



# OPPORTUNITY FOR ALL: FIGHTING RURAL CHILD POVERTY

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## I. Introduction

Small towns and rural communities are home to millions of Americans, are a vibrant part of our nation's economy, and include some of the most beautiful landmarks in the country. Rural America provides the vast majority of food, energy, and environmental benefits for the rest of the country, is the source of nearly 90 percent of renewable water resources, and is home to important service sector and manufacturing hubs. Despite this critical role in our nation's economy, too many Americans in rural areas are not sharing in our nation's economic growth. In 2013, 6.2 million Americans in rural areas lived in poverty, including about 1.5 million children.<sup>1</sup> Moreover, in far too many of these communities, high rates of poverty have persisted for generations: over 300 rural counties have had poverty rates of over 20 percent in every Census since 1980.

While the fight to eliminate poverty is far from over, the 2014 *Economic Report of the President* documented that federal programs designed to reduce poverty and promote opportunity have cut poverty by more than one-third over the past 50 years. This report also shows that poverty in rural areas fell by nearly half between 1967 and 2012, compared to about one-quarter in urban areas.

Federal programs have played a central role in this decline, and this is especially true for rural child poverty. This report shows that:

- The Federal tax and transfer system, including programs like refundable tax credits, Social Security, the Supplemental Nutrition Assistance Program (SNAP), and housing assistance lifted about 9.0 million rural people out of poverty in 2013, including about 1.6 million children.
- Refundable tax credits (the Earned Income Tax Credit (EITC) and the refundable portion of the Child Tax Credit) have the largest anti-poverty effect on child poverty lifting about 4.1 million urban and nearly 600,000 rural children from poverty.
- Programs like Social Security and SNAP have profound impacts on the well-being of the poorest rural children, reducing rural child deep poverty by nearly one-half and about 30 percent respectively.<sup>2</sup> Social Security and Supplemental Security Income benefits are particularly important for rural children since many live with parents with a disability, or receive survivor benefits. The impact of SNAP on deep poverty rates is also larger in rural areas than in the country as a whole.

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<sup>1</sup> Throughout this report we use non-metropolitan and metropolitan to be synonymous with rural and urban, respectively.

<sup>2</sup> Deep poverty is defined as living below 50 percent of the poverty line.

Federal antipoverty programs continue to effectively reduce poverty. In the Great Recession, actions by the Obama Administration and Congress helped to substantially alleviate poverty.

- During the Great Recession, poverty increased 4.5 percentage points before accounting for taxes and transfers; however when all taxes and transfers are considered—including those, like the EITC and SNAP, that were strengthened by the Recovery Act—poverty rose only 0.5 percentage point.
- Improvements to the safety net during the Great Recession lifted 4.0 to 5.5 million people across the nation out of poverty *each year* between 2009 and 2012. These programs, including the EITC, SNAP, and Emergency Unemployment Compensation, all substantially reduced poverty. For example, in 2013, refundable tax credits lifted 4.7 million children out of poverty, and SNAP lifted about 2 million children out of poverty.
- Without Federal tax and transfer programs like the EITC, SNAP, and Social Security, child poverty in rural areas would have been more than 70 percent higher over the 2009 to 2011 period.

In addition to the safety net's dramatic impact on reducing hardship among urban and rural children alike, a growing body of evidence shows that Federal investments that provide assistance to low-income children provide very large long-run returns. Increasing the resources available to poor children and their families improves children's education, health, and earnings outcomes later in life. In many cases these benefits are so sizeable that increases in tax revenues due to higher earnings alone may offset most or all of the program costs.

- In addition to improving health outcomes, access to Medicaid early in life increases earnings once workers are in their mid-20s and also increases educational attainment.<sup>3</sup>
- A long literature documents that the EITC increases employment among single mothers.<sup>4</sup> Recent research shows the credit can further benefit children by improving health outcomes in infancy and improving academic performance when children are in elementary and middle school.<sup>5</sup> These medium-term findings suggest that the credit will

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<sup>3</sup> David Brown, Amanda Kowalski, and Ithai Lurie. 2015. "Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?" NBER Working Paper 20835; Sarah Cohodes, Daniel Grossman, Samuel Kleiner, and Michael F. Lovenheim. 2014. "The Effect of Child Health Insurance Access on Schooling: Evidence from Public Health Insurance Expansions." NBER Working Paper 20178; Laura Wherry, Sarah Miller, Robert Kaestner, and Bruce Meyer. 2015. "Childhood Medicaid Coverage and Later Life Health Care Utilization." NBER Working Paper 20929; Bruce Meyer, and Laura Wherry. 2012. "Saving Teens: Using a Policy Discontinuity to Estimate the Effects of Medicaid Eligibility." NBER Working Paper 18309.

<sup>4</sup> See, for example, Nada Eissa and Hilary Hoynes. 2011. "Redistribution and Tax Expenditures: The Earned Income Tax Credit." *National Tax Journal*, 64(2): 689-730.

<sup>5</sup> Raj Chetty, John N. Friedman, and Jonah Rockoff. 2011. "New Evidence on the Long-Term Impacts of Tax Credits," *Statistics of Income Paper Series*. <http://www.irs.gov/pub/irs-soi/11rpchettyfriedmanrockoff.pdf>; Hilary Hoynes, Doug Miller, and David Simon. 2015. "Income, the Earned Income Tax Credit, and Infant Health." *American Economic Journal: Economic Policy*, 7(1): 172-211.

increase future earnings in adulthood as well.

- Access to SNAP improves early health outcomes for children.<sup>6</sup> The program also provides long-term benefits in the form of increased high school completion and higher economic self-sufficiency in adulthood.<sup>7</sup>
- Investments in early education increase children’s educational attainment and earnings later in life, while some studies also show reduced involvement with the criminal justice system.<sup>8</sup>
- Housing assistance programs that enable families to move to lower-poverty neighborhoods improve health outcomes for adults and teenage girls in the short and medium run.<sup>9</sup> Over a longer horizon, moving to a lower-poverty neighborhood increases children’s college attendance and earnings in adulthood.<sup>10</sup>

Yet despite the progress of the past 50 years, there are still far too many Americans living on the outskirts of hope. President Obama recently remarked, “In order to ensure that all Americans are able to reach the first rung on the ladder of opportunity, we must continue to invest in the types programs that we know have worked to produce our successes to date.”

The President has laid out an agenda that would do just that – make the investments needed to promote opportunity and reduce poverty in the near and long term. These include:

- Reversing the sequestration cuts that would affect programs like Head Start, Pre-K development grants, Housing Choice Vouchers and Homeless Assistance Grants, job training, and rural infrastructure—programs that have been shown to produce high return investments in the productivity of America’s future workforce.

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<sup>6</sup> Douglas Almond, Hilary Williamson Hoynes, and Diane Whitmore Schanzenbach. 2011. “Inside the War on Poverty: The Impact of Food Stamps on Birth Outcomes.” *Review of Economics and Statistics*, 93(2): 387-403; Maya Rossin-Slater. 2013. “WIC in Your Neighborhood: New Evidence on the Impacts of Geographic Access to Clinics,” *Journal of Public Economics*, 102: 51-69.

<sup>7</sup> Hilary W. Hoynes, Diane Whitmore Schanzenbach, and Douglas Almond. 2014. “Long Run Impacts of Childhood Access to the Safety Net.” <https://gspp.berkeley.edu/assets/uploads/research/pdf/Hoynes-Schanzenbach-Almond-4-14.pdf>

<sup>8</sup> James J. Heckman, Seong Hyeok Moon, Rodrigo Pinto, Peter Savelyev, and Adam Yavitz. 2010. “A New Cost-Benefit and Rate of Return Analysis for the Perry Preschool Program: A Summary.” NBER Working Paper No. 16180; David Deming. 2009. “Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start.” *American Economic Journal: Applied Economics*, 1(3): 111-134; Greg Duncan and Katherine Magnuson. 2013. “Investing in Preschool Programs.” *Journal of Economic Perspectives*, 27(2): 109-132.

<sup>9</sup> Jens Ludwig, Greg J. Duncan, Lisa A. Gennetian, Lawrence F. Katz, Ronald C. Kessler, Jeffrey R. Kling, and Lisa Sanbonatsmu. 2013. “Long-Term Neighborhood Effects on Low-Income Families: Evidence From Moving to Opportunity.” *American Economic Review Papers and Proceedings*, 103(3): 226-231.

<sup>10</sup> Raj Chetty, Nathaniel Hendren, and Lawrence Katz. 2015. “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment.” NBER Working Paper 21156; Raj Chetty, and Nathaniel Hendren. “The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates.” Working Paper.

- Making permanent the 2009 expansion of refundable credits and preventing a tax increase on 16 million working families with children.
- Supporting state efforts to expand Medicaid. Expanding Medicaid would substantially improve coverage in rural areas, as nearly two-thirds of uninsured rural individuals live in states that elected not to expand their Medicaid programs under the ACA and about one million rural residents fall into the so-called “coverage gap,” with incomes too high to be eligible for their State’s Medicaid program but too low to be eligible for tax credits to purchase Marketplace coverage.
- Increasing the minimum wage, providing a needed boost to the working poor and reducing poverty.
- Improving access to higher education to better prepare our workers for the 21<sup>st</sup> century economy. To help students access college and build their skills, the President has proposed improving the American Opportunity Tax Credit and making two years of community college free for hardworking students.
- Preventing the harmful cuts to the safety net proposed by the Republican budget, such as in the SNAP program. The Administration has worked with states to ensure that low-income households that are eligible for SNAP are able to access this important nutrition assistance. Between 2009 and 2012, the latest year for which data are available, the percentage of individuals eligible for assistance that received SNAP increased from 72 percent to 83 percent. Because SNAP benefits decline gradually as earnings rise and a large share of able-bodied adults receiving SNAP also work, ensuring that the program is accessible helps working households and those returning to work make ends meet.
- Protecting Social Security retirement and disability insurance programs, which provide critical assistance to millions of American families and lift 1.2 million rural children out of poverty.
- Leveraging technology to improve access to services. Inadequate access to services is a notable challenge in many rural communities. Programs like HHS’s Rural Child Poverty Telehealth Network Grant Program and USDA’s Distance Learning and Telemedicine Grant Program are testing new ways to use telehealth technologies to link rural children with specialized health and human services that may not be available locally.
- Ensuring that federal agencies work together and with external partners in the most effective ways possible, such as the actions of the White House Rural Council’s Rural Impact effort to accelerate policy innovations, raise awareness, and increase investments in areas of rural child poverty.

As President Obama has stated, “A child’s course in life should be determined not by the ZIP code she’s born in, but by the strength of her work ethic and the scope of her dreams.” In many rural places, that ZIP code equates to decreased access to critical services, fewer educational opportunities, and limited job choices. This report examines the background and trends of poverty in rural areas, including comparisons of the different measures of poverty between rural and urban areas, as well as a discussion of the impact of safety net programs on rural poverty. This report also discusses actions that the Obama Administration has taken and proposed to ensure that all families have an opportunity to climb into the middle class.



## II. Measuring Child Poverty

Before describing the landscape of rural child poverty, it is important to be explicit about how we measure and describe poverty. Measuring poverty is not a simple task. Even a simple definition of the poor, such as President Johnson’s description of “those whose basic needs exceed their means to satisfy them,” involves myriad choices regarding what constitutes basic needs and which resources should be counted in determining means. This section provides an overview of several ways to measure poverty.

### The Official Poverty Measure (OPM)

The Official Poverty Measure (OPM) was developed between 1963 and 1964 based on a comparison of families’ cash incomes relative to an estimate of minimum expenses on necessities rooted in estimates of food expenditures. In the 1960s, the U.S. Department of Agriculture estimated the cost of several food bundles that adhered to nutritional guidelines. The least-expensive bundle, the economy food plan, was used to develop a threshold below which families are considered to be living in poverty. At that time, households spent about one-third of their incomes on food, so the OPM was set at three times the cost of the economy food plan, with adjustments for family size and composition. The original thresholds from 1963 still form the basis of the official poverty threshold, with regular updates accounting only for inflation each year.<sup>11</sup> A family is considered “poor” if its before-tax money income is below this threshold.

Historically, the OPM has been higher in rural areas than urban ones.<sup>12</sup> According to the OPM, in 2013, about 14.3 percent of people living in metropolitan areas were poor, while 16.2 percent living in rural areas were poor.<sup>13</sup> However, the OPM has several shortcomings that limit its utility in measuring who is poor, and especially in evaluating what impact the safety net has on reducing poverty in America. A newer measure of poverty, the Supplemental Poverty Measure (SPM), addresses several of the OPM’s limitations.

### The Supplemental Poverty Measure (SPM)

The Census Bureau developed a new Supplemental Poverty Measure (SPM) and has published poverty estimates using this measure since 2009. The SPM differs from the OPM in several important ways:<sup>14</sup>

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<sup>11</sup> Since the 1960s, there have been only minor methodological adjustments for inflation, family size, and farm status.

<sup>12</sup> United States Department of Agriculture Economic Research Service, “Poverty Overview,” available at: <http://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/poverty-overview.aspx> (April 2015).

<sup>13</sup> OPM is derived from the Current Population Survey (CPS). CPS defines “rural” or non-metropolitan areas as counties outside of core-based statistical areas (metropolitan and micropolitan statistical areas). Places that lack a high degree of economic integration with an urban core (population of at least 50,000) or urban cluster (population of at least 10,000) are considered rural. By this measure, about 72 percent of the land area in the United States is rural. The terms “rural” and “non-metropolitan” are used interchangeably throughout this report.

<sup>14</sup> For additional detail on differences between the OPM and SPM, see Kathleen Short. 2014. “The Supplemental Poverty Measure: 2013,” Current Population Reports, P60-251 and Kathleen Short. 2011. “Who is Poor? A New Look With the Supplemental Poverty Measure,” 2011 Conference of the Allied Social Science Associations, Society of Government Economists.

- Most importantly, the SPM measure of family resources takes into account a broader set of resources from an array of government programs, allowing us to identify families living below the poverty line *after government transfers are counted*. Unlike the official measure which only counts cash transfer income from programs such as Social Security and Temporary Aid to Needy Families, the SPM uses a post-tax, post-transfer concept of resources that includes all cash transfers; but also the cash-equivalent of in-kind transfers such as food assistance (for example, SNAP benefits and free and reduced-price school meals); and net tax liabilities, which can be negative (i.e., adding to family income) for families receiving refundable tax credits like the EITC or Child Tax Credit. Necessary expenditures on work and child care are also subtracted from resources, as are medical-out-of-pocket expenses.
- The SPM poverty threshold is based on expenditures on an array of necessary items, including food, shelter, clothing, and utilities – not just food. In particular, the threshold is based on the 33<sup>rd</sup> percentile of expenditures on those items for consumers over the preceding 5 years, and so changes slowly over time as expenditure patterns evolve.
- The SPM poverty thresholds are adjusted for geographic variations in the cost of housing. This is especially important for comparisons of poverty in rural and urban areas, since the cost of housing often varies substantially between these two types of areas. The SPM takes account of geographic housing cost variation each year by adjusting a fraction of the threshold by the relative rental cost of housing in each area relative to the national average.

As explained in more detail below, these methodological differences result in different measured poverty rates between rural and urban areas. According to the SPM, about 15.9 percent of people living in urban areas, and 13.2 percent living in rural areas, were poor in 2013. The difference between the supplemental and official poverty measure is largely due to the fact that rural communities tend to have lower housing costs than urban areas, and the official measure does not take geographic cost-of-living differences into account.<sup>15</sup> In other words, the SPM poverty thresholds tend to be lower in rural areas, so even though family incomes are lower in those areas, fewer rural residents have incomes below the lower threshold. If poverty were measured by comparing the SPM definition of family resources to a common poverty threshold across all areas that does not account for differences in housing costs, then poverty rates would be higher in rural areas relative to urban areas.

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<sup>15</sup> In addition, while the OPM does account for differences in family size, and to some extent, age and composition of family members, it does not fully account for structure within the consumption unit, particularly for multi-generational families or unrelated individuals and families sharing housing resources.

## *GEOGRAPHIC ADJUSTMENTS TO THE POVERTY LINE IN THE SUPPLEMENTAL POVERTY MEASURE*

OPM thresholds are set at the national level and do not reflect geographic variations in housing costs. In the 2013 SPM, national poverty thresholds are estimated for different family sizes, and separately for families who rent an apartment, who own a home and have a mortgage, and who own a home and do not have a mortgage. These thresholds are then adjusted by an index capturing the relative cost of housing in each area. The adjustment factor is computed for each metropolitan area and for rural counties based on the median rents for two-bedroom units based on data from the American Community Survey. While Renwick (2011) shows that this approach performs well relative to more complicated methods to control for quality differences among rental units using available measures,<sup>a</sup> it does not fully account for housing quality differences. Furthermore, given that renter-occupied units account for less than 30 percent of the housing stock in rural areas, compared to nearly 50 percent in urban areas, adjustments for the cost-of-living based on rental prices may be a less accurate adjustment for actual housing costs in rural areas than in urban centers to the extent the prices across housing types differ.<sup>b</sup> A particular concern is that housing costs may reflect differences in a number of other factors that affect well-being and which are implicitly reflected in housing rents. One issue that the rural poor face special challenges with is access to services. For example, individuals living in rural communities may have a harder time accessing mental health care, and must travel greater distances for a doctor's appointment.<sup>c</sup> Public transportation and child care are also harder to come by in rural communities.<sup>d</sup> To the extent that lower housing costs are associated with higher expenditures on these necessities, and these necessities are not reflected in other SPM adjustments for medical expenditures and work expenses, the current geographic adjustments may result in too much of a downward adjustment to poverty thresholds in rural areas. This remains an active area in research on poverty measurement.<sup>e</sup>

<sup>a</sup> Trudi Renwick. 2011. "Geographic Adjustments of Supplemental Poverty Measure Thresholds: Using the American Community Survey Five-Year Data on Housing Costs." U.S. Census Bureau SEHSD Working Paper Number 2011-21.

<sup>b</sup> Housing Assistance Council. 2013. "Rental Housing in Rural America." Rural Research Note.

<sup>c</sup> James D. Reschovsky and Andrea B. Staiti. 2005. "Access And Quality: Does Rural America Lag Behind?" *Health Affairs* 24(4): 1128-1139; Jeffrey Stensland, Adaeze Akamigbo, David Glass and Daniel Zabinski, 2013. "Rural And Urban Medicare Beneficiaries Use Remarkably Similar Amounts of Health Care Services," *Health Affairs*, 32(11): 2040-2046.

<sup>d</sup> William O'Hare. 2009. "The Forgotten Fifth: Child Poverty in Rural America." *The Carsey School of Public Policy at the Scholars Repository*. Paper 76.

<sup>e</sup> U.S. Department of Health and Human Services, Health Resources and Service Administration. 2012. "The Health and Well-Being of Children in Rural Areas: A Portrait of the State and Nation 2011-2012, Neighborhood Characteristics."

## An ‘Anchored’ Supplemental Poverty Measure

A conceptual issue with using the SPM to measure changes in poverty over time is that the thresholds are updated each year to reflect rising expenditures on food, clothing, shelter, and utilities. Accordingly, the real value of the poverty thresholds rise over time, shifting the poverty thresholds that are the benchmark for success.<sup>16</sup> To measure progress in reducing poverty against a fixed benchmark, in this report we rely on an “anchored” Supplemental Poverty Measure, which uses the SPM poverty thresholds for different family types in 2012 and simply adjusts those thresholds for inflation to make historical comparisons.<sup>17</sup>

To facilitate a comparison of poverty levels in rural and urban areas over time, similar to the construction of the unanchored SPM, Wimer et al. (2015) adjusted their anchored poverty measure for geographic differences in relative housing costs. Similar to the methodology used by Census for the unanchored SPM, they calculated adjustment factors based on the ratio of Fair Market Rents in each area to the national average.<sup>18</sup> This ratio is then used to adjust the portion of the poverty thresholds representing housing and utility costs in each area, resulting in area specific poverty thresholds for each family type that reflect differences in the relative price of housing.<sup>19</sup> Due to data limitations, this geographically-adjusted series can only be produced from 1991 to 2012, but Wimer et al. are able to construct a series without the geographic adjustment back to 1967. The basic (not geographically adjusted) anchored SPM is useful for measuring changes in poverty over time due to changes in family resources, but since the poverty thresholds do not reflect relative differences in housing costs over time when defining a minimum needs standard, the measure does not accurately depict relative poverty rates between rural and urban areas at a point in time. As shown below, however, it is a useful metric to gauge the degree of progress in reducing poverty over time in both rural and urban America.

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<sup>16</sup> Liana Fox, Irwin Garfinkel, Neeraj Kaushal, Jane Waldfogel, and Christopher Wimer. 2013. “Waging War on Poverty: Historical Trends in Poverty Using the Supplemental Poverty Measure.” Working Paper 13-01. New York: Columbia Population Research Center.

<sup>17</sup> With respect to housing costs, the anchored SPM does not take into account changes in the relative cost of housing over time, but rather only adjusts the housing cost difference that existed in 2012 for inflation in the same way that other expenditures are adjusted for inflation. Relative housing cost changes over time are ignored. See Wimer, et al. (2013).

<sup>18</sup> These adjustment factors are constructed as the ratio of the 45th percentile of gross rent for 2-bedroom apartments with a complete kitchen and plumbing (and where an occupant had moved within the last 5 years) relative to the national average gross rent for that type of apartment.

<sup>19</sup> Note that this methodology implies that the thresholds for any specific geographic area are not truly “anchored,” but rather can change to the extent housing costs in the area relative to the national average evolve over time. The national average is, however, anchored to the 2012 SPM thresholds by family type.

### III. Child Poverty in Rural and Urban America

#### Poverty in Rural and Urban America in 2013

In 2013, the most recent year for which data are available, 45.8 million people in the United States—14.6 percent of the population—were poor according to the official poverty measure, and 48.7 million (15.5 percent) were poor according to the SPM.<sup>20</sup> Child poverty rates are higher than the overall poverty rate, with nearly one in five children living in poor families by the OPM measure and one in six children poor by the SPM.

As Table 1 shows, the picture of relative rural and urban poverty is different depending on which poverty measure is used. Whereas the OPM child poverty rate is 19 percent higher in rural than in urban areas, using the SPM, child poverty rates are 15 percent lower in rural areas than in urban areas. As noted above, this reversal is almost entirely driven by the fact that the SPM “needs standard” is adjusted for differences in the cost of living, and reflects the fact that average housing costs are lower in rural areas. For example, while the 45<sup>th</sup> percentile of a 2-bedroom apartment averages \$971 across the United States it ranges from less than \$600 in Butler County, Alabama to more than \$2,000 in the San Francisco metropolitan area.

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<sup>20</sup>Kathleen Short. 2014. “The Supplemental Poverty Measure: 2013,” Current Population Reports, P60-251.

	Urban	Rural
<i>Poverty</i>		
Poverty rate (OPM)	14.3	16.2
Child poverty rate (OPM)	19.4	23.0
Poverty rate (SPM)	15.9	13.2
Child poverty rate (SPM)	16.9	14.3
<i>Educational Attainment (population 25 years and older)</i>		
Less than high school	11.3	13.8
High school graduate	28.2	38.2
Some college	26.5	27.5
College graduate	34.1	20.5
<i>Income and Unemployment</i>		
Median household income	\$54,042	\$42,881
Unemployment rate (2013)	7.0	6.8
<i>Family structure</i>		
Percent families with 2-parents	73.1	72.2
Median number of children	2.0	2.2
<i>Age</i>		
Median age	36	41
Fraction population over 65	13.5	17.9
Fraction population under 18	23.8	23.0
<i>Race/Ethnicity</i>		
White, non-Hispanic	59.4	78.7
Black, non-Hispanic	12.8	8.2
Asian, non-Hispanic	6.4	1.2
Hispanic	19.0	8.2
Source: Bureau of Labor Statistics, Current Population Survey; CEA calculations.		

As documented in greater detail by CEA (2014), researchers have identified several factors that affect whether families are poor. These include the state of the local economy and job availability, education levels, and family structure. As Table 1 suggests, poverty rates may differ between rural and urban areas because people who live in these areas may systematically differ. For example, people living in rural areas are less likely to have completed college and more likely to have a high school diploma or less. Given these trends in educational attainment, it is perhaps not surprising that average incomes are lower in rural areas. Moreover, among families with children, the share of two-parent families is lower in rural areas, and at the same time, families in these areas have slightly more children living at home. Both of these patterns are expected to elevate the child poverty rate in rural areas, since a greater share of children live in households with fewer potential earners and a greater number of dependents. Along other dimensions,

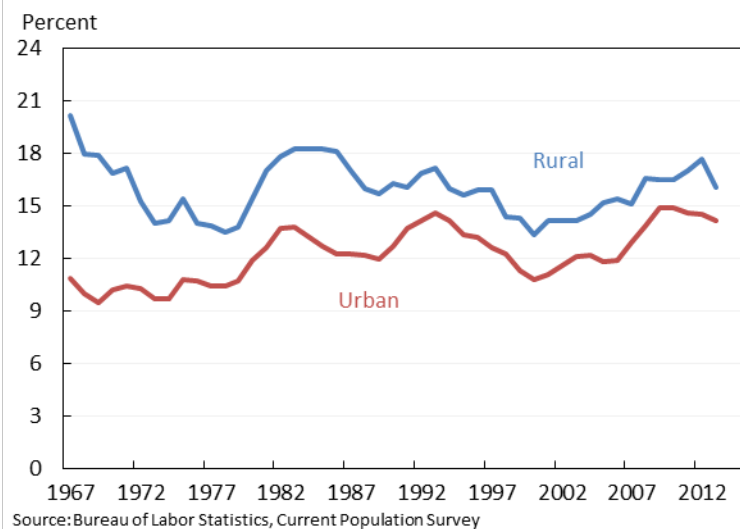
demographic patterns suggest that poverty rates would be lower in rural compared to urban areas. For example, on average, the rural population is older than the urban population, and rural areas have a greater share of elderly adults and a slightly smaller share of children. People living in rural areas are less likely to be a racial or ethnic minority than people in urban areas.

Overall, about one-third of the difference in rural and urban poverty rates can be explained by differences in race/ethnicity and nativity, marital status, educational attainment, and overall share of female-headed households.

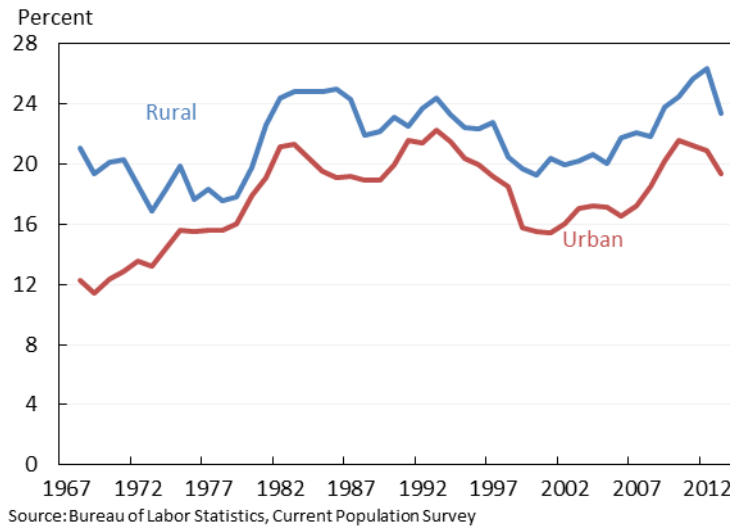
### Trends in Rural and Urban Poverty: 1967 to 2013

Measured by the OPM, poverty in rural areas has been consistently higher than poverty in urban areas. By this measure, poverty rates have followed similar patterns in rural and urban areas over the past 40 years: after rising between the mid-1970s and mid-1980s, poverty rates in both areas trended downward in the 1990s before rising again in the 2000s. Child poverty rates follow a similar path, though they tend to be more volatile over the business cycle. In both cases, the official rate has risen since the early 1980s, yielding the impression that we are not making progress in fighting poverty.

**Figure 1: Poverty Rate, Measured by Official Poverty Measure**



**Figure 2: Child Poverty Rate, Measured by Official Poverty**



The historical SPM data paint a dramatically different picture of poverty over the last half century, revealing the substantial effect government programs have had in improving the well-being of low-income families.<sup>21</sup>

The anchored Supplemental Poverty Measure, which includes these income support programs in its more comprehensive definition of income, shows that poverty has fallen dramatically since the 1960s, and this decrease was much greater for rural areas (Figure 3). The solid lines in the figure show the anchored SPM poverty rate from 1991 to 2012, whereas the dotted lines show the SPM rate with no geographic-adjustment for housing cost differences back to 1967.<sup>22</sup> The fact that the trends in poverty are similar over the period when both measures are present shows that even though housing adjustments affect the level of poverty, they do not substantially affect the trend. This suggests the data prior to 1991 are still likely to be a reliable indicator of the changes in poverty in both areas even though data from those years are not available to compute the SPM with a geographic adjustment.

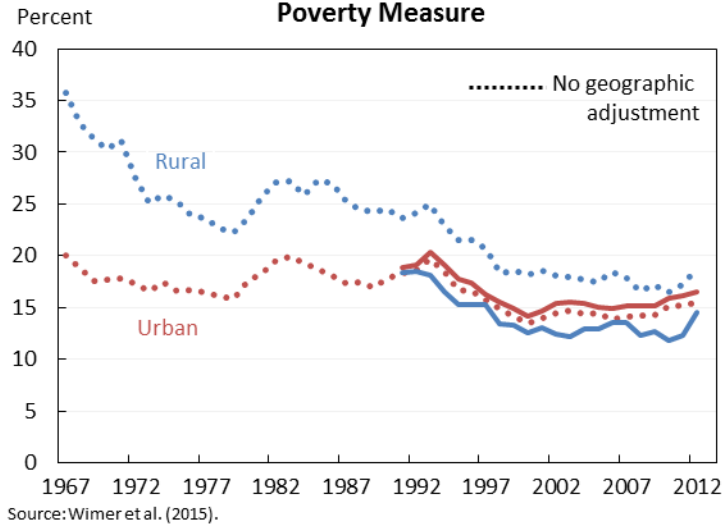
From 1967 to 2012, rural poverty rates fell by 17.1 percentage points – far exceeding the 4.5 percentage point decline in urban areas. The declines were particularly rapid from the late 1960s to the late 1970s and during the 1990s.

<sup>21</sup> Liana Fox, Irwin Garfinkel, Neeraj Kaushal, Jane Waldfogel, and Christopher Wimer. 2013. “Waging War on Poverty: Historical Trends in Poverty Using the Supplemental Poverty Measure.” Working Paper 13-01. New York: Columbia Population Research Center. Bruce D. Meyer and James X. Sullivan. 2003. “Measuring the Well-Being of the Poor Using Income and Consumption.” *Journal of Human Resources* 38, Supplement: 1180-1220. Arloc Sherman. 2013. “Official Poverty Measure Masks Gains Made Over Last 50 Years.” Washington: Center on Budget and Policy Priorities. <http://www.cbpp.org/files/9-13-13pov.pdf>. Census Bureau. 2013. “Poverty – Experimental Measures.” <http://www.census.gov/hhes/povmeas/data/nas/tables/index.html>

<sup>22</sup> Due to data limitations, the anchored SPM series extends only through 2012, whereas the OPM series extends through 2013.

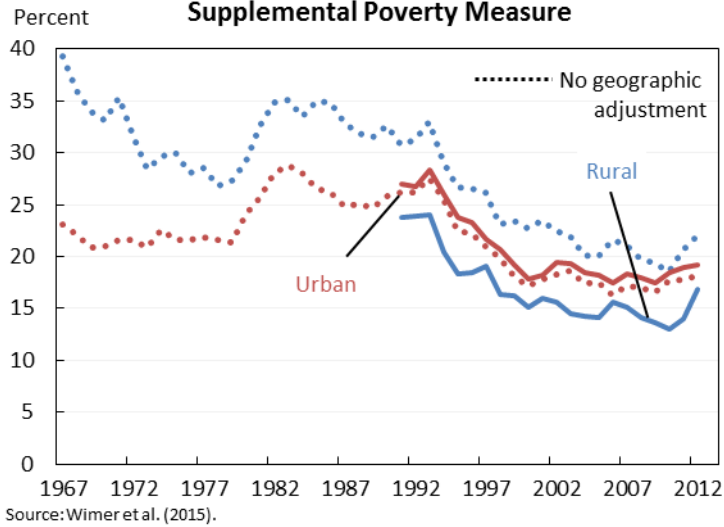


**Figure 3: Poverty Rate, Measured by Anchored Supplemental Poverty Measure**



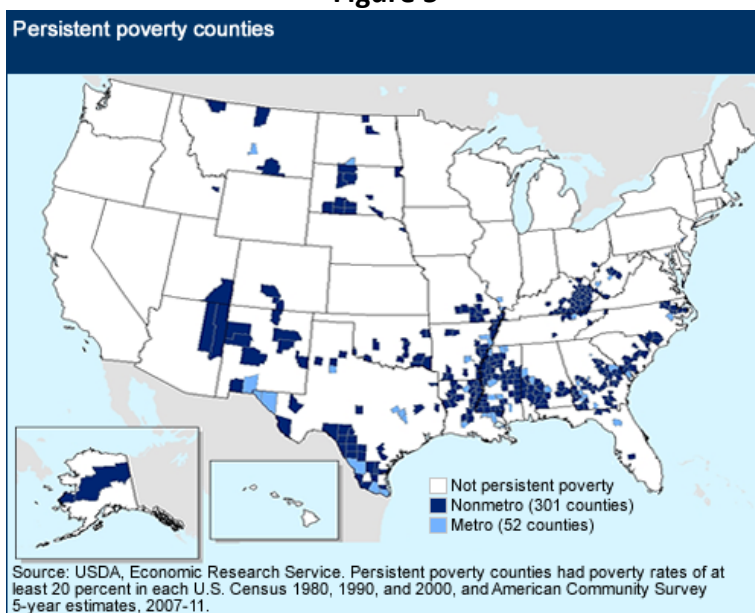
The trends in child poverty are similar to the trends in overall poverty, but more dramatic: rural child poverty was nearly cut in half between 1967 and 2013 while urban poverty fell by about 22 percent. In the 1960s and 1970s, rural child poverty fell, and urban child poverty declined at a more moderate pace. Since the 1980s, child poverty in rural and non-rural areas has followed similar trends. In addition to the decline in rural child poverty from the late 1960s to late 1970s, child poverty also steeply fell for both rural and urban areas in the 1990s and early 2000s. It is especially noteworthy that from both 1967 to 1977 and 1990 to 2000, rural child poverty fell by about 10 percentage points over each 10 year period. Similarly, in the 10 years between 1993 and 2003, the urban child poverty rate fell about 9 percentage points.

**Figure 4: Child Poverty Rate, Measured by Anchored Supplemental Poverty Measure**



While the figures above show much progress in reducing poverty over time, this progress has not been even across all areas. Many areas in the country have experienced high levels of poverty for extended periods of time, and rural America has a disproportionate share of such areas. In particular, there are 301 rural counties that have experienced poverty rates in excess of 20 percent in each decennial Census since 1980 and the 5 American Community Surveys from 2007 to 2011. By comparison, 52 metropolitan counties experienced persistent poverty over the same time horizon. Though this designation relies on the official poverty measure, it illustrates the higher prevalence of persistently low money incomes in many rural communities.

**Figure 5**

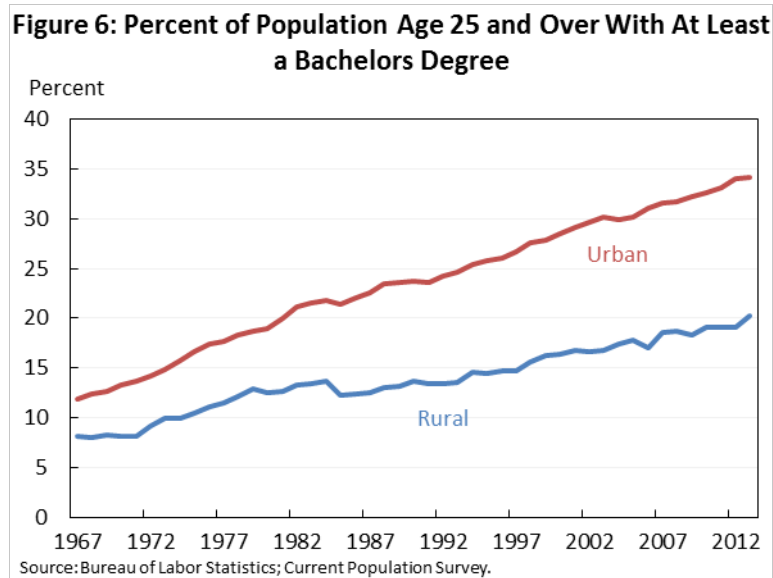


What explains these trends in poverty in rural and urban areas over the past 50 years? Researchers have identified several determinants of poverty, including education, local labor market opportunities, family structure, and incarceration. While a full evaluation of the impact of these factors on the trends in relative poverty rates of urban and rural areas is beyond the scope of this report, some important factors are presented here for context.

As decades of rising returns to education have led to higher earnings for college graduates, education's role in poverty prevention has also become more important: in 1959, high school dropouts were 3.8 times more likely to be poor than college graduates, but in 2012, they were 6.1 times more likely to be poor (based on the SPM measure).<sup>23</sup> This trend has been evident in rural communities, which have historically had lower levels of educational attainment. The disparity in college graduation rates between rural and urban areas has become especially pronounced since the mid-1980s. For example, in 2013, about 20 percent of rural residents older than 25 had a college degree, compared to more than a third of the urban population. However, it is not simply that people from urban areas are more likely to attend college; young people from

<sup>23</sup> Council of Economic Advisers. 2014. *The Economic Report of the President*.

rural areas may also move to urban areas to attend college or to find a job after graduating from college. For example, from 1980 to 2000, college graduates concentrated in high-wage, high-rent cities.<sup>24</sup>



Historically, macroeconomic growth has been viewed as one of the most effective means of reducing poverty. However, since the 1980s, the relationship between economic growth and poverty has weakened.<sup>25</sup> Labor market opportunities have a more direct relationship with poverty. Blank and Blinder estimate that from the 1950s through the 1970s, a one percentage point reduction in unemployment lowers the poverty rate by one percentage point.<sup>26</sup> Similarly, Hoynes et al. (2006) find that changes in labor market opportunities—as measured by median wages, unemployment rates, and inequality—predict the official poverty rate rather well.<sup>27</sup>

Although earnings growth has followed similar trajectories in rural and urban areas, historically, rural workers have had substantially lower earnings than their urban counterparts (for example, in 2013, rural prime-aged full-time, full-year workers earned around \$7,300 a year less than their urban counterparts). Employment trends are similar across rural and urban areas over the past few decades, though rural areas have experienced weaker employment growth during the

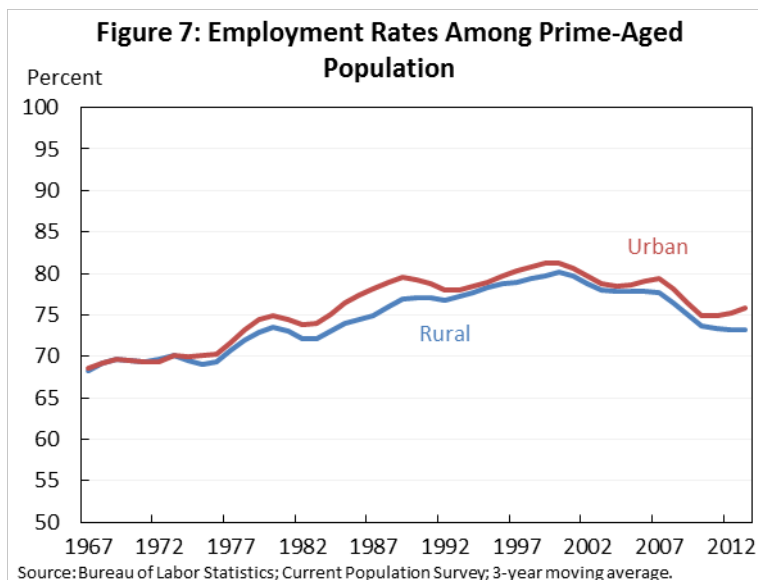
<sup>24</sup> Rebecca Diamond. 2015. “The Determinants’ and Welfare Implications of US Workers’ Diverging Location Choices by Skill: 1980-2000.” Working Paper.

<sup>25</sup> Rebecca Blank and David Card. 1993. “Poverty, Income Distribution, and Growth: Are They Still Connected?” *Brookings Papers on Economic Activity*, 2.

<sup>26</sup> Rebecca M. Blank and Alan S. Blinder. 1986. “Macroeconomics, Income Distribution, and Poverty,” in *Fighting Poverty: What Works and What Doesn’t*, Sheldon H. Danziger and Daniel H. Weinberg, eds., (Cambridge, Mass.: Harvard University Press).

<sup>27</sup> Hillary Hoynes, Marianne Page, and Ann Huff Stevens. 2006. “Poverty in America: Trends and Explanations,” *The Journal of Economic Perspectives* 20(1): 47-68.

economic recovery (Figure 7).<sup>28</sup> Rural work has also historically been more likely to be seasonal or part-time.<sup>29</sup>



One trend that has placed downward pressure on the poverty rate over the past half century in both urban and rural areas is the increase in female labor force participation and the increasing importance of women’s earnings to household income. Prime-age (25 to 54) female labor force participation increased from one-third in 1948 to 60 percent by 2000, which increased families’ incomes and rendered them less vulnerable to income shocks.<sup>30</sup>

Another dramatic change since the 1960s has been a decline in the proportion of married households and a concomitant increase in the number of people living in single-parent households. As shown in the figure below, the fraction of the adult population who are married in rural areas fell from around 74 percent in 1967 to around 58 percent in 2013, mirroring national trends. Individuals in single-parent households have markedly higher poverty rates than the national average, so this trend has tended to increase the poverty rate. Using decomposition techniques, Hoynes, Page, and Stevens (2006) show that changes in family structure accounted for a 3.7 percentage point increase in the OPM between 1967 and 2003.<sup>31</sup>

In addition to marriage rates, patterns in childbearing also show important differences between rural and urban areas. In 2012, women in urban areas had a median age at first child birth of 25, while for women in rural areas, the median age of first childbirth was 22. Because most workers’

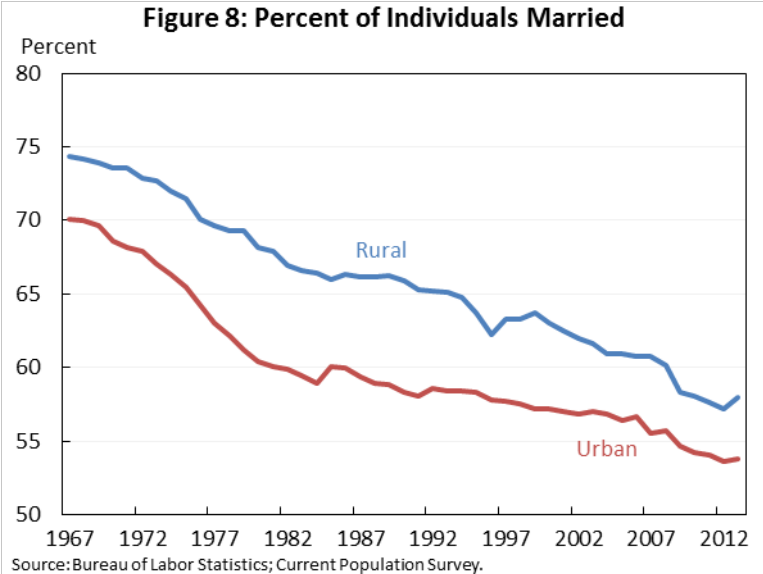
<sup>28</sup> United States Department of Agriculture. 2014 “Rural America at a Glance: 2014 Edition.”

<sup>29</sup> Bureau of Labor Statistics, Current Population Survey; Robert Gibbs and Timothy Park, United States Department of Agriculture Economic Research Service. 2007 “Rural Low-Wage Workers Face Multiple Disadvantages,” available at: <http://www.ers.usda.gov/amber-waves/2007-june/rural-low-wage-workers-face-multiple-economic-disadvantages.aspx>.

<sup>30</sup> Council of Economic Advisers. 2015. *The Economic Report of the President*.

<sup>31</sup> Hoynes et al., 2006.

earnings tend to be low in their early careers and increase over time, having children at a young age means that children are born into families with fewer resources overall.



## IV. Effect of the Safety Net on Poverty

As documented in a previous report by the Council of Economic Advisers, the array of programs aimed at providing opportunities to low-income families have lifted millions of people out of poverty and improved the material well-being of millions more.<sup>32</sup> This section reviews some of those findings, with a focus on the extent to which the safety net alleviates child poverty in rural and urban areas. In particular, we measure the impact of various programs by simulating the decline in family resources that would result from eliminating each program and assessing how many individuals would fall into poverty as a result.

For both rural and urban children, refundable tax credits (the EITC and the refundable portion of the Child Tax Credit) have the largest anti-poverty effect, as shown in Table 2. In 2013, these programs reduced the urban child poverty rate by 6.6 percentage points and the rural child poverty rate by 5.0 percentage points—lifting 4.1 million urban and nearly 600,000 rural children from poverty. Because EITC eligibility is sharply limited for households without children, these refundable tax credits have a smaller impact on adult poverty. SNAP and Social Security payments also substantially reduce the poverty rate, both for children and adults in rural and urban areas. Social Security’s relatively large anti-poverty role for children may be surprising. However, according to the Center on Budget and Policy Priorities, around 6 million children under age 18 lived in families that received income from Social Security in 2012, while 3.3 million of these children qualified for Social Security payments themselves as dependents of retired, disabled, or deceased workers.<sup>33</sup> While children in rural areas are less likely to live with an elderly relative, they are more likely than children in urban areas to receive Social Security as a dependent of a disabled or deceased worker.

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<sup>32</sup> Council of Economic Advisers. 2014.

<sup>33</sup> Paul N. Van de Water, Arloc Sherman, and Kathy A. Ruffing. 2013. “Social Security Keeps 22 Million Americans Out Of Poverty: A State-By-State Analysis,” Center on Budget and Policy Priorities.

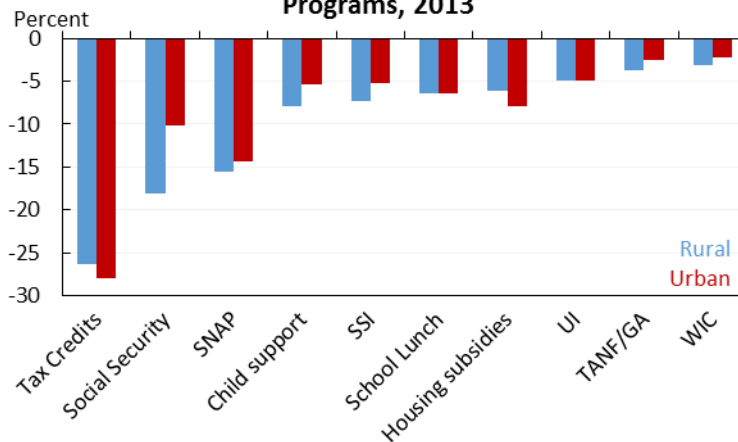
**Table 2: SPM Poverty Rate With and Without Safety Net Programs, 2013**

	All		Children 0-17		Non-Elderly Adults 18-64		Elderly Adults 65+	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
SPM Poverty	15.9	13.2	16.9	14.3	15.8	13.1	15.1	12.6
<b><i>Estimated SPM in absence of program</i></b>								
Refundable Tax Credits	18.9	15.5	23.5	19.3	17.9	14.8	15.3	12.7
SNAP	17.5	14.9	19.8	16.9	16.9	14.6	16.0	13.2
Unemployment Insurance	16.6	13.9	17.8	15.0	16.4	13.7	15.4	12.8
SSI	17.1	14.8	17.9	15.4	17.0	14.9	16.7	13.7
Housing subsidies	17.0	13.8	18.4	15.2	16.6	13.6	16.5	12.8
Child support received	16.4	13.8	17.9	15.5	16.1	13.4	15.2	12.6
School Lunch	16.4	13.7	18.1	15.2	16.1	13.4	15.2	12.6
TANF/GA	16.2	13.5	17.4	14.8	16.0	13.3	15.1	12.6
WIC	16.1	13.5	17.3	14.7	15.9	13.3	15.1	12.6
Social Security	23.8	26.2	18.8	17.4	19.8	19.7	51.1	58.8

Source: Bureau of Labor Statistics, Current Population Survey, Annual Social and Economic Supplement; CEA calculations.

Figure 9 suggests that some programs, like Social Security, Supplemental Security Income (SSI), child support payments, Temporary Assistance to Needy Families (TANF), and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) have a greater anti-poverty effect among individuals and children in rural areas than those in urban areas. For example, Social Security reduces the child poverty rate by 18.1 percent in rural areas, but 10.2 percent in urban areas, because rural children are more likely than urban children to receive Social Security as a survivor or benefit from Social Security because their parent has a severe disability. Similarly, child support plays a larger role in alleviating poverty in rural areas, because children in rural areas are more likely to live in single parent households with lower family earnings.

**Figure 9: Reduction in Child Poverty from Income Support Programs, 2013**



Source: Bureau of Labor Statistics, Current Population Survey, Annual Social and Economic Supplement  
 Note: Poverty measured by Supplemental Poverty Measure.

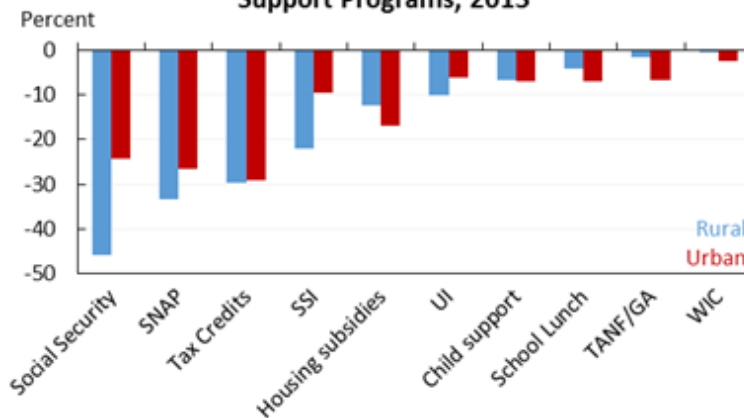
Looking at deep poverty, the fraction of people who live below 50 percent of the poverty line, rural areas have slightly lower rates of deep poverty for both adults and children. While about 4.6 percent of children in urban areas lived in deep poverty in 2013, only 3.8 percent of children in rural areas did so.<sup>34</sup>

However, income support programs play a much larger role in alleviating deep poverty among children in rural areas compared to those in urban areas. Social Security plays a particularly large role in alleviating deep child poverty in rural areas, reducing deep poverty by nearly one-half (almost double its effect in urban areas). In addition to Social Security and similar to patterns for overall poverty, SNAP and refundable tax credits also play large roles in reducing deep poverty in both urban and rural areas.

<sup>34</sup> Similar to rural/ urban patterns for overall poverty, the fraction of people and children in rural areas living in deep poverty is relatively higher according to the OPM: child poverty rates are 10.6 percent in rural areas and 8.5 percent in urban areas.



**Figure 10: Reduction in Deep Child Poverty from Income Support Programs, 2013**



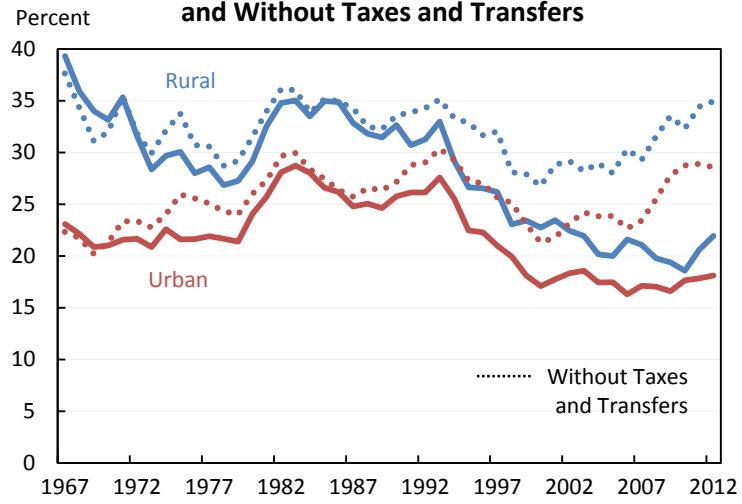
Source: Bureau of Labor Statistics, Current Population Survey, Annual Social and Economic Supplement  
 Note: Poverty measured by the Supplemental Poverty Rate.

Over the past 40 years, the tax and transfer system has grown increasingly important in alleviating child poverty. The after-tax and transfer child poverty rate roughly tracked the without-tax and transfer rate until around the mid-1980s, at which point taxes and transfers began to sharply reduce child poverty. For example, in 2012, taxes and transfers lowered child poverty by 36.6 percent in urban areas and 37.3 percent in rural areas. As such, today, the tax and transfer system also narrows the gap in poverty rates between rural and urban areas.

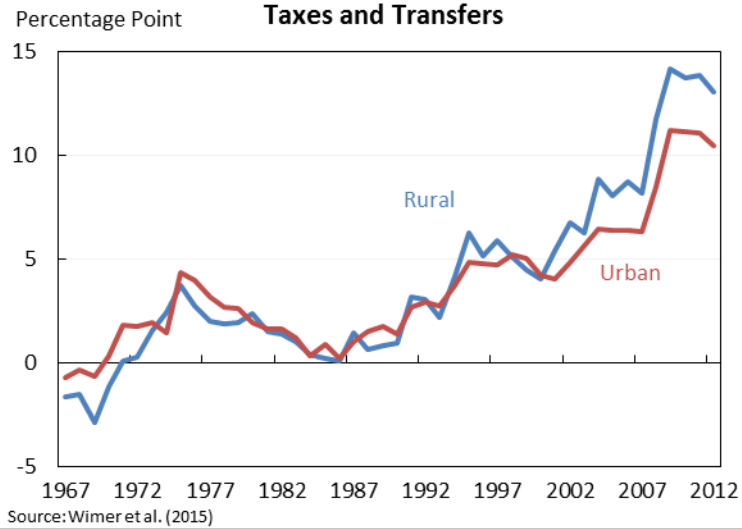
For non-elderly adults, taxes and transfers have substantially reduced poverty since the early 1970s, and the gap between the after-tax and transfer poverty rate and the rate without taxes and transfers has widened further in recent years. In 2012, the tax and transfer system reduced poverty more for non-elderly adults in rural areas than in urban areas.<sup>35</sup>

<sup>35</sup> Note that these rates are computed using the SPM data that are adjusted for geographic differences in housing costs. Since the analysis here modifies only the family resources part of the poverty calculation, this should not have a large impact on the estimates.

**Figure 11: Child Anchored Supplemental Poverty Rate, With and Without Taxes and Transfers**



**Figure 12: Percentage Point Reduction in Child Poverty from Taxes and Transfers**



## **V. Opportunity for All: A Vision for Strong Rural Kids and Families**

The dreams of a mother in Los Angeles for her family are no different than those of a mother in rural Mississippi. No matter where they live, they aspire for the cornerstones of economic security: a well-paying job, child care, a college education, health care, a home, and retirement. Over the past six years, the Obama Administration has supported policies to provide an opportunity for all to rise to the middle class—from historic investments in our education system to quality, affordable health insurance for millions of working Americans—and has steered an economic recovery that has seen 62 straight months of private sector job growth.

At the same time, rural and tribal communities face distinct challenges, including limited access to critical services, fewer job prospects, and in some places, relative lack of institutional capacity. President Obama has supported programs and strategies that respond to these challenges in order to better serve rural kids and families. With historic investments in telehealth, for example, a rural family can access a world-class specialist from their small-town clinic; and with evidence-based home visiting, a young mother without reliable transportation can benefit from the advice and support of a nurse without even leaving home. Further, through efforts like the Promise Zones Initiative, the Administration has engaged in place-based efforts that support community-driven approaches to improve quality of life and upward mobility. Recently, the White House Rural Council announced “Rural Impact,” an effort to address the challenge of rural child poverty by bringing together Federal agencies and public and private resources. These efforts leverage the unique capacities of rural communities and respond to their distinct challenges.

While recognizing the significant assets of rural places and their contribution to the nation’s wellbeing, this report is focused on persistent economic challenges holding back many rural families and communities, particularly child poverty.

### *IMPROVING THE LIVES OF NATIVE YOUTH*

Native Americans continue to experience higher rates of poverty compared to the rest of the nation. According to the SPM, 22 percent of American Indian and Alaska Natives lived in poverty, compared to 16 percent for the nation. In addition, almost 60 percent of all Native Americans who live outside of metropolitan areas live in persistently poor counties (Economic Research Service at USDA). Child poverty is also more prevalent among Native youth compared to all other racial and ethnic groups.

Despite this challenge, the Obama Administration has made significant strides to partner with tribes to create policies that address these socioeconomic disparities, with a particular focus on Native youth. At the 2014 White House Tribal Nations Conference, the President launched Generation Indigenous (Gen-I)—a Native youth initiative that takes a comprehensive and culturally appropriate approach to help improve the lives and opportunities for Native youth. Gen-I will leverage current investments, as well as new ones announced in the President's FY2016 budget, to support a range of Federal programs that serve tribes. This includes the Department of Education's Native Youth Community Projects, which would allocate \$53 million in grants in FY2016, an increase of nearly \$50 million over FY2015, for native communities to develop local strategies to help Native youth become college and career ready. Additionally, the Budget includes \$904 million at the Department of Interior to support a comprehensive reform of the Bureau of Indian Education (BIE) to ensure that all students attending BIE-funded schools receive a world-class education.

### **Building a Foundation for Success**

Research shows that high-quality early learning experiences produce significant benefits to children, parents, and society. Children who have access to high-quality early education are more likely to have greater lifetime earnings, finish school, stay out of the criminal justice system, and secure employment. Early childhood education programs also strengthen parents' attachment to the labor force, which can increase their earnings as well. All told, expansion of early learning programs yields roughly \$8.60 for every \$1 spent, about half of which comes from increased earnings for children when they grow up.<sup>36</sup>

Children living in poverty typically have less exposure to quality early learning experiences that foster healthy development. For example, by the time children turn three, low-income children will have heard about thirty million fewer words than their more affluent peers- a word gap that affects differences in school readiness and later academic achievement.<sup>37</sup> Rural children living in

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<sup>36</sup> Council of Economic Advisers. 2015. "The Economics of Early Childhood Investments." [https://www.whitehouse.gov/sites/default/files/docs/early\\_childhood\\_report\\_update\\_final\\_non-embargo.pdf](https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report_update_final_non-embargo.pdf)

<sup>37</sup> Betty Hart and Todd R. Risley. 2003. "The Early Catastrophe: The 30 Million Word Gap by Age 3". *American Educator*, pp.4-9. <http://www.aft.org/sites/default/files/periodicals/TheEarlyCatastrophe.pdf>

poverty face an additional set of challenges due to remoteness, which result in more limited access to information for their parents and teachers and lower access to high quality early learning programs and other social services, such as health, dental and mental health services. Data indicate that children who live in rural communities are less likely to attend center-based early learning programs, are less prepared for school on a variety of measures, and are 60 percent more likely to be placed in special education when they arrive at kindergarten.<sup>38</sup> The Administration has proposed and implemented significant new investments in early learning to establish a continuum of care and education for children beginning at birth and continuing to age 5 – where evidence indicates significant individual and societal benefits.<sup>39</sup>

### **Expand the Maternal, Infant and Early Childhood Home Visiting (MIECHV) program.**

Congress created the MIECHV program in 2010 as part of the Affordable Care Act to support voluntary, evidence-based home visiting services for at-risk pregnant women and parents with young children. MIECHV builds upon decades of scientific research showing that home visiting by a nurse, social worker, early childhood educator, or other trained professional during pregnancy and in the first years of life prevents child abuse and neglect, supports positive parenting, improves maternal and child health, and promotes child development and school readiness.<sup>40</sup> In these voluntary, evidence-based programs, trained professionals meet regularly, and build strong relationships, with expectant parents or families with young children. Given the greater distances that traditionally separate rural families from key, MIECHV may be particularly impactful in rural places. Of the total counties with a MIECHV program in 2014, 46 percent were rural counties. Further, 19 of 25 Tribal Home Visiting Program grantees serve primarily rural areas. The program was funded at \$1.5 billion over five years, with fiscal year 2014 grantees serving approximately 115,500 parents and children. Since 2012, the number of home visits provided has quadrupled, with more than 1.4 million home visits provided over the past three years. President Obama has called for an increase in investments for this program over the next ten years, which would significantly expand the program's reach and impact, and make a meaningful difference in the lives of at-risk rural families across the nation.

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<sup>38</sup> Cathy Grace, Martha Zaslow, Brett Brown, Dena Aufseeser, and Lynn Bell. 2011. Rural Disparities in Baseline Data of the Early Childhood Longitudinal Study. In Williams, D., & Mann, T. (2011). Early Childhood Education in Rural Communities: Access and Quality Issues. Frederick D. Patterson Research Institute.

<sup>39</sup> Council of Economic Advisers. 2015. "The Economics of Early Childhood Investments." [https://www.whitehouse.gov/sites/default/files/docs/early\\_childhood\\_report\\_update\\_final\\_non-embargo.pdf](https://www.whitehouse.gov/sites/default/files/docs/early_childhood_report_update_final_non-embargo.pdf)

<sup>40</sup> U.S. Department of Health and Human Services, Administration for Children and Families, Home Visiting Evidence of Effectiveness (HomVEE). Available at: <http://homvee.acf.hhs.gov/>.

### *BRINGING HOME VISITING TO NORTHERN IDAHO*

Through the resources made available by the Federal Home Visiting Program, the Idaho Department of Health and Welfare garnered supervisory and administrative support from the Spokane, Washington, Regional Health District for implementation of the evidence-based Nurse-Family Partnership (NFP) program in Kootenai and Shoshone counties, which are rural and frontier areas in Northern Idaho. Before the Federal investment, these counties did not have the ability to support an NFP team, due to insufficient initial enrollment numbers required to initiate a program and meet model fidelity. This 'cross-state' model has been highly successful, serving over 100 at-risk families in extremely remote and frontier locations in rural Northern Idaho with evidence-based home visiting by highly trained nurses equipped to address maternal and child health and development needs.

### **Reform and expand Head Start.**

Fifty years ago, President Johnson announced the launch of Project Head Start. Today, Head Start provides comprehensive services to low-income children under 5 to foster healthy development and school readiness. Since 2008, the Administration has made significant investments in expanding access to the program, including \$2.1 billion for Early Head Start and Head Start provided by the American Reinvestment and Recovery Act. The Administration has also taken steps to improve Head Start quality, including requiring low-performing programs to compete for continued funding, and is currently revising performance standards to reflect the best-available science on early learning and development. The President's FY 2016 Budget builds on these efforts by expanding the Early Head Start-Child Care Partnerships, which will provide high-quality care for tens of thousands of additional infants and toddlers, and providing over \$1 billion in additional funding for Head Start to make sure children are served in full-day, full-year programs that research shows lead to better outcomes for children.

### *THE PRESIDENT'S FY2016 BUDGET AND SEQUESTRATION*

The President's FY2016 Budget proposes to end sequestration, fully reversing it for domestic priorities in 2016. Absent this change, discretionary funding will fall to its lowest level, adjusted for inflation, since 2006. Reversing sequestration makes possible programs that are essential to ending the cycle of persistent rural poverty, including Head Start, telehealth, and drug treatment services. The last time sequestration took full effect in 2013, more than 57,000 children lost access to Head Start and Early Head Start, with enrollment falling to the lowest level since 2001. The President's Budget makes major investments in early learning, including, for example, making sure children can be served in full-day, full-year Head Start programs that research shows lead to better outcomes for kids.

### **Provide universal Pre-K.**

Research has shown that providing children with access to high-quality early education enables them to start kindergarten ready to succeed. This is particularly true for low-income children in rural and tribal areas, who often start kindergarten far less prepared than their peers. In his 2013 State of the Union Address, the President called on Congress to expand high-quality preschool to every four-year old in America. Since then, 34 states – including many states with large rural populations – have increased funding for their preschool programs, amounting to over \$1 billion in new state resources dedicated to early education. The President’s Preschool for All (P4A) initiative will dramatically expand access to preschool through a new cost-sharing partnership with States that will provide all low- and moderate-income 4-year-olds with high-quality, publicly-funded preschool. P4A will also help expand preschool to additional children from middle class families and encourage full-day kindergarten policies. To lay the groundwork for this initiative, the President’s 2016 Budget requests \$750 million for the Preschool Development Grants program, which develops and expands high-quality preschool programs in targeted communities. Several predominantly rural states currently have Preschool Development grants, including Vermont, Maine, Montana, and Arkansas.

### **Expand access to quality, affordable child care.**

As President Obama stated in his 2015 State of the Union Address, “In today’s economy, when having both parents in the workforce is an economic necessity for many families, we need affordable, high-quality childcare more than ever.” Access to high-quality child care promotes a child’s development and supports parents’ ability to go to work and increase their earning potential—all critical ingredients to breaking the cycle of poverty. In rural areas, expanding access to child care is especially important. Rural families living at or below 200 percent of the poverty line spend roughly 18 percent of their family incomes on child care.<sup>41</sup> This year, the President proposed a historic investment to make quality child care affordable and available for all low- and moderate-income working families with children age three and under. The FY2016 Budget also triples the maximum Child and Dependent Care Tax Credit (CDCTC) for families with children under age five and makes the full CDCTC available to more families. Additionally, recognizing that different geographies and demographics have different assets and challenges, the Budget invests \$100 million in new competitive grants to state, territories, tribes, and communities to address the unmet needs for families who face unique challenges to securing care. These pilots could be used to develop and test promising practices for families in rural communities, parents who work non-traditional hours, and other families who struggle to find and use high-quality care in their community.

### **Connect kids to the latest learning technologies and the Internet.**

Access to the Internet has increasingly become a fundamental component to learning. It provides the opportunity to access information, participate in the digital economy, and be part of global communities of learning. President Obama announced the ConnectED Initiative in 2013, his plan

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<sup>41</sup> Kristin Smith and Nicholas Adams. 2013. “Child Care Subsidies for Low-Income Families Amid Rising Child Care Expenses.” Carsey School of Public Policy, Paper 195, <http://scholars.unh.edu/cgi/viewcontent.cgi?article=1194&context=carsey>.

to connect 99 percent of students to high-speed broadband Internet by 2018. Still, more needs to be done to accelerate access for rural children. In response, the Administration has created the Broadband Opportunity Council, co-chaired by the Secretaries of Commerce and Agriculture, to further address these important issues and determine what the Federal government can do to improve connectivity for rural children.

### **Supporting Healthy Kids and Families**

Rural families have traditionally faced serious barriers in accessing health care, substance abuse and mental health services, and nutritious food—all critical ingredients to positive life outcomes. In 2013, the uninsured rate was 12.9 percent among all rural individuals, and 22.7 percent among rural individuals with incomes below the SPM poverty threshold.<sup>42</sup> The evidence is clear that lacking health insurance reduces access to care, worsens health, and undermines financial security.<sup>43,44</sup> Rural individuals also often live further from primary care providers and specialists, and must travel further to receive health care services.<sup>45</sup> Access to mental health treatment is another particular challenge in some rural communities. Estimates indicate that 95 percent of small rural counties with populations between 2,500 and 20,000 have no local child psychiatrist.<sup>46</sup> Finally, an estimated 15 percent of rural household are food insecure, meaning they lacked sufficient food to lead a healthy lifestyle.<sup>47</sup>

The Administration has made great strides toward improving access to all of these crucial services, including dramatically expanding access to health insurance coverage, pursuing innovative strategies to address barriers to health care access, streamlining the process of determining children’s eligibility for school meals, and investing in more coordinated approaches to service delivery.

### **Expand access to health insurance coverage.**

The Affordable Care Act (ACA) has expanded access to affordable health insurance coverage for families in communities across our country, including by providing tax credits to purchase coverage through the Health Insurance Marketplaces, providing funding to States that wish to expand their Medicaid programs, and allowing young adults to remain on a parent’s plan until age 26. These provisions are working to increase health insurance coverage. After five years

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<sup>42</sup> Bureau of Labor Statistics; Current Population Survey.

<sup>43</sup> Jessica C. Smith and Carla Medalia. 2014. “Health Insurance Coverage in the United States: 2013.” United States Census Bureau.

<sup>44</sup> Council of Economic Advisers. 2014. “Missed Opportunities: The Consequences of State Decisions Not to Expand Medicaid.”

<sup>45</sup> James D. Reschovsky and Andrea B. Staiti. 2005. “Access and Quality: Does Rural America Lag Behind?” *Health Affairs* 24(4): 1128-1139; South Carolina Rural Health Research Center. 2007. Mode of Travel and Actual Distance Traveled for Medical or Dental Care by Rural and Urban Residents: Key Facts in Rural Health.

<sup>46</sup> Larry G. Gamm, Sarah Stone, and Stephanie Pittman. 2003. Mental health and mental disorders—A rural challenge. In Larry Gamm, Linnae L. Hutchison, Betty J. Dabney, and Alicia M. Dorsey (Ed.s), *Rural Health People 2010: A Companion Document to Health People (Vol. 1, pp. 97–113)*. College Station, TX: The Texas A&M University System Health Science Center, School of Rural Public Health, Southwest Rural Health Research Center.

<sup>47</sup> Alisha Coleman-Jensen, Christian Gregory, and Anita Singh. 2014. “Household Food Security in the United States in 2013. Table 2.” USDA Economic Research Service.



under the ACA, more than 16 million people have gained health insurance coverage, and the nation's uninsured rate is now at its lowest level ever. This coverage expansion not only brings substantial benefits for the adults who have gained health insurance coverage as a result of the ACA, but also it brings important benefits for their children as well. Having health insurance enhances families' financial security, and research has found that expanding access to health insurance for adults often increases coverage for children as well.<sup>48</sup>

While detailed data on coverage gains in rural areas during 2014 and 2015 are not yet available, available data indicate that rural Americans have realized major benefits from the ACA's coverage expansion. Notably, through the end of the 2015 Open Enrollment season, over 1.5 million individuals in rural ZIP codes have selected or been re-enrolled in a Marketplace plan for 2015 in the States using the HealthCare.gov platform.<sup>49</sup> Rural families could realize substantial additional benefits if all States elected to expand their Medicaid programs under the ACA. As of May 2014, nearly two-thirds of uninsured rural individuals live in states that elected not to expand their Medicaid eligibility programs under the ACA. As a result, an estimated one million rural residents fall into the so-called "coverage gap," with incomes too high to be eligible for their State's Medicaid program but too low to be eligible for tax credits to purchase Marketplace coverage.<sup>50</sup>

The Administration has also strengthened the Children's Health Insurance Program (CHIP), which provides coverage to more than 8 million children, including many children in rural areas. Since the President signed legislation expanding the program in 2009 through 2013, the uninsured rate among children fell by about one-fifth, continuing the rapid progress in reducing the uninsured rate among children that has been made since CHIP's inception in 1997. Additional years of funding for CHIP was provided in the ACA, and the President recently signed legislation extending CHIP funding for another two years.

### **Invest in distance learning technology to connect kids with health services.**

Rural children living in poverty face a range of needs but often lack access to quality clinical, social, human, child development and family support services. Patients in rural areas travel two to three times farther to see medical and surgical specialists than those living in urban areas,<sup>51</sup> and rural children are less likely to be treated for mental health problems.<sup>52</sup> Programs like HHS' Rural Child Poverty Telehealth Network Grant Program and USDA's Distance Learning and Telemedicine Grant Program seek to leverage technology to make care more accessible to rural

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<sup>48</sup> Benjamin D. Sommers. 2006. "Insuring Children or Insuring Families: Do Parental and Sibling Coverage Lead to Improved Retention of Children in Medicaid and CHIP?" *Journal of Health Economics* 25(6): 1154-69.

<sup>49</sup> Department of Health and Human Services, Assistant Secretary for Planning and Evaluation. 2015. "Health Insurance Marketplaces 2015 Open Enrollment Period: March Enrollment Report." ASPE uses a slightly different definition of "rural," based on ZIP codes.

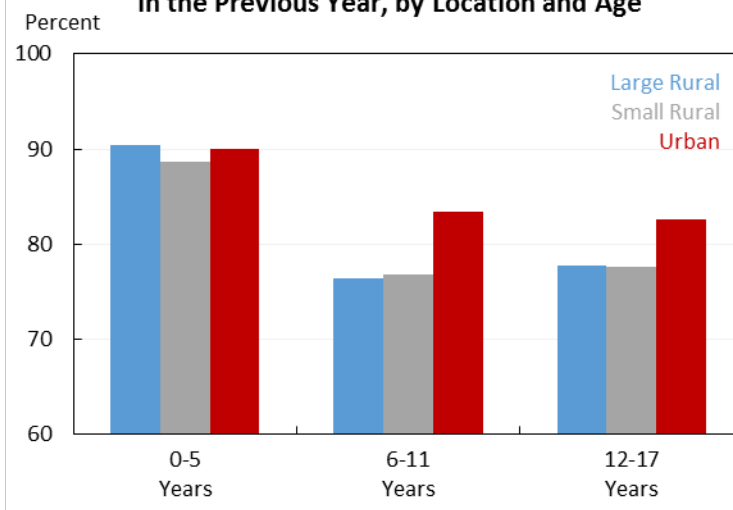
<sup>50</sup> Vann R. Newkirk II and Anthony Damico. 2014. "The Affordable Care Act and Insurance Coverage in Rural Areas." *The Henry K. Kaiser Family Foundation*. Available at: <http://kff.org/uninsured/issue-brief/the-affordable-care-act-and-insurance-coverage-in-rural-areas/>.

<sup>51</sup> Chan, et al. 2006. *The Journal of Rural Health*, 22(140).

<sup>52</sup> Nathaniel J. Anderson, Samantha J. Neuwirth, Jennifer D. Lenardson, and David Hartley. 2013. "Patterns of Care for Rural and Urban Children with Mental Health Problems." Maine Rural Health Research Center. Working Paper 49.

patients. This year, HHS’s Federal Office of Rural Health Policy will award up to three pilot grants for a total annual investment of \$975,000 in FY2015 (and \$2.8 million over three years) to test new ways to use telehealth technologies to link rural children with specialized health and human services that may not be available locally. The impact on rural families can be substantial. For example, a child with diabetes living in a remote community can receive primary care at his rural health clinic and then connect remotely to an endocrinologist in another city. At the same time, his family can receive nutrition counseling and, if food security is a challenge, be directed to a food bank.

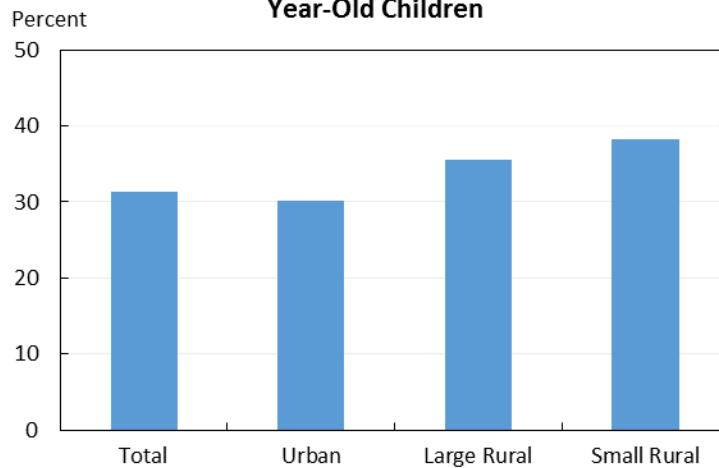
**Figure 13: Children Receiving a Preventative Medical Care Visit in the Previous Year, by Location and Age**



### **Expand access to nutritious school meals through Community Eligibility.**

The Community Eligibility Provision (CEP) allows school districts in high-poverty areas to offer school meals at no cost to students through the National School Lunch and School Breakfast Programs. This option improves access to school meals in eligible high-poverty schools, including in the country’s rural and tribal communities, while eliminating the administrative burden associated with collecting and processing applications for subsidized school meals. The Administration is working with states and communities to help more rural schools streamline their program and bring nutritious meals to more students. USDA's StrikeForce Initiative for Rural Growth and Opportunity, a cross-Agency effort designed to address the specific challenges associated with rural poverty, have collaborated with more than 500 community partners and public entities in 880 counties across 21 states and Puerto Rico to bring targeted assistance to rural areas experiencing chronic poverty. These teams are providing technical assistance for school districts to make informed decisions about CEP take up and implementation. StrikeForce is committed to reducing child hunger and supporting academic achievement in high-poverty, rural schools, and has set a goal of providing additional 400,000 students with no-cost school meals through CEP.

**Figure 14: Rates of Overweight and Obesity Among 10-17 Year-Old Children**



**Shrink the summer food gap for children in rural and tribal areas.**

While more than 21 million low-income children rely on free and reduced price meals at school, only a fraction of eligible children receive this assistance in the summer months. In rural areas, where children often live far from the community buildings that host summer feeding programs, accessing meal service sites can be difficult. USDA’s Food and Nutrition Service (FNS) is working to close this gap by expanding the number of accessible sites in rural communities through partnerships with the Departments of Agriculture Rural Housing Service, Housing and Urban Development, and Interior, and the Corporation for National and Community Service, as well as philanthropic organizations. In addition, in 2015 Congress appropriated \$16 million to expand the Summer Electronic Benefit Transfer for Children (SEBTC) program, which provides additional SNAP or WIC benefits to families with low-income children during the summer months when school meals are not available. This summer, FNS will focus SEBTC expansion primarily in rural areas. The President’s Budget proposes to increase the overall investment in SEBTC to \$67 million in 2016.

**Improve child welfare services in rural communities.**

Many rural areas lack the resources and capacity needed to provide the necessary services to help families in the child welfare system. In HHS’s reviews of state child welfare programs, there are often clear disparities in the services available to families in rural areas versus those in urban areas. To support and strengthen the capacity and service array offerings of rural child welfare systems, the Budget requests \$7 million in discretionary funding for formula grants targeted at rural communities. The funding would support operation of a coordinated program of family preservation services, community-based family support services, time-limited reunification services, and adoption promotion and support services. An additional \$3 million is requested to enhance research, evaluation, and technical assistance for child welfare services in rural as well as tribal communities.

### **Increase affordable housing and end homelessness.**

Rural homeless individuals and families are more likely than urban homeless individuals and families to be forced to cohabitate with friends, live in vehicles, or live in substandard housing.<sup>53</sup> Living in unsafe or unaffordable housing exacerbates the effects of poverty on individual educational achievement, economic prospects, health outcomes, and other indicators of well-being.<sup>54</sup> The FY2016 Budget reflects the Administration's deep commitment to ending homelessness in rural and urban places. The Budget provides rental housing assistance to support nearly 5 million low-income families, including the restoration of 67,000 Housing Choice Vouchers lost in 2013 due to sequestration. Housing Choice Vouchers are an essential ingredient to improved life prospects: recently-released research finds large positive effects of housing vouchers on long-term educational and earnings outcomes for young children. The Budget also invests \$2.5 billion for Homeless Assistance Grants to continue progress toward the Administration's goals of ending chronic homelessness in 2017 and make significant progress toward ending homelessness among families, children and youth in 2020.

### **Explore innovative approaches to program delivery.**

Rural areas often lack capacity of local government and service providers, and struggle with low population density and distance between social services, all of which hampers delivery and take-up of individual programs. Responding to these distinct challenges, the Obama Administration is exploring new models for more integrated service delivery. This summer, the White House Rural Council will identify a group of 10 rural and tribal communities to test mechanisms for delivering health and human services—from childcare and pre-Kindergarten to postsecondary education and job training—to both children and parents concurrently. Federal agencies will work together with communities to address the needs of both vulnerable children and parents, with a goal of increasing parents' employment and education and child and family well-being. Additionally, the President's FY2016 Budget proposes a \$20 million pilot for rural and tribal communities to explore strategies to integrate and co-locate health, early learning, and job training programs to better serve poor rural kids and families.

### **Helping Families Get Ahead**

To break the cycle of poverty, people must have the skills to succeed in an equitable workplace. To achieve this, the Administration has proposed policy that increases the income of working families, prepares students for good-paying jobs in the global economy, and creates infrastructure to support thriving rural communities. In addition to broad-based policy to drive economic development and greater financial security, the Administration has advanced a place-based agenda that supports community-driven goals. This locally-based approach is particularly important in rural areas given their unique assets and challenges around capacity and access.

### **Raise the minimum wage.**

Nearly 19 million people earned wages near the minimum wage of \$7.25 in 2012, 48 percent of whom had household incomes below \$35,000. By raising the minimum wage to \$10.10 per hour,

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<sup>53</sup> Council for Affordable and Rural Housing. 2007. Homelessness in Rural America. CARH News

<sup>54</sup> National Low-income Housing Coalition. 2009. "Why are People Homeless?"

as some states have done, full-time workers earning exactly the minimum wage would see their earnings increase by \$5,700—enough to move a family of four above the poverty line once tax credit assistance is included. All told, the Council of Economic Advisers estimates that raising the minimum wage to \$10.10 by 2016 would lift roughly 1.6 million workers whose wages are currently near the minimum wage, and members of their families, out of poverty.<sup>55</sup>

### *SUPPORTING COMMUNITIES WITH A PLACE-BASED APPROACH*

The Obama Administration has focused on making deeper impacts in impoverished communities by partnering with key public and private stakeholders to ensure that federal programs support the communities' measurable goals. For example, through the Promise Zones Initiative, the federal government partners with local leaders in high poverty communities to increase economic activity, improve educational opportunities, leverage private investment, improve public safety, enhance public health and address other locally-identified priorities. Through the Promise Zone designation, designees receive priority access to federal investments, federal staff on the ground to help them implement their goals, and five full-time AmeriCorps VISTA members to recruit and manage volunteers and strengthen the capacity of the Promise Zone initiatives. To support the businesses and families in the designated Promise Zones, the Administration has proposed a Promise Zones tax credit that would provide private businesses tax incentives for hiring and investing in Promise Zones, to create jobs and attract additional private investments. Of the 13 communities selected in the first two rounds, two are rural and two are tribal communities. The Administration will select a third round of Promise Zones later this year.

In another example in rural communities, USDA has focused outreach and community-based partnerships in areas of persistent poverty in the Strike Force initiative. Since 2010, StrikeForce teams have collaborated with more than 500 community partners and public entities across twenty states to bring targeted assistance to rural areas experiencing chronic poverty. StrikeForce efforts have helped direct over \$16 billion in investments to create jobs, build homes, feed kids, assist farmers, and conserve natural resources in the country's most economically challenged areas. USDA StrikeForce teams operate in 880 rural and tribal counties in 21 states and Puerto Rico.

### **Make the tax code work for working rural families.**

The EITC is a very effective tool in lifting families out of poverty. In 2010, the EITC brought \$10.5 billion to rural America, an average return of \$2,245 per EITC filer.<sup>56</sup> All told, more than one in five federal income tax returns in rural counties claimed the EITC; and in some states, nearly one

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<sup>55</sup> Council of Economic Advisers. 2014. "The War on Poverty 50 Years Later: A Progress Report."

<sup>56</sup> Mattingly, Marybeth and Kneebone, Elizabeth. 2012. "Share of Tax Filers Claiming EITC Increases Across States and Place Types Between 2007 and 2010."

in three.<sup>57</sup> The impacts are substantial: lower poverty rates, reduction of income inequality, and more vibrant rural communities.<sup>58</sup> The President has proposed making permanent critical improvements to the EITC and the Child Tax Credit currently set to expire after 2017, preventing a tax increase on 16 million families with 29 million children. The proposal would also double the childless worker EITC and expand eligibility, reducing poverty and hardship for 13.2 million low-income workers nationwide. The Budget also includes a tax cut for two-earner families that often face higher costs as they struggle to balance work, child care, and other family obligations.

### **Provide free community college for responsible students.**

The President's America's College Promise proposal creates new federal-state partnerships to provide two years of free community college to responsible students, while promoting key reforms to improve the quality of community college offerings to ensure that they are a gateway to a career or four-year degree. If all states participate, an estimated 9 million students could benefit from the President's proposal. The proposal holds particular promise for rural America. Rural and tribal community colleges currently serve 3.4 million students nationwide at 600 schools, which are often the only institutions of higher learning within hundreds of miles. Rural students are less likely to pursue postsecondary education,<sup>59</sup> and for those that do, they are more likely than their urban counterparts to attend community colleges and other two-year institutions. The Departments of Education and Labor are also taking new steps this year to develop a new age of open educational resources (OERs), tools that provide high-quality learning materials like courses, textbooks, and open degrees, so that anyone around the nation can log on to the Internet and start learning.

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<sup>57</sup> Bailey, Jon M. 2015. "Earned Income Tax Credit and Rural Households." Publication. Lyons: Center for Rural Affairs, 2014. Rural Family Economic Security Project. <http://files.cfra.org/pdf/EITC-final.pdf>.

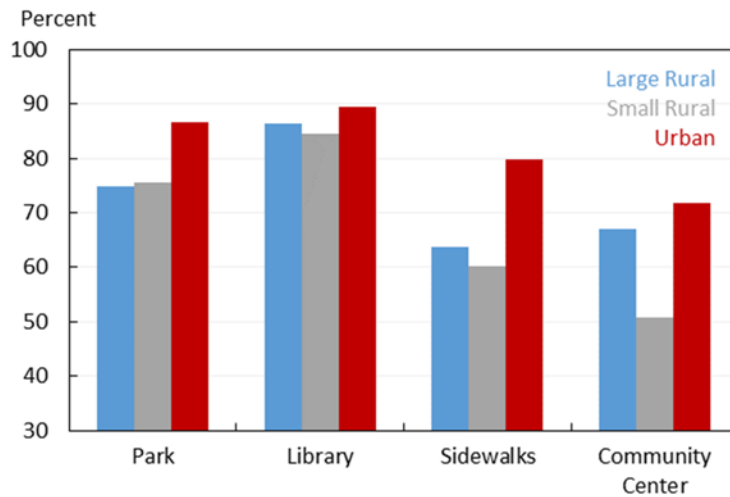
<sup>58</sup> Jessica A. Carson and Marybeth J. Mattingly. 2014. "Proposed EITC Expansion Would Increase Eligibility and Dollars for Rural and Urban 'Childless' Workers." The Carsey Institute.

<sup>59</sup> Andrew Koricich. "The Effects of Rurality on College Access and Choice." Texas Tech University.

### *ACCESS TO AMENITIES*

Rural children live in communities that often lack access to key amenities, and in turn, to critical programs and services that help families get ahead. For example, while 3 percent of children in urban areas lack access to parks, libraries, or sidewalks, 6 percent of children in large rural areas and 8 percent in small rural areas do not have access to these amenities. Recognizing the lack of brick and mortar infrastructure to support service delivery in rural places, the FY2016 Budget provides \$56 million in grants through the USDA Community Facilities Program, which makes investments in hospitals, schools, and other essential facilities.

**Figure 15: Children's Access to Neighborhood Amenities**



## Conclusion

Rural America continues to be a source of strength and opportunity for both the people who live there and for the nation as a whole. It boasts significant natural resources, vibrant and diverse culture, and strong families. Yet in too many rural and tribal places, kids and families are falling behind. This report describes ways to measure rural poverty and sets out a number of concerning trends. The report highlights many of the critical programs lifting millions of rural children and families out of poverty, and emphasizes the need to do more. Rural children enter Kindergarten underprepared, are less likely to receive preventative medical and mental health care, and are more food insecure—all of which have lasting impacts on life outcomes. At the same time, parents are less likely to have received postsecondary education and advanced skills training, limiting their ability to compete for good-paying jobs in the ever-changing global economy.

In rural, urban, or suburban communities, the road to the middle class is the same: education, healthcare, jobs. From historic investments in early learning to free community college to a higher minimum wage, the President's proposals build a foundation for all families to climb into the middle class. At the same time, policies must adapt and respond to the distinct challenges facing rural and tribal communities; while poor children living in rural America face similar educational, social, and economic barriers as their urban counterparts, many of these problems are exacerbated by the isolation and limited access to support services commonly experienced in rural areas. As the report outlines, in the past, we have made substantial progress in alleviating child poverty. The Administration aims to build upon this progress, by leveraging technology, forging new partnerships, and exploring new models of program delivery, to ensure that all kids have an opportunity to succeed.



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