic development strategies. Fully 86 percent of counties that are not considered persistently poor but still fall into the bottom quintile nationally on the development index share a border with a persistent-poverty county. These places presumably share the same strengths and suffer from the same weaknesses as their neighbors. Their correlation in performance across numerous indicators of development—and the logic of economic geography—hold that they likely form single functional economic regions with their neighbors. And yet, investments into one of these adjacent counties would not count as investments to advance the economic development of persistent-poverty areas in the federal framework. Similarly, the economic hub at the heart of a cluster of persistent-poverty counties in the Ozarks region has a poverty rate that has toggled just above and below 20 percent for decades, rendering it ineligible for persistent-poverty status. Under current federal criteria, any economic development intervention into this node of a large persistently poor region would not qualify as a targeted investment, even though the fastest and most effective route to advancing economic development in this impoverished region may well be to strengthen its economic core.

5. **The core economic development challenge in persistently poor communities is to stimulate private economic activity and nurture economic society.**

   As important as federal investments into persistently poor communities are, the policy goal is not simply to place more public money in these places. Rather, the goal is to steward federal funding effectively so that it stimulates private markets, attracts private capital, and empowers residents to become productive economic actors.

196 Accessible at eig.org/dci. Seventy-seven percent of persistent poverty-counties land in the bottom "distressed" quintile on the DCI.

197 Certain USDA Rural Development programs draw partially from the DCI to determine eligibility, for example.

In some persistently poor areas—parts of Big Horn County and North St. Louis, for example—there is little private economic activity to speak of, or what was once there is severely degraded. In such places, EDA and other federal partners investing in persistent-poverty communities may find themselves having to attend to the very basics of economic society: strengthening cultures of work and entrepreneurship, catalyzing markets, and nurturing a private sector into (or back into) being.

For example, in many persistently poor urban areas, depopulation is rife, worklessness is high, property values low, and productive traded-sector businesses few and far between. In these environments, policy must aim to rebuild the demand to live, work, own, and start or grow a business in a neighborhood where such demand has all but dried up. Here investment incentives and capital solutions, public-private partnerships, and placemaking initiatives are essential tools in the toolkit. These efforts are critical complements to initiatives to empower residents themselves to re-engage in economic life, from training and workforce development to entrepreneurship support programs and revolving loan funds. In more rural contexts, and especially in places where the public sector is the dominant employer, the private sector needs to be nurtured, upgraded, and better connected to regional, national, and global markets through hard (e.g., transport), soft (e.g., training), and digital (e.g., broadband) infrastructure.

Nurturing economic society is, by definition, both a social and economic process. In both contexts, the persistence and social transmission of economic disadvantage—and all the harms that can go with it, including poor mental and physical health, substance abuse, and disrupted family life—can lead to conditions in which people need to heal before they can prosper, and certain essential labor market skills need to be re-learned through education, training, and counseling. The social drag of poverty on persistently poor communities and their residents is a powerful force: in both the Big Horn and St. Louis case studies, we heard of the difficulties the best and brightest young people faced integrating into college society, and how they suffered from feelings of depression, loneliness, and inadequacy. Meanwhile, among those who stayed back home, we heard how frequently economic success is met with jealousy and feelings of community betrayal. The social forces keeping places poor may be just as strong as the economic ones, making people-based strategies essential components of place-based economic development initiatives in these areas.

Furthermore, strengthening ties to work is essential to solving the challenge of persistent poverty. Too many residents of persistently poor communities are chronically unemployed and out of the labor force completely. Americans with steady employment are very unlikely to fall below the poverty line, meaning that persistent-poverty areas overlap substantially with areas of long-term low labor force attachment. Fully one-third of prime-age adults in the average persistent-poverty tract do not work.[198] At the county level, the correlation between poverty and prime-age adults not working is 66 percent. Yet the development assessment showed that plenty of persistent-poverty areas exist in close physical proximity to good jobs. And so, while some persistently poor areas simply need more jobs, many others need more help for residents to access and obtain work opportunities already present in their local labor markets. Training is a first order priority, so that any labor market skills that have atrophied can be relearned. Job placement schemes, career pathways for young people, workforce development partnerships with private employers, and re-entry programs are all tools that would be well deployed in these areas. There are millions of hard-working residents of persistent-poverty communities, residents and workers who endow their neighborhoods with economic resiliency and potential. To solve for an area's poverty, that circle of work must be expanded.

6. **Persistent localized poverty has deep historical roots. The federal government will need to support locally-grown strategies and bottom-up capacity building to surmount these histories.**

   Nearly every persistent-poverty community in the country is characterized by the unique experience of a race or ethnicity in a particular region—meaning a specific geographic, social, and economic setting. Whether Native Americans in the tribal west, whites in Appalachia and the Ozarks, Black people in the former slave-owning South or segregated industrial heartland, or Hispanics in the Southwest, the country's history lives on in certain communities' present disadvantage. Even national-scale, structural inequalities are kept alive and perpetuated through institutions and markets that often operate on local scales.

   The long reach of history means that truly sustainable economic development strategies are going to be locally grown. They must stem organically from their environments. That requires understanding the deep socio-cultural forces and physical and economic isolation that contribute to persistent poverty in Appalachia today, for example. It requires embracing that new models of work and entrepreneurship may need to be developed in coordination with Native communities to build local economic foundations on reservation lands that can help people rise out of poverty on their own terms. And it requires recognizing that many persistent-poverty communities have limited political capital and may be situated in higher-level jurisdictions—be they cities, counties, or states—that do not prioritize their economic development.

   The federal government has several critically important roles to play in supporting bottom-up strategies, starting with leadership. The federal government should play a vocal leadership role in elevating the problem, setting bold national goals around it, and following through with sustained financial commitments and novel

198 EIG analysis of ACS data.

programming. And of course, the federal government uniquely possesses the financial firepower to help persistently poor areas bridge the resource gap, acting as the financial enabler of their development with a robust, tailored, and strategic set of tools.

The first order of business should be to incubate local capacity in persistent-poverty communities so that they can take control over their futures. Local capacity is the key that unlocks so much, including successfully obtaining federal financing. Indeed, federal entities are more or less *dependent* on having quality local partners on the ground for their efforts to succeed and eventually outgrow federal support. There may be passion, there may be expertise, and there may even be resources in some communities, but almost no persistently poor area will have all three.

Policymakers should strive to cultivate a network of local partners in these areas by making direct investments in capacity, forging connections, and sharing best practices. Gadsden County, Florida, is a prime example of a place that would benefit from such capacity-building assistance. Big Horn County, Montana, was a direct beneficiary of an EDA grant to hire and train a dedicated local economic development professional. Such efforts to upgrade weak spots or fill gaps in the local civic landscape could even be pushed through the EDDs that cover most persistent-poverty communities. EDDs represent an institutional infrastructure with broad reach and leverage that is already in place, but district staff often think regionally, rather than on the local scales of community poverty, and they may need further education and training to better understand the challenges of persistently poor parts of their districts. In general, though, and given the uneven landscape of civic and institutional capacity in persistently poor communities, EDA and other federal entities should adopt a flexible approach to identifying the right partner(s) on the ground. Sometimes that may be the local government or EDD, but in other cases it may be a tribal college, community foundation, community development corporation, or the like.[199]

Furthermore, some of EDA's greatest leverage comes from the behavioral carrots and sticks it attaches to its investments. EDA and other federal partners can help persistently poor places better put the pieces they already have together by leveraging program designs to elicit the behaviors that increase the chances of success. Programs can incentivize collaboration and require multiple entities to work together towards outcomes that include combating persistent poverty. In many cases, more money may not be needed. EDA can shepherd more effective partnerships into being by requiring not just collaboration on a grant application or applauding "being at the table," but by actually requiring a sustained commitment via co-investment, performance of activities, service delivery, or otherwise being responsible for outcomes.

199 Aspen Institute, 2020.

As Congress, EDA, and other federal partners consider devising a customized set of programs for persistently poor areas, solutions to get around the "capacity catch-22" should be top of mind. This refers to the cycle in which areas with weak local capacity—disproportionately poor ones—struggle to apply for federal funding, win competitive grants, or muster matching dollars, depriving them of chances to get ahead. The federal government rightly has high expectations of the entities on the receiving end of its largesse. But solving persistent poverty will require leapfrogging current capacity constraints in many communities, and the federal toolkit for helping places succeed in doing that is mostly bare.

7. **The economic ties between persistent-poverty communities and the rest of the nation's economic and social fabric need to be strengthened.**

   In both big cities and rural areas, persistently poor communities suffer from too little connectivity: too few jobs, too little investment, or market access, and too much economic and social isolation. That lack of connectivity is what keeps them poor and separate in an American *economic* melting pot that otherwise does a pretty good job of ensuring that most spells in poverty are short.[200]

The past several decades of economic development practice in the United States make clear that absent intentional efforts to the contrary, broader innovation-based, advanced industry-driven regional economic growth will be insufficient to drastically reduce poverty that persists in very specific places for a variety of social and economic reasons. The task for the next generation of economic development policies is to break down the invisible walls that separate communities from growth and prosperity and forge more connectivity between the local frontier of economic development and the places that need to be harnessed to the engine driving in that direction most urgently. In St. Louis, for example, one of the nation's leading innovation districts lies a stone's throw from one of the nation's largest and deepest concentrations of persistent local poverty. A federal agency will soon open a massive high-security campus in that poor area too—bringing thousands of jobs for which residents are not qualified. These investments and development efforts bolster the local tax base and have myriad spillovers and multiplier effects, but they do not solve the long-standing issues that have left so many persistently poor communities disconnected from local growth for so long. The economic and social segregation that shapes the map of persistent poverty is powerful enough to maintain wide gaps in economic well-being in very close proximity almost indefinitely.

Helpfully, many chapters of the connectivity playbook have already been outlined. Apprenticeship courses and career pipelines are already part of the economic development vernacular. Broadband deployment is advancing and, with $65 billion

200 Mohanty, 2021.

recently appropriated in the Infrastructure Investment and Jobs Act, affordable, reliable high-speed internet may finally reach poor rural and urban areas alike—opening up opportunities for education, entrepreneurship, and more. Many universities are accustomed to using their purchasing power to support local or minority entrepreneurs through procurement programs. Under the leadership of Greater STL, Inc., corporate anchors are strategizing how to do something similar in St. Louis. At the federal level, the Opportunity Zones tax incentive represents a recent place-based policy experiment to rekindle investor interest in traditionally overlooked communities. These are all examples of efforts to bring struggling communities into the fold of the economic mainstream. Meanwhile, new evidence is emerging all the time about the value of social connectivity across income brackets and neighborhoods.[201]

But make no mistake, this is also new terrain. EDA and other federal agencies should embark on this mission with humility in recognizing that the field still has more questions than answers, and the most important thing to do right now is to catalyze brainstorming, experimentation, and local innovations in broadly shared economic development. To succeed in this work, toolkits may need to be adapted. EDA is programmed to see the world through a regional lens, but especially in urban environments where most building blocks of development are already present, persistent poverty is a hyperlocal phenomenon—more likely to stem today from how school district boundaries are drawn than a lagging regional export sector or stunted innovation ecosystem. EDA seems more than up to the task, however, and has diversified its programmatic offerings considerably in recent years with tools to support placemaking, entrepreneurship, equity, and more. Innovative funding opportunities announced in 2022 to assemble an Economic Recovery Corps to put equitable economic development fellows in underserved communities plays to EDA's strengths as a crucial program innovator, not just administrator, in the federal government.

8. **Remedying persistent local poverty is a daunting challenge, but one to rise to.**

   The roots of persistent poverty run deep. The condition itself erects barriers to economic development by discouraging investment, undermining the capacity of local institutions, and eroding the foundations of strong communities, such as quality local schools. Nearly three-quarters of persistent-poverty counties lost population in 2019[202], not just a symptom of poverty but a force actively working against an area's revitalization. Persistently poor places have been left-behind by multiple cycles of economic growth—seemingly impervious to and disconnected from a national economy flourishing around them. How do places break out of this low-level equilibrium?

201 Chetty et al., 2022.

202 EIG analysis of U.S. Census Bureau Population Estimates data.

Persistently poor areas may confront intractable problems, but not insurmountable ones. Many building blocks of economic development are already present, even if they need some repair or fortification. Many persistent-poverty communities are well-served by capable networks of non-profits and other community and economic development organizations. Persistently poor urban communities often have incomparable locational advantages and ready access to good quality jobs, if the right educational, vocational, and occupational pipelines are restored. Many persistently poor rural ones have incredible natural amenities and resources. These communities may be low-income, but in our focus groups and interviews they were frequently described as close-knit, too, with defined social support networks and a strong sense of community.

Policymakers and stakeholders across sectors should waste no time jumping in to begin chipping away at the challenges persistently poor communities face and the forces at work perpetuating their poverty. The basic parameters of the roadmap are clear enough: federal efforts should focus on securing the preconditions for growth, like infrastructure, as well as solving for the market malfunctions that inhibit private sector development by undervaluing assets or entrepreneurs in poor areas, for example. The more fronts that can be tackled at once in as deliberate, coordinated, and mutually-reinforcing manner as possible, the better. Isolated efforts risk falling short, given the weight of factors often pushing in the opposite direction. No one intervention is likely to shift the momentum of the local economy towards growth, but several working in tandem can.

Finally, people are persistently poor communities' strongest assets and biggest source of untapped potential. If places are disconnected from the broader economy, it is because their residents are disconnected, first and foremost. Individually, the path out of poverty runs through jobs and work. The same principle applies to communities, just on a larger scale. This should make creating attainable jobs, strengthening labor market attachments, and empowering residents with the right education and training to obtain and hold jobs a key priority. Persistent-poverty places tend to be rich in entrepreneurial energy, creativity, and residents' willingness to work hard for self, family, and community. That is the force to harness and build up to break communities out of poverty and unlock their economic potential.

XII. Conclusion

The federal government has demonstrated significant and growing interest in the economic advancement of persistent-poverty communities. Persistent poverty feels like a problem that can be solved, if only we marshaled the will. But persistent local poverty has very deep roots. Places considered persistently poor in this report have had elevated poverty rates over at least three economic cycles—many for much longer. In that time, the nation's GDP has doubled in real terms. The persistence of poverty in the face of such economic growth and transformation is a testament to the power of the forces that sustain poverty in a place once it takes hold. These include market forces that direct investment away from areas with poor or uncertain returns. They include household decisions to seek out safe and stable neighborhoods with good schools, and they include social forces that fray residents' ties to the labor market, undermine human capital accumulation, and wear down health.

Multiple federal agencies, including EDA, are tasked with prioritizing investments into persistently poor areas to ensure that they secure a minimum share of federal funding. The research presented here suggests several ways to improve or augment that basic approach as the federal commitment to persistently poor areas matures.[203] First, the federal statistical agencies need to measure the problem better and develop a standard definition to be used across all federal agencies. That includes devising a methodology for identifying economically significant areas of persistent poverty *within* counties that may not themselves be persistently poor. One potential methodology to do that, by identifying groups of adjacent persistent-poverty census tracts, is put forward here.

Second, federal agencies need to cultivate stronger partners on the ground, because the federal government is too far removed to turn these places around on its own. And finally, the nature of federal investments into these communities should match their needs and serve to bolster the foundations of economic development. In that sense, agencies should be given more leeway in tailoring their programmatic offerings to persistent-poverty

203 GAO, 2021 includes additional recommendations.

communities, and Congress should work with agencies to design a novel set of new policy tools tailored to the specific needs of this unique, diverse set of places.

EDA's role in persistent-poverty areas is to incubate economic development to grow good jobs locally, working with partners on the ground to help residents attain them. In more developed metropolitan contexts where a base of good jobs already exists, strengthening economic connections between persistently poor and non-persistently poor areas will be a priority. In more rural and less developed contexts, more work will need to be done to build that jobs base, but the legwork of readying disadvantaged residents of targeted areas to actually obtain and keep those jobs is equally as important. The country's economic and social segregation erect numerous invisible barriers that prevent people from landing a good job, obtaining a quality education, or building a successful business. These barriers reduce the positive spillovers that persistent-poverty areas derive from broader national or regional economic growth. Fully advancing economic development in persistently poor areas requires breaking down those barriers to allow for more active participation in economic society.

Appendix

Methodological considerations to weigh when defining persistent poverty

A statistical definition of persistent poverty comes with challenges and decision points at every geographic scale and finding a definition that works for both counties and census tracts—as required for this project—provides another layer of constraints. This section lays out a discussion of considerations for policymakers who aim to define the concept for purposes of research or administration.

Researchers and program administrators may find themselves grappling with a trade-off between expansiveness and precision. Different methodological decisions lead to different ways to expand or shrink the map of persistent poverty. If the policy or research goal is to be as accommodating as possible in identifying persistent-poverty areas so that any place on the margins is more or less sure to be captured by the net, a more generous set of criteria may be appropriate. If policymakers or researchers aim to identify the subset of highest need, most clearly persistently poor corners of the country, then a narrower focus will serve to filter the sample such that a smaller number of places with more entrenched poverty remain. As always with fine-grained spatial data, it is important to retain a sense of humility and guard against bringing a false sense of precision to the exercise: all local data are estimates; there is no guarantee they perfectly capture conditions on the ground anywhere, let alone everywhere.

Helpfully when balancing the tradeoff between expansiveness and precision at the county level, there is a core of over 300 counties across the 50 states that generally meet the persistent-poverty threshold regardless of the specific definition being deployed. For example, 299 counties overlap across the distinct EDA, USDA, CDFI Fund, and EIG methodologies. This core of the unambiguously highest-need places, home to 14.5 million people, will be captured regardless of the specific approach being used, with an average poverty rate of 27.4 percent and average MHI of $35,750. The marginal counties that EIG's analysis picks up but others do not, by contrast, have an average poverty rate of 22.5 percent and MHI of $40,839, and the marginal counties that EDA captures but others do not have an average poverty rate of 17.9 percent and average MHI of $44,912.

Similarly, there are 87 counties that have a 30 percent or higher poverty rate in 2019; all but one is considered persistently poor by both EDA and EIG, while five are missed by USDA and two by the CDFI Fund. Thus, researchers and program administrators generally need not be concerned that their specific methodological decisions will miss the highest need places.

There are many temporal, spatial, statistical, and conceptual questions to weigh when deciding how to define persistent poverty.

Temporal:

- **Time horizon and benchmark years:** researchers and policymakers have typically settled on at least a 30-year time horizon to be considered persistently poor (most prominently evidenced in the 10-20-30 definition). Presently, this corresponds with 1990 as the anchor reference point, aligning with a decennial census and representing a point in time roughly three economic cycles ago at the time of writing. However, county-level data is readily available for 1980 too. USDA still refers to 1980, and EIG did the same in its 2020 "Neighborhood Poverty Project." Approximately 86 percent of all counties that meet EIG's persistent-poverty definition with a 1990 reference point would still meet it if 1980 were used instead.

- **Persistently poor versus continuously poor:** One consideration related to time is whether to require a place exceed a particular benchmark in every reference point (presumably each decade mark and the most recent dataset) or to allow for some fluctuations at the margin so that a place that started, temporarily edged out of, and then fell back into high poverty could still be considered persistently poor. In other words, depending on the research question or policy goal, it may be appropriate to ask whether a place must be continuously poor over the decades. For some purposes (including this project), it may hold that a place that clearly struggles to rise out of poverty and remain there conceptually fits the principle of a persistent-poverty place.

Spatial

- **Scale (geographic level) of analysis:** The geography of persistent poverty looks different depending on the scale of analysis. As this report shows, evaluating persistent poverty at the county level tends to produce a map of need that tilts rural and southern. Meanwhile, evaluating at the scale of neighborhoods, or census tracts, reveals a completely different geography, one that skews much more urban and regionally balanced. The former (county) scale tends to identify places where broad regional economic development may be lagging far behind and integration with the national economy may be limited due to rurality, isolation, limited connectivity, and historical, social, and political factors (e.g., legacies of discrimination in the rural South; particularities of tribal-federal relations in the West). The latter (census tract), by contrast tends to identify the neighborhoods where low-income people live, which may or may not be related to the overall level of economic development in a place and speak more towards local inclusiveness. In the end, only 26.8 percent of the country's persistent-poverty census tracts are in persistent-poverty counties, and only half of the census tracts in persistent-poverty counties are themselves persistently poor. Both scales are relevant to modern economic development discussions—one about how to incubate development in lagging regions, and another about how to foster inclusive economic development everywhere—but the fact that they capture such different social, economic, and geographic phenomenon makes it especially important that the scale of inquiry or intervention align with the appropriate geography for the question, tool, or problem at hand.

Statistical

- **Poverty threshold:** Most federal programs put the high-poverty threshold at 20 percent or higher, meaning at least 20 percent of the local population for whom poverty status is determined lives in poverty. With the federal poverty line quite low—only 21 percent of the national median household income—this measure, identifying places where at least one-fifth of the local population falls below that level, would seem to be a fair and accurate way to identify the country's most chronically underperforming places. Depending on the program, goals, or the amount of federal funding eligible for targeting, however, a more stringent criteria may make more sense to narrow the pool to only the most acutely needy locations. Few counties reach a 30 percent poverty threshold, but large numbers of census tracts do. And, while several federal programs rely on the 20 percent poverty rate definition of a low-income census tract, the Low-Income Housing Tax Credit program raises the threshold to 25 percent.

- **Data source:** There are two federal statistical sources for poverty data at the county level: the American Community Survey (ACS) and Small Area Income and Poverty Estimates (SAIPE). The tradeoff users must consider is between timeliness (SAIPE data are published annually with a one-year lag) and accuracy (ACS data provides a single estimate for a five-year window with smaller but still substantial margins of error). If one is interested in exploring poverty or persistent poverty at finer geographic scales, then the ACS is the only option.

- **Margins of error:** The poverty rate estimates provided by the U.S. Census Bureau are only that, estimates, and therefore come with margins of error (MOEs). MOEs provide confidence intervals around the headline estimate such that users can be 90 percent sure the true value falls within the MOEs. MOEs can be large indeed, with 0.3 percent of counties and 9.4 percent of census tracts having poverty rate MOEs that exceed 10 percentage points.

  It is important to keep in mind that the reported poverty rate is the best estimate, however. That fact should factor into any discussion of whether or how to incorporate margins of error into an applied definition. On the one hand, allowing any place with a poverty rate that fell within the MOE to qualify as persistently poor risks allowing some borderline places to enter the pool of eligibility, potentially diluting the funding available for places that are truly persistently poor. On the other hand, excluding such edge cases risks depriving a locale of a status of which it may be deserving.

It is here that the tension between expansiveness and precision is most acutely felt. Should any place with the chance of a qualifying poverty rate be considered persistently poor, or only those which clearly qualify based on the best estimate provided by the federal government? There is no universal right answer, but the question merits careful discussion by project or program teams, weighing priorities and goals. Currently, EDA opts to include MOEs to allow for more generous cutoffs, while USDA and the CDFI Fund work with the government's best estimates. EIG follows the latter approach. Generous interpretations of MOEs in the most recent year expand the universe of persistent-poverty counties by approximately 15 percent and census tracts by around 20 percent.

Conceptual

- **Student populations:** ACS poverty estimates already exclude institutional group quarters such as correctional facilities, nursing homes, dormitories, and barracks, but poverty rates can still be inflated by large contingents of university students living off campus. Researchers can manually control for this and calculate poverty rates for the non-student population only by removing those enrolled in college from both the numerator and denominator of the poverty calculations. Such a step removes counties such as Monongalia County, WV (WVU; Population: 105,500; Non-student poverty rate 9.6 percent); and Brazos County, TX (Texas A&M; Population: 223,000; Non-student poverty rate: 10.6 percent) from being considered persistently poor.

Comparing and contrasting EIG's and EDA's persistent-poverty samples

For purposes of this project, EIG adopted a slightly different approach to defining persistent poverty from the one adopted by EDA, which again differs from methods utilized by peer agencies. Since the goal of EIG's project is to understand the core causes of persistent poverty and why it persists, we devised a methodology more tilted towards precision than expansiveness. However, we also made a few decisions to allow for places to fluctuate in and out of poverty over time while remaining persistent at both ends of the window. In addition, our deep tract-group analysis includes high-poverty tracts adjacent to persistently poor ones as well to reflect the tendency of poverty to spread spatially. Most other methodological divergences were necessitated by the nature of the inquiry examining census tracts, as well as counties.

Practically, EIG's sample contains 45 counties that EDA's does not, while EDA's contains 137 that EIG does not. The extra counties that EIG picks up can all be explained by their 2000 poverty rate falling below 20 percent, for which EIG's definition allowed. Wayne County, MI, containing Detroit, is the most populous county EIG picks up, followed by Potter County, TX, covering much of Amarillo. As a group, their average poverty rate in 2019 was 22.3 percent, average MHI was $40,839. Roughly two-thirds (29) of them were high-poverty in 1980 too. 87 percent of them (39) were non-metro.

On the flip side, EDA has 132 counties that EIG does not. Of those, 38 (29 percent) were removed after controlling for student populations (meaning their student-adjusted poverty rate fell below 20 percent or higher), leaving 94 non-overlapping counties. The discrepancy simply comes down to differing estimates from different data sources.

Of the remaining counties, 80 had poverty rates below 20 percent on the 2019 ACS 5-Year Estimates, eight of which had poverty rates completely outside the margin of error (meaning under 20 percent even at the upper bound of the estimate). Of the 94, 50 are only captured by EDA, and 44 are captured by either USDA or the CDFI Fund, or both. These 94 are home to 2.2 million people, have an average poverty rate of 18.9 percent, and an average MHI of $43,200. Sixty-six of them (70 percent) were high-poverty in 1980 as well. Most of these counties have occupied a narrow band around the 20 percent threshold for decades. Darlington County, SC, (population 67,000) is an example of a county that has been toggling over and under the 20 percent threshold for since at least the 1980s. Merced, CA, is the most populous such county (271,000). Some, like Sierra County, NM, are experiencing deepening poverty, just missing EIG's cutoff in 1990 and rising to a 26.7 percent poverty rate in 2019. Others, like neighboring Taos County, NM, are moving in the other direction, improving such that their latest estimate nudges them below the qualifying threshold. There is no right or wrong answer as to whether these should be persistently poor; rather these edge cases highlight economic and geographic diversity of American counties and may vouch for flexibility in any approach or funding allocation. They may also call for consulting a second or third metric such as MHI or prime-age adults not working to triangulate a place's true condition.

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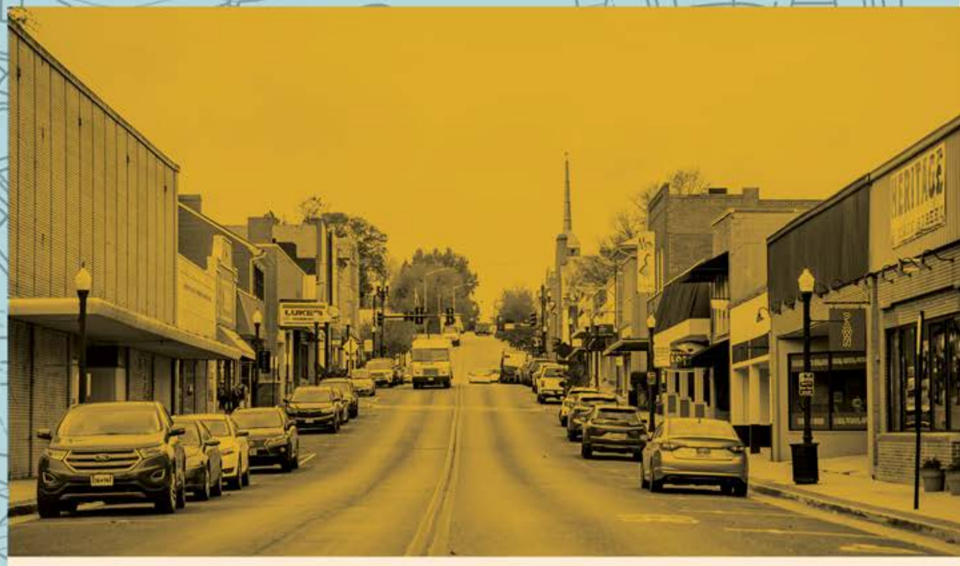

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The Economic Innovation Group (EIG) is a bipartisan public policy organization dedicated to forging a more dynamic and inclusive American economy. Headquartered in Washington, DC, EIG produces nationally-recognized research and works with policymakers to develop ideas that empower workers, entrepreneurs, and communities.

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