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Federal Funding in Rural America: Who Gets What?

Federal spending and credit programs can revive or sustain rural economies. Which regions or geographic areas benefit the most from Federal funding? This question can be answered by examining the geographic distribution of Federal funds by type of Federal program. For example, high-poverty areas, such as Appalachia and the Mississippi Delta, have received above-average levels of income security payments such as food stamps and Social Security. However, these distressed areas received below-average payments from Federal community resources programs that contribute to local infrastructure, housing, and business assistance—programs crucial to economic development.

The principal source for Federal funds data is the Consolidated Federal Funds Reports data from the Census Bureau. ERS aggregates the latest available data (fiscal year 2001) to the county, State, regional, and national levels for each program and computes per capita estimates by type of nonmetropolitan (nonmetro) county. Overall, nonmetro areas received slightly less funding per capita (\$6,020) than

metropolitan (metro) areas (\$6,131), but the amount of funding varied greatly by type or function of the program. Nonmetro areas benefited disproportionately from agriculture and natural resource program payments, income security payments (including Social Security and food stamps/other assistance to low-income individuals), and human resources programs. In contrast, metro areas benefited more from community resources programs (including infrastructure, housing, and business assistance), defense and space programs (the largest of the national programs), and national (nondefense) function programs such as criminal justice and law enforcement, energy, and higher education and research.

So which regions get what in rural America? Total Federal funding was highest in the South (\$6,660 per capita) and lowest in the Midwest (\$5,566 per capita), but this pattern did not hold up for nonmetro areas. The nonmetro West received the most (\$6,129 per capita) due to higher-than-average payments from community resources and national functions as well as relatively high funding from human resources and defense/space functions. On the other hand, the nonmetro Northeast received the lowest funding (\$5,512 per capita) as a result of lower-than-average payments for agriculture and natural resource programs.

Federal funds data indicate the types of rural places that are particularly affected by the various programs. The data can be used to address many questions about rural communities receiving funds and can help rural development programs target rural areas in need of assistance. *W*

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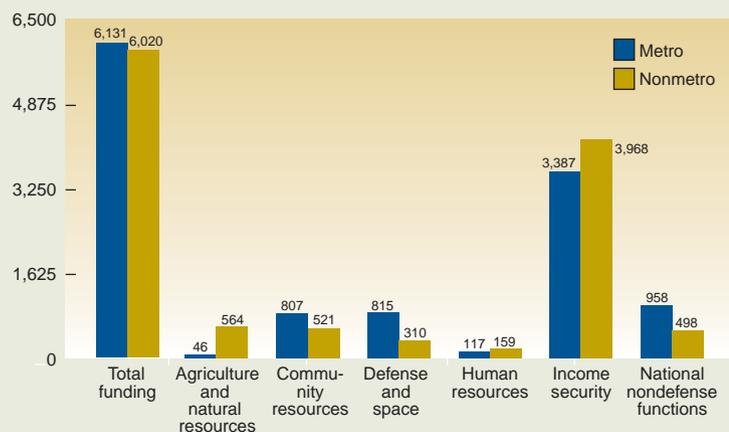
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For more information on the geographic distribution of Federal funds, including definitions used here for county types, regions, and program types and functions, visit the Federal funds briefing room:

www.ers.usda.gov/briefing/federalfunds/

Per capita Federal funding by major function, fiscal year 2001

Dollars (\$1,000)

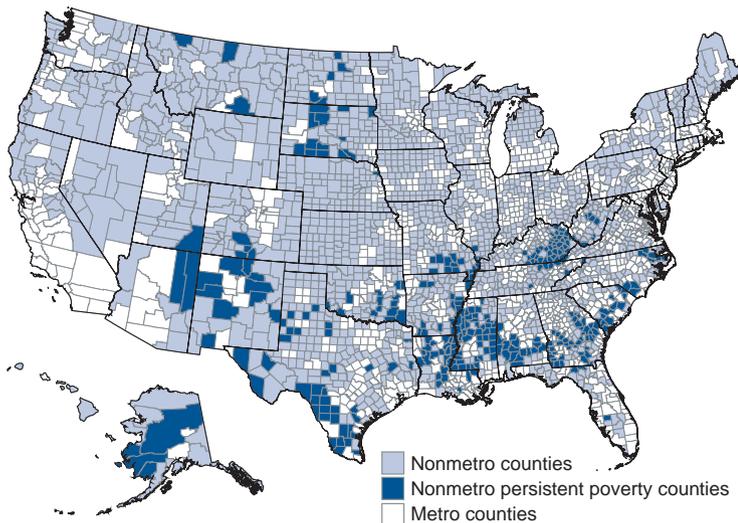


Source: ERS, using Consolidated Federal Funds Report data from the U.S. Census Bureau.

Persistent Poverty Is More Pervasive in Nonmetro Counties

During the 1990s, America experienced unprecedented economic growth, and the national poverty rate declined from a decade high of over 15 percent in 1993 to a low of 11.3 percent in 2000. A brief recession in 2001 led to an increase in poverty, with the most recent estimates indicating that just over 12 percent of the American population was poor in 2002. Not only is the poverty rate an important social indicator of the well-being of the least well off, but it is also a primary input for shaping many Federal policies and targeting program benefits.

The majority of nonmetro persistent poverty counties are in the South



Source: Map prepared by ERS from U.S. Census Bureau data.

Poverty is not distributed equally across the United States. Although most of the Nation's poor live in metropolitan (metro) areas, poverty rates have been consistently higher in nonmetropolitan (nonmetro) areas in every year since the 1960s, when poverty rates were first officially recorded. Even with similar patterns of change in poverty rates over time, a metro-nonmetro gap in poverty rates persists. In the 1980s, the average incidence of poverty was 4.4 percentage points higher in nonmetro areas than in metro areas. During the 1990s, the gap declined and the average difference fell to 2.6 percentage points.

Time is an important dimension of poverty: Someone who is poor today but not tomorrow may be better off than someone who is poor today *and* poor tomorrow. To shed light on this aspect of poverty, ERS defined counties as being persistently poor if 20 percent or more of their populations were living in poverty over the last 30 years (measured by the 1970, 1980, 1990, and 2000 decennial censuses). This definition yielded 386 persistently poor counties in the U.S., representing 4 percent of the U.S. population. A majority (340 of 386) of the persistent-poverty counties are nonmetro counties. Persistent poverty is also more pervasive in the most rural areas, as seen in the share of counties that were persistently poor—4 percent of metro counties, 13 percent of micropolitan counties (the more urbanized nonmetro counties), and 18 percent of noncore, nonmetro counties (the most rural of nonmetro counties). (For more information on these classifications, see “Behind the Data” in *Amber Waves*, September 2003.)

A strong regional pattern of poverty and persistent poverty also emerges. No persistent-poverty counties are found in the Northeast, and only 60 of the nonmetro persistent-poverty counties are in the Midwest and West. The remaining 280 nonmetro persistent-poverty counties are in the South, comprising 25 percent of the total nonmetro population there. Furthermore, the nonmetro South, with over 40 percent of the U.S. nonmetro population, has a significantly higher incidence of poverty. Poverty estimates for 2002 indicate that, in the South, 17.5 percent of nonmetro residents were poor compared with 14.2 percent of all nonmetro residents. Understanding differences in poverty between nonmetro and metro areas of the U.S. is important to understanding differences in well-being across these areas and can help inform the policy dialogue on poverty reduction strategies. *W*

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This finding is drawn from . . .

Rural Poverty at a Glance, by Dean Jolliffe, RDRR-100, USDA/ERS, July 2004, available at: www.ers.usda.gov/publications/rdr100/