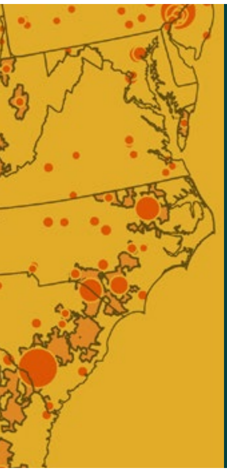
ECONOMIC INNOVATION GROUP

FACT SHEET



Policy principles for tackling persistent poverty

FROM THE REPORT:

Advancing Economic Development in Persistent-Poverty Communities

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. 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.

The federal response to this enduring challenge has evolved over time. The working approach to targeting persistent-poverty areas 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. 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.

There is much that federal agencies can do in collaboration with each other and partners on the ground to modernize the federal strategy for supporting these areas and finally, durably advancing their economic development. Key themes to guide the next stage of policy ideation and implementation include:

1. **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.

2. **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 results in each individual federal investment undershooting its potential. Without coordination, there is a much higher risk that isolated investments fail without complementary initiatives or supportive follow-on activities, squandering already scarce resources when collaboration could lead to better local outcomes without significant new funding.

3. **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 the tract groups presented in the report accompanying this factsheet, 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.

4. **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.

5. **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 reentry programs should be accompanied with more place-based ones around investment incentives and capital solutions, public-private partnerships, and placemaking.

6. **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, and too much economic and social isolation. The task for the next generation of economic development practitioners is to develop a new set of programs and tools in cooperation and coordination with the private sector to better integrate persistently poor communities into regional and national economies. Congress should work with these stakeholders to design a novel set of policy tools tailored to the specific needs of this unique, diverse set of places. Some elements of this playbook have already been outlined, but the field 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.

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