IT'S A MATTER OF WEALTH

DISMANTLING PERSISTENT POVERTY
IN THE SOUTHEASTERN UNITED STATES
On behalf of our entire project team, we are pleased to transmit our initial report from the Study on Persistent Poverty in the South. While the full study encompasses 11 cotton-growing states in the South, this report culminates nearly 12 months of study on 7 of the 11 states located east of the Mississippi River: Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Virginia. These states constitute Phase I of the study and are referred to collectively as the Southeast Region throughout the report.

Our study concludes that there is indeed a Southeast Region with persistent poverty over three census periods—and it is the poorest of all regions of the country. On a variety of sociodemographic fronts—education, health, employment, and housing—the 7.5 million residents of the 242 counties in this region bear a tremendous burden from the continuous cycle of poverty.

We further conclude that the economic peril facing the Southeast Region results from, and in turn contributes to, the widespread and persistent nature of the region’s poverty. It not only affects those living in the region but also drains the economic health of our entire nation. The basic “engine” for creating wealth in the region is disadvantaged when compared with other economic regions and the nation as a whole. The economy of the rural South is at risk because it lacks an able workforce and the tools with which to build wealth. This situation will continue to worsen unless and until the region gains the innate ability to produce and sustain wealth through the creation of goods and services in manufacturing, service, and/or agriculture.

Each state in the Southeast Region can point to evidence of successful efforts to eliminate persistent poverty. However, these successes are based largely on the strengths and assets of certain individuals and families. A brighter future is possible if we develop a system and infrastructure that builds on the region’s assets; is a synergistic, targeted effort for human resource and economic development; and capitalizes on successful models. A federal commission could provide the leadership and coordination to unleash the region’s potential and generate long-lasting wealth.

A warm note of thanks and appreciation is due to Benjamin Griffith for his financial donation and continuing support throughout the study. We would also like to thank our entire project team for their outstanding and unique contributions. We are particularly proud of the close working relationships established among team members, which included individuals from several academic institutions and state and local governments from all states in the region. Of particular note are the contributions of Ron Wimberley representing North Carolina State University; Doug Bachtel, Dawn Eaker, David Lynn, John McKissick, and Libby Morris representing the University of Georgia; and Walter Hill and Ava Hopkins representing Tuskegee University.

We look forward to discussing our findings with you personally and hope that we have contributed to your understanding of the needs of the many impoverished families in our region.

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WHY STUDY PERSISTENT POVERTY IN THE SOUTH . . . AGAIN?

The rural South has been historically marked by high poverty rates and characterized by low education levels, poor economic conditions, and a poor quality of life for many individuals of all ages. While the region has been labeled in a variety of different ways, it is referred to most commonly as the Black Belt—a term made well known in 1901 by Booker T. Washington to describe the color of the rich Southern soil on which slaves worked.¹

This term is now often used to describe the region in a political sense. During the 1990s, Ron Wimberley and Libby Morris published their seminal work on the Black Belt in which they defined the region as a crescent-shaped area of 623 counties in 11 Southern states where the African American population exceeded the national average.² Today, these 11 states are home to 30% of all Americans—yet lay claim to 34% of the nation’s poor.³

Through the various federal initiatives throughout the country, portions of the 11 states receive direct federal funds through two existing federal commissions.

The Appalachian Regional Commission (ARC), established in 1965, has a mission to “advocate for and partner with the people of Appalachia to create opportunities for self-sustaining economic development and improved quality of life.”⁴ Its priorities include education...
and skills training to develop a competitive workforce; improving livability through basic services and infrastructure related to drinking water, highways, housing, telecommunications, etc.; leadership development and building civic capacity; enterprise and business development to create vibrant and self-sustaining local economics; and access to affordable, quality health care.

The Delta Regional Authority (DRA) was created more recently, in December 2000, to help economically distressed communities “leverage other federal and state programs which are focused on basic infrastructure development and transportation improvements, business development, and job training services.” The vast majority (75%) of the Authority’s money must be targeted to projects in distressed areas or to projects in nondistressed areas that will benefit a distressed area. Like the ARC, emphasis is on strengthening public infrastructure, transportation systems, business development focused on entrepreneurship, job training, and employment education.

In a written statement to the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings, and Emergency Management on September 12, 2002, John L. Bruner, president of the National Association of Development Organizations (NADO), highlighted the success of the ARC over the past 30 years in

- Reducing the number of distressed counties by half;
- Cutting the regional poverty rate in half;

...and

- Narrowing the per capita income gap between Appalachia and the rest of the country;
- Doubling the percentage of adults with a high school education;
- Providing more than 840,000 Appalachians with clean water and sanitation facilities; and
- Developing a network of 400 ARC-funded primary health care facilities.

Clearly, the ARC has made a difference in improving the quality of life of the residents of Appalachia. Success is attributed to a combination of targeted federal assistance, meaningful state and local participation, and a conscious focus on meeting the most basic infrastructure needs as a means of self-development.

Senator Zell Miller (D-GA), recognizing the success of the ARC, sought federal funding to “determine first of all whether there is a need for a commission to serve this region [the Southeast], and then, whether a commission modeled after the Appalachian Regional Commission could address this region’s problems in an effective way.” These funds, secured in fall 2001 and matched by Macon businessman Benjamin Griffith, enabled the University of Georgia to explore two issues in the historic cotton-growing area.

QUESTION 1: Is there a region of persistent poverty in the Southeast composed of rural counties that are not served by other federal commissions or special initiatives?

QUESTION 2: Is there a need for a federal initiative in the study area and, if so, what is an appropriate structure?
To answer Question 1, we first identified the impoverished counties in the 11 Black Belt states that were not included in the ARC, DRA, or any other federal initiative. Mapping these initiatives revealed two contiguous clusters of counties, deemed Phase I and Phase II. Phase I states (Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Virginia) became the first priority of the study because the contiguous area encompassed more land mass than Phase II and had a historic identity as the “rural South.” This report focuses strictly on Phase I; a supplement will be issued at the conclusion of Phase II. Because a majority of the counties in Tennessee are included in the ARC and the remaining counties in that state are not contiguous with other persistent poverty counties in the 11-state study area, Tennessee is not included in either phase.

To define the region of persistent poverty within Phase I, hereafter referred to as the Southeast Region, we identified the worst areas of poverty throughout the nation using 2000 Census data. We then used 1980 and 1990 Census data to pinpoint those counties that have been among the most impoverished in the nation over the 20-year period.

Next, we analyzed various national data sets to understand the demographic characteristics and unique health and education conditions of the area. In addition, we conducted a series of economic analyses. First, economic dependency was examined by analyzing transfer payments, property taxes, and local and state taxes for counties with persistent poverty in the Southeast Region (the persistent poverty region or PPR). These were compared with the set of non-persistent poverty counties in the Phase I states.
To answer Question 2, two sets of meetings were held throughout states in the Southeast Region to elicit input from business, community, and government stakeholders regarding the development of a federal initiative. One set of meetings was led by the University of Georgia and included representatives from small businesses, large corporations with a regional presence, state chambers, community-based organizations, advocacy groups, residents, Governors’ offices, state agencies, Councils of Government, Rural Development Councils/Agencies, the U.S. Department of Agriculture, and land grant universities. Meeting participants shared information about successful existing programs and identified gaps in addressing persistent poverty that provided a lead-in to specific suggestions for the structure of an initiative.

In the second set of meetings, Tuskegee University planned sessions with community representatives who had experienced persistent poverty or had worked for generations to alleviate the pressure of that poverty. Tuskegee enlisted the assistance of the nine-member consortium of historically Black universities, the Southern Food Systems Education Consortium (SOFSEC), other 1890 land grant universities, and community-based organizations. Participants in these meetings identified successful community and economic development models and strategies for persistent poverty counties that were considered federal initiative priorities.

At the conclusion of the state meetings, it became apparent that the participation of business leaders as well as academic and government leaders who work closely with the business community was somewhat limited. To broaden our knowledge, we administered a survey to economic and community development leaders throughout the region, asking for suggestions on possible strategies to address persistent poverty. We also reviewed key aspects of various federal initiatives addressing poverty as discussed in the SouthEast Crescent Authority document, *A Proposal for Economic Growth in the Southeastern United States.*

This report provides a picture of persistent poverty highlighting the challenges and concerns related to education, business development, health, and community development. It offers recommendations for creating an initiative or federal commission to formally address persistent poverty in the Southeast Region.
IS THERE A SOUTHERN REGION WITH PERSISTENT POVERTY?

To answer this question, we first established common definitions.

POVERTY WAS DEFINED AS:
A single person living alone with an income less than $8,667 in 1999; or a family of four with a 1999 income less than $17,029.10

A POOR COUNTY THEN BECOMES:
A county in which a high percentage of residents (both individuals and/or families) live in poverty.

AND A COUNTY HAS PERSISTENT POVERTY IF:
The county’s high proportion of residents remain in poverty over a long period of time, which for our purposes was from 1980 to 2000.

Using these definitions, we identified the poorest counties in the year 2000 and then tried to discern which of them were also severely impoverished in 1980 and 1990. We began by using 2000 Census data to calculate the percentage of the population living in poverty in each of the nation’s 3,141 counties. Next, we ranked the counties by their levels of poverty, listing them from the highest percent of the population in poverty to the lowest. The ranked list was then divided into four groups of equal size (called quartiles); each group (or quartile) contained roughly 785 counties. The top quartile included the counties with the highest levels of poverty; the second quartile represented the counties with the second highest levels, and so on.

Repeating this process two more times using the 1980 and 1990 Census data, we were able to identify those counties that were in the top two quartiles of poverty across three census periods.11

CONCLUSION:
There is indeed a southern region with persistent poverty over three census periods—and it is the poorest of all regions of the country. In fact, over half of the persistently poor counties in the U.S. are in the 11 southern states known as the Black Belt.
WHICH COUNTIES SHOULD BE INCLUDED IN A “SOUTHEAST REGION OF PERSISTENT POVERTY”?

To precisely draw boundaries around the counties in this impoverished region, we limited ourselves to southeastern states and selected those nonmetropolitan counties that were

- In the top two quartiles of poverty during 2000 AND during 1980 and/or 1990;
- Not part of the Appalachian Regional Commission or the Delta Regional Authority; and
- Connected to the contiguous set of persistent poverty counties most typical of the historic Black Belt.

Mapping these 217 nonmetropolitan counties allowed us to better visualize this region in its entirety. What we discovered were a few “missing areas” of selected metropolitan counties that we expected to lack some of the same resources as neighboring rural counties. Consequently, we evaluated these metropolitan counties using our selection criteria (developed from the U.S. Census Bureau Metro Statistical Area categories) and added 25 counties with small to medium-sized populations (less than 1 million residents).

A complete list of counties proposed for inclusion in the persistent poverty region can be found on page 20. Other counties mentioned for inclusion during the state meeting could be added if recommendations are enacted into legislation.

PROPOSED REGION OF PERSISTENT POVERTY IN THE SOUTHEAST (PHASE I)\(^2\)

- Phase I Counties
- Mississippi Delta Regional Authority Counties
- Appalachian Regional Commission Counties
- Appalachian Regional Commission & Mississippi Delta Regional Authority Counties, Phase I

CONCLUSION:
The proposed Southeast Region of persistent poverty consists of 242 countries—217 nonmetropolitan and 25 metropolitan.
WHO LIVES IN THIS REGION?

About 7.5 million people live in this region. One in every four residents is under age 18 and 13% are 65 years and older. The region comprises predominantly white residents (62.6%) who exceed the number of African American residents by more than 2 million (4,712,621 compared with 2,578,924). However, the percentage of African Americans in the region is nearly three times the percent living throughout the United States, while the percentage of Hispanic Americans in the region is just one-fourth of the U.S. rate. The region is also home to residents of other races and ethnicities, including American Indians (1.6%) and Asian Americans (.9%).

Along with its high poverty rate, the region has a disproportionate share of social ills.

EDUCATION. The percent of persons age 25 and older without a high school diploma in the region (27.7%) is more than 40% higher than the percent for the United States (19.6%).

LOW BIRTH WEIGHT. The rate of low birth weight babies per 1,000 births from 1996 to 1998 was 25% higher in the region than the rate for the nation as a whole (95.7 vs. 74.8).

DISEASE. Death rates per 100,000 persons from cancer, diabetes, and cardiovascular disease are higher in the region than for the nation as a whole (10% higher for cancer and 17% higher for diabetes and cardiovascular disease).

HOUSING. The percent of people living in mobile homes is 3 times greater in the region than for the nation as a whole (24.9% vs. 7.6%).

UNEMPLOYMENT. The unemployment rate is 22% higher in the Region than for the nation as a whole (7.1% vs. 5.8%).

The silent voices most devastated by persistent poverty are also the most vulnerable: our nation’s children and elderly.

CONCLUSION: On a variety of sociodemographic fronts—education, health, employment, housing—the 7.5 million residents of the region bear the burden of the nation’s persistent poverty.
HOW HEALTHY IS THE REGION’S ECONOMY?

To answer this question, we examined the economic structure and competitiveness of the proposed Southeast Region with persistent poverty relative to the counties in the ARC and DRA. We discovered that this Southeast Region is in dire economic straits and lags behind the other regions in all aspects of comparison.

THE PROPOSED REGION:
- Is economically disadvantaged as compared with the other two regions in seven of nine industry sectors when measured by the production of goods and service per person in the region.
- Has a lower output of goods and services than either the ARC or DRA counties. Striking is the fact that low output per worker is correlated with lower compensation per worker.
- Relies on the service sector for the greatest employment (as is the case in the ARC and DRA) but is much less competitive than the other regions in this sector. As a result, the service sector represents a smaller portion of the economy.
- Is more dependent on low-wage manufacturing than even the ARC and has far less diversity in the types of industry available.
- Is more dependent on the public sector (local, state, and federal government) for employment and output than are the ARC and DRA.
- Reaps less value per acre of agriculture, particularly when compared with the eastern ARC counties.
- Has an average household income that is about $2,000 less per person than the ARC and DRA counties. Because less of this income comes from wages or self-employment, residents rely on other sources of revenue support such as transfer payments or other forms of government assistance.

When compared with the United States more broadly, the region’s per capita income is nearly $5,500 less than the national average ($16,049 vs. $21,587), and its unemployment rate is higher (7.1% vs. 5.8%).

CONCLUSION:
The basic “engine” for creating wealth in the Southeast Region is disadvantaged when compared with other economic regions and the nation as a whole. The economy of the rural South is at risk because it lacks an able workforce and the tools with which to build wealth. This situation will continue to worsen unless and until the region gains the innate ability to produce and sustain wealth through the creation of goods and services in manufacturing, service, and/or agriculture.
WHAT IS THE COST OF “STAYING THE COURSE”?  

Given this bleak economic portrait, it is natural to wonder what the regional costs or consequences are. One way to look at this question is to estimate the “opportunity costs” of the Southeast Region remaining less competitive in each industry sector than the ARC. In this scenario, the lost opportunities can be thought of as the resulting returns—or financial gains—to both households and the government from a successful effort to eliminate the output gaps between the two regions. Comparison with the ARC is particularly instructive, as the ARC has enjoyed measurable success with targeted economic development over its 30-year existence.

The results of our analyses were staggering. If the economic gaps with the ARC were eliminated in the service sector alone, the Southeast Region would

- Enjoy additional income of $15 billion.
- Boast 500,000 additional jobs.
- Return $3.2 billion to government coffers—$1 billion to state and local governments and an additional $2.2 billion to the federal treasury.

These “opportunity costs” are even more impressive if we close the gap in other economic sectors as well (manufacturing, government, and agriculture). They rise still further if the gap is eliminated between the persistently poor counties and their non-impoverished neighboring counties in the Southeast. In this latter case, nearly $20 billion would be returned to the public sector for reallocation to other priority investments.

CONCLUSION:
The economic peril facing the Southeast Region results from, and in turn contributes to, the widespread and persistent nature of the region’s poverty. It not only affects those living in the region but also drains the economic health of our entire nation as a whole.
WHAT IS THE LEGACY OF PAST EFFORTS?

We applaud the efforts of those who have worked valiantly and tirelessly to break the cycle of poverty in the Southeast and wish to highlight several research and organizational efforts targeted to this region. A group of researchers, including Ron Wimberley from North Carolina State University and Libby Morris and Doug Bachtel from the University of Georgia, have been developing a justification of the needs in the region for over a decade. *The Southern Black Belt: A National Perspective* by Wimberley and Morris (1997) served as a foundation for much of this work.22

In addition to early legislative efforts encouraged by Wimberley and Morris (HR3901, 1994), the SouthEast Crescent Authority (SECA) facilitated a more recent effort in January 2002 when a bill in the House of Representatives (HR3618) was introduced during the second session of the 107th Congress for the development of a federal regional commission in these seven southeastern states. The full text of the bill can be accessed through the GPO Access website (www.access.gpo.gov/su_docs/multidb.html). Background information is included in the SECA publication, *A Proposal for Economic Growth in the United States*.23

The Black Belt Initiative—an organization that developed out of a series of meetings involving 1890 and 1862 land grant universities and a wide range of community-based organizations, government officials, and private sector representatives in the South—seeks to address critical issues in the region by serving as a coordinating body, supporting organization, or central capacity-building agency to link and enhance the work of existing service providers.

Efforts implemented to date offer numerous lessons from which we can learn and grow.

BUILDING HOUSES OF STRAW

Much of the economic success of the South has relied on minimum wage or low-skill jobs. As a result, even though the South has had notable job growth, it has not had corresponding growth in personal income. Low-wage jobs are often the first to disappear in an economic downturn and are most vulnerable to the dislocation effects of the North American Free Trade Agreement (NAFTA) and the recent trend of shifting low-skill jobs offshore. While these jobs can be essential first steps for areas with virtually no employment, they are no substitute for education and job skills training. They should always be viewed as the start of a long road toward lasting economic prosperity, rather than the end of that road.

SHORT-SIGHTED POLICIES

One of the most important lessons is the tremendous impact that policies and legislation at federal, state, and local levels have had on communities. While often well-intentioned, these policies have

- *Left people dependent on transfer payments.*
- *Resulted in intergenerational poverty.*
• Failed to show meaningful accountability among individuals and governments for using public funds to make a difference.

• Reflected a lack of governmental interest in the potential benefits of social programs.

• Reinforced inadequate tax structures that rely on property taxes as the main source of revenue.

• Failed to support public schools and preparation of a skilled and able work force.

• Ignored the need for a livable wage.

MISSING THE TARGET
While investments in the region have been substantial, they have failed to fully unleash the human resource potential and translate into long-lasting added value. Innovative and refreshing policies and approaches must be adopted that emphasize investments in service sector jobs and agriculture (vegetables, animal production, and agri-tourism). Policies will only be successful to the extent that they comprehensively address education, workforce development and training, business development, employment, health, housing, and community infrastructure (such as water and sewer needs).

USING WHAT WE’VE GOT
In large part, the success of the ARC in decreasing the number of distressed counties is due to sustained investment in local infrastructure over several decades.24-27 From its inception through FY 2001, the ARC awarded over $9.75 billion to local (non-highway) projects. (Over two-thirds of this total came from the ARC and other federal funding sources.)28

A complement of local organizations, regional councils of government, and individuals is poised to effect comparable change in the Southeast Region.

Community-based organizations and community development corporations provide a unique service to local areas by being part of the communities they serve and engaging local residents in wealth creation.
The 1890 and 1862 land grant institutions offer higher education, research, and extension or outreach activities throughout entire states. These institutions are charged with providing cooperative extension services related to agriculture and youth and family development in each county. In addition, they provide numerous other outreach programs including those aimed at improving community and economic development through business development and local government-related services.

Regional organizations participate in the improvement of states and communities throughout the South. Organizations such as the Southern Rural Development Center, Southern Growth Policies Board, and Southern Rural Development Initiative are evidence of the need for action and the commitment to multistate approaches. Through their research, they make it clear that the South faces unique challenges that demand new partnerships and approaches.

WELCOMING NEW FACES
The importance of strengthening local control through participation, decision making, leadership, flexibility, and multijurisdictional solutions should not be underestimated. However, some forces in the community may thrive on “keeping the status quo” because of financial, political, or social gain. There is an urgent need to engage and involve more than the “usual suspects” in a coordinated and sustained initiative. These new faces must

- Understand the preeminent importance of strong public education, from preschool through graduate programs, including vocational education programs. There is widespread agreement among the business, academic, and government sectors that “creating an educated workforce is the most critical step in building wealth.” As evidence of their commitment, they are willing to allocate more tax dollars toward education than any other area. Course offerings should equip residents with the skills needed to perform well in local jobs that pay livable wages.

- Institute tax structures that afford all residents the opportunity to have quality public schools, safe housing, and reliable transportation.

- Determine how well existing programs sponsored by state and local government agencies and community-based organizations have addressed persistent poverty.

- Engender a sense of community pride, where the expectation and norm for local business and industry is to reinvest in the local area and to assume an active role in raising the level of collective wealth.

- Value home ownership as a means of generating wealth, fostering individual commitment, and promoting permanence and stability.

- Educate residents about our nation’s economic system including the role of capitalism and free enterprise.

EMBRACING DIVERSITY
An overriding lesson is the importance of respecting diversity. While many prior studies examined the relationship between poverty and
race, as well as the heritage of slavery, we chose to focus on poverty and wealth exclusive of race—in the belief that race is neither a symptom nor a cause of poverty. Rather, race should be viewed as a significant variable in the design of effective strategies to create wealth and “lift the region” out of its present impoverished condition. Designing a mechanism to fund priorities that will ensure the fair and unbiased input from residents of the census tracts that have the greatest need is of utmost importance as we seek to eliminate systemic persistent poverty and better address related racial issues.

**SUSTAINING INVESTMENT**

It is also important to recognize that the economic gaps of the Southeast Region cannot be closed immediately or easily. Even the ARC, with a 30-year history of demonstrated success, still faces counties in extreme distress that fare worse economically than our region of persistent poverty. Congress recognized the need for further work in the Appalachian region in its recent reauthorization and funding of the ARC. The effort to improve personal wealth in the Southeast must be a long-term commitment. Progress will come more easily for some places than others.

On the bright side, however, the hard work of southern states in addressing poverty has provided a stronger base from which to work. There is reasonable hope to expect that a concerted effort in the South will begin to bear fruit sooner than was the case with the ARC. Patience will indeed be a virtue, yet every passing day results in a substantial societal cost—probably greater than most policymakers realize. The potential return to local, state, and federal governments in tax revenues alone suggests that an effective, targeted program to close the gaps that underlie persistent poverty would be a wise investment.

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**CONCLUSION:**

While numerous valiant attempts have been made to “lift up” the region, they have been largely ineffective in breaking the cycle of persistent poverty. New innovative investments, building on the varied assets of the region, are imperative.
THE SILVER LINING OF HOPE!

THE OVERWHELMING SENTIMENT AMONG THE LEADERS AND THOSE IN THE “TRENCHES” OF THE REGION IS ONE OF GUARDED OPTIMISM. THEY BELIEVE THAT POVERTY IS NOT INTRACTABLE AND THAT THE PUBLIC AND PRIVATE SECTORS COLLECTIVELY HAVE THE RESOURCES TO CREATE REGIONAL WEALTH. DURING THE STATE MEETINGS, AN IMPRESSIVE ARRAY OF EXISTING PROGRAMS WAS REPORTED INCLUDING EFFORTS TARGETING EDUCATION AND JOB TRAINING, COMMUNITY DEVELOPMENT, HOUSING, TRANSPORTATION, HEALTH CARE, AND SMALL BUSINESS DEVELOPMENT. DOZENS OF COMMUNITY INITIATIVES HAVE SUCCEEDED IN ADDRESSING ISSUES OF POVERTY, AND THEIR STRATEGIES ARE TRANSFERABLE TO OTHER COMMUNITIES IN OTHER STATES.

Virginia Enterprise Initiative . . . An economic development alternative

Established in 1994 by the state legislature, the Virginia Enterprise Initiative (VEI) helps entrepreneurs obtain assistance and capital to start small businesses. Many of these individuals are minorities, women, and low-income Virginians who lack access to business training or traditional credit. VEI gives them an opportunity of a lifetime by providing grants (in the range of $50,000 to $70,000) to small community-based non-profit organizations that partner with banks, local businesses, educational institutions, or other private and public concerns to offer

• Business skills training in bookkeeping, marketing, finance, insurance, and personnel management;

• Individualized technical assistance to evaluate business concepts and plans and to prepare required documents for loan proposals;

• Micro loans typically between $3,000 and $10,000; and

• Routine follow-up assistance to address the start-up and ongoing challenges of small business.

VEI sites must leverage their state funding with an appropriate match or in-kind contributions from banks, the Small Business Administration, and universities and community colleges as well as private legal, accounting and advertising firms. After four years of operation, the program was considered so successful that the Virginia General Assembly increased funding to a total of $9 million. With this funding, and another $10 million in matching funds from other sources, the Initiative has trained over 5,000 people, distributed over 775 loans totaling over $9 million, created 656 new businesses, and generated nearly 1,600 new jobs.
JTrans . . . passengers first

JTrans is a non-profit organization focused solely on non-emergency transportation for the residents of Jackson County, Florida. Its fleet of vans makes about 350 daily trips and logs over one million miles each year. Passengers tend to be either elderly, children, low-income, or disabled. Almost half the trips (45%) are healthcare related (for either life-threatening or routine care); 30% are for education and daycare; and the remaining 25% are for food, food stamps, work, or other personal business. Funding comes from various federal and state programs, with Medicaid being the largest. In fact, JTrans is the only Florida non-profit transportation company that receives no local government funding.

JTrans is also proud of its contribution as an employer of 44 Jackson County residents, some of whom would otherwise be on welfare. One such individual is K.R., who started working nearly four years ago for 20 hours per week at minimum wage and is now earning a comfortable living while providing a valuable community service.

OneGeorgia . . . helping bridge Georgia’s economic divide

The One Georgia Authority was created to support local and regional economic development efforts. Established with one-third of the state’s tobacco settlement monies in October 2001, it is designed for counties that are the most “economically challenged” and fare worst in unemployment, poverty, and per capita income. Cities, counties, government authorities and joint or multicounty development authorities can apply for funding, with special consideration given to regional efforts. Projects are supported through two funds:

* An Equity Fund provides loans and grants to help build necessary infrastructure for economic development. These are awarded on a competitive basis three times a year and include traditional economic development projects such as water and sewer projects, road, rail and airport improvements, and industrial parks as well as workforce development projects, technology development, or tourism development.

* The EDGE Fund—short for Economic Development, Growth, and Expansion—supports the initiation and/or expansion of local enterprises that are competing for business with a community from outside the state. Eligible uses of EDGE funds are the development of public infrastructure, land acquisition, and site development.

In just two years, OneGeorgia has awarded more than $50 million to over 70 counties and has created at least 10,000 jobs. Success is linked to flexible funding and support from the highest levels of state government.
IS THERE A ROLE FOR A FEDERAL COMMISSION?

State government has played a vital role in areas such as human resources, adult and technical education, and community affairs. However, given the unique social, demographic, and economic needs of the Southeast Region, it is not surprising that critical gaps still exist in education, health, housing, transportation, technology, and sewer and water infrastructures. It is clear that a commission similar to the ARC is critical if persistent poverty in the Southeast is ever to be addressed effectively.

During the state meetings, we learned that workforce development and availability of working capital are particularly important, underscoring the need for coordination between the business community and education system to prepare students for participation in the labor force. Overall, joint efforts between government agencies and community-based organizations are crucial.

We also heard about gaps that reflect deep-seated and challenging barriers to breaking the cycle of poverty. In a phrase, they relate to creating a culture of prosperity. Not everyone in persistent poverty is able to work, either because of age or disability. For those who are able, however, there is a need to address the importance of developing life skills and perspectives that foster full participation in the economy and in the pursuit of economic well-being. There is a need to build an adult education and workforce training system that responds to able adults of all ages whose educational experience has not prepared them for a job or career in the 21st century. There is a need to teach occupational skills and to introduce free enterprise opportunities.

Welfare reform is one example of how a partnership between the federal government and the states can affect meaningful change and break the cycle of welfare dependency. This study of persistent poverty has shown that a large portion of those in poverty and not receiving welfare in the rural South are counted among the working poor. Without some broad-based and focused intervention on their behalf, the working poor are likely to be relegated to minimum wage, low-skill jobs and to pass this legacy on to their children as well.

In this regard, we were asked to consider the wisdom of creating a federal commission similar to the ARC and DRA. It is conceivable that such a commission could provide the “glue” needed to coordinate an effective regional development effort. John Bruner from NADO recognized the value of such commissions in helping
communities determine their highest priorities and then leveraging appropriate private and public sector investments to turn those priorities into reality.

The structure and functions of any federal commission that is created to address problems of persistent poverty in the southern states should embrace several principles. These principles emanated from the community-based meetings and the general meetings with business, government, and community stakeholders held throughout the Southeast Region states.

- It should focus on ending poverty and building wealth.
- It should build on existing successful effort of states, local governments, and community-based organizations.
- It should be guided by overarching federal goals.
- It should have specific state-by-state objectives.
- It should secure input and program direction from local communities.
- It should engage in an ongoing process of comprehensive community strategic planning, taking into account both rural and urban issues and their interdependence.
- It should allocate resources to affect priority areas through organizations that interface directly with those who suffer from persistent poverty.
- It should monitor progress to determine impact and identify needed changes in course or direction.

As important as its structure is the need for a federal commission to provide flexible funding based on local census tract needs in three major areas: human resource development, economic development, and infrastructure development. Funding strategies and priorities should be based on the successful experience of the ARC model and the following input from both sets of meetings with stakeholders.

**Human resource development.** There is no question that education is key to the future economic strength of the region. There is great need to bolster support for public education—from kindergarten through grade 12, and in higher education at two-year, community and four-year colleges and universities—as well as adult education, remedial education (e.g., adult basic education and GED), and job training. Lower dropout rates and higher standardized test scores can be tangible measures of success.

In addition, healthcare must be another “umbrella” priority because it impacts education, employment, and, therefore, economic development in general. Healthy residents are better able to learn, work, and contribute to the well-being of the communities in which they live. Improvements in healthcare service delivery can be tracked directly through decreasing trends in disease, disability, and death.

**Economic development.** While the current economic picture may appear bleak, the community economic development infrastructure shows promise. If we look at the counties in the Southeast Region that have not experienced persistent poverty, we find that they fare better.
economically than both the Southeast Region counties with persistent poverty and all of the ARC and DRA counties on such outcome measures as output per capita, output per worker, and compensation per worker. Conventional economic development has proved to be quite effective in alleviating poverty in those areas that have sustained long-term unemployment and underemployment. No one can refute the impact that these activities—industry recruitment or expansion; highway, road and street construction; and other infrastructure development projects—have had in stimulating local economies.

However, given the urgency and seriousness of the persistent poverty in the Southeast Region, the better strategy may be one that relies on community economic development guided by those individuals or organizations considered to be representative of the local population—regional councils of government, community development corporations, neighborhood and community-based organizations, and locally owned and operated businesses. Long-term values of a skilled local workforce, educated population, and economically viable communities can thus be built through basic education, healthcare, leadership development, community capacity building, workforce training, loans, and small business training.

Not all development comes from traditional recruiting efforts; some results from building on what already exists. Programs that focus on retention and expansion of existing business and industry work because they respect the true source of most new jobs. Likewise, there is enormous potential in efforts that add value to existing enterprises, especially agriculture, education, healthcare, tourism, and, where appropriate, military installations. Value-added activities build economic strength by creating local jobs and reducing reliance on importing supplies, goods, and services from outside the region.

Infrastructure development. The ARC experience has demonstrated the effectiveness of addressing the need for new or rebuilt infrastructure. Road, water, and sewer are obvious examples; they will be important elements to facilitate economic development in the Southeast Region as well. But the ARC has also taught us that while clinics, schools, and other public facilities are essential, they are almost always beyond the means of cash-strapped local governments.

Substandard housing has been a common indicator of poverty in the Southeast for far too many years. Not only are there low standards in construction and construction techniques but also inadequate plumbing and improper sewage disposal. Health hazards abound in many of these poorly constructed facilities. The problem is compounded by the high cost of housing construction, the lack of resources focused on this area, and poor credit ratings among families with limited incomes. Improving this situation is critical, through subsidized housing, programs that
promote home ownership, and education and training in the areas of loan application, credit, and personal financial management.

Transportation to and from schools, jobs, healthcare, daycare, and homes is another major constraint to economic stability. Alternatives to individually owned vehicles must be identified and employed if the problem of low population density is to be overcome.

Lastly, technology must be utilized fully to enable poverty areas to participate in the global economy. Jobs and economic growth are increasingly dependent on access to the Internet and use of cellular technology. Technical schools are essential to training and retraining a workforce that will need increasingly sophisticated skills. Failure to see and invest in technology as basic infrastructure will condemn this region to minimum wage, low- or no-skill jobs and will create yet another generation in poverty.

MOVING TOWARDS CHANGE

The present study is an earnest step. It reflects enormous cooperation and collaboration and demonstrates a deep-seated concern for the challenges of poverty and the lack of full participation in the richest economy in the world. Because of the time and scope limitations of the study, we were unable to pursue all of the questions that merit attention. A full analysis of the newly released 2000 Census data would further pinpoint concentrations of poverty and would facilitate a more complete understanding of the relationship between persistent poverty and population density in rural settings. As the ARC experience has proved, the need for a close eye on poverty will always be present, to track progress and provide policymakers with analyses of gaps and recommendations for action.

CONCLUSION:

Given the longstanding challenges of poverty in the South, local communities must be poised and ready to act. A brighter future is possible if we design a system and infrastructure that builds on the region’s assets and capitalizes on successful models of federal commissions.
PROPOSED PERSISTENT POVERTY COUNTIES IN THE SOUTHEAST REGION

ALABAMA (26 OF 30 UNDESIGNATED COUNTIES)

FLORIDA (26 OF 67 UNDESIGNATED COUNTIES)

GEORGIA (91 OF 122 UNDESIGNATED COUNTIES)

NORTH CAROLINA (39 OF 71 UNDESIGNATED COUNTIES)

SOUTH CAROLINA (28 OF 40 UNDESIGNATED COUNTIES)

VIRGINIA (14 OF 113 UNDESIGNATED COUNTIES AND INDEPENDENT CITIES)
Brunswick, Buckingham, Charlotte, Cumberland, Danville*, Emporia, Greensville, Halifax, Lunenburg, Mecklenburg, Nottoway, Prince Edward, Southampton, Sussex

Undesignated counties are not included in existing federal initiatives. In Alabama, DRA counties were considered undesignated because they are not contiguous with other DRA counties.

*Metro county. Nonmetro counties have smaller populations than metro counties with populations generally exceeding 100,000 or more with central cities of 50,000 or more (Office of Management and Budget, 1993).
APPENDICES

Listed below are additional related resources that can be accessed on the study’s website, www.cviog.uga.edu/poverty.

Appendix A. Principal Project Team
Appendix B. Study on Persistent Poverty in the South: U.S. and Phase I Region maps
Appendix C. Phase I data by county
Appendix D. Results of the Economic Study of Persistently Poor Counties in the Southeastern United States: A Summary
Appendix E. Persistently Poor Counties in the Southeastern United States: An Economic Comparison of the Appalachian Regional Commission and the Delta Regional Authority.
Appendix F. Persistently Poor Counties in the Southeastern United States: An Economic Comparison with the Distressed Appalachian Regional Commission Counties
Appendix G. Persistently Poor Counties in the Southeastern United States: An Economic Comparison with Non-Persistently Poor Counties in the South and Appalachian Regional Commission Counties
Appendix H. Closing the Economic Gap between Persistently Poor Counties and Non-persistently Poor Counties in the South and Appalachian Regional Commission Counties
Appendix I. Study on Persistent Poverty in the South, State Meeting Sessions
Appendix J. Persistent Poverty in the South—A Community-based Perspective
Appendix K. Report from the Survey of Community and Economic Development Leaders
Appendix L. Literature of Interest
• ARC website, www.arc.gov
• DRA website, www.dra.gov
• Denali website, www.denali.gov
• Overview of select literature on the rural South
• List of recent key reports from regional entities
  – SouthEast Crescent Authority: A Proposal for Economic Growth in the Southeastern United States
  – Southern Rural Development Initiative: Building Community Development Assets for the Rural South
  – Rural Poverty Research Institute: Rural Poverty and Rural-Urban Income Gaps: A Troubling Snapshot of the “Prosperous” 1990s
  – Southern Rural Development Center: Creating Vibrant Communities and Economies in Rural America

NOTES

3 2000 U.S. Census, DP-3 data.
4 www.arc.gov
5 www.dra.gov
6 Written Statement for the Record of John L. Bruner II, Executive Director of the Cumberland Valley Area Development District and President of the National Association of Development Organizations, before the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings, and Emergency Management, September 12, 2002, Washington, D.C. The first three bullets refer to research conducted by Andrew Isserman (1997) of the University of Illinois. The last three bullets refer to statistics from the ARC.
8 Distressed counties in 1960 have an unemployment rate that is at least 1.5 times (150%) the U.S. average of 5.1 percent; have a per capita market income that is less than two-thirds (67%) of the U.S. average of $1,639 and have a poverty rate that is at least 1.5 times (150%) the U.S. average of 22.1 percent OR have 2 times (200%) the poverty rate and qualify on one other indicator.
9 The SouthEast Crescent Authority document, A Proposal for Economic Growth in the Southeastern United States.
11 This quartile methodology was adapted from Wimberley and Morris, *The Southern Black Belt*, 1997.
12 Mississippi Delta Regional Authority counties in Alabama are not contiguous with the rest of the Delta Region and are included in the proposed region. Additional criteria were developed for metro counties based on U.S. Census Bureau categories of Metropolitan Statistical Areas (MSAs).
   • All persistently poor contiguous counties from MSAs in categories D (50,000 to 99,999) and C (100,000 to 249,999) were included in the region.
   • Only persistent poverty contiguous counties from category B (250,000 to 999,999) that were not identified as central counties OR had populations under 50,000 were included in the region.
   • All counties from category A (1,000,000 +) were excluded from the region.
13 According to the 2000 U.S. Census, DP-1 data, the total population was 7,528,185.
14 2000 U.S. Census, DP-1 data.
15 2000 U.S. Census, DP-2 data.
16 Low birth weight babies refer to births less than 2500 grams. Source: National Vital Statistics System, National Center for Health Statistic, and obtained from the Area Resource File (Quality Resource Systems, Inc., Fairfax, VA).
17 The following Ninth Revision of the International Classification of Diseases (ICD-9) codes were used. Cancer: Malignant neoplasms, (140–208); Diabetes (250); Cardiovascular Disease: Any pathologic condition of the heart (390–398, 402, 404–429) as well as atherosclerosis (404), other diseases of the arteries, arterioles, and capillaries, (441–448) and cerebrovascular diseases (430–438). Source: National Vital Statistics System, National Center for Health Statistic, and obtained from the Area Resource File (Quality Resource Systems, Inc., Fairfax, VA).
18 2000 U.S. Census, DP-4 data.
19 2000 U.S. Census, DP-3 data.
20 2000 U.S. Census, DP-3 data. Child poverty refers to persons under age 18 living in poverty, and elder poverty refers to persons 65 and older living in poverty.
21 2000 U.S. Census, DP-3 data.
24 ARC distressed counties in 1960 have an unemployment rate that is at least 1.5 times (150%) the U.S. average of 5.1 percent; have a per capita market income that is less than two-thirds (67%) of the U.S. average of $1,639 and have a poverty rate that is at least 1.5 times (150%) the U.S. average of 22.1 percent OR have two times (200%) the poverty rate and qualify on one other indicator.
26 ARC distressed counties in 2002 have a three-year average unemployment rate that is at least 1.5 times (150%) the U.S. average of 4.6 percent; have a per capita market income that is less than two-thirds (67%) of the U.S. average of $23,564 and have a poverty rate that is at least 1.5 times (150%) the U.S. average of 13.1 percent OR have two times (200%) the poverty rate and qualify on one other indicator.