

THE GEOGRAPHY OF POVERTY

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
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THE GEOGRAPHY OF POVERTY

WEDNESDAY, FEBRUARY 15, 2017

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to call, at 10:08 a.m., in Room 1100, Longworth House Office Building, Hon. Adrian Smith [chairman of the subcommittee] presiding.

[The advisory announcing the hearing follows:]



WAYS AND MEANS

CHAIRMAN KEVIN BRADY

Chairman Smith Announces Human Resources Subcommittee Hearing on the Geography of Poverty

House Human Resources Subcommittee Chairman Adrian Smith (R-NE) announced today that the Subcommittee will hold a hearing entitled "The Geography of Poverty" on **Wednesday, February 15, at 10:00 AM in room 1100 of the Longworth House Office Building**. This hearing will examine how the geography of poverty has changed over time; the differences between urban, suburban, and rural poverty; and how efforts to address poverty may vary to account for geographical differences.

In view of the limited time to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "Hearings." Select the hearing for which you would like to make a submission, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Wednesday, March 1, 2017**. For questions, or if you encounter technical problems, please call (202) 225-3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at
<http://www.waysandmeans.house.gov/>

Chairman SMITH OF NEBRASKA. The subcommittee will come to order.

Welcome to the first hearing of the Human Resources Subcommittee of the 115th Congress.

We have a good mix of new and returning members on the subcommittee this session, and I am honored to serve as the chairman of this important subcommittee.

I would like to take a moment to introduce the members on our side of the dais: Mr. Smith of Missouri; Mrs. Walorski of Indiana, a new member of the Ways and Means Committee; Mr. Reichert of Washington, a past chair of this subcommittee; Mr. Reed of New York; and Mr. Rice of South Carolina.

On my left, we have the ranking member for the 115th Congress, Mr. Davis of Illinois. Mr. Davis, would you care to introduce your members of the subcommittee?

Mr. DAVIS. I would indeed. Let me, first of all, though, thank you, Mr. Chairman, for holding this hearing in particular. I certainly look forward to working with you, and I think we are going to be a very productive team.

I am honored to serve as the ranking member of this subcommittee, and I am proud to introduce the following Democratic members of the Human Resources Subcommittee: Mr. Lloyd Doggett of Texas, who has been on the committee and is a senior member of the Ways and Means Committee; and, of course, I am fortunate to be working with two members of this committee and two new members of the Human Resources Subcommittee, Ms. Terri Sewell of Alabama, who represents a vast area that is called rural America—as a matter of fact, much of her district has been called the Black Belt of the South; and Ms. Judy Chu of California, who is not here at the moment but with whom I have had the opportunity to work on issues as well.

So, Mr. Chairman, we are all indeed proud to be here, pleased to work with you and other members of the committee, and look forward to a wonderful time.

Chairman SMITH OF NEBRASKA. Thank you, and likewise. I appreciate the conversations we have already had and I think some priorities that are certainly timely, and I appreciate the opportunity to work together.

It is great to work with all of the members of this subcommittee so that we can help more Americans escape poverty and move up the economic ladder.

As we all know, the Ways and Means Committee plays an important role in designing policies to improve the lives of Americans across this country. Together, members of this committee work to improve our Nation's healthcare system, modernize our Tax Code to make American business more competitive, improve trade so U.S. companies can sell goods abroad, and, in the Human Resources Subcommittee, help more families access opportunity to move up the economic ladder. This task is more important than ever.

While the total number of individuals living in poverty has fallen from its recent peak in 2010, poverty rates and, even more troubling, child poverty rates remain much higher than they were prior to the recession. In addition, a larger share of working-age adults are in poverty than ever before, as fewer men and women today are employed than in the past.

Today's hearing represents our first step to address this issue in the 115th Congress. Before we can identify ways to foster greater opportunities, we have to first understand what the challenges look like across the country. That is why the focus of our hearing today is on the geography of poverty.

This felt like the right place to start as I thought about the challenges in my own district, where many locations aren't just rural but also remote, and that of the ranking member's as potential bookends of the same story. People often think of poverty only as they see it in cities, not realizing poverty today is more common than ever in suburban and rural areas. People also underestimate poverty in rural and remote areas, not knowing rates of poverty in these areas have for decades been higher than in urban areas.

Our instinct might be to think rural Nebraska and urban Chicago are so vastly different, they have nothing in common. But what we are charged to do in this subcommittee is to find ways for individuals and families to succeed. And those challenges are universal, even if they require different solutions.

Fortunately, the members of this subcommittee bring substantial expertise to bear, as together we represent a wide range of constituencies from virtually all four corners of this country. This diversity will be an asset as we explore ways to reduce poverty, as I know what works in one area may not always be what works in another. It is important we realize and respect the differences between the constituencies we represent, as too often Congress proposes national, one-size-fits-all solutions when local flexibility is truly what is needed.

Clearly, the centerpiece of any poverty-fighting strategy must be employment. We must make sure Federal policies support and re-

ward work and make sure employment pays for those struggling to get ahead.

It is also important we get incentives right so everyone benefits when someone moves from welfare to work, from the State agency running the program, to the business owner hiring the employee, to the individual seeking to improve his or her own life.

We should also avoid the tendency to focus solely on inputs, like dollars spent or people served, and instead ensure we focus on outcomes. By prioritizing results, we can empower local communities with the flexibility they need to design solutions which have real impact on improving the lives of families and their community.

I look forward to hearing from our expert panel of witnesses today, and I know their insights will lay the groundwork for our efforts to help more Americans find jobs, escape poverty, and move up the economic ladder.

I now yield to the distinguished ranking member, Mr. Davis, for the purposes of an opening statement.

Mr. DAVIS. Thank you very much, Mr. Chairman. And before I begin, let me just thank you for your altering of protocol to allow Ms. Linda Thomas to sit in with her coworker. And she has done so much work in this area, and it is just wonderful for her to have the opportunity to be here.

Poverty and lack of opportunity have consequences, not just for individuals and their families but also for their communities. Seventy percent of homicides in Chicago occur in just 20 neighborhoods. The poverty rate in these 20 neighborhoods is more than twice as high as the poverty rate nationally, and unemployment is 6 times higher.

I see firsthand that low-income Chicagoans desperately want good jobs with wages that support their families, but these workers often lack the education, skills, and training needed to access those quality jobs. If they are returning citizens, they face significant hurdles to employment and supporting their families. Even for those who are qualified, there remain job shortages across dozens of industries.

A new report found that in 2015 about 43 percent of black men age 20 to 24 in Chicago's west-side and south-side neighborhoods were neither working nor in school.

At first glance, the poverty I see in Chicago might look different from the struggles Chairman Smith sees at home in rural Nebraska. Although the faces might look different, although the challenges and experiences that brought people down might be different, we have much more in common than we think.

Wherever you live, the first step out of poverty is a good job. It sounds simple, but there are a lot of steps needed to make that happen. The research is clear: The first job matters. Good jobs lead to other good jobs.

Workers need basic education and a way to acquire the right skills for good jobs, whether that means on-the-job training, a specialized training program, or higher education. They may need an employer who is willing to take a chance on someone who doesn't have much experience or has made mistakes in the past.

They need to be reliable employees, and that means they need a way to get to work. If they are parents, they need child care and paid leave so they can work and still care for their families.

The Federal Government has a choice. We can invest in lifting up those communities and those families. We can provide the funding for workforce development so that when we measure program outcomes the outcomes will be good. We can update the Temporary Assistance for Needy Families program and the child support enforcement program to give parents opportunities to get the skills and credentials that good jobs require. We can make sure working parents have safe, quality child care available during the hours they work.

And we can stop insulting people by suggesting work requirements for programs that offer struggling families food or basic health care. Instead, we can acknowledge that parents are trying to support their families, but they can't find jobs or the jobs they do find don't pay.

We need to do that everywhere in the country, from the city streets of Chicago to Chairman Smith's country roads.

Thank you, Mr. Chairman. Again, I am honored to serve as the ranking member of this subcommittee, and, indeed, we look forward to the continuation of good work. And I yield back.

Chairman SMITH OF NEBRASKA. Thank you. Thank you, Mr. Davis.

And, without objection, other members' opening statements will be made a part of the record.

I would like to welcome our witnesses to the table here today. We certainly appreciate you sharing your time and expertise and insight as you do share your statements here today.

First, we have Ms. Elizabeth Kneebone, a Fellow at the Metropolitan Policy Program at the Brookings Institution.

After Elizabeth, we will have Mr. Mark Partridge, a Professor from The Ohio State University. I even said "The" Ohio State University.

Then we will have Mr. William Leavy, the Executive Director of the Greater West Town Project in Chicago, Illinois, accompanied later by Linda Thomas, Director of Client Services for the Greater West Town Project.

Thank you for being here.

Last, but not least, certainly, Ms. Tammy Slater, CEO of Goodwill Industries of Greater Nebraska, where she serves 55 counties in Nebraska and operates 8 retail stores, 7 of which are in my district.

And I am not sure all 55 of your counties are in the 75 counties of the Third District, but thank you for being here.

Thank you all for being here. We are kind of a family here, wanting to know more of your insights and experiences and expertise.

So, Ms. Kneebone, please.

**STATEMENT OF ELIZABETH KNEEBONE, FELLOW,
METROPOLITAN POLICY PROGRAM, BROOKINGS INSTITUTION**

Ms. KNEEBONE. Chairman Smith, Ranking Member Davis, and members of the subcommittee, thank you so much for the opportunity to testify today.

This morning, I am going to spend some time giving a brief overview of the changing geography of poverty, including its growth into new and different areas. I will talk about some of the factors that have led to the shifts we have seen in recent years, some of the challenges that have accompanied those trends, and, finally, some of the implications for efforts to effectively address poverty across different kinds of communities.

Let's start with the numbers. The 2000s saw poverty grow rapidly in the U.S., and even with the declines we have seen in recent years, by 2015 we still had 43.1 million people living below the Federal poverty line, or 13.5 percent of the population. That is almost 6 million more people than before the recession began in 2007 and 11-1/2 million more people than in 2000.

When we think about poverty in the United States, we often think about it in the urban context or as a rural challenge, because that is where it has historically been concentrated, and as poverty grew in the 2000s, it continued to grow in those places. But it grew at an even faster pace outside of them.

So, between 2000 and 2015, in big cities and in rural communities the poor population grew by about 20 percent. In smaller metropolitan areas, it grew at twice that pace. And the fastest pace of growth actually took place in suburbs of our major metropolitan areas, which saw their poor population grow by 57 percent. All told, suburbs accounted for about half of the total increase in the Nation's poor population over that time period.

Now, poverty rates remain higher in cities and in rural communities, but today more poor people live in suburbs. In 2015, 16 million people in suburbs lived below the poverty line—3 million more than in big cities, that is 6 million more than in smaller metropolitan areas, and 8 million more than in rural America.

So why does that happen? What caused these historic shifts? Well, in some cases, it is because more poor people moved to the suburbs for any number of reasons: following job opportunities, which continue to suburbanize; shifting trends in where affordable housing is located within regions; or just following the amenities that the suburbs offered.

But more so and an even bigger part of this puzzle was actually the downward mobility of long-term suburban residents over time. Part of that is because of the two economic recessions we saw in the 2000s, particularly the severity of the Great Recession. But it is not just about downturns; it is also about structural changes in the economy that have led to the growing prevalence of low-wage work. And that saw the typical household income fall even before the Great Recession hit.

So why does it matter that all of these forces together have pushed poverty up and into more and different places? Partly it is because the places that have seen poverty grow fastest often were not built nor are they now equipped to deal with the levels of need which they are seeing today. Many suburbs don't have the kinds of infrastructure, like public transit, or support services, like a robust nonprofit safety net, that cities have been able to evolve and develop over decades.

And overcoming those gaps is challenged by the fact that suburbs stretch over a really fragmented jurisdictional map. There are sev-

eral jurisdictions, many of them quite small, that make up the suburbs and are just too small on their own and lack the capacity to marshal responses at the scale of need that they are seeing today.

Also, they lack resources, partly because resources have lagged this rapid change in the geography of poverty, both in terms of philanthropic support and in terms of Federal and government investments in places. Some of that is because of the lack of capacity in these places. They are not able to compete to effectively bring resources into their communities. Some of it is by design, by the way that these funding sources were designed, with a different geography of poverty in mind.

Clearly, more resources are needed to deal with the scale and reach of need that we see today, but even just marshaling and more effectively using the limited resources we have will require that we get to a more effective scale so we can help more people in more places.

There are communities across the country that are already finding ways to do this. Often it is through collaboration, whether it is suburbs coming together to work across suburban jurisdictional boundaries, suburbs working with central cities to address shared challenges, or suburban communities joining with their rural neighbors to work on common issues.

All of these sorts of strategies and models share a desire and effort to get to that better scale, to use these limited resources more effectively and in ways that can help more people in more places. But they are fighting an uphill battle to do that in the current context.

So the way that the Federal Government could be a strong partner here, could align resources more effectively to support these types of strategies and help scale up these types of responses would be: one, to explicitly incentivize collaborative strategies that cut across jurisdictions, that cut across policy silos; that could, number two, catalyze regional capacity to try and help overcome some of these capacity gaps in these communities through these more regionally scaled entities and efforts; and three, finally, allowing for more experimentation and evaluation to show what can work at the regional level and across different types of communities to connect more people and places to opportunity.

Thank you.

[The prepared statement of Elizabeth Kneebone follows:]

The Changing Geography of U.S. Poverty

Elizabeth Kneebone
Fellow, The Brookings Institution Metropolitan Policy Program

Testimony before the House Ways and Means Committee,
Subcommittee on Human Resources
February 15, 2017

Chairman Smith, Ranking Member Davis, and members of the Subcommittee, thank you for the invitation to appear before you today. In my testimony, I will provide information on the changing geography of poverty in the United States (including the rapid rise of poverty outside of urban and rural communities in recent years), key factors that have driven these shifts as well as challenges raised by them, and implications for efforts to effectively address poverty and promote opportunity across different kinds of communities.

While these issues have been the subject of my research at the Brookings Institution's Metropolitan Policy Program, the views expressed in this testimony are my own. The Brookings Institution does not take institutional positions on policy issues.

Recent Trends

The number of people living below the federal poverty line in the United States has only recently begun to subside from the historic highs reached in the wake of the Great Recession. In 2015, the most recent year for which we have data, 43.1 million people (or 13.5 percent of the population) were poor. Even after years of a sustained economic expansion, that number remains 5.8 million higher than before the recession began in 2007, and 11.5 million more than in 2000.

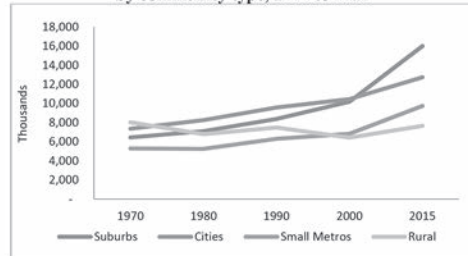
Poverty in the United States has long been associated with large urban centers or rural communities, where it has historically been most concentrated. As poverty grew in the 2000s, it continued to climb in those places: Both large cities and rural counties experienced an uptick in their poor populations of roughly 20 percent between 2000 and 2015 (see chart).¹ But the rapid rise of poverty in the 2000s touched a broad swath of communities across the country, moving well beyond its historic homes.

Between 2000 and 2015, the poor population in smaller metropolitan areas grew at double the pace of the urban and rural poor populations, outstripped only by poverty's growth in the nation's suburbs. Suburbs in the country's largest metro areas saw the number of residents living below the poverty line grow by 57 percent between 2000 and 2015. All together, suburbs accounted for nearly half (48 percent) of the total national increase in the poor population over that time period.²

¹ For the purposes of this analysis, "cities" refer to primary cities in the nation's 100 most populous metropolitan statistical areas (MSAs). A *primary city* is defined as the first named city in the official MSA title and any other city in the MSA name that has a population of 100,000 or more, which means a region could have between one and three primary cities. The *suburbs* are defined as the remainder of the region within the MSA but outside of the primary city or cities. *Small metro areas* comprise all other MSAs outside the top 100, and *rural* areas include all counties that are not a part of an MSA.

² For an analysis of how these geographic trends map to different congressional districts, see: Elizabeth Kneebone, "Poverty Crosses Party Line," (Washington: Brookings Institution, 2016) <https://www.brookings.edu/research/poverty-crosses-party-lines/#AL>.

Number of people below the federal poverty line in the United States, by community type, 1970 to 2015



Source: Brookings Institution analysis of decennial census and American Community Survey data

These increases pushed the poverty rate up by roughly 3 percentage points in suburbs and small metro areas between 2000 and 2015, compared to a 2 percentage-point uptick in both cities and rural counties. Even with these increases, poverty rates in urban and rural areas remained higher on average than elsewhere: The 2015 poverty rate was 19.6 percent in large cities, 17.2 percent in rural areas, 16 percent in small metro areas, and 11.2 percent in the suburbs.

However, the rapid pace of growth in the suburban poor population during the 2000s fueled a significant “tipping point” in the geography of the nation’s poor. For the first time, suburbs became home to more poor residents than cities. In 2015, 16 million poor people lived in the suburbs, outnumbering the poor population in cities by more than 3 million, small metro areas by more than 6 million, and rural areas by more than 8 million.

Given the (literal) space that suburbs occupy, bridging urban and rural America, some of the challenges raised by the growth of poverty in the suburbs may find parallels in urban areas (e.g., the growing prevalence of distressed neighborhoods) or in rural communities (e.g., the complexities of bringing services to a population spread over greater distances), and some may be unique (e.g., perceptions of affluence that complicate responses to growing poverty). Because poverty in the suburbs, at least at these levels, is a newer phenomenon, much of the remainder of this testimony will focus on exploring the recent and rapid rise of suburban poverty. (Note that, while much of the research summarized below has largely focused on cities and suburbs within the nation’s 100 largest metro areas, many of the same drivers, challenges, and implications related to growing suburban poverty also apply in the small metro area context.)

The Broad Reach of Suburban Poverty

A key feature of the growth of suburban poverty in the 2000s is that it was not isolated to particular regions or parts of the country. Almost every major metro area experienced a significant increase in the suburban poor population between 2000 and 2015, and two-thirds of those regions now find the majority of the poor population in the suburbs. Some of the steepest upticks occurred in fast-growing metro areas in the Sun Belt and Intermountain West, like the Cape Coral (151 percent), Austin (129 percent), Atlanta (126 percent), and Las Vegas (139 percent) metro areas, each of which saw its suburban poor population more than double.

Many older, historically manufacturing-oriented regions in the Midwest also experienced above-average increases in their suburban poor populations, including metro Detroit (87 percent), Chicago (84 percent), and Cleveland (62 percent). While those regions have long been associated with the challenges of urban poverty, each now counts more poor residents outside their central cities than in them.

Relatively strong regional economies like the Washington, DC and Seattle metro areas also shared in these trends, posting above-average upticks in the number of suburban residents living in poverty between 2000 and 2015 (66 and 63 percent, respectively).

Nor was this trend confined to older, distressed inner-ring suburbs that have a longer history of poverty. Poverty also grew in farther out suburbs, in bedroom communities, traditionally more affluent communities, and in exurban communities on the metropolitan fringe, underscoring the increasing reach of poverty into a broader array of places.³

Characteristics of the Urban and Suburban Poor

The biggest difference between the urban and suburban poor populations in the nation's largest metro areas lies in their racial and ethnic makeup. Non-Hispanic whites account for 44 percent of the poor population in suburbs, compared to just 24 percent in big cities. That gap largely reflects differences in the overall racial and ethnic composition of cities and suburbs, although that has been changing over time as people of color, including poor people of color, have suburbanized at a faster clip. Still, the poor white population remains the most suburbanized among major racial and ethnic groups: 70 percent of poor whites in the nation's largest metro areas live in the suburbs compared to 52 percent of poor Asians, 47 percent of poor Hispanics, and 41 percent of poor African Americans.

The suburban poor are also more likely to own their own home than their urban counterparts (36 versus 20 percent, respectively). Notwithstanding those differences, the urban and suburban poor population is quite similar. Most poor families are working families (roughly two-thirds in both cities and suburbs). Similar shares of individuals have a disability (roughly 15 percent in both cases). The suburban poor skew slightly older—in part because poor seniors are slightly more suburbanized on average—but more than a third of the poor in both cities and suburbs are children. A striking share of the poor lives in deep poverty (less than half the federal poverty line) in both cities (46 percent) and suburbs (44 percent).⁴

Growing Concentrations of Poverty

Differences are less striking across the urban and suburban poor populations as a whole than they are across neighborhoods at different levels of poverty, regardless of where they are located. Poor neighborhoods tend to cluster disadvantages that create a drag on upward mobility and the long-term prospects of residents getting out of poverty over time.⁵

³ For a detailed discussion of the types of suburban communities that experienced increases in poverty, see Elizabeth Kneebone and Alan Berube, *Confronting Suburban Poverty in America*. (Washington: Brookings Institution Press, 2013).

⁴ Ibid.

⁵ See, e.g., Elizabeth Kneebone, Carey Nadeau, and Alan Berube, "The Re-Emergence of Concentrated Poverty: Metropolitan Trends in the 2000s" (Washington: Brookings Institution, 2011).

That is especially concerning because, after making gains in the 1990s toward de-concentrating poverty (i.e., reducing the number of very poor neighborhoods and the share of the poor living in them), the 2000s marked a rapid re-emergence of concentrated disadvantage, particularly in the post-recession period, that essentially erased earlier progress.⁶

The number of extremely poor neighborhoods (census tracts with poverty rates of 40 percent or more) in the United States more than doubled between 2000 and 2010-14, as did the share of poor residents living in them. While concentrated poverty (i.e., the share of poor residents living in extremely poor neighborhoods) historically has been a largely urban challenge, the fastest growing concentrations of poverty in the 2000s emerged beyond the urban core. Suburbs saw the number of poor residents living in distressed neighborhoods grow by 188 percent, ahead of small metro areas (172 percent), rural communities (103 percent), and cities (80 percent).

Urban residents remain disproportionately likely to live in areas of concentrated poverty: In 2010-14, cities posted a concentrated poverty rate of 25.5 percent, compared to 13.7 percent in small metro areas, and 7.1 percent in both suburbs and rural communities. But the pace of growth in concentrated disadvantage, and the rapid emergence of high-poverty neighborhoods, outside of city centers underscores the significant shifts and expansions the map of poverty in the United States has undergone in recent years, and the increasingly shared challenge it represents.

Drivers

The growth of poverty in the suburbs reflects a combination of contributing factors that saw both low-income individuals and families move to the suburbs and more long-time suburban residents fall into poverty over time. These factors include:

- ***Growing and diversifying populations in the suburbs.*** Notwithstanding the recent resurgence of big city populations, suburbs have grown at a faster pace overall than cities since 2000. As suburbs have continued to add population, they have also increasingly captured a more diverse cross section of the nation. Part of that growth and growing diversity reflects shifting immigration patterns, as more immigrants in recent years have bypassed cities to move to the suburbs of the nation's largest metro areas. However, as Roberto Suro and his colleagues found, while immigrants accounted for 30 percent of suburban population growth in the 2000s, they contributed just 17 percent to the growth in the poor population in suburbs, meaning native-born Americans largely drove the poverty trend.⁷
- ***Regional housing market trends.*** The distribution of affordable housing options (often determined by a mix of market trends, zoning decisions, and housing policy) also affects the geography of the poor population over time. For instance, in some regions reinvestment in the urban core has translated to climbing housing costs that have led some residents to search for affordable options outside the city. In some cases, certain suburban communities have become more affordable to lower-income households over

⁶ Elizabeth Kneebone and Natalie Holmes, "U.S. Concentrated Poverty in the Wake of the Great Recession," (Washington: Brookings Institution, 2016).

⁷ Roberto Suro, Jill Wilson, and Audrey Singer, "Immigration and Poverty in America's Suburbs," (Washington: Brookings Institution, 2011).

time as older, post-war housing stock has aged. The number of portable Housing Choice Vouchers also grew in the suburbs during the 2000s. Kenya Covington and her colleagues found that by the end of the decade nearly half of Housing Choice Voucher recipients in the nation's largest metro areas lived in suburbs.⁸ In addition, the subprime lending boom in the mid-2000s and the foreclosure crisis that followed tilted heavily toward the suburbs. In the nation's 100 largest metro areas, nearly three-quarters of the subprime loans that were originated between 2004 and 2008 were located in suburban communities, as were nearly three-quarters of foreclosures that followed the collapse of the housing market.⁹

- ***The continued suburbanization of jobs.*** Steven Raphael and Michael Stoll have found that poor residents tend to be more suburbanized in regions where employment is more decentralized.¹⁰ Almost every major metro area saw the balance of employment shift away from downtown during the 2000s. By the end of the decade 43 percent of jobs in the nation's largest metro areas were located more than 10 miles from downtown—nearly twice the share of jobs located within three miles of a central business district (23 percent). The manufacturing, construction, and retail services industries were among the most suburbanized, with the majority of jobs in each industry located more than 10 miles away from downtown.¹¹
- ***Downturns in the economy.*** Both of the recessions that bookended the 2000s led to increases in poverty. However, the second, much deeper recession hit suburbs harder than previous downturns, pushing suburban unemployment rates up by margins on par with urban increases.¹² The housing-led nature of the Great Recession helps explain the impact on suburbs, as does the geography of the job losses that followed the collapse of the housing market. Between 2007 and 2010, manufacturing, construction, and retail accounted for 60 percent of job losses in the 100 largest metro areas, and half of those job losses occurred more than 10 miles away from downtown.¹³
- ***The prevalence of low-wage work.*** Although the Great Recession intensified the growth of poverty in the suburbs, it only accelerated a shift that was already well underway. The recovery, even several years on, shows no sign of undoing that shift, in part because of longer-running structural changes in the labor market—including the growing prevalence of low-wage work—that will continue to affect suburban communities alongside urban and rural America. According to U.S. Bureau of Labor Statistics projections, many of the occupations expected to generate the most job growth in the next decade will be in the service sector, including occupations like personal care aides, home health aides, nursing

⁸ Kenya Covington, Lance Freeman, and Michael Stoll, "The Suburbanization of Housing Choice Voucher Recipients," (Washington: Brookings Institution, 2011).

⁹ Chris Schildt and others, "The Subprime Crisis in Suburbia: Exploring the Links between Foreclosures and Suburban Poverty," (Federal Reserve Bank of San Francisco, 2013).

¹⁰ Steven Raphael and Michael Stoll, "Job Sprawl and the Suburbanization of Poverty," (Washington: Brookings Institution, 2010).

¹¹ Elizabeth Kneebone, "Job Sprawl Stalls: The Great Recession and Metropolitan Employment Location," (Washington: Brookings Institution, 2013).

¹² Emily Garr, "The Landscape of Recession: Unemployment and Safety Net Services Across Urban and Suburban America," (Washington: Brookings Institution, 2011).

¹³ Kneebone, "Job Sprawl Stalls."

assistants, retail salespersons, and restaurant cooks that offer typical annual earnings between \$20,000 and \$25,000.¹⁴ Just as lower-wage jobs are more likely to locate in suburbs than higher-skilled employment, most workers (67 percent) employed in lower-wage occupations (e.g., sales, food preparation and service, and building and grounds cleaning and maintenance) live in the suburbs.¹⁵

No one factor alone was responsible for the widespread growth of poverty in the suburbs. While the multiple dynamics described above intersect in different ways depending on the community, they also underscore the complex array of factors that work together to shape both poverty's trajectory and its distribution across places.

Challenges

The rapidly changing geography of poverty begs the question: is the rise of poverty in the suburbs necessarily a bad thing? Popular perceptions of suburbia would suggest that being poor in the suburbs affords access to the kind of opportunities—schools, jobs, networks—that provide a better platform for poor residents to eventually work their way out of poverty. (Indeed past public policies—like the Moving to Opportunity experiment—have been premised on exactly that assumption.)

But the answer to that question is: it depends. America's suburbs are a diverse collection of places that, as the recent increases in concentrated poverty might suggest, do not uniformly offer access to such opportunities. And whether affluent, middle class, blue collar, or distressed, or whether they fall in the urbanized inner-ring or the more rural exurban fringe, many of the suburbs that experienced the steepest upticks in poverty in recent years are now dealing with it at levels they were not built, nor are they now equipped, to address.

Some of the first-order challenges poor families and individuals in the suburbs face relate directly to those gaps in infrastructure, support systems, and capacity, including:

- **Limited transportation options and fewer jobs nearby.** Perhaps not surprisingly, given the nature of metropolitan transit systems, suburban residents are less likely to have access to public transit than their urban counterparts. When transit options exist in the suburbs service is often less frequent and regional connectivity tends to be weaker. On average, residents in low-income suburban neighborhoods that have access to transit can reach just 25 percent of metro area jobs in a 90-minute commute. The share of jobs reachable drops to 4 percent if the commute time is reduced to 45 minutes.¹⁶ Part of the challenge stems from the fact that many of the traditional hub-and-spoke transit systems designed to connect suburbs to the city do not offer the suburb-to-suburb connections that have become increasingly important as jobs have continued to decentralize. The average poor resident in the nation's largest metro areas saw the number of jobs within a typical

¹⁴ See https://www.bls.gov/emp/ep_table_104.htm.

¹⁵ Jane Williams and Alan Berube, "The Metropolitan Geography of Low-Wage Work," (Washington: Brookings Institution, 2014).

¹⁶ Adie Tomer and others, "Missed Opportunity: Transit and Jobs in Metropolitan America," (Washington: Brookings Institution, 2011).

commute distance drop by 17 percent over the course of the 2000s.¹⁷ That means that, by and large, suburban residents are dependent on owning and maintaining a car—and must bear the associated costs—to reach employment opportunities that are often growing in other parts of the region.

- ***Thinner and patchier nonprofit safety nets.*** As Scott Allard and Benjamin Roth have documented, the suburban nonprofit safety net tends to be stretched thin, with relatively fewer providers serving larger catchment areas than in cities. The types of services available in suburbs also tend to be patchier than the continuum of services typically found in urban centers. That means critical services and wraparound supports that could help poor suburban residents weather periods of economic instability or find and maintain employment may be harder to access or missing. For instance, among the large suburban municipalities Allard and Roth studied, more than half lacked a food assistance provider, 61 percent had no registered substance abuse service providers, and 80 percent lacked a registered employment services provider.¹⁸
- ***Limited capacity among local governments.*** Compared to the nation's larger cities, suburban governments often have fewer resources and less institutional capacity and expertise to deal with rising need. The resource and capacity gap is particularly pronounced in smaller suburban communities and those that have seen their overall population counts stagnate or decline, leaving a diminished tax base even as need has continued to grow.

A number of additional factors make it difficult to bridge the gaps outlined above to effectively address the geographic scale and reach of poverty today, including:

- ***Jurisdictional fragmentation.*** The suburbs in any given metro area comprise multiple jurisdictions. For example, Allard and Roth count more than 600 cities, townships, and village governments in the 13 counties that make up Chicago's suburban ring.¹⁹ What is more, jurisdictions often overlap in complicated ways—municipalities span more than one county, or school districts intersect with multiple municipalities or parts of both incorporated and unincorporated areas. Such a complicated tapestry of jurisdictions, many of which are relatively small, means individual jurisdiction often struggle to mount effective responses to growing need. At the same time, rather than marshaling resources at the scale needed to address shared challenges, communities often find themselves compelled to compete against each other for limited resources.
- ***Lagging philanthropic resources.*** Sarah Reckhow and Margaret Weir's research has found that, even in regions where the suburban poor population now outnumbers the urban poor, philanthropic resources continue to disproportionately flow to urban centers. Some of the lag stems from the fact that local community foundations are more likely to

¹⁷ Elizabeth Kneebone and Natalie Holmes, "The Growing Distance Between People and Jobs in Metropolitan America," (Washington: Brookings Institution, 2015).

¹⁸ Scott W. Allard and Benjamin Roth, "Strained Suburbs: The Social Service Challenges of Rising Suburban Poverty," (Washington: Brookings Institution, 2010).

¹⁹ Ibid.

be located in large cities, while suburban community foundations tend to be relatively newer and smaller in scale and capacity. And some of the imbalance reflects the weaker nonprofit capacity in suburbs that can make it harder for funders to find potential grantees. Yet, Reckhow and Weir also found that funders dedicated relatively little investment in the 2000s to building capacity in suburban communities, suggesting that, absent a change in funding priorities, it may prove difficult to break the self-reinforcing capacity/funding gap.²⁰

- ***A lack of responsiveness in federal programs designed with a different geography of poverty in mind.*** Forthcoming research from Brookings shows that federal anti-poverty funding streams often exhibit a similar geographic lag, or disproportionately urban tilt, as philanthropic dollars. Some of that tilt is an artefact of the design of place-based anti-poverty programs, many of which were created with the express purpose of serving distressed urban neighborhoods or rural communities and do not necessarily or naturally extend to encompass suburbs. For instance, program formula or eligibility criteria that prioritize poverty rates (e.g., the process for designating Medically Underserved Areas) may miss struggling suburbs with larger poor populations that spread over greater distances.

Even many anti-poverty or opportunity-oriented programs typically thought of as “people-based” are place-based in practice because they depend on “bricks and mortar” delivery models. Think of subsidized childcare or job training programs. The funds for these types of programs often are allocated in ways that favor denser, urban settings with higher poverty rates. The lack of nonprofit and local government capacity in many suburban communities can mean that many eligible suburban residents end up missing out on important benefits because they are not available in or reasonably near their community.

- ***Outdated perceptions.*** Rapidly growing poverty in the suburbs can often feel “hidden.” Outdated understandings of where poverty is and who it affects shapes an array of important factors—including the charitable giving of individuals; the priorities of philanthropy, service delivery, and policy design; and the political will (or lack thereof) to address it—and can hamper efforts to respond effectively to the shifting geography of poverty.

Responses

As more places deal with poverty at levels not seen before, particularly suburbs and smaller metropolitan areas where its presence may be newer, it is unrealistic to expect these communities to replicate from whole cloth everything cities or rural communities have done over multiple decades to address poverty. Not only would that take too long given the pressing need, there simply are not enough public or private resources to do so (and even if there were, creating duplicative services and systems in every community would not be an efficient use of them). Nor is the recognition of poverty’s broader reach today meant to trigger an “us-versus-them,” zero-

²⁰ Sarah Reckhow and Margaret Weir, “Building a Stronger Regional Safety Net: Philanthropy’s Role,” (Washington: Brookings Institution, 2011).

sum resource competition with urban and rural communities that have long struggled with poverty and continue to do so. Instead, today's geography of poverty calls for more crosscutting and responsive approaches that work at a more effective scale to address poverty in the context of place.

Examples of what these approaches could look like already exist in communities across the country, having emerged from local and regional innovation and leadership. In some cases, organizations that already operate at a larger geographic and programmatic scale are taking the lead. With their ability to work across different types of communities and issue areas and weave together a diverse range of funding sources, these entities—whether high-performing multifaceted social service providers like Neighborhood Centers in metropolitan Houston or high-capacity community development financial institutions like The Reinvestment Fund on the East Coast or IFF in the Midwest—can often leverage their scale and range of expertise to fill capacity gaps in underserved communities, whether urban, suburban, or rural.

Beyond these types of entities, many communities across the country are finding ways to achieve scale through collaboration, which can take several forms. These collaborative models may bring together:

- *Neighboring suburbs.* For instance, the West Cook County Housing Collaborative emerged in Chicago's suburbs in the wake of the foreclosure crisis. Rather than compete against each other for limited funds to address shared challenges around housing blight and distress, five jurisdictions—Bellwood, Berwyn, Forest Park, Maywood, and Oak Park—came together to collectively apply for the Neighborhood Stabilization Program. Recognizing the efficiencies and benefits of coordinating as a sub-region after successfully attracting funds, the collaborative continues to work together on housing strategies to upgrade distressed properties and foster livable communities that offer access to transportation options and other amenities.
- *Urban and suburban jurisdictions.* In South King County, where much of the Seattle region's poverty is concentrated, school districts from six suburbs—Auburn, Federal Way, Highline, Kent, Renton, and Tukwila—have partnered with schools from the south side of the Seattle Public School District as part of the Road Map Project. A Race to the Top grantee, the Road Map Project is a collective impact cradle-to-career initiative that has set measurable benchmarks and brought together a diverse range of stakeholders to improve educational outcomes and close achievement gaps for low-income and minority students.
- *Suburban and rural communities.* In the Kansas City region, Affordable Care Act funds enabled the Health Partnership Clinic in suburban Johnson County to become a federally qualified health center. The funds also allowed the Clinic to scale up its operations in the county and, through a partnership with the Elizabeth Layton Center (a mental health provider that serves Miami and rural Franklin Counties), expand the number of low-income clients receiving care across a broader swath of communities.

Regardless of the mix of entities or jurisdictions, effective collaborative models tend to have a “quarterback” or “backbone” entity that provides the staff capacity and expertise to organize, maintain, and implement on the collaborative goals.

But these innovators and quarterbacks face a number of challenges as they try to make the often fragmented and inflexible anti-poverty policy and funding landscape work in new ways for a broader geography of need. Difficulties in standing up these models can include managing burdensome red tape and the increased administrative strain of trying to work across multiple programs that lack alignment in their reporting requirements; pushing up against administrative practices or rules that frustrate efforts to collaborate across jurisdictions; and confronting a lack of dedicated support for quarterback capacity building and support.

If federal policymakers adopted a few common principles when making decisions around anti-poverty/pro-opportunity policies, and especially those that are targeted to or delivered in places, it could help better align resources and accelerate the adoption of more effectively scaled solutions that work across different kinds of communities to connect residents to economic opportunity. Federal policy could:

- ***Explicitly encourage collaborative approaches that cut across jurisdictional boundaries and policy silos.*** By offering incentives (e.g., through the awarding of points in the application process), federal programs could reward communities already working collaboratively and encourage more jurisdictions to undertake cooperative strategies. In addition, clarifying where current funding streams can already support collaboration, and removing any administrative barriers that preclude collaboration (in practice if not on paper), would also help clear the way for these types of initiatives.
- ***Catalyze regional capacity.*** By making funds available to build and support the capacity of entities or organizations that serve as collaborative quarterbacks, federal investments could help advance action-oriented collaboration and close some of the gaps in capacity that hinder the ability of individual jurisdictions to address growing need.
- ***Allow for experimentation and evaluation of opportunity-oriented regional strategies.*** Providing opportunities for high-performing, regionally-scaled organizations and cross-jurisdictional collaboratives to experiment—whether through waivers or demonstration projects—and evaluate new models could accelerate learning around what strategies work best to leverage limited resources in ways that promote access to opportunity and upward mobility across the diverse array of communities now confronting the shared challenges of poverty.

Committee on Ways and Means
 Witness Disclosure Requirement – “Truth in Testimony”
 Required by House Rule XI, Clause 2(g)

Your Name: Elizabeth Kneebone		
1. Are you testifying on behalf of a Federal, State, or Local Government entity? a. Name of entity(ies). b. Briefly describe the capacity in which you represent this entity.	Yes <input type="checkbox"/>	No x
2. Are you testifying on behalf of any non-governmental entity(ies)? a. Name of entity(ies): The Brookings Institution b. Briefly describe the capacity in which you represent this entity. I am a Fellow in the Metropolitan Policy Program at The Brookings Institution. However, as noted below, I am presenting testimony representing my personal views. As an independent think tank, the Brookings Institution does not take institutional positions on any issue.	Yes <input type="checkbox"/>	No x
3. Please list any Federal grants or contracts (including subgrants or subcontracts) which you have received during the current fiscal year or either of the two previous fiscal years that are related to the subject matter of the hearing: None		
4. Please list any grants, contracts, or payments originating from foreign governments which you have received during the current calendar year or either of the two previous calendar years that are related to the subject matter of the hearing: None		
5. Please list any offices or elected positions you hold. None		
6. Does the entity(ies) you represent, other than yourself, have parent organizations, subsidiaries, or partnerships you are not representing?	Yes <input type="checkbox"/>	No x

7. Please list any Federal grants or contracts (including subgrants or subcontracts) which were received by the entity(ies) you represent during the current fiscal year or either of the two previous fiscal years, which exceed 10 percent of entity(ies) revenues in the year received. Include the source and amount of each grant or contract. Attach a second page if necessary.

Consistent with the Brookings Institution's commitment to independence (which includes not taking Institutional positions on issues), I am hereby informing the Committee that my testimony represents my personal views and does not reflect the views of Brookings, its other scholars, employees, officers, and/or trustees.

In further response, with consideration to the fact that I am testifying on my personal views, I am providing a link to reports that outline Brookings's donors, including any responsive Federal grants or contracts (including subgrants and subcontracts), and/or agreements or payments originating with a foreign government for the relevant time period. These Federal and/or foreign grants or payments were for independent research and analysis related to a number of subject matters, including a portion of that may be related to the subject matter of the hearing. Brookings will update these reports twice annually.

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Please see my response to question 7.

Chairman SMITH OF NEBRASKA. Thank you, Ms. Kneebone.

And I didn't mention earlier, though, that oral statements are limited to 5 minutes. I appreciate your cooperation there. And, certainly, all of your written statements will be included in the record.

So thank you, Ms. Kneebone. Mr. Partridge, you may begin.

STATEMENT OF MARK PARTRIDGE, PROFESSOR, SWANK CHAIR IN RURAL-URBAN POLICY, DEPARTMENT OF AGRICULTURAL, ENVIRONMENTAL, AND DEVELOPMENT ECONOMICS, THE OHIO STATE UNIVERSITY

Mr. PARTRIDGE. Thank you, Chairman Smith, Ranking Member Davis, and other members. I am Mark Partridge. My views reflect my research and not those of The Ohio State University. Today, I will discuss the diversity of rural poverty in rural America and describe ways to reduce poverty and its harmful effects.

Much of rural America struggles from low commodity prices and fierce foreign competition, yet portrayals of the death of rural America are misleading. Dating back to 1970s, net migration in and out of rural America has been about zero with urban America.

In reality, there are three rural Americas. It is very diverse: one, fast-growing, high-amenity regions near lakes, oceans, and mountains; two, metro-adjacent rural communities with access to urban jobs and services; and, three, remote or extractive-based communities.

Rural America's industrial structure is becoming closer to urban America. So can we show Figure 1?

For example, Figure 1 shows the shift from the farm economy. From 1969 to 2015, the rural farm employment share declined from 15 to 6 percent.

Rural poverty rates are greater than urban rates. 2014 urban and poverty rates were respectively 15 and 18 percent. But rural poverty receives relatively little attention. One reason is distance from media centers. Another is that it is hidden and rarely concentrated in poor neighborhoods.

Poverty greatly declined from 1959 to 1973. Poverty, though, is very geographically persistent.

Next figures.

Figures 4 and 6 from my written testimony show the 1979 and 2015 county poverty rates for the lower 48 States, and the maps look very similar is my point. High-poverty clusters exist in central Appalachia, the Black Belt, Mississippi Delta, Rio Grande, and Western Native American reservations.

Children are disproportionately in poverty. One-fourth of rural children and over one-fifth of urban children are afflicted. Fewer opportunities for poor children perpetuate an intergenerational poverty cycle.

Rural policy won't succeed by the next election or save every struggling town, yet two broad approaches are available. First are people-based policies that directly support the poor, including education and training. The second is place-based policies in which poor locales receive more aid. Examples include infrastructure and firm attraction.

But promoting prosperous rural communities requires building from within. Communities possess many entrepreneurial and

human resources. Research finds the fastest growing U.S. firms exist everywhere, from small towns to large cities.

Also, higher shares of small businesses and self-employment support faster future growth. Self-employment and other small-business multipliers are double those of regular employment. There are many reasons. Small businesses buy more inputs locally, more profits remain local, and small-business development promotes a virtual cycle of promoting even more business formation.

Small businesses can be fostered by reducing regulatory compliance costs. Another is improve small-firm financing. Small-business programs should be expanded through community colleges and State extension programs.

The best predictor of future regional growth is the initial level of education. Yet rural America is less educated. Young talented adults from the countryside have long been captivated by bright city lights, but rural communities possess many charms—quiet, safe streets, sense of community and same lifestyles. Once former rural residents marry and have children, rural life becomes attractive. Thus, attraction efforts should be on enticing families in 30s and 40s back to rural communities.

Rural communities can compete by promoting safety, recreation, and a clean environment. Yet good public schools are paramount, not only for the children, but the parents that are attracted by quality schools are much coveted.

Deficient rural public services harm the poor. Fortunately, there are low-cost ways to improve service delivery. Governments can provide seed funding for rural counties to share personnel and resources, for example. To build capacity, Congress should fully fund Federal-State regional development organizations and create new ones—for example, the Appalachian Regional Commission, ARC.

Yet poor funding hampers the ARC's efforts. Still, the ARC has accomplished much with modest resources. It provides bridge loans and seed grants for infrastructure and other programs, but it mainly brokers regional collaborations that cannot be done by one poor community.

Other policies should be expanded regardless of residents. For one, the Earned Income Tax Credit provides employment incentives. Early childhood education is also valuable, as is workforce training, access to transportation, mental health provision, and child care. They should be tailored to account for world differences. Accessibility is problematic, and services are stretched as many communities are struggling economically and are afflicted by drug crises.

In sum, with long, steady, patient effort, rural poverty can be greatly reduced, producing tremendous benefits for families, communities, and the American economy.

Thank you.

[The prepared statement of Mr. Partridge follows:]



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February 15, 2017

**Testimony of Mark Partridge, Ph.D. Swank Chair in Rural-Urban Policy,
The Ohio State University.
Before the House Ways and Means Committee,
Subcommittee on Human Resources:
*The Geography of Rural American Poverty***

Good morning Chairman Smith, Ranking Member Davis and other subcommittee members. My name is Mark Partridge and I am the Swank Chair of Rural-Urban Policy at The Ohio State University. Thank you for the opportunity to discuss poverty reduction and economic development in rural America. Before I begin, I note that my views are based on my long-time research on this topic and do not reflect the views of The Ohio State University.

Today, I will discuss the characteristics of rural poverty and then I will describe some ways to reduce its adverse effects. Though I do not have sufficient time to present supporting evidence, I start by noting that there is significant research that shows that poverty has high socioeconomic costs to the economy, government, and its citizens.¹ My aim is to dispel some simplistic rural stereotypes that are held by many people, especially urban residents who are less familiar with rural America. Before doing so, I will briefly describe rural America's diversity. In my discussion, I will use the official federal metropolitan/nonmetropolitan area definition to identify urban and rural, meaning that I am using a labor market definition of rural.

Much of rural America is struggling today due to a downturn in the commodity super cycle that has hampered mining, energy, and agriculture. This is exacerbated by the fierce foreign competition that has faced lower-wage rural manufacturers for the last 20 years. All in all, given rural America's disproportionate reliance on products traded internationally, today's relatively high value of the U.S. dollar has further eroded the competitiveness of these rural businesses. Indeed, it is not surprising that President Trump took advantage given this economic angst in rural America last November. Yet, portrayals of the "death" of rural America are misleading. Dating back to the 1970s, net-domestic migration from rural to urban America is about zero—indicating that the reported demise is greatly exaggerated. In reality, rural America is very heterogeneous, much like the vast diversity of American cities. However, common features of rural Americans are their incredible pride in their own lives, and the strong value they place on their communities.

1. RURAL AMERICA IS DIVERSE

1a. Three Rural Americas. Rural America is very diverse and is comprised of three very different components. The first includes high-amenity regions near lakes, oceans, mountains, etc. that have been growing rapidly since the 1970s. For example, numerous Mountain-West communities have transformed themselves from extractive mining/logging economies to

¹Partridge, Mark D. and Dan S. Rickman. (2006) *The Geography of American Poverty: Is there a Role for Place-Based Policies?*, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

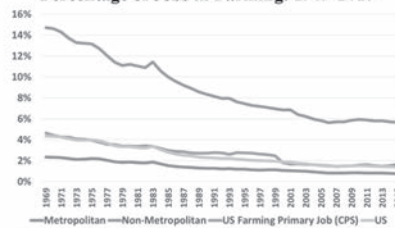
communities that rely on their natural beauty or climate for their livelihood. The second is metro-adjacent rural communities that provide commuting access to urban jobs and services for rural residents and provide access to rural markets and recreation for urban residents. These areas have also grown while mostly maintaining their attractive rural lifestyle. The third rural region is the remote or extractive-based rural communities that depend on agriculture, mining, and forestry. These communities struggle with labor-saving technological change that means fewer workers are needed in the production of their base-industry products. Remoteness from urban markets and services further disadvantages these communities. Finally, these remote rural areas are vulnerable to commodity-price super cycles that lead to a lack of economic stability and diversity, deterring the formation of small businesses.²

1b. Changing structure of rural economies. Local rural economies were autonomous islands up through World War II. Since then, labor-saving technological change in the primary goods sector has freed up labor. Much of it relocated to cities, especially before 1970. Improvements in roads and autos greatly expanded rural-urban commuting, changing the economic base of many rural communities. The expansion of rural-urban commuting and other technological changes led to the organic creation of large rural-urban regions centered on their largest urban cities. The wellbeing of these large regions increasingly hinges on the prosperity of their urban economies.

The industrial structure of rural America has shifted away from agriculture and mining, becoming closer to that of urban America, though urban areas still take on different economic functions. The US Bureau of Economic Analysis (BEA) calculates the number of farm jobs (including farm proprietors) based on whether the household has even minimal farm income, which generally overstates farming's share of the economy due to the large number of casual/lifestyle farmers who primarily work elsewhere. The US Bureau of Labor Statistics (BLS) also calculates the share of workers (including self-employed) in agriculture, but only includes individuals for whom agriculture is their *primary* job. The BLS measure is more accurate.

Figure 1, which shows reallocation away from the farm economy since 1969, contradicts the stereotype of rural America as dependent entirely on traditional industries, such as agriculture. It reports the BEA share of full- and part-time jobs in the US, metro, and nonmetro America, as well as the more accurate BLS figures for the entire nation for comparison. Looking at the BEA data, the rural nonmetropolitan farm share declined from 15% to 6%. The BLS (CPS) national employment share, in which agriculture is the primary job, runs about the same as the corresponding BEA national share. For mining, another traditional mainstay of rural America, the share of total employment bounced around 2% to 3% over the 1969-2015 period (not shown). The point is that rural economies are much more diverse than in the past. Efforts to jump-start rural economies also need to be broad based.

Figure 1
Percentage of Jobs in Farming: 1969-2015



Source: Farming share of total employment for Metropolitan, Non-Metropolitan, and US: Bureau of Economic Analysis: Total Full-Time and Part-Time Employment CA25 (1969 – 2000) CA25N (2001 – 2015). Farming as the worker's primary job as a share of total employment: Current Population Statistics, Bureau of Labor Statistics, Table cpsaat01.

²Betz, Michael, Michael Farren, Linda Lobao, and Mark D. Partridge. (2015) "Coal Mining, Economic Development, and the Natural Resources Curse." *Energy Economics*. (50), 105-116.

2. THE GEOGRAPHY OF AMERICAN RURAL POVERTY

2a. Measurement. I use the official poverty definition from the U.S. Census Bureau. The poverty income thresholds are based on family size and are annually adjusted for inflation. For example in 2016, the poverty threshold for a single-parent family with two children was \$19,337, and the threshold for a family of four with two children was \$24,339.³ Many question whether the official guidelines reflect a “true” poverty threshold due to “in-kind” benefits such as Medicaid not being counted. Regardless of the value of perfect poverty rate measures, they are *highly correlated* with the official figures, and I cannot imagine anyone would argue that the official thresholds imply a tolerable standard of living.

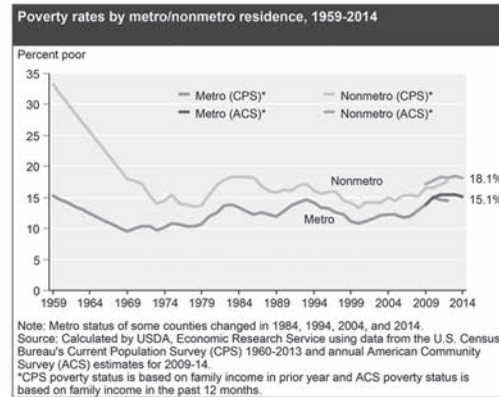
Note that official poverty thresholds are not adjusted for local cost of living. It is regularly stated that the official thresholds overstate rural poverty, or understate urban poverty, because of higher urban cost of living—particularly for housing. While it’s true that urban housing is more expensive, this argument overlooks the fact that rural residents have to travel greater distances for groceries, public services, schools, daycare, etc. (and that rural housing is often substandard). Also, housing prices capitalize all site-specific amenities including access to jobs, public services, private services, and other features.⁴ In other words, part of the reason why rural housing tends to be less expensive is because its value is lowered by its remoteness from services; the costs associated with having to travel relatively long distances to work, school, or the grocery store make up for the lower cost for the housing itself. Hence, much of the low level of housing costs in rural areas (or the high cost in urban areas) is due to these disadvantages faced by rural residents. What this means is that adjusting for “cost of living,” such as in the Census Bureau’s Supplemental Poverty Measure, would arbitrarily harm poor rural residents because they would be directly penalized for the “distance penalties” in their daily lives, and then also indirectly penalized by over-adjusting rural cost-of-living due to these house-price capitalizing effects.

2b. Rural versus urban poverty. Figure 2 shows that measured rural poverty rates have been greater than urban poverty rates since they were first calculated for 1959. The gap was very large initially, steadily narrowing until the mid-1970s, after which the gap has been much more stable. The gap was 3 percentage points in 2014 with urban and rural poverty being respectively 15.1% and 18.1%. Importantly, note that this gap has artificially fallen as exurban and more populous nonmetropolitan counties have been reclassified as metro. Likewise, using the definition of extreme poverty in which households fall below one-half the poverty-income threshold, 2014 rural deep poverty was about 8%, compared to 7% in urban areas.

Rural poverty is hidden from view. Despite having higher official poverty rates, rural poverty receives much less public attention than urban poverty—more so than simple differences in population would suggest. There are several reasons, including the fact that rural areas are far from urban and coastal media centers. Another key reason is that rural poverty is hidden, often out of view of those traveling through rural areas, and it is rarely concentrated in “poor neighborhoods” the way it often is in cities. In other words, “out of sight, out of mind.”

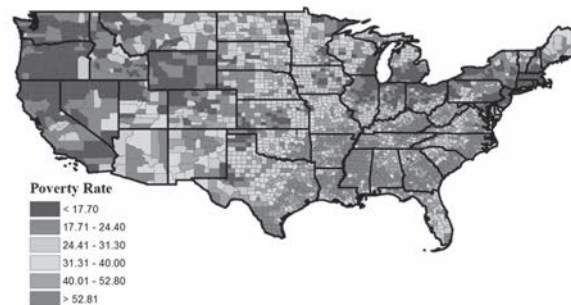
³U.S. Census Bureau, <http://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html>.

⁴Partridge, Mark D., Dan S. Rickman, Kamar Ali and M. Rose Olfert. (2009) “Agglomeration Spillovers and Wage and Housing Cost Gradients Across the Urban Hierarchy.” *Journal of International Economics* 78 (1): 126-140.

Figure 2:⁵

2c. Rural poverty is geographically very persistent. Figures 3 to 6 respectively show the 1959, 1979, 1999, and 2015 poverty rates for counties in the lower 48 states and DC. On the positive side are the dramatic declines in poverty from 1959 to 1979, as poverty rates fell, especially in the South, during the 1960s War on Poverty. Yet, a key feature in the geography of poverty is its persistence. Dating back to 1959 and probably well before then, high-poverty clusters have existed in central Appalachia, the Black (or Cotton) Belt, the Mississippi Delta, the Rio Grande, and Native American reservations across the west. These long-lasting poverty clusters can be predominantly white, black, Hispanic, and Native American, illustrating that poverty has little racial bias. Another feature of not just rural poverty clusters, but also poverty in general, is that it is disproportionately composed of children, with one-fourth of rural children and more than one-fifth of urban children living in poverty.⁶ The lack of resources and opportunities for poor children helps perpetuate an intergenerational cycle of poverty.

Figure 3
1959 Poverty Rate United States



⁵USDA Economic Research Service: Downloaded from: <https://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/poverty-overview.aspx>.

⁶Ibid.

Figure 4
1979 Poverty Rate United States

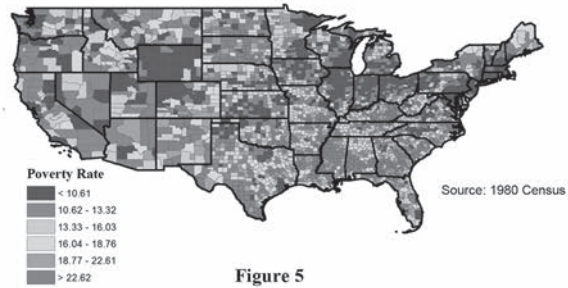


Figure 5
1999 Poverty Rate United States



Figure 6
2015 Poverty Rate United States

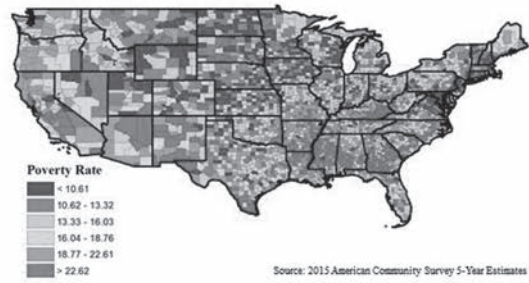
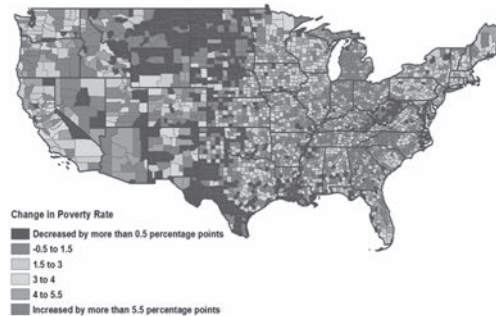


Figure 7
Change in Poverty Rates: 1999-2015



Source: 1999 Poverty Rate: 2000 Census, Poverty Status in 1999 (NP087B); 2015 Poverty Rate: U.S. Census American Community Survey, Poverty Status in the Past 12 Months (S1701)

Though I discuss policy later, some “good news” about rural high-poverty clusters is that job growth has disproportionately large effects in reducing poverty compared to the rest of rural and urban America.⁷ If there were no poverty response to job growth, that would suggest that potential workers who are in poverty are either not interested in work or lack sufficient skills to take work. Hence, poor people want to work! Effective place-based job growth can reduce poverty, even in remote poverty clusters, though this needs to be weighed against the costs of creating jobs.

Low-poverty rate clusters can be found in the Northern Great Plains, upper Midwest, and Northeast. There are many governance, demographic and industry structural reasons for these regions’ historic success in maintaining low poverty, but that is another topic.

Figure 7 shows the change in poverty rates from 1999 to 2015. Overall, while the official U.S. Census Bureau poverty rate rose from 11.9% to 13.5%, there is significant heterogeneity across the US. The first pattern is the significant increases in areas with high shares of manufacturing such as in the Great Lakes states and in the South—both with high shares of rural manufacturing. However, there were declines in poverty rates in the Great Plains and the Northeast. Reasons for the decline in the Great Plains include the major super-commodity cycle that favored that region, though clear reasons for the decline in the Northeast are harder to identify.

3. Enhancing Economic Development & Reducing Rural Poverty

Enhancing rural economic development requires significant patience, and strategies need to be realistic. Even good policy aimed at stimulating rural economies will not succeed by the next election, and there is no way to “save” every struggling rural community if economic forces say otherwise. However, there are some things that can enhance rural economic development and reduce poverty. There are two approaches to help poor families. First, there are people-based policies that directly support poor people with little leakage to the wealthy or community elites. Examples include education, training, and grants to help households relocate to where there are more job opportunities. The second is place-based policies in which places with a high share of poor people receive significant aid. Examples include infrastructure development, targeted

⁷Partridge, M.D. and D.S. Rickman. (2007) “Persistent Pockets of Extreme American Poverty and Job Growth: Is there a Place Based Policy Role?” *Journal of Agricultural and Resource Economics*, 32: 201-224.

industry attraction, and policies aimed at the specific place. While both types of policies have their limitations, I believe both are needed to reduce poverty. Therefore, I will describe both, starting with people-based policies first, and then shifting to place-based policies that aim to lift all boats with the rising tide. Please note that this is somewhat simplistic, and that people-based and place-based policies should be evaluated on a continuum and not as an either/or proposition.

3.1 Building strong rural economies requires “building from within.”

The stereotype that rural means “declining” is misleading and incorrect. There are hundreds and hundreds of prosperous rural communities. Yet, traditional rural mainstays such as farming, mining, and manufacturing have all struggled in recent years. In rebuilding and reinvigorating rural economies, there are two prominent mindsets that are counterproductive. The first is trying to bring back the “good ol’ days.” Examples include Great Plains farm communities scheming to bring back the family farm economy of 1950, or Midwestern manufacturing communities that wish to bring back thousands of jobs that existed before productivity and international trade eliminated them, or northern logging communities hoping to bring back large-scale logging and milling before mechanization rendered many of those jobs obsolete. The second counterproductive mindset is the notion that struggling rural communities need to find an outsider who will save their community by opening a large plant or new business. The “outsider will save us” mentality asserts that if the community is “nice” and provides massive tax subsidies to these potential entrants, all of the communities’ problems will be solved. This strategy overlooks that outsiders will not come unless they are granted many regulatory and tax concessions. It also overlooks that once they are established in the community, they often extort more tax concessions, move onto the next “victim,” or even move offshore. Outside firms are typically in agriculture, mining, and manufacturing, which further exacerbates the lack of economic diversity that plagues some communities with a boom-bust cycle that does not foster long-term private investment.

Rural communities have many entrepreneurial and human capital resources right in their midst, with the most important being small business development and entrepreneurship. There is a long research tradition that supports the notion that having higher shares of small businesses and self-employment is consistent with faster *future* growth,⁸ especially in lagging regions such as central Appalachia.⁹ Self-employment is associated with employment multipliers (or spillovers) that are over twice the size of comparable multipliers for regular wage and salary employment at existing firms.¹⁰ There are many reasons for this: small businesses buy more of their inputs locally, more of their profits remain local, and small business development supports a virtuous entrepreneurial cycle that supports even more business formation.^{11,12} Indeed, research into the locations of the fastest growing US firms finds that these firms can be found in what may seem to be mundane or mature industries such as agriculture and that these firms may exist in any setting from very sparse rural to very large cities, showing that they are not at all precluded from rural areas.¹³ And stronger local economies mean that expanding employers will have to reach down and hire more disadvantaged workers as labor pools shrink.

⁸Goetz, S. J., Fleming, D. A., & Rupasingha, A. (2012). “The economic impacts of self-employment.” *Journal of Agricultural and Applied Economics*, 44(03), 315-321.

⁹Stephens, Heather, Mark D. Partridge, and Alessandra Faggian. (2013) “Innovation, entrepreneurship and economic growth in lagging regions.” *Journal of Regional Science*.

¹⁰An employment multiplier for self-employment is defined as how many total *net* jobs would be created if one self-employed job is created—e.g., a multiplier of 2.5 would suggest that on net, one new self-employed job creates additional 1.5 jobs elsewhere through spillover effects.

¹¹Rupasingha, A., & Goetz, S. J. (2013). Self-employment and local economic performance: Evidence from US counties. *Papers in Regional Science*, 92(1), 141-161.

¹²Tsvetkova, Partridge, and Betz (forthcoming) op cit.

¹³Li, Minghao, Stephan J. Goetz, Mark D. Partridge, and David A. Fleming. (2016) “County Location Determinants of the INC5000s.” *Entrepreneurship & Regional Development*, 28: 97-125.

At the margin, economic development dollars spent on small business creation have very high returns, especially given that small and new businesses disproportionately create *net* new jobs. This is especially so in rural America because small businesses compose a disproportionate share of rural employment. Federal, state and local efforts can encourage small business formation in many ways. Of course, any efforts to reduce regulatory compliance costs for small businesses would be welcome, as their owners' most scarce resource is time. Other efforts are needed including more aggressive attempts by the Small Business Administration, the U.S. Department of Agriculture Rural Development, and other agencies to back loan guarantees for large pools of small business loans. These may individually be high-risk, but when aggregated and diversified, they are much lower risk. Efforts to help "train" potential small business owners should be expanded through community colleges and state extension services. These attempts should focus on basic management skills and help in identifying markets.

3b. Brain Drain, Quality of Life, and Enticing Former Rural Residents

Regional and urban economists find that the most robust predictor of future regional economic growth is its initial level of average educational attainment. It is not surprising that places that have a high share of "smart" people will have a lot of good things happening. Yet, rural America has lower average levels of educational attainment. Much of this is simply due to an industrial and occupational structure that favors the location of high human-capital firms in large cities—picture investment banking or intellectual property attorneys. Another reason is that young talented adults from the countryside have for centuries been captivated by the bright lights of the big city and the ensuing opportunities that await. For this reason, any efforts to stem the flow of young adults from the country to the city will likely be ineffective.

To be sure, there are charms that are mainly accessible in rural areas: safe streets, quiet, sense of community and knowing all of your neighbors, and a saner lifestyle. For these reasons, once the former rural residents "sow their oats," marry, and have children, rural communities become attractive again. Thus, rural attraction efforts should be centered on attracting families in their 30s and 40s. This cohort has both the experience and skills that would boost rural economies while deepening their rural roots as they raise their families.

Rural communities need to be realistic in how to attract young families. They cannot compete on economic opportunities (though they can narrow the gap), but they can compete in their unique quality of life in promoting good schools, nice parks/recreation, and a clean environment. Indeed, having high-quality local schools is paramount. Not only do they help train the next generation, but the kind of parents that are attracted by quality schools are the type of people rural communities covet. Likewise, these people are also more likely to place a higher value on a clean healthy environment, suggesting that environmental stewardship is another important economic development strategy.

3c. Improving governance and building rural capacity for development.

A key disadvantage for the rural poor is the lack of access to public services. One reason for this is that small rural communities lack the size and capacity to provide a wide range of government services. Specialized jobs such as economic development counselors, environmental/health inspectors, and mental health and drug abuse specialists can be too expensive for many rural communities. Likewise, individual rural communities lack the resources to provide broad-scale training programs because they lack scale.

The absence of good rural public services especially harms the rural poor. Fortunately, there are several low-cost ways to improve the quality of support services in rural communities. First, the

federal and state governments can facilitate and provide seed funding to start programs for rural counties to share personnel and resources such as for economic development, etc. For example, one specialist could serve (say) three different counties to provide mental health services by rotating across the counties. Not only would this fulfill the goal of capacity building, but it would also start pushing rural counties to collaborate with their neighbors in terms of policy and programs. State university extension services and local community colleges could further facilitate this role as they already have the organization and mission for such efforts.

To further facilitate capacity building, Congress should fully fund the federal-state regional development organizations and create new ones so that the entire country is covered. The Appalachian Regional Commission (ARC), formed in 1965, is a good example. Others currently include the Delta Regional Authority, Denali Commission, Northern Border Regional Commission, Northern Great Plains Regional Commission and the Southeast Crescent Regional Commission. These organizations cannot be expected to carry out their mission if they are insufficiently funded or not funded at all. Even the ARC, with a federal allocation of \$90 million in FY 2015 and \$146 in FY 2016 (with some temporary expenditures from the Obama Administration), is limited in what it can do for its over 25 million residents spread across 13 states.¹⁴ Still, the ARC is a fantastic example of what a regional organization with modest resources can accomplish. The ARC provides bridge loans and seed grants for infrastructure and programs including workforce training that would not be available otherwise. Yet, the ARC's main role is as a broker that can foster regional collaborations of businesses, communities, counties, nonprofits, local development districts, and various state and federal agencies. With ARC leading the brokering efforts, resource-scarce distressed regions can undertake programs that would otherwise be impossible. And the ARC provides small funding matches to ensure that projects can be implemented.

A final feature of these federal-state regional commissions is that they can initiate multi-county regional development districts (the ARC refers to them as local development districts). These districts are composed of functional economic regions that can help facilitate cooperation and collaboration between neighboring communities. In particular, since functional economic areas are predominantly centered around urban areas, it allows rural communities to work with their urban neighbors, which is particularly important given that urban-led growth is typically more sustainable because of the economic advantages possessed by cities.

3d. Geographically (Space) neutral policies

Regardless of urban or rural residence, there are successful policies that should be expanded such as the earned income tax credit (EITC). Originally envisioned by conservative Nobel Prize winning economist Milton Friedman, the EITC is a favorite poverty-reduction strategy of economists on the left and right. The EITC provides incentives for disadvantaged workers to find employment and the additional income further helps lift their households out of poverty.¹⁵

Early childhood education is another valuable tool that would reduce intergenerational inequality and poverty.¹⁶ Early childhood education has very high rates of return, significantly higher than most public or private investments. In rural areas with a lack of access to quality educational programs, such efforts could be critical in reducing future intergenerational poverty and can be a

¹⁴See the FY2017 ARC Performance Budget at:

<https://www.arc.gov/images/newsroom/publications/fy2017budget/fy2017PerformanceBudgetFeb2016.pdf>

¹⁵Grogger, J. (2003) "The Effects of Time Limits, the EITC, and Other Policy Changes on Welfare Use, Work, and Income among Female-Head Families," *Review of Econ. and Stat.* (114): 394-408.

¹⁶Bartik, Timothy J. 2011. *Investing in Kids: Early Childhood Programs and Local Economic Development*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

useful economic development tool that builds future workforces while attracting parents who want good education for their children.

Workforce training, access to transportation, mental health provision, and childcare are other key components of poverty reduction, regardless of location. Yet, they need to be geographically targeted to reflect the realities of their respective environments. For example, rural workforce training needs to reflect the differing mix of jobs in rural communities. Some examples of training efforts include community college degrees and certificates for those who can successfully remain in their rural community. However, given the importance of rural-urban migration and rural-urban commuting, this training needs to be delivered in a way that opens opportunities to place rural workers in higher-paying urban labor markets. In addition, teaching job hunting skills in urban environments can serve disadvantaged rural workers well.

High-quality accessible rural childcare with hours of service that reflect the realities of modern rural workplaces is rare, making it even more challenging for disadvantaged rural parents to enter the workforce or to take the best employment opportunities. The same features describe rural healthcare and rural mental healthcare. Accessibility can be problematic, and in many states, health insurance coverage is far from ensured for the low-income working class. These services are further stretched as many rural communities have struggled economically and have been afflicted with various drug crises. One useful test will be to appraise whether states that expanded Medicaid also experienced greater labor force participation as key healthcare barriers were reduced. Nonetheless, small investments in healthcare and mental health can pay great dividends that keep struggling families intact and fully contributing to their communities.

4. Summary and Discussion

Rural America is very diverse with a mixture of prosperous regions in commuting distances of cities and in high-amenity areas. Yet, there are lagging rural regions that are not as prosperous due to their remoteness or dependence on commodities. Despite public perceptions, official rural poverty rates are higher than in urban areas, whereas poor rural households struggle with a host of barriers related to their remoteness including a lack of necessary public services and weaker employment opportunities. Rural poverty is also persistent over time and clusters in high-poverty regions.

To reduce rural poverty, a combination of direct “people-based” and “place-based” policies is needed. First, under the general notion that a “rising tide lifts all boats,” several approaches to improve rural economies as a whole should be undertaken. These include supporting more rural entrepreneurship, attracting families in their 30s and 40s to enjoy rural lifestyles, supporting regional collaboration, and implementing modestly-funded federal-state development organizations such as the ARC. Further, direct supports specifically for poor rural residents should also be expanded. These include the EITC, mental healthcare, transportation, job training, and early childhood education, though for the latter three, a clear rural-targeting needs to be employed to account for the sparse population and the long distances involved. With long-term, steady, patient effort, rural poverty can be greatly reduced, producing tremendous benefits to families, communities, and an American economy where more people are working and contributing.

Thank you.

Committee on Ways and Means
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)

Your Name: Mark Partridge		
1. Are you testifying on behalf of a Federal, State, or Local Government entity? a. Name of entity(ies). b. Briefly describe the capacity in which you represent this entity. I am Professor at The Ohio State University. I am presenting views based on my research and I do not represent Ohio State University in any official capacity.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
2. Are you testifying on behalf of any non-governmental entity(ies)? a. Name of entity(ies). b. Briefly describe the capacity in which you represent this entity.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
3. Please list any Federal grants or contracts (including subgrants or subcontracts) which you have received during the current fiscal year or either of the two previous fiscal years that are related to the subject matter of the hearing: <ul style="list-style-type: none"> “Maximizing the Gains of Old and New Energy Development for America’s Rural Communities.” USDA Agriculture Food Research Initiative. \$499,976, 2014-2017. USDA AFRI grant #11400612. 		
4. Please list any grants, contracts, or payments originating from foreign governments which you have received during the current calendar year or either of the two previous calendar years that are related to the subject matter of the hearing: N.A.		
5. Please list any offices or elected positions you hold. President-elect Regional Science Association International.		
6. Does the entity(ies) you represent, other than yourself, have parent organizations, subsidiaries, or partnerships you are not representing?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

7. Please list any Federal grants or contracts (including subgrants or subcontracts) which were received by the entity(ies) you represent during the current fiscal year or either of the two previous fiscal years, which exceed 10 percent of entity(ies) revenues in the year received. Include the source and amount of each grant or contract. Attach a second page if necessary.
NA

8. Please list any grants, contracts, or payments originating from foreign governments which were received by the entity(ies) you represent during the current fiscal year or either of the two previous fiscal years related to the subject matter of the hearing. Include the source and amount of each grant or contract. Attach a second page if necessary.
NA

Chairman SMITH OF NEBRASKA. Thank you, Mr. Partridge.
Mr. Leavy, you may begin.

**STATEMENT OF WILLIAM LEAVY, EXECUTIVE DIRECTOR,
GREATER WEST TOWN PROJECT, CHICAGO, ILLINOIS; AC-
COMPANIED BY LINDA THOMAS, DIRECTOR OF CLIENT
SERVICES, GREATER WEST TOWN PROJECT, CHICAGO, ILLI-
NOIS**

Mr. LEAVY. Thank you. My name is Bill Leavy. I am the executive director and founder of the Greater West Town Community Development Project on Chicago's west side.

My agency is very honored to have been asked by Chairman Smith and especially Congressman Davis to testify today to deepen public understanding of the extent and impact of poverty in urban communities and to share our experience using community-based job training to combat poverty at the individual and community level.

Our experience has shown us that intensive occupational skills training in partnership with local industry is a highly effective way to get people into quality career-track jobs and help them lift themselves out of poverty.

I am very honored to be with Linda Thomas here today, our director of client services. She is here to answer specific questions you have about our program and the challenges we face.

Greater West Town is a community-based economic development initiative dedicated to expanding education and economic opportunity for the low-income, primarily minority community residents of the greater west side of Chicago.

We achieve that mission by providing comprehensive workforce development and educational services through a model community-business partnership strategy that links the employment and training needs of neighborhood job seekers to local economic development efforts and the workforce needs of area companies.

Greater West Town services include occupational skills training in the high-growth industries of woodworking and shipping and receiving, job placement support services, and, very importantly, an alternative high school for youth that have dropped out in our community.

Greater West Town's programs are focused also to help meet the needs of local employers for the skilled and motivated workers they need to stay and grow in the area while competing successfully in the global marketplace.

Greater West Town's target populations include ex-offenders, welfare-eligible single parents, homeless, dislocated workers, high school dropouts, and teen parents. More than 1,800 graduates of the woodworking and shipping and receiving programs have been placed in jobs with area companies.

Our targeted community areas have historically been—I am going skip this because Danny has covered the poverty in our neighborhood so well. Danny, I couldn't do it any more or any better.

I think my only point that I would like make is that there are major racial barriers in the labor market, and we need to admit them and deal with them. Unemployment rates for black men are

disproportionally high. In Chicago, black men are twice as likely to be unemployed as Latinos and three times as likely to be unemployed as whites. So it might be controversial for you guys, but it is there. If you look at the numbers, it is jumping off the page at us.

And, of course, a major barrier to finding jobs in our community—so many ex-offenders come back into our community. Our communities are disproportionately receiving ex-offenders as they leave prison. And, of course, our high-school dropout crisis is a huge, huge problem and barrier to economic opportunity. Our neighborhood high schools have reported dropout rates of up to 50 percent.

Our occupational skills training is a proven and highly effective model that provides employment opportunities to high-need populations. The program is designed and operated in collaboration with local employer partners. Our employment strategy, training strategy combines a bridge program with basic skills remediation, and that leads to a hard skills program, an occupational certificate program. And it is by getting folks into that occupational certificate program that we get them access to higher-skilled, higher-paid jobs.

Greater West Town meets employer needs by providing trained, dependable, motivated workers. And we give employers special value-added labor force development services that the companies cannot provide or undertake on their own. Many local firms credit our programs for their manufacturing success and cite it as an important factor in their decision to remain in Chicago and expand operations.

We continually upgrade our instruction with input from our business partners to ensure industry relevance and to make smart investments in cutting-edge technologies and training.

Our commitment to support our program participants that ensure their success means that we continually assess participants' needs and provide responses in a timely manner. Recently, Greater West Town has expanded its focus on networking with other community-based agencies to help provide for fundamental needs such as child care, housing, transportation, and food security.

Greater West Town's services are in more demand than ever, but resources to support our work are shrinking.

And I think I am out of time. Thank you.

[The prepared statement of Mr. Leavy follows:]

THE GREATER WEST TOWN COMMUNITY DEVELOPMENT PROJECT



*Testimony before
The House Ways and Means Subcommittee on Human Resources*

February 15, 2017

For more information contact:

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GWTP 12/15/17 Ways & Means Human Resources Subc Testimony – WJL as of 9:30 pm, 02.12.17

Good Morning,

My name is Bill Leavy, I am the Executive Director and Founder of the Greater West Town Community Development Project on Chicago's West side.

My Agency is honored to have been asked by Chairman Smith and Congressman Davis to testify today, to help deepen public understanding of the extent and impact of poverty in urban communities, and to share our experience in using community-based job training to combat poverty at the individual and community level. We would like to share with you our experience that has shown us that intensive, occupational job skills training is a highly effective way to get people into quality career track jobs and help them lift themselves out of poverty.

Linda Thomas, our Director of Client Services, is here with me to help me answer any specific questions you may have about the challenges our program participants face.

Linda brings over 20 years of direct frontline experience in service delivery to our discussion.

ORGANIZATION HISTORY AND ACCOMPLISHMENTS

Greater West Town Community Development Project (GWTP) is a community-based economic development initiative dedicated to expanding educational and economic opportunity for the low-income, primarily minority community residents of Chicago's Greater West Side. GWTP achieves this mission by providing comprehensive workforce development and educational services through our model Community-Business Partnership strategy that links the employment and training needs of neighborhood job seekers to local economic development efforts and area businesses' workforce needs. GWTP's array of services include: Occupational Skills Training in the high growth industries of Woodworking and Shipping and Receiving, career planning, job placement, supportive services, on-the-job training, alternative education, youth mentoring, and career development. GWTP served more than 3,800 community residents last program year.

GWTP's programs are also focused to meet local employers' urgent needs for the skilled and motivated workers they need, to stay and grow in the area while competing successfully in the global marketplace. GWTP's programs help to ensure the long-term stability and growth of community businesses as a primary source of employment for neighborhood residents.

Since its founding in 1989, GWTP has established a consistently high level of performance in a broad range of publicly-funded job training and education programs serving the needs of the economically disadvantaged residents of the community. GWTP's target populations include ex-offenders, welfare-eligible single parents, the homeless and near homeless, dislocated workers, high school dropouts, and teen parents. Since 1989, more than 8,800 low-income community residents and dislocated workers have been trained, provided support services, and placed in jobs. GWTP has distributed over \$1,200,000 in federal grants to local businesses to support the hiring and training of neighborhood workers. More than 4,400 high school age students have received alternative education, job training, job placement, youth mentoring, career planning assistance, and dropout prevention services. More than 1,800 graduates of the Woodworking and Shipping and Receiving Training Programs have been placed in jobs with local companies.

THE GRIP OF POVERTY ON CHICAGO'S WEST SIDE

GWTP's targeted community areas of Humboldt Park, Austin, East and West Garfield Park and North Lawndale have been historically low-income, and now continue to suffer from the long-term consequences of the recent economic downturn, including ongoing and increasing problems with poverty, inequality, and barriers to education and opportunity. When the national economy contracted, the vulnerable, underprivileged communities, families, and individuals served by GWTP were disproportionately adversely affected. The 2009 American Community Survey (ACS) found a 20% decrease in median household income in GWTP's service area during the recent recession.

The 2014 US Census Bureau American Community Survey (ACS) results substantiate the severe economic depression experienced in our service area and the economic disparities that exist in Chicago. In our service area, approximately 40% of residents live in poverty, a rate that's 81% higher than the city-wide average and three-times the national rate. The median income of the communities we serve is only \$26,583, which is 61% below the city-wide average, and less than half of the national average (\$56,516) as reported by the US Census Bureau. The unemployment rate is 18.6%, which is approximately 42% higher than the city-wide rate and four times the

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national average. Only 11% of area residents graduated from college, compared to 34% citywide, and 39% nationally.

The economic and educational difficulties experienced by the low-income population that we serve are most extreme for African American men. Despite an overall economic recovery in recent years, the percentage of unemployed, work-eligible (aged 16-64 years) African American men in Chicago is still disproportionately high. In December 2012, the Bureau of Labor Statistics' reported that the unemployment rate for black men had increased 57%, from 21% in 2009 to over 33% in 2011. The Bureau of Labor Statistics reported in October 2013 that unemployment for Black men in Chicago stood at 24.5%, well over twice the rate for Latino men (11.1%); and three times the rate for White men (7.8%). Recent data from the U.S. Census Bureau shows that unemployment for all African Americans in Chicago stands at 24.2%, nearly twice the rate for Latinos (12.8%); and roughly three times the rate for Whites (7.8%) (U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates).

Ex-offender status also constrains the educational and economic opportunities available to those whom we serve. This population faces significant barriers to accessing job training and employment. There is a high concentration of formerly incarcerated individuals in our targeted service communities. A 2014 analysis conducted by DePaul University and WMAQ/NBC shows that, of the approximately 12,000 former inmates who returned to Chicago in a recent 12-month period, 47% returned to communities that we serve. Despite the widespread and persistent barriers to employment faced by the formerly incarcerated, our strong employer-partner relationships have enabled us to succeed in placing over 95% of our ex-offender graduates in quality career-track jobs.

Another major barrier to quality, career-track employment is a lack of educational attainment or a high school diploma. Without a high school diploma, the barriers to living-wage employment mount exponentially. Conservative estimates based on Chicago Public Schools (CPS) Office of Accountability graduation cohort studies suggest that in the past 10 years, over 140,000 students dropped out of CPS high schools without graduating. Neighborhood high schools in Greater

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West Town Project's service area have reported 4-year dropout rates of up to 50%. The economic impacts of dropping out are crippling to GWTP's communities.

EFFECTIVELY RESPONDING TO COMMUNITY NEEDS

GWTP strategically responds to issues of poverty, unemployment, and lack of educational attainment with job training programs that provide access to higher skilled, career tracked jobs that lead out of poverty. GWTP's Occupational Skills Training Program is a proven, highly-effective model that provides employment opportunities to high-need populations. The curriculum is designed and operated in collaboration with high-growth industry Employer-Partners' support. GWTP's educational remediation, technical training, and supportive services help adults with low basic skills bridge their skills gaps and gain the basic math and reading competencies that they need to successfully complete hard-skills technical training and earn Occupational Certificates. This enables them to access the higher-skilled job opportunities that lead to economic self-sufficiency and the improvement of the quality of life for their families and communities. At the same time, the Program also contributes to the long-term economic vitality of Chicago's neighborhoods and businesses by helping local employers hire the skilled workers they need to remain and grow in the area.

While political leaders often focus attention on the middle class, GWTP has remained committed to the historically marginalized people and families with extremely limited access to quality educational and economic opportunities. In recent years, during an era of record high unemployment, GWTP continues to successfully place over 85% of high-need participants in quality, career-track employment.

GWTP is an essential pathway of opportunity for the community's lesser-skilled and non-high school completers: During the 2015-2016 program year, 57% of program participants had neither a high school diploma nor had they earned their GED. While overall, program participants made an average 2.96 grade levels gain in reading and 2.26 grade levels gain in math; the participants without a GED or diploma consistently gained more than three grade levels in both reading and math.

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Our Occupational Skills Training program also provides tangible solutions to one of Chicago's greatest challenges, the disproportionate resettlement of formerly incarcerated persons in already-struggling low-income communities. In the 2015-2016 program year, when 24% of GWTP's Occupational Skills Training graduates were ex-offenders, Greater West Town placed over 95% of those ex-offender graduates in full-time employment. Regular program follow-up analyses have shown that less than 3% of GWTP program participants have been re-incarcerated following graduation, compared to a 47% recidivism rate in Illinois.

THE COMMUNITY-BUSINESS PARTNERSHIP JOB TRAINING STRATEGY

GWTP's Occupational Training Program increases employment opportunities for community residents through job-specific skills training in the high-growth sectors of Wood Products and Solid Surface Manufacturing (WPSSM) and Shipping and Receiving (SR) in partnership with local companies. GWTP's Vocational Training Program meets employers' needs by providing trained, dependable and motivated workers to area companies and specialized value-added labor force development that companies cannot undertake on their own. Local Manufacturing and Shipping and Receiving firms--such as Independent Publishers Group, Closet Works, Albany Steel and Brass, Wesling Products, and Troscan--credit GWTP's Program for their manufacturing success; others cite it as an important factor in their decisions to remain in the Chicago area and expand operations. Demand for program graduates remains strong as GWTP continually adapts to employers' needs and the new technologies and emerging markets in these sectors. Our training programs consistently place 90% of graduates in quality full time jobs.

Program participants train for a cluster of related positions that require job-specific technical skills and offer excellent opportunities for career growth. WPSSM and SR graduates receive industry-recognized Occupational Skills Certificates approved by the Illinois Board of Higher Education and recognized nationally by the Accrediting Commission of Career Schools and Colleges. SR Program graduates also receive Forklift and OSHA-approved Safety Certifications. SR graduates are placed in living-wage, quality career-track positions including: Shipping and Receiving Traffic Clerk, Logistic Coordinator, Industrial Truck and Tractor Operator, and Customer Service Representative. WPSSM graduates are placed in well-paying

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quality career-track positions including: Cabinetmakers/Bench Carpenters, Woodworking Machine Setters and Operators, and Computer Controlled Machine Tool Operators.

GWTP's Occupational Program operates from our "Community Career Training and Economic Development Center" at 500 N. Sacramento, which opened in the Fall of 2010 and provides critical infrastructure for the Program. Trainees get hands-on, practical experience in GWTP's 34,000 sq ft, fully-equipped, high-tech warehousing and manufacturing shops, advanced wood shop and warehouse training space; and classroom and computer lab space.

Each sectoral training program provides up to 700 hours of classroom-based and hands-on instruction, including comprehensive vocationally-contextualized basic skills instruction as well as business writing, business math, and computer skills. With input from Employer Steering Committees, GWTP has developed rich curricula for both WPSSM and SR. In addition to technical and hard-skills training, the Program includes job placement and support and follow-up services for trainees' long-term career development. All training components are taught in-house and integrated into a comprehensive curriculum that also includes Work Maturity Skills.

GWTP continually upgrades instruction with input from its business partners to ensure industry relevance of the curricula and smart investment in cutting-edge technologies and training methods. GWTP tailors its curricula to address employer-identified skills gaps and their changing workforce needs. When GWTP's employer partners identified the need for a standardized assessment of employees' industry-specific knowledge and skills competencies, GWTP joined with the Woodwork Career Alliance of North America (WCA) to implement their "Woodwork Passport," a national credential program that provides validation for in-shop tool operation level proficiencies. When SR employer-partners identified a need for employees trained in the emerging warehousing and logistics technology of radio-frequency identification (RFID), GWTP adopted the "ASAP Passport" system due to its use by corporations across the nation. Today SR participants receive comprehensive training on the system, including the use of the hand-held mobile data collection units, barcode labeling system, data management software, RFID tags, and reporting fundamentals.

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GWTP's Occupational Training Program provides participants who previously faced multiple barriers to employment and a weak attachment to the labor force with the job-specific skills that employers need, the wrap-around support services to support their job search and workplace success, and lifelong learning competencies enabling them to move from job to job on a well-planned career path.

**KEYS TO SUCCESS: JOB PLACEMENT,
SUPPORT SERVICES, LONG-TERM FOLLOW-UP**

Greater West Town provides comprehensive job placement services to all program graduates. These placement strategies draw on GWTP's highly successful job placement experience and include long-term retention support, post-placement and re-placement services, and career development support. To ensure that our graduates succeed in the workplace and maximize their chances to become economically self-sufficient, GWTP actively tracks and supports our graduates for 12 months after placement.

GWTP responds to the specific needs and barriers that low-income, unemployed job seekers in our communities face, through robust collaborative working relationships with other community service agencies and through our internal program design. For example, GWTP addresses the needs of ex-offenders and those who did not complete high school by adapting its pre-employment preparation module to specifically prepare participants for real-world employment challenges. GWTP provides them with tools and language for addressing employer concerns about their ex-offender status and limited educational backgrounds. In its partnerships and networking with specialized social service agencies, Greater West Town finds supportive services for ex-offender participants to provide participants with additional access to legal records and expungement services.

The commitment to support our program participants to ensure their success in completing training and being placed in a job means that we continually assess participants' needs as they change, and try to provide the most important and timely assistance. So, in light of the growing needs of our unemployed disadvantaged participants, GWTP has expanded its focus on networking with other community-based service agencies to help provide resources for

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fundamental needs such as child care, housing, transportation, health care and food security. Given the rising rate of homelessness among our program participants in recent years and their increasing need for stable housing, GWTP has expanded our partnerships and coordination with service providers focusing on homelessness, and with the City of Chicago's Department of Family Support Services. GWTP is increasingly working with these partners to identify short-term, mid- and long-term housing alternatives for our clients. To address our participants' healthcare challenges, GWTP has adopted a pro-active stance to help provide health and wellness education for trainees. In 2015, GWTP collaborated with the Chicago Citywide Literacy Coalition, Loyola University–Chicago, and our largest community foundation, the Chicago Community Trust, to carry out an empowerment-based "Health Literacy" Project. The project helped to educate our workforce program participants about preventative healthcare, wellness strategies, and healthy choices leading to prevention of health problems.

The following stories illustrate the effectiveness of our job training programs, helping highly barriered job seekers develop skills, find employment and succeed on the job. Alfredo Moreno, a graduate of the Shipping and Receiving Training Program (SRTP), is a single parent of two young children. Alfredo, ex-offender on parole, is also a basic skills deficient non-native English speaker with only a grammar school education. His work history had been limited to short stints of temporary employment through staffing agencies and also seasonal work as a mover. He had no real job prospects in sight to support his children. He was looking for training that would allow him to acquire the skill sets needed to obtain career path employment. Upon entering the program he demonstrated the hard work, enthusiasm, and willingness to succeed needed in today's job market. Working with GWTP's job placement specialist he was able to interview at a local manufacturer of food ingredients. He was placed in employment less than two weeks after completing training. He's has been employed for over eight months, and is currently making \$14 per hour. Alfredo also made a dramatic improvement in his basic skills, raising his math and reading over three grade levels each.

Jason Adams, a graduate of the Woodworkers Training Program is a single father with two children. For many years he had maintained a transient lifestyle, working for brief periods in New York and Kentucky before returning to Chicago over three years ago. Short term jobs as a

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laborer and a camp counselor ended abruptly, and he had been unemployed for over two years when he was accepted into the WWTP. GWTP provided him with the technical skills he needed to get a career track job. Working with GWTP's job placement specialist he was interviewed at a local woodworking manufacturer of high-end restaurant furniture. He completed training on a Thursday and began work the following Monday at the company where he has been employed for over seven months earning \$12 per hour.

Jean Dorcy, a single parent of a seven year old, exemplifies how determination with the right supports is a proven recipe for employment success. Despite diligent job searches, a decades old felony conviction proved to be a significant barrier to finding stable, long-term employment. After years of short-term assignments with multiple companies, Jean was laid off before enrolling in GWTP's Wood Products Manufacturing Training Program. During training, Jean worked hard to learn the skills of fine furniture making. Jean found his calling on the woodshop floor. With goal-focused determination, and with the ongoing support of his teachers and case manager, Jean graduated and was hired by Great Lakes Architectural Millworks, a shop specializing in high-end furniture, located in Chicago's Kinzie Industrial Corridor. Now Jean is earning \$15.50 an hour and working every day with a high degree of job satisfaction.

CHALLENGES TO MEETING THE WORKFORCE DEVELOPMENT AND JOB TRAINING NEEDS OF OUR COMMUNITIES

Greater West Town's services are in greater demand than ever, but resources to support our work are shrinking, rather than increasing. GWTP faces serious challenges other than funding levels, some of which are real-life symptoms of persistent and chronic poverty in our communities. Some of the challenges arise from a long history of inadequate public and private investment in our communities. And other challenges arise from well-meaning but flawed public policies, and the need for determined and consistent commitments by government at all levels to alleviate poverty. Today we are understandably concerned about the setbacks of the middle class, so elected officials' focus and public statements tend to emphasize helping those of moderate income. Sadly, as a nation, we are not as focused on fighting poverty for the neediest people, families, and communities in our country. We need

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to work together to develop a thoughtful, strategic robust strategy and policy to lift our most vulnerable people out of poverty, and build support for the funding commitments to support such a policy. Unless we can come together to do those things, we are nibbling around the edges of the problem of multi-generational poverty and not facing up to alleviating the costly and far-reaching consequences it has for our communities and our nation.

The population from which GWTP recruits its participants has persistent, and in some cases, worsening challenges and barriers to employment and training. Since the Great Recession, we have documented the following:

- A troubling upward trend in the number of program applicants and participants experiencing homelessness. In 2014-2015, more than 22% of GWTP vocational program participants experienced homelessness during training, double the number of participants in previous years. In Chicago's communities of color – as in other communities across America – the negative effects of the mortgage foreclosure crisis are still reverberating for families who lost their homes and the stability that home ownership or stable landlords provide.
- An increase in the percentage of our program applicants and participants who haven't completed their secondary education. In the past 2 years, that percentage has grown from less than a third, to 57% of all our Occupational Training Program participants now lack a high school diploma or a GED.
- As the economy has gradually improved, those with the greatest need for skills training and career path employment opportunities are being left behind. Higher-skilled, more job-ready residents have been able to re-enter the workforce. But those with the greatest barriers to employment remain marginalized. While our participants have become even more challenged and high-risk, federal and state resources to support in-depth, industry relevant skills training and intensive supportive services have dwindled.
- Inadequate access to affordable health care continues to be a serious issue for the populations that GWTP serves. These communities suffer from high rates of chronic, preventable diseases. These health-related issues often negatively impact participants' ability to complete occupational training, pass initial pre-employment health screenings by prospective employers, or to be consistent employees once hired.

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On the policy and programmatic level: Greater West Town has been engaged in workforce development and administered federal, state, and local workforce development grants over three decades.

Greater West Town has provided effective job training and placement services under a number of federal workforce development programs: The Job Training Partnership Act (JTPA), the Workforce Investment Act (WIA), Welfare-to-Work, the American Recovery & Reinvestment Act (ARRA), the Social Service Block Grant, and the Workforce Innovation and Opportunity Act (WIOA). Each of these federal laws, intended by Congress to address the pressing national concerns about poverty, unemployment and workforce development, have changed the “rules of the game”. However, with each new authorization, allowable “unit costs” – what can be spent to train and place people in jobs – have become increasingly limited and unsupportive of the proven successful strategies for helping highly- barred unemployed people get on a pathway out of poverty. There appears to be a trend of less and less emphasis on training and placing the most disadvantaged job seekers, and less and less support for the basic skills remediation and intensive support services that poor people need to succeed long-term in Occupational Skills Training and job retention in career path employment.

We all want to lift our fellow Americans out of poverty. But sadly, our laws and regulations have tended to create a “Triage” approach that leaves millions of Americans behind –in both our urban and rural communities. The “Triage” approach focuses on investing in those deemed mostly likely succeed.

Meanwhile, we are not investing enough in people who are regarded as high risk, the very people with the greatest likelihood of being mired in multi-generational poverty precisely because they face the toughest challenges and barriers to joining the workforce, building a career, and earning a family-supporting wage. Let’s work together to strike a better and more fair balance in our workforce development policies and programs. Greater West Town has shown that there are effective, common-sense, and community building strategies to train and place people with great challenges into career pathway employment, by partnering with the very businesses in our

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communities who need a skilled, well-trained, and motivated workforce. We hope you will support our efforts.

Committee on Ways and Means
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)

Your Name: William J. Leavy – Greater West Town Community Development Project		
1. Are you testifying on behalf of a Federal, State, or Local Government entity? a. Name of entity(ies). b. Briefly describe the capacity in which you represent this entity.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
2. Are you testifying on behalf of any non-governmental entity(ies)? a. Name of entity(ies). Greater West Town Community Development Project b. Briefly describe the capacity in which you represent this entity. I am the Executive Director, Founder and Board Vice-President	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
3. Please list any Federal grants or contracts (including subgrants or subcontracts) which you have received during the current fiscal year or either of the two previous fiscal years that are related to the subject matter of the hearing: <i>See Attachment A</i>		
4. Please list any grants, contracts, or payments originating from foreign governments which you have received during the current calendar year or either of the two previous calendar years that are related to the subject matter of the hearing: <i>None</i>		
5. Please list any offices or elected positions you hold. <i>None</i>		
6. Does the entity(ies) you represent, other than yourself, have parent organizations, subsidiaries, or partnerships you are not representing?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
7. Please list any Federal grants or contracts (including subgrants or subcontracts) which were received by the entity(ies) you represent during the current fiscal year or either of the two previous fiscal years, which exceed 10 percent of entity(ies) revenues in the year received. Include the source and amount of each grant or contract. Attach a second page if necessary. <i>Over the past 3 years, there has been only one grant that exceeded the 10% threshold, which is the Reintegration of Ex-Offenders Grant in fiscal year 2015. Please see Attachment A</i>		
8. Please list any grants, contracts, or payments originating from foreign governments which were received by the entity(ies) you represent during the current fiscal year or either of the two previous fiscal years related to the subject matter of the hearing. Include the source and amount of each grant or contract. Attach a second page if necessary. <i>None</i>		

Chairman SMITH OF NEBRASKA. All right. Thank you, Mr. Leavy.

Ms. Slater.

STATEMENT OF TAMARA SLATER, CHIEF EXECUTIVE OFFICER, GOODWILL INDUSTRIES OF GREATER NEBRASKA

Ms. SLATER. Good morning. Thank you for the invitation to testify on the challenges and opportunities of serving people in rural Nebraska impacted by poverty.

My name is Tammy Slater, and I live in Doniphan, Nebraska, a town of 850-plus people. I am the chief executive officer of Goodwill Industries of Greater Nebraska, located in the third-largest city of Nebraska, Grand Island, with a population of 50,000. We are 1 of 157 autonomous Goodwill organizations in the United States and 1 of 4 Goodwills serving Nebraska. Last year, all Goodwills collectively connected 312,000 people with employment in the United States and Canada.

Each local Goodwill organization has an assigned territory that provides services with our geographic area in response to the community's needs. Goodwill Industries of Greater Nebraska services promote independence and access to the community, help people become successfully employed, support goals of wellness and recovery, facilitate group classes to teach responsible behavior, and provide safe and affordable housing.

Our Goodwill mission is to serve Nebraskans experiencing intellectual or developmental disabilities, severe and persistent mental illness, substance abuse disorder, behavioral health challenges, and acquired brain injury. Each year, we serve more than 1,600 people in central and western Nebraska with an array of services. We help people earn jobs and advance their careers with specialized services to meet their needs.

Our service territory, as Chairman Smith referenced, includes 55 counties and is about 54,000 square miles. Of the counties we serve, 30 percent have a population of 3,000 or fewer.

The challenges of poverty, as we all know, from lack of stable housing, adequate nutrition, effective health care, reliable transportation, quality child care, appropriate education, and job training, are common to both rural and urban areas. How we respond to these challenges may be different because we do have sparse population, limited local resources, and scarce employment opportunities.

Education and job opportunities are scarce, as I said, for people in rural Nebraska, which is a major roadblock to lifting people out of poverty. In 2015, rural employment was still below pre-recession rates, and earnings are generally lower in rural areas than those in urban.

Many of the individuals that we serve require comprehensive services. So partnerships with State and local agencies are important to address the complex needs of people living in rural Nebraska. Community partnerships, such as our public schools, United Ways, areas churches, local Salvation Army posts, help us to build a network in order to help. Government partners in health and human services, like corrections, voc rehab, and Social Secu-

rity, among others, help people living in rural communities get and keep their life on track.

Though partnerships are crucial to success, it is tougher in rural areas because there are fewer community organizations, and we struggle to continue services due to the long distance between communities, which are expensive to maintain.

We at Goodwill are grateful for our social enterprise that create jobs and help fund services. Our team members work to understand our neighbors in the communities we serve and how we equip them to overcome poverty.

One of those neighbors is Peter. When Peter was referred from Nebraska Vocational Rehab to Goodwill, which that is where we get our referrals, he was unemployed, he was diagnosed with bipolar disorder, adjustment disorder with anxiety and depression, a narcissistic personality disorder, and receiving Social Security. Peter was also on probation for a felony, and his employment retention was beyond poor.

Peter was able to access an array of services from our Goodwill, including comprehensive benefits planning, behavioral health day services, and our behavioral health employment program.

Together with Peter, the team working to support him, including Goodwill staff, the local probation, his counselor at Nebraska VR, and his family members, he has had a great result. He has been employed for over 1 year, continues to work with our behavioral health and benefits planning. Peter is just one example of the complexity of those we serve every day.

I thank you for this opportunity to share our experience. We appreciate the subcommittee's interest in hearing from the field and are very happy to serve as a resource. Thank you.

[The prepared statement of Ms. Slater follows:]

Goodwill Industries of Greater Nebraska, Inc.

Written testimony of

Tamara L. Slater
Chief Executive Officer
Goodwill Industries of Greater Nebraska, Inc.
1804 S. Eddy St., Grand Island, Nebraska 68802

Prepared for

Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515
Subcommittee on Human Resources

Hearing on

The Geography of Poverty
February 15, 2017

Introduction

Good Morning to each of you.

Thank you for the invitation to testify on the challenges and opportunities of serving people who live in rural communities impacted by poverty. My name is Tammy Slater, and I live in Doniphan, Nebraska, a town of 850-plus people. I am the Chief Executive Officer of Goodwill Industries of Greater Nebraska Inc., located in the third largest city of Nebraska, Grand Island, with a population of 50,000. We are one of 163 autonomous Goodwill[®] organizations in the United States and Canada and one of four serving the state of Nebraska. We are a member of Goodwill Industries International, which provides support for each autonomous local Goodwill organization. Last year, local Goodwill organizations connected 312,000 people with employment in the United States and Canada. Altogether, local Goodwill organizations provided career and financial services to more than 37 million people last year, including 2 million people who engaged face-to-face with Goodwill team members and 35 million who used Goodwill mobile and online learning to improve their skills or access virtual coaching and counseling services.

Local Goodwill organizations have an assigned territory, and we focus services within our geographic area in response to our communities' needs. Goodwill Industries of Greater Nebraska's services promote independence and access to the community, help people become successfully employed, support goals of wellness and recovery, facilitate group classes to teach responsible behavior and provide safe and affordable housing. Many people benefit from multiple programs. Our Goodwill serves Nebraskans experiencing intellectual or developmental disabilities, severe and persistent mental illnesses, substance use disorders, behavioral health challenges or acquired brain injuries. Each year, we help more than 1,600 people in central and western Nebraska earn jobs and advance their careers by providing specialized services to meet their needs. This includes helping people stabilize their housing with services for people transitioning from homelessness. Each person benefits from case management and an individualized plan for the services they need to achieve success.

Our service territory includes individuals and families across an area that encompasses 55 counties and is around 54,000 square miles. To give you an idea of what this means, we have what we call the tri-cities in our territory – our home community of Grand Island with a population of about 50,000 people; the city of Kearney with about 30,000; and Hastings with about 25,000. Almost 90 percent of the cities in Nebraska have fewer than 3,000 people, a characteristic that is common in our area of the country. So, when we refer to a city, we’re not talking about anything like Chicago or Washington, D.C. Many of the 55 counties we serve have only 100 or so residents.

Challenges to serving rural residents who live in poverty

The challenges of poverty – stable housing, adequate nutrition, effective healthcare, reliable transportation, quality childcare, appropriate education and job training – are common to both rural and urban areas. How we respond to challenges in rural areas may differ due to our sparse population, limited local resources and scarce employment opportunities.

Distance and Transportation

In the past decade or so, rural areas have become enticing for families struggling to make ends meet; it is enticing yet deceptive to move to a lower-cost area. Now these families have relocated to rural areas with few employment options, increased distance to medical care and no public transportation. As the cost of living has risen in our Tri-City areas, rural communities have drawn in struggling families but have not provided a more stable environment that would allow these families to move out of poverty towards self-sufficiency. Service providers like our Goodwill may never have a location in a county with 1,000 people or less. Most residents are probably going to a “larger community” – a suburban or urban area—to access basic necessities like shopping, job training and medical care. Though there are far fewer options, opportunities and services available, Broken Bow, Nebraska is considered an urban area by census definition. With a population of about 3,500, Broken Bow has much more in common with rural areas in terms of the challenges residents have getting what they need to get ahead and the ways we connect to serve residents and the community. Even helping residents become aware of

services presents a challenge when there is not a community center where information can be shared effectively.

In our area, people often live far apart – sometimes more than twenty miles between houses. Distance, limited or unreliable transportation and the unpredictable Nebraska winter often make getting to work, training or services impossible. Goodwill of Greater Nebraska has service locations in seven cities and towns. We reach out to individuals and families in surrounding communities and provide transportation for some rural residents. Though connecting people who live 20 or 30 miles from Goodwill locations with services is both expensive and challenging, we believe it is critical to serve these less-populated areas. We may be their only opportunity to stay connected to people and resources in the community. The lack of job opportunities in rural Nebraska is more than a speed bump; it is a roadblock to lifting people out of poverty.

Lack of Education

Education and job opportunities are scarce for people in rural areas. In 2015, rural employment was still below the pre-recession rates, and earnings are generally lower in rural areas than those in urban areas (American Community Survey, <http://www.census.gov/topics/income-poverty/poverty/guidance/data-sources/acs-vs-cps.html>). In our territory, one in ten adults doesn't have a high school diploma, and three in ten has only a high school diploma. Another one in four has only some college with no degree. So – my neighbor's prospects are not good, and they aren't getting better fast. The growth rate of young adults (age 25-34) with bachelor's degrees is slower in rural areas than in urban areas (USDA, Economic Research Service using data from U.S. Census Bureau's 2000 Census and 2013 American Community Survey, <https://www.ers.usda.gov/topics/rural-economy-population/employment-education/rural-education/>). Our state, like many, relies on one or two industries to employ those who manage to complete a degree. Although financial services jobs are numerous in Nebraska's larger urban areas, most of the state's employment in other areas is connected to industries that are slowing down, like agriculture.

Funding Constraints

We want to serve everyone in need in our communities, especially those with high needs. While poverty is painful for all, we know African American, Hispanic and American Indian communities in our area have two to four times higher rates of poverty than Caucasians.

Many of the families we serve have complex needs and require comprehensive services to help them stabilize, keep a place to live, be safe and have what they need. Goodwill cannot do our work alone. Partnerships with state and local agencies are important to address the complex needs of people living in rural Nebraska; community partners such as public schools, United Way, area churches and Salvation Army help us build a support network. Partnerships with the Nebraska Department of Health and Human Services, Administrative Office of Probation, Nebraska Vocational Rehabilitation, Region II Human Services, Region 3 Behavioral Health Services and the Social Security Administration help people living in rural communities get and keep their lives on track.

The reality is that funding and reimbursement for services has changed. Administrative requirements like reporting, documentation and billing are more complex today than in the past. Being a good steward of government funding is essential to ensuring people who need services get them in a professional, compassionate and meaningful way.

Though partnerships are crucial to success, it is tough in rural areas because there are not many community organizations; those of us who work in social service organizations often struggle to sustain funding and continue services due to the long distances between communities. We at Goodwill are grateful for our social enterprise model that creates jobs and helps fund the services we provide, especially in a time when federal and state budgets are tight.

Economic Development

Also, we need economic development to create more jobs in our communities. We rural Nebraskans are hard-working people; we want good work that helps us support our families with a paycheck. My own husband was part of a shut down for five weeks at the end of this past year because of a business slow down; fortunately I have a job, so we are okay. Not all my

neighbors are as fortunate.

Self-Reliant Communities

One of the most difficult barriers to overcome is the stigma of seeking help. Rural Nebraskans, like many Americans, regardless of their age, race, ethnicity or family situation, are proud of their work ethic and have a strong sense of self-reliance. Whether there is a need for mental health services or someone lost a job and needs a new career path, asking for help somehow feels shameful. Our strategy as an organization is to be visible, available and aware of what our neighbors are facing. Neighbor-to-neighbor word-of-mouth “advertising” is often the best way to connect people with our services to help them move toward self-sufficiency.

Solutions

Our Goodwill is committed to connecting individuals and families in our rural communities with opportunities, and we are not the only Goodwill doing this. Local Goodwill organizations across the country share ideas, innovations, effective practices and lessons learned so we can all better serve people who live in rural areas. Most of the 157 autonomous local Goodwill organizations in all 50 states include rural areas. In 2014, Goodwill Industries of Southwest Florida, for example, launched an ADA-compliant modified Winnebago Adventurer recreational vehicle that travels through rural areas twice per week, partnering with local organizations so people can have a place close to home for financial literacy services, health screenings, employment services and help with education financial aid (FAFSA) applications, access computer workstations, internet access and professional support. The Mobile Job-Link includes partners from health, financial and education organizations

(<https://www.goodwillswfl.org/mobiljoblink/>).

In Peoria, Illinois, Goodwill Industries of Central Illinois established computer labs in two rural areas within their territory when they learned from employers that the most common skills missing from local job seekers were Microsoft Word and Excel fluency along with other computer skills. The labs are open full time; at certain times of day, anyone is welcome to use the computers to practice skills and work on tasks related to job searching with the assistance

of Goodwill staff. The lab also offers a regularly scheduled computer skills class in several-week sessions. Attendees have shown an increase in skills of greater than 50% after completion and have earned jobs with 16 area employers. Particularly in rural areas, employees spend a significant amount of money just to get to work; a 20- or 30-mile commute to and from work is a reality, and without public transportation can be onerous. The employer relationship is vital in these areas. After reaching out to job seekers and employers, CEO Don Johnson of Goodwill of Central Illinois offers these key takeaways:

- While the initial goal may be employment, it is just as important to equip people with the skills that will keep them employed and allow them to move up the career ladder. Therefore, Goodwill must provide job readiness skills training in addition to technical skills.
- Very few organizations offer workforce development programs in rural areas since it is difficult for people to find good-paying jobs without the skills employers need, which is why it is crucial to create relationships on both sides – with job seekers and employers – so that we can educate people in the skills employers need.

The most effective way we can meet the needs of our rural neighbors is through partnerships that include businesses, nonprofits, community-based organizations, places of faith and state and local agencies. When we connect with local organizations, we learn to appreciate the community's assets, earn community trust, gain an understanding of people's needs and help neighbors plan and implement education and career paths that work. In Nebraska's combined state plan to implement the Workforce Innovation and Opportunity Act (WIOA), Temporary Assistance for Needy Families (TANF) and workforce agencies partner to help people find jobs and enhance their career options. When productive education and skill-building opportunities that lead to career advancement can be used toward meeting TANF requirements, these relationships help ensure that people with barriers to work can connect with the state workforce development system and organizations like Goodwill that equip residents with career guidance, education, training and skills to help them earn jobs and advance careers.

To establish relevant services in rural (or urban or suburban) communities, each autonomous local Goodwill organization must understand the community's assets and needs and how the Goodwill can financially support service delivery. Having Goodwill in a community creates a ripple effect and contributes to economic stability and community development when services are sustainable. We must have well-trained team members who are familiar with both the workforce development system and rural communities, people in whom both our organization and community members can have confidence. We are hiring someone who can provide a service, whether that's helping people living with a severe or persistent mental illness or substance use disorder recover, supporting a person living with an intellectual disability learn daily activities or develop relationships with employers, or supporting a job seeker with a felony. Whatever the specific job task, it is necessary for the employee to be able to navigate an information system. When employees aren't able to both perform their human or social service role and navigate the information system, it can be problematic. To combat this, we invest in training and education to ready our staff.

Our team members work to understand our neighbors in the communities we serve and how we can equip them to overcome poverty. One of those neighbors is Peter. When Peter was referred from Nebraska Vocational Rehabilitation to Goodwill, he faced a number of barriers, and his circumstances were complex. He was unemployed and receiving Social Security benefits after being diagnosed with bi-polar disorder, adjustment disorder with anxiety and depression and narcissistic personality disorder. While he was enrolled in Central Community College, he was failing; he did not understand or comprehend the curriculum in spite of receiving support from tutors. His special education counselor encouraged him to seek additional help and return to school in the future. Peter was also on probation for felony assault on an officer, and his longest employment retention was only two months. It is easy to understand why Peter was pessimistic about his future. Thankfully, Peter was able to access an array of services from Goodwill such as:

Comprehensive benefits planning – helping Peter understand his social security benefits and get his Medicaid reinstated. Health insurance is very important to

maintaining both physical and mental health. Our benefits coordinator coordinated with the Social Security Administration on behalf of Peter when wages were earned.

Behavioral health day services – programming to assist Peter to learn and understand his mental health diagnosis, communicate, problem solve, manage triggers and stress, relate to others and make friends, increase confidence and recognize the strengths, talents and gifts he can offer to the world around him.

Behavioral health employment program – supporting Peter throughout the job search and job securement process, applications, interviewing, advocacy, clothing, budgeting and on-the-job supports.

These team meetings involved Goodwill employees from our Behavioral Health Services and Employment and Career Services, the local probation office, the special education counselor at Central Community College, Nebraska VR and Peter's family members. This team worked together to support Peter with great results. Peter has been employed for over a year. He continues to work with Goodwill's Behavioral Health Employment Program and Benefits Planning Program and successfully completed probation. While he decided to not enroll in college at this time, he has made tremendous progress and continues to work successfully.

Conclusion

Serving rural residents impacted by poverty is an opportunity and a challenge. While many of the challenges are similar for urban and rural areas facing poverty, the solutions can be significantly different. Autonomous local Goodwill organizations have found success when we identify community assets, evaluate community needs and customize solutions accordingly. Skilled team members with partner coalitions including local, state and community-based organizations and agencies use these community asset mapping and needs assessments to focus on essential actions that can help reduce poverty in Nebraska and other rural areas across the country. And, in order to successfully move people out of poverty, we need more people equipped with the necessary skills and more job opportunities.

Thank you for the opportunity to share our experiences in the vast rural expanses of Nebraska. We appreciate the Subcommittee's interest in hearing from the field and are happy to serve as a resource as we commit together to providing services that lift individuals and families who live in rural areas out of poverty.

Committee on Ways and Means
 Witness Disclosure Requirement – “Truth in Testimony”
 Required by House Rule XI, Clause 2(g)

Your Name: Tamara L. Slater		
1. Are you testifying on behalf of a Federal, State, or Local Government entity? a. Name of entity(ies). b. Briefly describe the capacity in which you represent this entity.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
2. Are you testifying on behalf of any non-governmental entity(ies)? a. Name of entity(ies). Goodwill Industries of Greater NE., Inc b. Briefly describe the capacity in which you represent this entity. Chief Executive Officer	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
3. Please list any Federal grants or contracts (including subgrants or subcontracts) which you have received during the current fiscal year or either of the two previous fiscal years that are related to the subject matter of the hearing: Attached		
4. Please list any grants, contracts, or payments originating from foreign governments which you have received during the current calendar year or either of the two previous calendar years that are related to the subject matter of the hearing: NONE		
5. Please list any offices or elected positions you hold. NONE		
6. Does the entity(ies) you represent, other than yourself, have parent organizations, subsidiaries, or partnerships you are not representing? Goodwill Industries International, Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
7. Please list any Federal grants or contracts (including subgrants or subcontracts) which were received by the entity(ies) you represent during the current fiscal year or either of the two previous fiscal years, which exceed 10 percent of entity(ies) revenues in the year received. Include the source and amount of each grant or contract. Attach a second page if necessary. Attached		
8. Please list any grants, contracts, or payments originating from foreign governments which were received by the entity(ies) you represent during the current fiscal year or either of the two previous fiscal years related to the subject matter of the hearing. Include the source and amount of each grant or contract. Attach a second page if necessary. NONE		

Single Audit and Major Program Determination Worksheet

Direct Federal Funds

Name of Agency or Department	CFDA or Other No.	Name of Program	Name of Grant	Award amount
HHS	93.958	Block Grants for Community Mental Health Services	Region 3	\$ 89,843
HHS	93.15	Project for Assistance in transition for Homelessness	Region 3	\$ 11,333
HHS	93.912	Rural Health Care Services Outreach, rural Health Netowrk Development and Small Health Care provider Quality Improvement Program	Region 3	\$ 1,163
HUD	14.181	Supported Housing for Persons with Disabilities - Section 811	Housing I	\$ 20,920
			Housing II	\$ 23,764
			GNIH	\$ 214,808
Department of Transportation		Section 5310- Project	NDOR	\$ 39,760
USDA	10.558	Child and Adult Care Food program		\$ 49,949
			Commodities	\$ 2,425

Subcontract awards of Federal and State Dollars

Vocational Rehab				\$ 599,609
DHHS				\$ 4,030,241
Region 3				\$ 964,264
Region 2				\$ 260,045
Social Security Administration				\$ 19,687

Total All Funds \$ 6,327,811

Chairman SMITH OF NEBRASKA. Thank you, Ms. Slater.

Thank you very much to all of our witnesses, again, for sharing your expertise and this perspective that I hope we can all share. And we are going to go down the line here with the question-and-answer and just describe our districts a little bit.

Obviously, I mentioned earlier that, you know, we have rural parts of America and remote parts. And, obviously, if someone has a commute in the city for various reasons, there can be significant commutes in rural and remote America as well. Sometimes I describe parts of my district in terms of the distance from a Walmart, maybe even a McDonald's, and it runs in the hours. And so it can be very different.

And yet, when it boils down to it, many of the needs are similar to even that of the inner city. And, of course, sometimes the commute times of city life would have something that no one in rural America would want to tolerate. But I think that hopefully we will see programs, though, with flexibility and the intent to help people in a very authentic way.

But, Ms. Slater, again, thanks for being here and certainly describing the district and your work and sharing some of the stories that you did and certainly some of the clients you serve. And it can be obviously challenging to address poverty and the economic needs of the many communities across our district because of distances even from organizations like yours, even though you are pretty well spread out across the district.

Although our unemployment rate is lower and high school graduation is higher than in many States, I know there are still many people struggling to find work and make ends meet. I especially appreciate the story you tell about Peter in your testimony and how, by coordinating services and helping him set goals, he has been able to overcome some of the difficulties he has faced and now has been employed for over a year.

At the Federal level, we are thinking about ways to provide more flexibility, coupled with strong accountability, to make sure that your organization and those like it can customize services and benefits so you can help more people like Peter succeed in the workforce.

As we think about our efforts, what should we make sure you are able to do or do more of for you to be successful as an organization? What are some of the key factors in what you do which helped Peter be successful, find a job, and stay employed?

Ms. Slater.

Ms. SLATER. Chairman Smith, when I think about that question, the most important thing is it is not just one service. When I talked about the variety of services that we offer at Goodwill, getting a job, yes, is the main focus because we all know that a job gives us purpose in life, but it is the whole package.

Again, someone has to, first of all, be able to understand and know what their barriers are and how can we help them. If I think about Peter, with a mental illness, again, being able to have people understand that illness and how do they now learn to cope with that disease, whatever that may be.

Then, once they understand that, what also is important is giving them structure to their life. Because, again, now that they have

this barrier or a mental illness to deal with, the structure of how to cope with that, how important medication is.

But then, also, how do we then teach them possibly new skills or for them to understand what their skill set or abilities are, and how do we help them understand that to then match them with a proper job.

Then the other challenge becomes partnering with employers, because we all know, you hear it across the United States every day, it is tough to find employees. But, again, if we are then bringing someone forward as a potential employee, what is their openness to work with someone that may have some special needs or a mental illness or other barriers that make it possibly more difficult for them?

It has to be collaboration. I hope that was strong in my message. It is not just one of any of us. It is all of us coming together and making sure we understand what each of us bring to the table.

So, Chairman Smith, the first answer would be flexibility to be able to reach out to the proper services that will meet that individual's needs.

Chairman SMITH OF NEBRASKA. Okay. Thank you.

Ms. Kneebone, would you be able to reflect on this at all, given your insight?

Ms. KNEEBONE. Just to echo what Ms. Slater said, with the flexibility being key, especially as you see some of the more effective models being ones that are able to bring multiple programs together, multiple partners to the table. That also often brings with it a big administrative burden, a lot of red tape, that puts a strain on the providers and takes resources from the actual mission.

So I think the ability to allow for more experimentation and figure out how, with accountability, we can allow for more flexible strategies that work over different kinds of communities, that would be key.

Chairman SMITH OF NEBRASKA. All right, and very well. Thank you.

I now recognize our distinguished ranking member, Mr. Davis, for questions he might have.

Mr. DAVIS. Thank you very much, Mr. Chairman.

And I thank all of you who have come to share with us this morning.

Each one of you talked about a lack of local resources for addressing some of the key challenges of poverty—skill-building, supports like child care, health care, transportation, and housing.

Could targeted Federal investment make a real difference in the kind of communities you have studied?

Perhaps, Ms. Slater, I will start with you.

Ms. SLATER. Yes, I believe so, because, again, the Federal support directs how it trickles down to the State and the region. So, again, it is back to the flexibility and really acknowledging the lack of services in some of the areas.

Mr. DAVIS. Mr. Leavy.

Mr. LEAVY. Danny, I think, for us, we have been through a lot of iterations of different job training programs. We even been around since CETA, practically, you know—Job Training Partnership Act, Welfare to Work Act, the American Recovery Act. But the

point is that most of these programs don't really allow you to do the intensive kind of training we actually do.

We may have to cobble together resources from a whole bunch of places to get enough money to get the basic skills remediation, to get the work maturity training and this very expensive occupational skills training, where our shop—you have been there. I mean, this is an expensive operation, but it gets people real skills, and people can really get quality jobs and get a foothold on the career ladder. It is an investment that is not being made and needs to be made.

So, again, in the old days, the Job Training Partnership Act used to train tons of African American men in Chicago for jobs in the city. That was almost all wiped out when we went to a voucher-based system with WIA.

So, again, we need to put some of the money in job training that we used to have during CETA days, and we used to make a real, real commitment to skills training and lifting people out of poverty. It can be done. I mean, we are a model. It can be done, and Linda and I do it. But we need much, much, much more consistent resource and commitment to comprehensive training and getting industry—I am talking too much. Okay, I will be quiet.

Mr. DAVIS. Mr. Partridge.

Mr. PARTRIDGE. Thank you. Thank you, Mr. Davis.

I mean, I think the answer is yes, and I think they described it well.

One of the things, though, I want to point out is, especially in rural communities but even in urban communities, there are these scattered programs and, you know, duplicate services and all sorts of issues. And so that was one of the reasons why in my testimony I discussed expanding regional, State, Federal development organizations, like the Appalachian Regional Commission. They exist on paper like in Ms. Sewell's district, but it doesn't have any—I don't think there are any resources.

And so what they would do is, they have—like, the Appalachian Regional Commission only has a \$100 million to \$150 million budget; however, they are fantastic at being the broker who leads the efforts that brings everything to the table to help with the collaboration that the previous two spoke about that is needed for this.

So I think that would be one of the ways that a relatively small amount of money could have a lot of payoff.

Mr. DAVIS. Thank you.

Ms. Kneebone.

Ms. KNEEBONE. I think that point really speaks to addressing the capacity issue, because targeted Federal investment absolutely could make a big difference in these places, especially if it embraces these more wholistic, crosscutting strategies that recognize the complexities that are facing poor people in poor communities.

But if we want that funding to be able to reach into some of these communities we are talking about, in places where poverty has grown rapidly more recently, we have to overcome that capacity gap. And having these quarterback-type institutions that can play that role and more effectively marshal all those resources is a critical step.

So any sort of funding, I think, should explicitly recognize and target resources to that type of backbone capacity-building and that sort of entity.

Mr. DAVIS. Thank you.

And quickly, Mr. Leavy, I have always been intrigued by your ability to work directly with local employers, where you know that you are training people for what they need. How did you accomplish that?

Mr. LEAVY. Without going into a lot of history, I mean, we understood that race was a big variable. On the old west side of Chicago, where my dad worked—and he worked at a manufacturing company and he lived in the neighborhood, took the bus, blah, blah,

blah. When that neighborhood changed to African American, those local companies had extreme difficulty in absorbing and training the local workforce, and we can see it 20 years later.

So we went to partner with the Industrial Council of Nearwest Chicago, and these are our local employers. Let's work together, let's create a program that is going to open the doors for our community residents, brown and black, and is going to get you the workers you need. And we actually sat down and planned the bloody thing with our neighborhood small businesses in wood-working and shipping and receiving with the help of the Industrial Council.

The key to that was the employers have some sense of ownership and involvement. And employers got to meet our community people during training. They got to see their dedication. They got to see the quality of our people. And racial stereotypes were overcome, attitudes for ex-offenders were overcome.

And they were setting the standards for training, so they owned it. It is way more than just, you know, I have a company that I am going to take a job order from and steal. No. These guys are involved and they own the program design and they owned its success. And you probably heard from them. We got our funding cut, and these employers, they went to the mat for us. So they own this thing.

And they are 99 percent white small-business owners from the industrial corridor. And it is great when our participants go on a field trip, a tour to a local company; they go in and look at whatever the company is, and they see, oh, there is my neighbor working. So they get the confidence that these guys are giving our people, black people, a fair shake and some opportunity. And, conversely, the small-business owner sees the hard work, the diligence of our trainees.

And, of course, the credibility of our staff and the training institution itself kind of brings the community and business together. These guys have been doing this for 25 years, and——

Chairman SMITH OF NEBRASKA. Great.

Mr. LEAVY [continuing]. They have got quite a reputation in the employer community.

Chairman SMITH OF NEBRASKA. Very good. Thank you. Thank you for your answers there.

Now we will go to Mr. Smith of Missouri.

Mr. SMITH OF MISSOURI. Thank you, Chairman Smith. It is an honor to serve on your committee. And I like the ring of "Chairman Smith," by the way.

I want to thank the panel for being here today. In fact, these issues are extremely important. I have spoken with the chairman and the members of this committee of my personal background and interest in poverty. I grew up in a very working-class family. And I represent an area in southeast, south-central Missouri which is part of the Mississippi Delta, and we have some very interesting dynamics of our own that we deal with.

It is the largest congressional district in the State of Missouri, just under 30 counties. It is roughly 20,000 square miles, so it is very rural. Our largest populated community is a town of 38,000 people, Cape Girardeau, Missouri.

And I want to give you some interesting statistics about our congressional district. According to the Economic Innovation Group, I represent the 14th most economically distressed congressional district in the country, out of 436—14 out of 436, which is absolutely not good. It is also one of the most conservative congressional districts in the country.

The Economic Innovation Group report on distressed communities estimates that 49 percent of adults in my district are not in the labor force, and the poverty rate is 20 percent. These numbers are not much different than the city of St. Louis. In St. Louis, 42 percent of adults are not in the labor force, and the poverty rate stands around 22 percent. So we have more people out of the workforce in our district than the city of St. Louis.

And that is much different, though—Ms. Kneebone, according to your testimony, I think these are interesting facts for the State of Missouri. The picture is really different in the suburbs of St. Louis. Just 6 miles from the city of St. Louis, it is 36 percent adults who aren't working, and the poverty rate is only 6 percent. The city of St. Louis, the poverty rate is 22 percent. In my rural congressional district, it is 20 percent.

All that, in my opinion, says that rural southeast and south-central Missouri experiences poverty in similar numbers to the city of St. Louis, and both are far worse than the suburbs of St. Louis, which the poverty rate is 6 percent.

We know that employment is the single largest determining indicator of poverty, but we continued to see factories close for the last several years. In many cases, we see our good-paying factory jobs go overseas because of economic hardships and burdensome regulations. These factories can't keep their doors open, and that means that we are losing good jobs.

We had one employer in Butler County, Missouri, in my first year in office that cited that the reason that they were shutting down their doors and eliminating roughly 500 jobs was because of unnecessary and burdensome regulations that they couldn't comply with and was moving to Mexico. This is a real problem and something that has to be changed.

When nearly half of adults in my district aren't working and are out of the labor force entirely, our communities are deeply in trouble.

Mr. Partridge, with many rural areas declining in population, who is staying behind? Are these areas becoming wealthier as those who remain have good jobs and choose to stay, or are they becoming poorer as those without means are unable to leave?

Mr. PARTRIDGE. Thank you, Mr. Smith.

I think the answer to that question is it depends. Because if we are talking about a rural district—very, very, very rural districts where people left, what is left behind is often relatively wealthy farmers that are very big. So, in that sense—then you have other districts where you have brain drain, where the talented people leave, and that leaves behind a workforce that is less educated and it is just going to be less dynamic. There is going to be less business formation and so forth.

So it really depends on the setting. There is just a lot of diversity.

Mr. SMITH OF MISSOURI. So just a lot of barometers and issues.

You have been doing a lot to improve the economies of rural areas. Could you give us some examples of what maybe you have done for people in their 30s and 40s to help grow the economy in rural areas?

Mr. PARTRIDGE. Well, what I have done is I have tried to point out that when people—especially in the last 15 years, there has been a lot of emphasis on attracting young people with really cool downtowns and so forth, and rural communities can't compete on that. They are just not going to do very well on that basis.

However, they can compete on being family-friendly and having a really nice environment and lifestyle for certain people. So, in that sense, people in their 30s and 40s are no longer looking for cool bars; they are looking for a place to send their kids and be safe. That is where rural communities can thrive.

Mr. SMITH OF MISSOURI. Thank you, Mr. Chairman.

Chairman SMITH OF NEBRASKA. Thank you.

And next we have—yes, Ms. Sewell. Sorry. Go ahead.

Ms. SEWELL. Thank you, Mr. Chairman.

And thank you, panelists. This is the first subcommittee hearing as a new member of Ways and Means that I get to participate in. And I have to tell you that I am very excited, Chairman Smith and Ranking Member Davis, about the opportunity to be on this subcommittee.

My district is the Seventh Congressional District of Alabama. I grew up in this district. It is a district that includes the city of Birmingham, which is the largest city in the State of Alabama, but it also includes Selma, Alabama, which is my hometown, and many rural communities around Selma. The median income for a family of four in my district is \$34,000, and 22 percent of the families in my district live in poverty.

It is affectionately called the Black Belt of Alabama because of the very rich soil. That used to be very agrarian and agricultural. It is where a lot of the Cotton Belt of Alabama, back in the day, used to exist. Now it is filled with a lot of rural communities that are struggling.

I often say that what we lack in the Seventh Congressional District in terms of economic prosperity we more than make up for in

heart, in fight, in spirit. What we need are better opportunities, more resources, a hand up, not a handout.

Having said that, I was very intrigued by what you were talking about, Mr. Partridge, in terms of regional collaboration. The Appalachian Regional Commission, which you cited, has done some great work across the 13 States that it encompasses, with relatively limited resources when you think about the fact that they have to deal with 13 States.

In fact, my district doesn't get a lot of resources from the ARC. Many of the collaborative regional resources that we receive come from the Delta Regional Authority, which has a very limited budget. It is one-tenth of what ARC is. Yet it is literally the lifeline for so many of the communities I represent.

Can you talk a little bit about the regional collaboration and what we can do as lawmakers that are not in the position of providing appropriating dollars but, rather, authorization of different social net programs that can be effective in reaching communities like so many of us represent?

Mr. PARTRIDGE. Thank you, Ms. Sewell. I think you really described a lot of the issues well.

So when you get down into central southern rural Alabama, you have a lot of counties. They lack resources. There are many disparate Federal—you know, Economic Development Administration, USDA Rural Development, Department of Labor workforce training, and so on—all these disparate groups. And these counties just lack things like even an economic development coordinator or one without a lot of training who knows how to write these very complex grants.

And so that is one of the key things that ARC has done, is it is a Federal-State, so it is flexible, it isn't one-size-fits-all, but they are really kind of a leader. And they have, like, how to do grant-writing, to bringing all these disparate counties together to work collaboratively, because if you get jobs in one county, people commute and take them, it helps the whole region.

So, in that sense, what I view these organizations as doing is they are the broker. They are the ones who can bring everybody to the table with relatively modest resources.

Ms. SEWELL. What do you suggest we would do on the authorization side when it comes to workforce development?

I would like to get you, Mr. Leavy, involved as well. You know, one of my passions is workforce development, because here is what I know for a fact. So many of the folks that I represent want better opportunities. They want jobs. The problem is finding those jobs. In rural America, a lot of those manufacturing opportunities have really dried up. And so, when you finally do get an opportunity, people haven't worked in those manufacturing jobs for generations.

My biggest example is Wilcox County, which is the poorest county in the State of Alabama. It is in my district. And we got—I am the only Democrat in Alabama, but I have very good working relationships with my Republican colleagues. And we were able to convince the Governor to give us a \$150 million manufacturing opportunity in the poorest part of my district. It is a copper manufacturing facility. Here is the problem: We are now busing in people from other communities, Tuscaloosa, to come and take these jobs,

because we have had generations of people who haven't had an opportunity to work.

Now, given this great opportunity, how do we bring folks up to speed when it comes to workforce development?

Mr. LEAVY. Okay. I will take a shot at that.

What happens is, when people are out of the workforce for a long time, they don't trust the employers, they don't trust the system, they are kind of hanging back, they are not willing to make the effort, because they are afraid to fail. So you have to get them started in baby steps, and you have to have institutions that can engage them credibly.

And if they are engaged and if they believe in the training institutions and they start putting forth the effort, then you can see these folks can learn just like anybody else can learn.

Okay. So it is a—we call it work ethics, okay? And we train for it on the shop floor every day. I mean, Linda's shop is a workplace, and you have to come on time, and you have to respect your fellow workers, and you have to follow the boss's instruction. So you get work ethics training every day on the job. And that is an essential part of getting people to understand that this can work for them, okay, and getting used to the workplace disciplines.

So you have the workplace disciplines; you have basic skills remediation. And then people say, oh, hey, if you pass this, if you do that, you are going to get to run that machine, you are going to drive that forklift. People can see progress, okay? And these folks can learn it. They need to get motivated and believe it is possible for them.

Ms. SEWELL. Chairman Smith, thank you so much for allowing him to answer that question.

I think it just goes to the need that we can try to explore in this committee, workforce development strategies that will work across the board for people dealing with poverty issues in suburbia, in urban, and in rural.

Thank you, sir.

Chairman SMITH. Right. That is absolutely—and, certainly, for the answers to the questions, that is very relevant.

Mrs. Walorski?

Mrs. WALORSKI. Thank you, Mr. Chairman. And, again, thank you for holding this important hearing. I am absolutely passionate about this issue.

And I am so glad each of you are here. My district is northern Indiana, and so we are 2 hours from Chicago and have, in the past, on some other committees I have been on, looked at best practices and places and things that are happening in Chicago that really are, I think, a standard right now of where we are looking.

I want to give a shout-out to our Goodwill in Indiana, the Goodwill Industries, and what they have done in our district, our State, as they have been able to, you know, hone in on this issue of collaboration, which I want to come back to, Ms. Slater, in a second and talk about that.

I think it is incredible that all of your research, all of your findings, and other experts that we have had speak to Congress over the last couple of years—it is so apparent to me that all the work that we are doing—when we look at traditional approaches from

government, which has been increase funding, increase funding, increase funding, and when you start looking at the numbers of people in poverty, where they are coming from, where they are moving from, it just becomes so important, in my mind, to do the kinds of things you are talking about, which is connecting people to this equation.

It still takes people on the front lines to coordinate. It takes people on the front lines to be able to honor human dignity and to make sure that we are looking at all the seeds of the problem and we are actually doing something to make sure that there is an economic ladder out of poverty in this country, the greatest country on the face of the Earth.

And I am so convinced that the solutions to our very problems are right here within the kinds of research that you have all done and the kind of things that you have moved along, that we are moving the dignity of people along as well, that, you know, we are equipping a nation. We are doing it, using each other in collaboration.

And I think, Ms. Slater, to your point, my district is very much a case study like what you are talking about in Nebraska. I am 2 hours from Chicago. We are urban; we are rural. We have all the same kind of makeup that, you know, a lot of these small rural areas are.

I am terrified that if we don't come together and fix this in a bipartisan way that rural America will not recover and that we are going to be groping for bigger issues later if we don't come together and solve this now.

But I am so convinced about this issue of collaboration. And I am working on a bill right now as we approach TANF.

Can you just talk about some of the best practices that you have used in your community to collaborate on the front line and why that is going to be important as we look at, you know, tangible assistance to needy families in the real quick future here?

Ms. SLATER. Sure. Thank you very much.

Truly, the thing that comes to mind that you just summarized is it is about people. It is about people working together that are there to actually serve the people we are seeing every day.

And so, truly, it becomes—and I think it is one of the advantages, maybe, of the rural community, is we know each other. It is asking for help. It is actually acknowledging what your core is and what cores come from other agencies.

The other thing that I think is a plus in the rural community, but not unique, is the fact that if there is an individual with a barrier in a small community, everybody in town knows that. They talk about it. They know Tammy at Goodwill, and they will call and see if we can be of assistance.

But it is really about the whole relationship and trying not to make it the competition that sometimes it becomes but what are we really good at. And that is one of our best practices, is we have a lot of diverse programs, but at the end of the day, what are we the best at. So if something else comes along, we have learned to say "no" and to extend a hand and offer something that we may know about to someone else.

Mrs. WALORSKI. That is incredible.

Ms. SLATER. Because you cannot be good at everything.

Mrs. WALORSKI. Absolutely. And that is a great point.

I just have a question for all of you in this last minute here. One of the things in my community that is a plus, both on the rural and the urban side, is the benevolence of my community and the private dollars in regional coordination that are beginning to flow into our own community from our own people—private dollars, community foundations that are really understanding this.

I guess, Mr. Partridge, let me just address that to you; it is your research. Do you see that emerging now in this country, where we are looking at partnerships, even financially, so it is not just a one look at a government but we are looking at resources inside our communities as well?

Mr. PARTRIDGE. I think you exactly described it right, in the sense that, you know, a lot of this has been promoted—you know, attempts for collaboration have been promoted by just things haven't been working. And a lot of it is that problems are a lot bigger than what one community can handle.

However, at the community level, as you suggested, I mean, the best way is to—every community has great resources. They have entrepreneurship that is untapped. They have human resources that is untapped. And as I noted in my testimony, you know, just the multiplier effects of new jobs created, spillovers from small-business creation and local entrepreneurship are just rather remarkable.

And so, in that sense, building from within is, I think, the best strategy, and the kind of collaboration you are talking about is the way to go.

Mrs. WALORSKI. Thank you.

And thank you, Mr. Chairman, for your indulgence. Chairman SMITH. Thank you.

And next we have Mr. Reichert.

Mr. REICHERT. Thank you, Mr. Chairman.

Thank you all for the hard work that you do. And it sort of seems removed just a little bit, as we are in this formal setting, from the reality of the topic that we are discussing, doesn't it? I always sort of get overwhelmed by that thought.

But I was thinking back to one of the first hearings that I had when I was chairman and working with Mr. Davis as the ranking member, and I shared my story. There are a lot of stories here, and you have a lot of stories, a lot of stories out there in the audience today, too, listening. And as I shared my story, after the hearing Mr. Davis said to me, "You know, you and I could have grown up in the same neighborhood." And sometimes we forget that we all come from different places, we all come from areas in our life where we struggle.

And Sandra Collins was one of those people from the Goodwill Industries organization in the Seattle area. She testified not too long ago when I was the chairman of this subcommittee. What a success story for Sandra. Sandra was homeless. She had two teenage daughters and was addicted to meth. She had a criminal background. She had no high school diploma, did not have a driver's license when she first connected with the Goodwill.

But, as she was giving her testimony, she got news that she was just about to be promoted to supervisor. So Sandra is still working at the Goodwill in the Seattle area and is now the manager. So we are proud of her and proud of the work that Goodwill Industries does all across the country, and we need every one of your efforts.

So Ms. Sewell was concerned about people coming in to populated areas and taking jobs, and I am concerned about some of the rural areas having the opportunity to come into those areas and get jobs. But we have to balance that, I know.

And I wanted to ask Mr. Partridge, are there any programs that—you know, because sometimes people have to make those decisions to relocate to find a job. What are we looking at as far as programs to help people relocate, not necessarily to take all the jobs but to participate in the workforce?

Mr. PARTRIDGE. Well, thank you for the question, Mr. Reichert.

I think you really hit upon—one really important issue is that, in the past, the key way that Americans did economic opportunity, reached it, was by migration. We were probably the most mobile society in the world for generations. And in the last generation, that has really changed. Young Americans are much less mobile than before.

So one of the ways that poverty can be reduced is taking people from places that there are a lack of opportunities and moving them to places where there are opportunities. And one of the problems is they are relatively poor, they lack resources for that. They don't have a network, you know, to find a job. Their skills might have been okay for where they are at, but they are not necessarily good in an urban environment.

So I would encourage efforts to, at least on a pilot basis, to try to look at helping migration of workers to where there are more opportunities. However, it is just a little bit more complex than saying, "Here is some money, go move," because of these other issues about the lack of job networks and the lack of training for the kind of jobs that would exist in urban areas.

Mr. REICHERT. Great. Thank you.

Mr. Leavy, I wanted to touch on one of your comments as you rolled off the statistics about unemployment between Black men, Hispanics, and Caucasians. And I was reading your statement, and you used the word "controversial" in your comments, but it is not used in your statement. And I don't see anything controversial about it. I just wanted to point that out. Because people are people, in my opinion, and we are here to help.

So let me just further state very quickly that I think it is sad that the 50-percent dropout rate—I mean, that is just an unacceptable number, and I think that is one of the things we have to address.

I am an old cop, 33 years on the streets in King County. I worked with people on the street in drug addiction, alcohol, homeless, all the time. One of the things we need to do—and I am very high on prevention. What do we need to do to get these young people to graduate so they don't start already behind the curve?

Mr. LEAVY. Well, we have actually—we started an alternative high school for dropouts in Chicago because the dropout rates were so severe—

Mr. REICHERT. But it is still 50 percent. We need to do a lot more.

Mr. LEAVY. They have been—it has been—it has been—I use the term, schools had and are still reporting, neighborhood schools had and are still reporting the dropout rate in Chicago has improved a little bit. Okay? I will give you that. And there has been a lot of intervention on dropouts and special programs for dropouts, some of which reasonably work in the city.

So we are a lot better on the dropout front than we were 10 years ago. And we did a lot of research on that and got some bills passed with Senator del Valle at the State level to deal with the re-enrollment of dropouts. So there is a commission in Illinois for the re-enrollment of dropouts, and we got the issue in the public attention, and so we have made some serious progress.

There are still tons of at-risk kids. And we run an alternative school in the heart of the west side, and our kids are pretty alienated sometimes and pretty tough. And putting together, again, the programs that can engage them and discipline them and challenge them is a hell of a lot—

Mr. REICHERT. I would like to engage further with him at a later time, Mr. Chairman. My time has expired. I yield back.

Chairman SMITH. Thank you.

Ms. Chu.

Ms. CHU. Thank you, Chairman Smith.

I represent a very urban/suburban district in Los Angeles County, which has 10 million people. And, Mr. Leavy, the work that you do is in an area that is very similar to this.

In L.A. County, we have a very, very large homeless population. In fact, the most recent count revealed that there are approximately 43,000 homeless individuals living in shelters or in the streets.

Now, you have done a lot of work with similar urban/suburban populations in Chicago. How could Federal antipoverty programs best assist homeless populations in places like L.A. County and Chicago?

Mr. LEAVY. I am trying to get Linda to talk. She is the expert in—she provides all the intensive support services to the very high-need folks. And we have, what did we say, 22 percent homeless and near-homeless in the training program.

So tell them a little bit about the transitional work and how it helps the homeless.

Ms. THOMAS. So we, through our city dollars, have come across what we call transitional jobs training funding, where we can work with our clients to provide additional services. We try to help our customers become self-sufficient and to be able to attend training without worry.

And so we are able to create jobs within the program and give them a weekly stipend to support them with their needs. We are able to address their ability to secure housing and their ability to get to training and their ability to have clothing and doctors appointments so that they will have a positive outcome through our transitional jobs training funding.

Ms. CHU. So, for this homeless population, what elements of what you have talked about are the most important? For instance, how important is accessibility to quality housing?

Ms. THOMAS. For the homeless population, if I don't have secure housing, I will not do well in the job. Before I can take on employment, I have to make sure I have secure housing, I have to make sure that I have transportation to get to that job every day.

So, when they are in the training program, we are going to immediately on day one start to look at those resources that are out there to make sure this person will have secure housing. Because we have a lot of people, they are homeless with a roof, so they are going to a cousin's house today, they are staying with a friend tomorrow.

And so we are going to work with an agency that is going to help them move into housing where it is secure, so when I start my new job, I can go to work not worrying about where am I going to live tomorrow or will I get back to the shelter in time to get a bed.

So those are the ways that we work strongly to help out with the homelessness, for housing.

Ms. CHU. Yeah.

And, in fact, to follow up, in L.A. County, we have higher-income neighborhoods located right next to low-income and poor neighborhoods. And, in fact, poverty is found in pockets and separated, oftentimes, just simply by a neighborhood.

So how did we get into this situation, and how can we reduce this inequality between the neighborhoods that are located right next to each other?

Mr. LEAVY. Wow. You know, Danny knows, you know, you have the west side, Austin, and then you have Oak Park, and you have a serious dividing line. Oak Park is a pretty liberal, progressive place. They have PADS programs, and they try to keep themselves accessible to the low-income folks in the city. And, you know, I am not sure how you integrate across those barriers. It is a voluntary thing in Oak Park. I live in Oak Park, and they are just very progressive folks out there.

In terms of your question, you know, how do you create cooperation across community boundaries, neighborhood boundaries, I mean, Chicago is extremely racially segregated. And you have neighborhoods on the south and west side that, you know, folks on the north side will not go in. And you have pockets of wealth and affluence on the north side.

And you need community development—most of our development resources traditionally are—I talk about in my longer thing. You talk about triage. You are putting resources for those most likely to succeed. You are not making the investments in the high-risk areas, in the high-poverty areas where you have multigenerational poverty. I mean, everybody wants to pick a winner, and everybody is afraid to waste money on what might be a loser.

And, again, this is an attitude that, you know, we see in job training, we see in education, we see across the board—we see in housing and urban development sometimes. So this triage attitude is something that we really have to get our head around and fight against.

What is happening in our training program—because the labor markets are improving and some people are moving ahead and some people are getting jobs, but those left behind are really desperate, are really sinking. Okay? That is the problem. We are separating more.

You talk about income inequality. We talk about it, you know, on the cosmic scale when Bill Gates and those guys have all the money, but it also happens in our communities. We are segregating the rich and the poor even more, and we need to figure out how to fix that. Clearly, jobs are part of that, and people investing in jobs for low-income people is clearly a part of that solution. But, again, I think there are more economic development issues involved here than I am prepared to mouth off about right now.

Ms. CHU. Thank you.

Chairman SMITH. Right. Thank you.

Mr. Rice.

Mr. RICE. Thank you, Mr. Chairman.

Interesting hearing. It seems to me that the way you deal with poverty is you have to do what you can to make sure people have opportunity on the one hand, and then on the other hand you have to do what you can to make sure they take advantage of that opportunity. And it seems like, mostly, today, we are talking about the second part of that equation, trying to get people to take advantage of opportunities that they have.

My district, I got seven counties in South Carolina. I have Myrtle Beach, a big popular tourist destination, and employment rates are pretty low there. But if you go inland, I have 3 of the top 10 poorest counties in the State. They were very agrarian and textiles, tobacco and textiles. So you can guess what has happened to them in the last 40 years, right? Agriculture doesn't employ as many people, and certainly not tobacco. Tobacco is a fraction of what it used to be. And textiles, those jobs are all gone. There are a lot of empty factories in Marion County, South Carolina.

So, on the one hand, you know, the first part of the equation, trying to do what you can to make sure people have opportunity—and we haven't talked much about that today. But things like tax reform, regulatory reform that Jason Smith was talking about earlier is so important and a lot of the reasons why a lot of these companies that used to be in Marion County have left. And I put that on Washington, D.C.

And that is why I am so very happy that this committee is now working on tax reform and the House is working on regulatory reform, because I think the first part of that equation—I mean, you can train people all you want to, but if there are no jobs available when they get out, it doesn't help very much, does it, Mr. Leavy? So, I mean, you have to get them—

Mr. LEAVY. Believe it or not, a trained workforce can be an incentive for a company to come into an area—

Mr. RICE. That is true. That is another part of it.

You know, there is a program in the Florence-Darlington Technical College; they have a program for computerized digital machining. And they can take 80 kids a year, and it is a 2-year program. And they have two problems: One, they can't get 50 kids a year to sign up for it; and, two, if they do get them to sign up for

it, most of them don't finish. They get through 1 year. Well, the reason they don't finish is because the companies are so hungry for these kids that they hire them before they finish their program. So, in other words, we have this opportunity, but we can't get people to take advantage of the opportunity.

And I believe most people would rather work than be on government programs. I think if you rely on the government to provide for your livelihood, you will always live in poverty. I think the government is incapable of providing for you. But we have 80 different means-tested government programs, many of which are designed to help people to move to work, to move to take care of—and they are not working for a large number of people.

There are still significant numbers of people who would rather be on government programs than actually go out and take that computerized digital machining class and go to work and make \$60,000 a year.

How do you fix that, Mr. Leavy?

Mr. LEAVY. Well, I mean, we deal with it every day. Opportunity plus effort equals success, okay? People have to make the effort to take advantage of the opportunities presented to them. And do they see and believe and is the opportunity real for them? Their perceptions are a lot. And I live in this every day.

In Linda's programs, she is able to get and engage and discipline her people, and the people are enthusiastic, and she has credibility and trust, and the people march through the program and they go out in the labor market and they do well. Okay. And my high school used to be that way, but it is not so much anymore. In our high school, West Side Academy, we are having an issue of student engagement and motivation—

Mr. RICE. Okay. I need you to wind down, because I want to ask somebody else too.

Mr. LEAVY. What?

Mr. RICE. I want to ask somebody else too, so wind up, if you can.

Mr. LEAVY. I will tell you about the West Side Academy some other day. But, you know, it is a question of credibility and trust, and are they perceiving this thing as really working, are they believing in it. And if they believe in the leadership of that school, that school can discipline them, can draw them out, can challenge them. Okay? And they will see it as a benefit to them in their lives. They have to have credibility with those kids, and you can get them to do what they need to do.

Mr. RICE. Mr. Partridge, how do you get them to take advantage of the opportunity?

Mr. PARTRIDGE. Thank you.

One of the things that I have always thought about poverty is that not only do we have to train workers in places where there is a lot of high poverty, there has to be also the opportunity so the person has the incentive to go for 2 years through a training program so they can get a job. And so, in that sense, it is a chicken/egg problem that, you know, there have to be jobs to have incentives for people to get the training so they could actually get a job. So you are absolutely right. It is a chicken/egg issue.

And one of the things that you raised is the general macro-economic environment has not been very favorable for the lower half of the income distribution. And, you know, any efforts there—manufacturing was an old mainstay for that group. And any efforts there to build up that part of the economy, I think, would have very large positive effects.

Mr. RICE. Thank you, Mr. Chairman.

Chairman SMITH. Thank you, Mr. Rice.

Mr. Curbelo.

Mr. CURBELO. Mr. Chairman, thank you very much for holding this hearing.

I think you always hear politicians talk about the middle class, and, indeed, the middle class is important. It is the engine of the American economy. But that is also where most of the votes happen to be. In poor communities, there aren't as many votes. Yet we are here because you care about this issue, Mr. Chairman, we care about this issue, and certainly our witnesses do.

So I thank you all for coming.

Ms. KNEEBONE, I want to talk to you about suburban poverty. I represent a largely suburban district. And you discussed the migration of poverty from the urban cores out into the suburbs, and of course this is a major concern for me.

I think one of the aggravators or the factors that contribute to this phenomenon is the lack of transportation out in the suburbs. Most urban cores have fairly sophisticated public transportation grids, but as low-income individuals move from the urban cores out to the suburbs, does that lack of access to public transportation aggravate their circumstances?

Ms. KNEEBONE. That is a real challenge for suburban communities across the country, particularly for the poor residents, because as both jobs have shifted away from downtown and poverty has grown more in suburbs, those aren't often happening in the same places. So the distance between where jobs are located and where poor people can afford to live has grown. And we have seen the number of nearby jobs for poor residents fall across the country in urban, suburban, and rural communities.

So the fact that suburbs often don't have public transit systems or, when they do, they are not connected suburb to suburb where a lot of these job opportunities are growing does exacerbate that mismatch. It makes it much harder to connect to those employment opportunities that can give them a path out of poverty and also makes it more incumbent on them to own a car and have to deal with the high costs of maintaining a reliable car that would actually be able to get them to where the job opportunities are.

Mr. CURBELO. So, given that infrastructure investment is a priority for the new administration and for many of us here in Congress, you think there is an opportunity to use some of that poverty data to more effectively make these investments.

Ms. KNEEBONE. Yes, absolutely, both in terms of how we think about where to make transportation investments, in terms of roads versus transit options, you know, where those dollars go, how they are deployed, but also in terms of thinking about where housing is around those networks, where we can take advantage of density

around those transit hubs to increase access to opportunity both through affordable housing and through transportation.

Mr. CURBELO. Thank you.

Dr. Partridge, I should get you on the record about the great theft of 2003, when The Ohio State University robbed the University of Miami of a college football championship.

By the way, Mr. Chairman, the year before, we defeated Nebraska in Pasadena. But let's set that aside, because there is very little time.

I do want to ask you about education. And we have built this idea in our society that every young person has to go get a 4-year degree at a traditional university like The Ohio State University, like the University of Miami. And, in many ways, our Tax Code supports that idea.

Do you think that the lack of an acknowledgement of the diverse paths that there are to success, to getting educated, to acquiring the skills needed to obtain a quality job, that the lack of recognition is aggravating poverty in a lot of communities?

Mr. PARTRIDGE. Thank you for the question.

In some cases, yes, that there is a segment of the high school population that just is unaware of the opportunities. And you are right, many high school curriculums look like a pre-college training program, and so there are fewer of those opportunities.

I think, you know, besides curriculum reform and providing better information to students—that is one of the things that the economists found. If you give the students information, they will make better decisions. Besides that, one of the areas I think is just fantastic in terms of investment and in terms of the role they play in communities and broader communities is community colleges and technical colleges. They are on the ground doing the workforce training, but, even beyond that, they have more of a regional footprint that brings people together in a collaborative process.

So, in that sense, investment in technical colleges and community colleges would have a large payoff for the population that we are talking about.

Mr. CURBELO. Okay. Thank you very much.

I will yield back the balance of my time.

Chairman SMITH. Thank you.

Again, thank you to all of our members here today and certainly to our witnesses. Your expertise is valuable, and we could probably extend this for a few more hours just in discussion. With that being said, though, you will have the opportunity to extend your remarks for the record. The record will be held open for 2 weeks. And so, if you wish to respond in more depth to some of these questions, you will have the opportunity to do so.

And, with that, I say thanks again, and the committee stands adjourned.

[Whereupon, at 11:36 a.m., the subcommittee was adjourned.]

[Questions for the Record follows:]

Questions for the Record for Mr. William Leavy and Ms. Linda Thomas, Greater West Town Project, from Congressman Danny Davis

1. *My congressional district is home to a substantial portion of Illinois' returning citizens, and helping them succeed and support their families is a high priority for me.*
 - a. *Has your training program been successful in helping ex-offenders get into career-track jobs?*

Greater West Town Community Development Project (GWTP) strategically responds to issues of poverty, unemployment, and lack of educational attainment with programs that successfully provide access to economic opportunities for the multi-barriered, disadvantaged residents of GWTP's communities, including ex-offenders. GWTP's Occupational Skills Training and Placement program has been very successful in training and helping ex-offenders enter career-track employment. In 2015-2016, nearly a quarter of our vocational training participants were ex-offenders. Despite the widespread and persistent barriers to employment faced by the formerly incarcerated, GWTP has succeeded in placing over 95% of our ex-offender graduates in quality career-track jobs. In the 2014-2015 program years, when nearly one third of GWTP's Occupational Skills Training graduates were ex-offenders, GWTP placed over 92% of ex-offender graduates in full-time employment. Regular program follow-up analyses have shown that less than 3% of GWTP program participants have been re-incarcerated following graduation, compared to a 47% recidivism rate in Illinois.

This consistently high success rate of placing ex-offenders in career-track employment can be attributed to GWTP's high-quality educational remediation, technical training, and supportive services, and also to the strong and longstanding employer-partner relationships forged and fostered through the agency's unique Community-Business Partnership model.

Ex-offender status constrains the educational and economic opportunities available to those served by GWTP. This population faces significant barriers to accessing basic skills remediation services and other educational opportunities, as well as to job training and employment. A 2014 analysis conducted by DePaul University and WMAQ/NBC shows that, of the approximately 12,000 former inmates who returned to Chicago in a recent 12-month period, 47% returned to communities that we serve.

- b. *How do you identify employers willing to give people a second chance, and build trust with employers over time?*

Greater West Town's collaborative, longstanding Community-Business Partnership model is a key strategy for providing comprehensive employment services to underserved community residents, and advances an essential goal: Providing critical support for community economic development by fulfilling the labor force needs of local businesses, thereby encouraging the retention and growth of the companies in the communities GWTP serves. In identifying potential employer-partners, GWTP first identifies employers that provide living wages, opportunities for advancement, employment benefits, and a diverse workforce. GWTP then works to develop relationships with the employers through company visits to gain a better understanding of the skills required, equipment used, workplace safety, and the general workforce culture of the company. If we determine the employer to be a viable partner, then we will invite the employer to the training facility to observe students participating in hands-on learning activities, and for validation of industry-specific instruction. During

the training facility visit, the employers also have an opportunity to speak with the students about their training. After these initial evaluative steps, we have a frank discussion with the employer to determine whether the company is open to hiring people with felonies.

As employer-partner relationships develop and strengthen over time, the Occupational Skills Training Program graduates placed in employment with these companies serve as ambassadors for the Program, and their workplace success not only better their own lives, but benefits all future Program graduates.

2. *Ms. Thomas, you work directly with these returning citizens as they try to start over. What are some of the key services and supports that GWTP provides to help them overcome the specific challenges they face and succeed?*

Greater West Town Community Development Project has extensive in-house support services to address the special needs of the multi-barriered populations that we serve. Transportation subsidies, emergency shelter referrals, required medical or dental services, career clothing, and other challenges are met by working directly with clients and coordinating services through our network of community and business partners. Our support services program is ready to respond to the hardships, disruptions, and extreme tragedies that too often affect the lives of families in the struggling, disadvantaged communities we serve.

Upon acceptance into the Occupational Skills Training Program, all program participants receive an ongoing objective assessment which leads to the development of an Individual Employment Plan (IEP). The career coach is responsible for this activity, and will assess the participant's history, support service needs, and barriers to employment. Support service strategies to address barriers to employment are identified and agreed to by the Career Coach and participant in the IEP. The Career Coach is responsible for ensuring that support services are provided, as needed, in order to ensure training completion. Case files for each program participant are reviewed at least monthly by the program manager to ensure that support service needs are being met and effectively coordinated. Support services not provided by GWTP will be coordinated with other community agencies that provide the services needed. GWTP works with more than 40 local social service and community agencies to ensure that program participants have access to the wrap-around support services deemed necessary to support their successful completion of the Training Program. GWTP has developed highly effective, collaborative, longstanding community partnerships to ensure access to social services for participants with special needs, such as persons experiencing homelessness, single women with families, domestic violence survivors, and those with prior felony backgrounds. Complimentary case management services are available through Olive Branch Mission, Haymarket Center, and St. Leonard's Ministries. Complimentary Career Coaching and case management supports are provided by our community Adult Education and Training partners, such as Erie House, Chicago Commons, and Jane Addams Resource Corp. GWTP's Occupational Skills Training Program is also participating in the Transforming Impossible into Possible (TIP) program, developed by Dr. Philip Hong and a research team at Loyola University Chicago. The TIP program is a 15 module transformative leadership development curriculum that empowers participants to develop self-awareness, confidence, hope, goal-orientation, leadership, accountability, conscientiousness, and grit. The program is designed to assist low-income job seekers experiencing homelessness, substance abuse, mental health issues, welfare receipt, and ex-offenders, in their transition to employment.

Other key services and supports that GWTP provides include, but are not limited to:

- Stable Housing
- Intense Job readiness preparation
- Transportation assistance
- Referrals for health assessments
- Dental referrals
- Vision Screening/Eye Glasses
- Referrals for anger management
- Provision of interview clothing/work uniform/work shoes
- Grooming if needed
- Good working relationships with Probation Officers helps clients have a successful outcome(holding clients accountable)

[Submissions for the Record follows:]



Testimony for the Record

House Ways and Means Committee Hearing on the Geography of Poverty
February 15, 2017

Submitted by:

Barbara Thompson
Executive Director
National Council of State Housing Agencies
ACTION Co-Chair

Scott Hockman
Senior Vice President & Chief Credit Officer
Enterprise Community Partners
ACTION Co-Chair

On behalf of the Affordable Rental Housing ACTION (A Call To Invest in Our Neighborhoods) Campaign—a national, grassroots coalition of nearly 2,000 organizations and businesses dedicated to creating and preserving affordable homes for low-income families using the Low-Income Housing Tax Credit (Housing Credit)—we appreciate the opportunity to submit comments to the House Ways and Means Committee on the occasion of its hearing on the geography of poverty. A full list of ACTION Campaign members is attached.

Affordable housing promotes financial stability and economic mobility. It leads to better health outcomes, improves children's school performance, and helps low-income individuals gain employment and keep their jobs. It also provides a financial return on our nation's investment through increased tax revenue and job generation. It is the foundation on which any effort to reduce poverty should be built.

As the Ways and Means Committee considers solutions to poverty as well as reforms to our nation's tax code, we encourage the Committee to consider the tremendous impact of the Housing Credit on the lives of low-income Americans, its more than 30 years of success, and its continued bipartisan support.

A Proven Tool to Address a Vast and Growing Need

The Housing Credit is our nation's most successful tool for encouraging private investment in the production and preservation of affordable rental housing. Since 1986, the Housing Credit has financed roughly 3 million apartments, providing roughly 6.7 million low-income families, seniors, veterans, people with disabilities, and other vulnerable populations with access to homes they can afford.

Though the Housing Credit has provided affordable homes for millions of low-income households, the unmet need for affordable rental housing continues to far outstrip the available resources. An unprecedented 11.4 million renter households—more than one in four of all renters in the U.S.—spend more than half of their monthly income on rent, leaving too little for other expenses like food, medical bills and transportation.

Meanwhile, we continue to lose affordable housing from our nation's stock. Nearly 13 percent of the nation's supply of low-income housing has been permanently lost over the past 15 years. Over the next decade, the demand for affordable housing will become even greater as 400,000 new households enter the rental housing market each year, many of whom will be low-income. According to a recent study by Harvard University's Joint Center for Housing Studies and Enterprise Community Partners, the number



of renter households who pay more than half of their income towards rent could grow to nearly 15 million by 2025.

A Model Public-Private Partnership

For 30 years, the Housing Credit has been a model public-private partnership program, bringing to bear market forces, state-level administration and more than \$100 billion in private sector resources. Under the program, private sector investors provide upfront equity capital into a property in exchange for a credit against their tax liability in future years. Credits can be claimed only after properties are built and occupied by income-eligible residents at affordable rents. This unique structure transfers the real estate risk from the taxpayer to the private sector investor.

The Housing Credit also benefits from state-level administration, which reflects local priorities. Each state determines how to allocate Housing Credits to respond to specific local needs, directing resources where they are needed most. For example, more than 10 percent of Housing Credit properties nationwide are set aside for rural communities, and some states have set aside more than half of their allocation for rural communities. Other state preferences include suburban communities, certain metro areas, and Native American reservations, to name a few – underscoring the Housing Credit’s flexibility and ability to support low-income residents in all types of communities.

State allocating agencies also oversee a rigorous approval process for these developments and monitor properties for compliance with program rules after their completion. Each state is required by the tax code to provide only enough subsidy to ensure financial feasibility, and underwrite Housing Credit properties at three different stages of the development process to ensure they provide no more Housing Credit than necessary to each development.

Accountability through the Tax Code

In the rare event that a property falls out of compliance anytime during the first 15 years after it is placed in service, the Internal Revenue Service is able to recapture tax credits from the investor. Therefore, it is in the interest of the private sector investors to ensure that properties adhere to all program rules, including income eligibility, rent limits and high quality standards. This rigorous private sector oversight is a hallmark of the program, and has contributed to its unparalleled record of achievement. In fact, only 0.66 percent of all properties during the Housing Credit’s 30-year history have gone into foreclosure, a record far better than any other real estate class.

Incentive to Address a Market Failure

Virtually no affordable housing development would occur without the Housing Credit. That is because housing simply costs too much to build for owners to charge rents that are affordable to low-income households absent an incentive such as the Housing Credit. According to Harvard University’s Joint Center for Housing Studies, to develop new apartments affordable to renter households working full-time and earning the minimum wage without the Housing Credit, construction costs would have to be reduced by 72 percent of the current construction cost average – making the homes either substandard or financially infeasible.



ACTION Calls on Congress to Support the Affordable Housing Credit Improvement Act

Though the need for Housing Credit-financed housing has long vastly exceeded its supply, Congress has not increased Housing Credit authority in 17 years. To make a meaningful dent in the affordable housing supply gap and help hundreds of thousands of families in poverty, the ACTION Campaign urges Congress to expand the Housing Credit by at least 50 percent. On average, state Housing Credit allocating agencies receive applications requesting two to three times their available authority, but these viable projects must be turned down because of the lack of Housing Credit authority to meet the developer and investor interest.

Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT) are poised to reintroduce the bipartisan Affordable Housing Credit Improvement Act to expand the Housing Credit by 50 percent and enact numerous provisions to strengthen the program. We expect House Ways and Means Health Subcommittee Chairman Pat Tiberi (R-OH) and full Committee Ranking Member Richard Neal (D-MA) also to soon introduce legislation containing many of the same provisions to strengthen the Housing Credit. The ACTION Campaign strongly supports these bipartisan efforts.

The ACTION Campaign also stresses the importance of protecting the Housing Credit in tax reform, and making necessary adjustments to ensure that its production and efficiency are not compromised. This includes retaining the tax exemption on multifamily Housing Bonds, which provide financing to roughly 40 percent of Housing Credit developments and are critical to sustain the Housing Credit's production potential.

**Written Statement to Ways and Means Human Resources Subcommittee Hearing
On the Geography of Poverty, February 15, 2017**

Charles Bruner, Ph.D.

The House Ways and Means Human Resources Subcommittee held an important hearing on February 15, 2017 on the topic of the geography of poverty. This topic deserves continued attention – and additional focus upon issues of age and race within different geographic areas. It also deserves further drilling down not only to a county level, but to a neighborhood and census tract level.

This is needed to correct one statement in the release for that hearing that may be part of the perception about poverty but simply is not borne out by a detailed look at the facts:

The traditional geography of poverty is changing. In recent years, poverty has shifted from cities to the suburbs, while poverty rates in rural areas are consistently higher than rates in urban communities.

In fact, Elizabeth Kneebone's testimony from the Brookings Institution at the hearing itself showed that, in terms of Americans in poverty, both suburbs and cities have experienced steady increases in the numbers of people in poverty from 1970 through 2015, while the number of people in poverty in rural areas has declined. Of course, population growth during this period has been primarily in metropolitan areas, and this only speaks to the numbers of people in poverty and not to their rates.

The Institute for Research on Poverty at the University of Wisconsin, however, shows poverty rates by center city, suburb, and rural/small town America over a similar time period (1967-2013). While in 1967 the highest poverty rate was in the rural/small town areas (20 percent, compared to 15 percent for center cities and 7 percent for suburbs), by 2013 center city rates (18.9 percent) had surpassed those in rural/small town areas (16.5 percent), while suburban areas had shown the largest percentage increase (to 11.9 percent).

The figures from both these reports come from United States Census data, which is the source for virtually all information about poverty in the United States.

Further analyses of poverty over this period from the Census also show that there have been dramatic reductions in poverty among seniors, while the poverty rate among children has increased. Moreover, while 61 percent of seniors in poverty are white and non-Hispanic, 69 percent of children living in poverty are either non-white or Hispanic. More of the poverty in rural areas is in the senior population, while much more of the poverty in the center cities is among children, particularly very young children.

When analysis is kept at the county level, the differences between center cities and suburbs generally are missed, as well as differences within neighborhoods in center cities or types of rural areas. When poverty is examined at the census tract level, the tracts with the highest child poverty rates (where 50 percent of the child population or more is in poverty) mostly are in center cities. Higher poverty areas for rural and small towns that do exist almost entirely are in the South and Southwest or on reservation land.

These high poverty tracts, whether in center cities or elsewhere, generally are the most distant from job opportunities, educational and recreational supports, and access to good housing and transportation. They generally are highly segregated racially and places subject to historical discrimination.

Finally, they are rich in young children. In census tracts with child poverty rates of 10 percent or less, 5.9 percent of all residents are young children (0-4). In census tracts with child poverty rates over 50 percent, 8.6 percent of all residents are young children (even with the undercount of young children in the census). These census tracts need commensurately more opportunities for children to grow and develop – physically, educationally, and socially – into healthy and productive adults – but generally have far fewer.

Part of the subcommittee release was a statement from Chairman Adrian Smith (R-NH), that stressed the importance of finding different solutions related to different geographies and needs to reach one common goal:

Our instinct might be to think rural Nebraska and urban Chicago are so vastly different they have nothing in common. But what we are charged to do in this subcommittee is to find ways for individuals and families to succeed, and those challenges are universal, even if they require different solutions ... It's important we realize and respect the differences between the constituencies we represent, as too often Congress proposes national, one-size-fits-all solutions when local flexibility is really what's needed.

As this work proceeds, it is essential to tackle poverty issues with particular attention to differences of who is living in poverty across geographies – seniors and young children; white non-Hispanic and nonwhite and/or Hispanic persons.

Further, if America society is to eliminate or dramatically reduce poverty over the long-term, it is critical that children growing up today, whether or not their households can escape poverty, have the opportunity – particularly health, safety, and education – to themselves grow up to be free from poverty as adults and as they raise their own children. While it remains important to address the needs of seniors to live in safety and dignity, with their basic needs met, the long-term solutions to poverty ultimately will be determined by to the extent to which children can grow into adulthood healthy, educated, and ready to take on responsibilities of work, career, and parenthood.



**Statement of Enterprise Community Partners
In Response to the Ways and Means Committee Hearing on “The Geography of Poverty”
February 15, 2017**

Enterprise Community Partners appreciates the opportunity to provide comments in response to the House Ways and Means Committee’s hearing on the important issue of “The Geography of Poverty.” We applaud House Human Resources Subcommittee Chairman Adrian Smith’s commitment to finding solutions to address poverty, recognizing that the best approaches will differ among different types of communities.

Enterprise is a national nonprofit organization that works to create opportunity for low- and moderate-income people through affordable housing in diverse, thriving communities. Recognizing that the lack of stable, affordable housing is a critical factor associated with poverty, Enterprise and its family of companies find opportunities to provide the development capital and expertise needed to build affordable housing and fund community development projects in urban, suburban and rural neighborhoods.

Since 1982, Enterprise has raised and invested more than \$23.4 billion in equity, grants and loans to help build or preserve nearly 358,000 affordable homes in strong neighborhoods. Two of the primary tools that we use – the Low-Income Housing Tax Credit (Housing Credit) and New Markets Tax Credit (NMTC) – were made possible by the continued bipartisan support of the House Ways and Means Committee. Enterprise has invested over \$11 billion in Housing Credit equity throughout the country to date, creating or preserving nearly 137,000 affordable homes across more than 2,000 developments. Enterprise has also used the NMTC to invest \$824 million in distressed communities, creating over 16,000 jobs.

As the Ways and Means Committee considers solutions to poverty as well as reforms to our nation’s tax code, we encourage the Committee to consider the tremendous impact these programs have had to date, their track records of success and their bipartisan support. We also encourage the Committee to consider how to invest in communities with an eye towards ensuring access to opportunity for all low-income residents.

Our Nation’s Need for Affordable Housing is Vast and Growing

More than one in four U.S. renter households – roughly 11 million households – are severely rent-burdened, meaning that they spend more than half of their monthly income on rent and are left with too little for other necessities like food, medical care, and transportation. Meanwhile, only one in four eligible low-income households receives any housing assistance, despite the fact that not a single county in the U.S. has nearly enough affordable apartments.

The affordable housing shortage is expected to grow in the coming years. An estimated 400,000 new households will enter the rental housing market each year for the next decade, many of whom will be low-income, while we continue to lose affordable housing from our nation’s stock due to obsolescence, decay, and conversion to market rate. A study by Harvard University’s Joint Center for Housing Studies and Enterprise Community Partners found that the number of severely rent burdened households could increase to nearly 15 million by 2025. Investing in the development and preservation of our nation’s affordable housing stock will be a critical step towards mitigating the economic difficulties that millions of Americans face.

Affordable Housing Improves Lives and Contributes to Local Economies

Poverty creates a network of disadvantages that impacts all aspects of life, from education to health, many of which are directly tied to the place that a person lives. Research from Harvard University’s Raj Chetty



found that each year a child spends in a high-poverty neighborhood – as opposed to a lower-poverty neighborhood with more opportunities – decreases her chances of going to college, increases her chances of becoming a single parent and decreases her expected earnings as an adult.

Affordable housing is a critical intervention in the cycle of poverty that leads to better health outcomes, improves children's school performance and helps low-income individuals gain employment and keep their jobs. When families have access to affordable housing, they are less likely to forgo needed doctor's visits and medications due to limited financial means. In this sense, affordable housing functions as a "vaccine" to many of the consequences of poverty, including food insecurity and mental and physical health ailments.

Equally critical is the link between affordable housing and improved education performance. Poverty is often coupled with frequent housing moves due unstable living arrangements, and moving children is directly tied to lower test scores, behavioral problems in the classroom and an increased risk of dropping out of school. A stable living environment through affordable housing improves performance in school, which is directly connected to an individual's opportunity for future earnings and economic mobility.

Finally, low-income families living in affordable housing have more discretionary income than low-income families who are unable to access affordable housing. The benefits of discretionary income allow families to allocate more money to necessities such as health care and food, and which gives them the ability to pay down debt, access childcare and save for education, a home down payment, retirement or other unexpected needs.

The benefits of affordable housing also extend beyond the residents, providing a financial return on our nation's investment by creating jobs in the construction, real estate and related industries that play a key role in revitalizing distressed communities.

The Housing Credit is a Proven Tool to Encourage the Development of Affordable Housing

The Housing Credit is our nation's most successful tool for encouraging private investment in the production and preservation of affordable rental housing. It has financed nearly 3 million affordable homes since 1986, providing homes to over 6.5 million low-income households in all 50 states and all types of communities, including urban, suburban and rural.

The Housing Credit is also the ideal model to provide flexibility to local communities since urban, suburban and rural communities all face different housing challenges. The Housing Credit is administered by state housing agencies, which allocate the credits based on a competitive process in response to the needs of local communities.

Enterprise urges Congress to expand the Housing Credit by at least 50 percent. On average, state Housing Credit allocating agencies receive applications requesting two to three times their available authority, but these viable projects must be turned down because of the lack of Housing Credit authority to meet the developer and investor interest.

We also urge the enactment of provisions to strengthen the Housing Credit by making it more flexible and easier to use in a wider range of communities, including rural areas and others that are more difficult to serve. Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT) have introduced the bipartisan Affordable Housing Credit Improvement Act to expand the Housing Credit by 50 percent and enact numerous provisions to strengthen the program, and we expect legislation containing many of these provisions to be introduced in the House soon. Enterprise strongly supports these bipartisan efforts.

Enterprise also stresses the importance of protecting the Housing Credit in tax reform, and making necessary adjustments to ensure that its production and efficiency are not compromised. This includes



retaining the tax exemption on multifamily Housing Bonds, which provide financing to roughly 40 percent of Housing Credit developments and are critical to sustain the Housing Credit's production potential.

Addressing Poverty Also Requires Community Development

Investing in affordable housing is a critical component of addressing poverty, but housing must be supplemented by investments in the community's social and economic infrastructure in order to provide opportunity to residents. The New Markets Tax Credit (NMTC) is a proven tool to increase the flow of capital to businesses and low-income communities by providing a modest tax incentive to private investors. Between 2003 and 2012, the NMTC generated about 750,000 jobs and leveraged nearly \$80 billion in total capital investment to businesses and revitalization projects in communities with high rates of poverty and unemployment.

Though the NMTC has been extended numerous times since its authorization with bipartisan support, it is currently set to expire in 2019, which would negatively impact distressed communities across the country that rely on this credit to attract capital and revitalize their economic base. House Ways and Means Committee Members Pat Tiberi (R-OH), Richard Neal (D-MA) and Tom Reed (R-NY) have introduced the New Markets Tax Credit Extension Act of 2017 to permanently extend the NMTC. Enterprise urges Congress to enact this bipartisan legislation so that NMTC projects can continue to revitalize communities with high rates of poverty and unemployment. Enterprise also urges Congress to protect the NMTC in tax reform by permanently extending its authority.

Inclusive Communities Promote Access to Opportunity

Enterprise is deeply committed to promoting fair and inclusive communities with access to opportunity. We believe in providing a range of housing choices for low-income families, which includes preserving existing affordable housing, supporting the revitalization of distressed communities and encouraging the construction of new affordable housing in high-opportunity areas. As the Ways and Means Committee considers solutions to poverty, we encourage the coordination of investments in housing, transportation, education, economic opportunities and other critical elements of strong communities the help families move out of poverty.

Congress Should Expand Key Affordable Housing and Community Development Programs

As Congress considers a thoughtful agenda to address tough problems like poverty through ambitious investments in infrastructure and reforms to the tax code, Enterprise strongly urges Congress to expand, strengthen and protect the Housing Credit and Housing Bonds, permanently extend the New Markets Tax Credit, and ensure that these investments are made with an eye towards increasing opportunity for low-income residents.

**Testimony Submitted for the Record
United States House of Representatives
Committee on Ways and Means
Subcommittee on Human Resources
Hearing on “The Geography of Poverty”
Submitted on March 1, 2017**

Submitted by

**Goodwill Industries International
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**Testimony Submitted for the Record
United States House of Representatives
Committee on Ways and Means
Subcommittee on Human Resources
Hearing on "The Geography of Poverty"
Submitted on March 1, 2017**

Mr. Chairman, Ranking Member, and Members of the Committee, Goodwill Industries International, Inc., looks forward to working closely with Congress, the Administration and other stakeholders to improve opportunities for all people in poverty whether in rural, urban, or suburban areas across the country.

Goodwill Industries International is the membership organization for the 163 autonomous Goodwill® organizations in the United States and Canada. We provide support for each local Goodwill organization serving a diverse range of communities, from dense urban to very rural. In 2015, local Goodwill organizations connected 312,000 people with employment in the United States and Canada. Altogether, local Goodwill organizations provided career and financial services to more than 37 million people, including 2 million people who engaged face-to-face with Goodwill team members and 35 million who used Goodwill mobile and online learning to improve their skills or access virtual coaching and counseling services.

Goodwill organizations are innovative and sustainable social enterprises that fund job training programs, employment placement services and other community-based programs by selling donated clothing and household items in more than 3,200 stores and online via mechanisms like shopgoodwill.com®. Local Goodwill agencies also earn revenue and create jobs by contracting with businesses and government to provide a wide range of commercial services, including packaging and assembly, food services preparation, and document imaging and shredding. Goodwill member organizations offer a variety of programs including intensive one-on-one career services to meet the unique needs of people in their communities. Services focus on family self-sufficiency through financial stability practices that allow households to better manage their money and save for the future. Goodwill leaders know stability at home is necessary so families are healthy and safe so workers can be successful on the job.

As discussed by the four witnesses in the subcommittee hearing on February 15, 2017, communities of all types face a number of common challenges to overcoming poverty: lack of stable housing, education opportunities, transportation, quality childcare and job training. People living in poverty in rural, urban and suburban areas also face challenges unique to their area. Based on the experience of Goodwill's network of local organizations in communities in all fifty states, creativity and individualization are key to overcoming barriers. One example of this is Goodwill of the Finger Lakes, based in Rochester, New York, which collaborates with several partners to operate AgrAbility, the USDA program that invests in national, state and regional projects to encourage, train and support people with disabilities to begin or continue a career in agricultural production, supporting independent living in rural areas while providing a critical resource – food – to the country. Goodwill organizations located in urban centers also respond to community needs with creative solutions. This is happening in Cleveland, Ohio, where Goodwill Industries of Greater Cleveland and East Central Ohio has increased capacity to serve the community in an urban center by opening the Community Campus at Goodwill that houses Goodwill as well as more than 20 other organizations. This co-location of small and large nonprofits that provide complimentary services creates a holistic, integrated approach that saves precious resources for persons served and each organization.

The experience of local Goodwill organizations shows that using a holistic, family-centered approach that provides access to a range of services such as assistance with childcare, housing, and transportation, generates the most success for people earning and sustaining jobs and building careers. Based on this experience, Goodwill Industries International makes the following recommendations:

Congress should maintain provisions in the Temporary Assistance to Needy Families (TANF) program that allow post-secondary education to count as training. Since TANF was created, Goodwill organizations have served more than 2.6 million TANF recipients with pre- and post-employment services including skills training, job search assistance, job retention support, and other career programs. Skills and credentials are critical to help TANF participants become self-sufficient and strategic education and training tailored to the labor market provides a person the opportunity to find and secure a job that leads to a career and eventually, independence.

A well-integrated approach of TANF and WIOA services is critically important for both programs to perform. Many Goodwill agencies provide employment and training services as authorized by WIOA. Of the 156 community-based Goodwill organizations in the U.S., 77 operate Goodwill-funded one-stop career centers, and 20 agencies operate WIOA-funded American Job Centers. A number of other Goodwill organizations operate one-stop career centers funded by other entities or are a contributing partner to the WIOA-funded one-stop Center. Many are also active on state and local workforce investment boards. These boards offer guidance for training programs that will meet the requirements of local employers.

For example, Goodwill Central Coast has been the operator of the One-Stop, now America's Job Centers of California serving San Luis Obispo, since 2009. The agency has an active partnership with the local Department of Social Services, the county TANF administrator. In the One-Stop system, the agency developed an integrated service delivery model where Goodwill and TANF-funded staff work as teammates to deliver the full complement of WIOA services. The intention is seamless delivery of service to job seekers and employers where the staff is designated by function and not funding source. All staff members wear lanyards with the One-Stop logo and are cross-trained to work with job seekers and employers using standard operating procedures. This One-Stop has been cited as an exemplary model of integration by third-party surveyors and state monitors.

Innovation is catalyzed by an opportunity to be flexible and creative. Each Goodwill organization seeks to tailor its programs and services to serve the community's needs, surveying a community's assets and the developing partnerships with other nonprofits, businesses, faith and other local organizations and state and local government entities. Innovation emerges from these effective partnerships. Partners try new approaches – and sometimes fail – as they find the best solutions for rural, urban and suburban communities. Collaborations between employers and organizations providing essential employment and training services need flexibility to innovate strategies to equip people to achieve independence. Support of these collaborations should continue.

Thank you for considering these recommendations. We look forward to working with Congress to improve supports for people living in poverty across the country as they overcome barriers and earn economic independence. Goodwill stands ready to leverage its existing infrastructure to complement government-funded programs that enhance the dignity and quality of life of individuals, families, and communities by eliminating barriers to opportunity and helping people in need to reach their fullest potential through learning and the power of work.

