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Reimagining rural policy:

Organizing federal assistance to maximize rural prosperity

Tony Pipa and Natalie Geismar



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Tony Pipa is a Senior Fellow in the Center for Sustainable Development at the Global Economy and Development Program at Brookings

Natalie Geismar is a Project Coordinator & Research Assistant in the Center for Sustainable Development at Global Economy and Development program at Brookings

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Executive summary

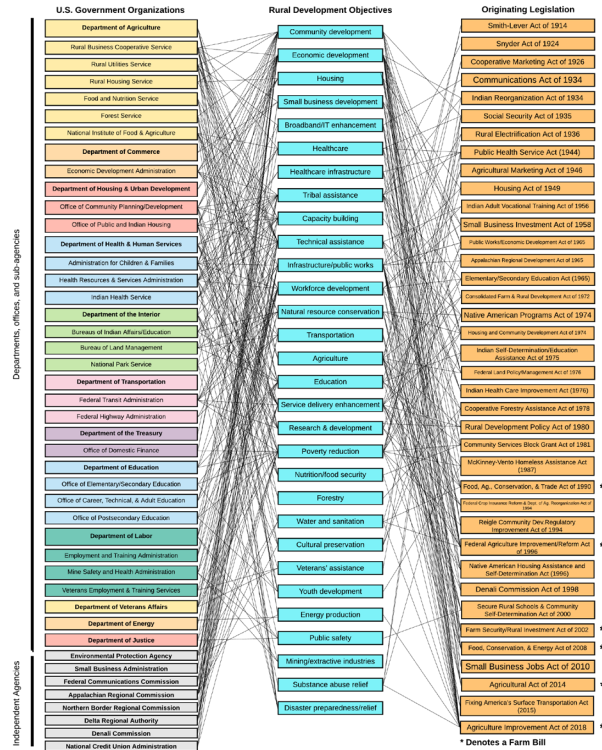
A recovery from COVID-19 that strengthens America’s economic resilience and prosperity, reduces its social vulnerabilities, and addresses longstanding racial and social inequities will require policies that enable more diverse *places*—as well as *people*—to thrive. This must include rural areas.

Rural America boasts a rich diversity of identity, employment, culture, and experiences. People of color comprise 21 percent of the rural population; rural areas have higher self-employment rates than urban counterparts; and rural assets will be central to modernization and transition underway in several of the nation’s key industries. Yet rural people and places also face unique vulnerabilities: Their recovery from the 2008 recession was incomplete before COVID-19 hit, and they lag other areas on indicators of poverty, health, and education. Many distressed rural communities are those where racial inequities dominate.

As rural communities adapt to 21st-century shifts in the national and global economy, demographics, and climate, the fallout from COVID-19 and the attention to racial injustice adds new urgency to their situation. In a nation where long-term poverty and economic distress concentrate disproportionately among people of color in rural areas, it is impossible to disentangle rural development from efforts to promote economic and racial justice. It is time to consider geographic equity as a key element of a long-term equity agenda.

Federal Development Assistance for Rural and Tribal Communities

While USDA is technically charged with directing federal rural policy, programs that promote rural and tribal development are spread widely throughout the government. No comprehensive and integrated strategy exists. As shown below, the array of legislation, directives, and programs meant to help these communities leads to significant confusion and fragmentation.



Federal assistance for rural development is outdated, fragmented, and confusing

The federal programs and tools available today to help generate social and economic development in rural communities serve as a reminder of active and broad federal involvement in the 20th century, and the possibilities for federal leadership to help rural communities meet the current moment. Yet they are outdated, fragmented, and incoherent.

We identified over 400 programs open to rural communities for economic and community development, spanning 13 departments, 10 independent agencies, and over 50 offices and sub-agencies. A total of 14 legislative committees have jurisdiction over the authorizing legislation for rural-eligible development programs. While the U.S. Department of Agriculture (USDA) is charged with directing and coordinating federal rural policy, these

programs go far beyond its authority—and given today’s diversity of rural communities, rural policy must go far beyond agricultural policy. For programs open to many different sized communities, rural communities must often deal with spending formulas or eligibility requirements that are particularly disadvantageous to them.

We also tracked FY2019 funding flows for 93 of these programs which exclusively target rural communities. They administered \$2.58 billion in grants (just 0.2 percent of federal discretionary spending) versus \$38 billion in loan authority.

The urgency of challenges facing rural communities makes a strong case for ambitious federal leadership to support economic and community development in the rural U.S. To maximize the return on federal investment, our recommendations include:

1. Launch a domestic development corporation, modernizing technical capabilities and financing tools

A new corporation would competitively award large, flexible block grants that invest in local vision, accompanied by cutting edge technical assistance, rigorous analysis and measurement of results, and support to strengthen local leadership and civic capacity. It would integrate and expand the breadth of domestic development financing tools, bringing strategy and improved impact to the set of narrowly defined and siloed tools that currently exist. The U.S. government has done this successfully for its international development investments by creating the Millennium Challenge Corporation and the International Development Finance Corporation; it should apply this experience to the development challenges facing rural communities in the U.S.

2. Create a national rural strategy and undertake associated reforms to improve coherence, regional integration, and transparency

A national rural strategy will strengthen coordination by providing clear policy direction to the agencies and stakeholders involved in rural development. To be successful, it must embrace diverse rural perspectives while breaking down urban-rural divides to facilitate regional integration.

Coherent strategy requires a rigorous focus on transparency and results. To increase transparency, we recommend an easy-to-use web tool that tracks federal funding flows to rural people and places. We also recommend a congressional commitment to mandate and provide 5 percent of program funding for evaluation.

To ensure that strategy implementation responds to rural realities, we recommend elevating White House leadership by (1) establishing high-ranking positions responsible for rural and tribal development and (2) creating an office to facilitate interagency coordination and provide consistency and convening power across presidential administrations.

3. Appoint a bipartisan congressional Commission to undertake a top-to-bottom review and build bipartisan momentum for improving the effectiveness of federal rural policy

We recommend a bipartisan, congressionally appointed commission undertake a top-to-bottom review of the effectiveness of federal assistance for rural community and economic development. The Office of Management and Budget is also well-positioned to analyze the extent to which existing policies and regulations disadvantage rural communities.

Introduction: The case for federal leadership in rural development

The COVID-19 pandemic and the tragic police killing of George Floyd have brought heightened attention to the stark inequalities that presently define the U.S. One dimension of this is geographic: the current crises highlight the implications of a national economy built on the success of a select few metropolitan economic centers, which have driven the majority of the nation's recovery and growth since the 2008 recession.¹ Producing a recovery from the pandemic that strengthens the country's economic resilience, reduces its social vulnerabilities, and addresses long-standing racial, economic, and health inequities will require policies that enable more diverse places—as well as people—to thrive.

These must include the country's rural areas. One in five people live in rural America, and rural places help power, feed, and protect America at rates disproportionately higher than other geographies.^{2,3} “Rural” might sometimes get associated with “old-fashioned,” but these areas are central to the transformations and modernization underway in key industries: Rural communities, for example, are home to 99 percent of wind power capacity, and will be central to national climate strategies that require largescale investments in clean energy infrastructure.⁴

Rural and small-town America boast a rich diversity of identity, culture, employment, and experiences. People of color comprise 21 percent of the rural population and are responsible for 83 percent of the population growth that has occurred in rural areas between 2000 and 2010, with immigration partially the source.⁵ Rural areas have higher

self-employment rates than urban counterparts and are comparable in both revenue and profits, despite imbalances in accessing capital from large banks, finding workers, and securing high-speed connectivity.⁶ Their high concentration in manufacturing sectors also makes them well-positioned to help diversify and improve the resilience of global supply chains that have been disrupted due to COVID-19.^{7,8}

Yet rural communities are also uniquely vulnerable. They took longer to recover from the 2008 recession: Employment and prime-age labor force participation still had not reached pre-recession levels in 2019 before COVID-19 hit, while urban areas had more than fully rebounded and grown by 9 percent.⁹ As capital and economic activity increasingly concentrate in a small number of cities, small business starts have plummeted in rural areas and small towns.^{10,11} Many communities are experiencing transition—from industry with adverse environmental impacts, from the loss of manufacturing or a single dominant employer, from reliance on agriculture or public lands—amid new challenges such as extreme weather events and the opioid crisis.

Eighty-five percent of the counties in the U.S. that exhibit high levels of economic distress and low levels of economic mobility are rural.¹² Widening disparities are reflected in lower measures of income, employment, housing, educational attainment, and life expectancy.^{13,14,15} These disparities often manifest most severely for people of color, who experience higher poverty rates and poorer health outcomes in rural areas than their predominantly white counterparts.^{16,17} The COVID-19 pandemic has also exposed significant vulnerabilities in rural healthcare, given the high rate of rural hospital closures in recent years, prevalence of pre-existing comorbidities among rural populations, and limited capacity for telehealth services and acute or critical care.^{18,19,20,21}

As rural communities adapt to 21st century shifts in the national and global economy, demographics, and climate, the fallout from

COVID-19 and attention to racial injustice adds new urgency to their situation. This urgency is compounded by the threat to the national social fabric posed by political and cultural polarization. Population density has increasingly become a predictor of voting behavior.^{22,23} It is hard to envision a dynamic, transformed, healthy U.S. society while significant numbers of communities in the U.S. feel left out or left behind.

These complex and alarming dynamics make a strong case for federal leadership. Historically, the U.S. government has positioned itself as an important partner, pursuing policies and investments to help generate social and economic development in rural communities. From New Deal-era institutions such as the Farm Credit Administration and Rural Electrification Administration to Great Society initiatives of the 1960s, federal interventions have helped reduce poverty and expand capital, infrastructure, and opportunity.

At times, such efforts also reinforced inequities. Past investments have ignored or marginalized minority communities. Industrial and transportation policy often created the conditions for extraction of resources—from fossil fuels to agricultural commodities—to fuel growth in urban centers, positioning rural areas as the source of raw materials and industry, cities as the engine for growth and entrepreneurship.²⁴

Recent practice has demonstrated that strengthening rural prosperity can provide significant economic benefits to urban areas, and that taking an integrated regional approach (such as locally-integrated food systems) can improve resilience to shocks like the COVID-19 crisis.^{25,26} This suggests that investments in regional integration that are attentive to rural community development can play an important role in building a more evenly distributed and durable American economy.

The federal programs and tools that remain in place today serve as a reminder of active and broad federal involvement in the 20th century. Yet, however wide-ranging, they are not

producing deep enough results fast enough. This should come as no surprise—most of the federal policy was not designed to respond to today's economic climate and its particular blend of social and environmental pressures. The signs are blinking: U.S. rural policy needs a reset.

This policy brief examines the federal architecture and federal assistance to support community and economic development in U.S. rural communities and suggests a roadmap of modernization and reform to make it fit for purpose in today's environment. While moral, political, ideological, and personal incentives are all factors when U.S. policymakers make decisions about allocating federal resources domestically, this analysis adopts the principle of "development effectiveness" as its primary lens.

This principle stands as the central imperative of international development theory and practice, forcing governments and policymakers to focus on development results as the main objective for their public investments and the overriding measure of success. This means creating structures and strategy to improve community-level outcomes, such as reduction of poverty, increases in sustainable and inclusive economic activity, and aggregate improvements in health, education, and civic infrastructure. Considerations for attaining these results include program alignment and harmonization; transparency; rigorous evaluation and collection of appropriate data; and local ownership of strategies.^{27,28}

A development effectiveness mindset has been instrumental in building bipartisan support for reforms to U.S. overseas assistance over the past 15 years, helping revolutionize U.S. policy and bolster its role as a global leader in development practice and innovation. We seek to apply the same lens to domestic investments designed to enhance rural health, wealth, and prosperity.

The rural development landscape: Present-day

Rural policy: Not just agricultural policy

The U.S. Department of Agriculture (USDA) is charged with directing and coordinating federal rural policy.¹ USDA Rural Development (USDA-RD), a division within the agency, manages a set of sub-agencies and programs aimed at improving the rural economy and quality of life.²⁹

Many of these programs are authorized as a small part of the “Farm Bill,” an omnibus package of legislation passed roughly every five years that sets policy regarding the nation’s food supply. The majority of the Farm Bill provides for income and price supports for farmers, trade and food export programs, and nutrition programs, including the Supplemental Nutrition Assistance Program (SNAP), also known as food stamps.³⁰ Unlike these large programs, rural development programs authorized by the Farm Bill are not automatically accorded mandatory funding but rely on discretionary appropriations. These occur later in the legislative cycle and they face a higher degree of uncertainty than mandatory appropriations.³¹

This combination of circumstances reinforces a prevailing perception that “rural” equals “agricultural,” and that federal assistance for rural communities is primarily the responsibility of USDA in the executive branch and the House

Committee on Agriculture and Senate Committee on Agriculture, Nutrition, and Forestry in the legislative branch. Accordingly, rural policy is often seen as agricultural policy.

This conception does not reflect reality, in substance nor federal architecture. Agriculture has a strong cultural influence and plays a central role in some rural economies, but it accounts for under 5 percent of total rural wage and salary jobs today.³² Rural employment has become primarily service-oriented: Major service industries including education, health, trade, transportation, and hospitality, combined with manufacturing, account for over 70 percent of rural employment.³³ The make-up of rural economies is as diverse as rural America itself; accordingly, federal efforts to support sustainable rural job creation must reach beyond agriculture to foster local entrepreneurialism and locally-relevant commercial activity and industries, including manufacturing, recreation, and renewable energy, among others.

A confusing federal architecture: Rather than mostly confined to USDA, rural communities (including Native American tribes in rural areas) can access federal assistance for development from more than 400 programs administered across 13 departments, 10 independent agencies and regional commissions, and over 50 offices and sub-agencies.

The starting point is the wide array of programs supporting domestic community and economic development that are available to diverse sizes and types of communities across the U.S., including rural communities.

The majority of programs fit this category. While any community seeking assistance is faced with navigating this gamut, rural communities must often deal with spending formulas or eligibility requirements that are particularly disadvantageous to them, as subsequent analysis shows. Added to these are programs

¹ The 1972 Consolidated Farm and Rural Development Act, an amendment to the 1961 Consolidated Farmers Home Administration Act, serves as the authorizing statute for most USDA loan and grant program and established USDA as the central government coordinating agency for rural development efforts.

Box 1

What is a “development” program?

To understand the landscape of federal assistance available to support rural development, we started with analyses of federal rural development programs produced by the U.S. Government Accountability Office (GAO), then analyzed programs included in the 2019 Catalog of Federal Domestic Assistance (CFDA), compiled and maintained by the U.S. General Services Administration.^{1,2}

Criteria for inclusion:

In curating a list of “development-oriented” programs, we sought to include those that help communities improve well-being, build economic resilience, and create the conditions for long-term prosperity. We broadened the lens used by GAO researchers, which focused strictly on programs with economic development impact, to include programs aimed at social and community development. Such programs include those targeted to distinct groups, such as veterans and Native Americans; environmental and social research programs; and programs whose objectives include racial, gender, or geographic equity, among others.

In line with GAO, we excluded “general entitlement,” means-tested programs such as Medicare, Medicaid, Social Security, Supplemental Security Income, Supplemental Nutritional Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF) programs, as well as others that involve vouchers or means-tested direct payments. We

recognize that they often have development impact, but their primary purpose is focused on providing immediate assistance to individuals or households.

We also excluded policy instruments that expand capital access, such as Fannie Mae, Freddie Mac, and the Farm Credit Council, which do not involve direct monetary transfers from the federal government. Finally, we excluded tax credits or tax incentives such as the Community Development Financial Institution Fund’s New Markets Tax Credit program or Opportunity Zones, that, while representing a subsidy by the federal government, are not categorized as federal assistance in the CFDA nor accounted for in the federal budget as direct federal spending.

Rural-eligible and rural-exclusive development programs:

The analysis, informed by literature review and interviews with rural and tribal experts, yielded over 400 programs which offer funding that is development-oriented and can be accessed by rural governments, leaders, and organizations. The majority of these programs are also accessible by other types of communities. We call these rural-eligible programs.

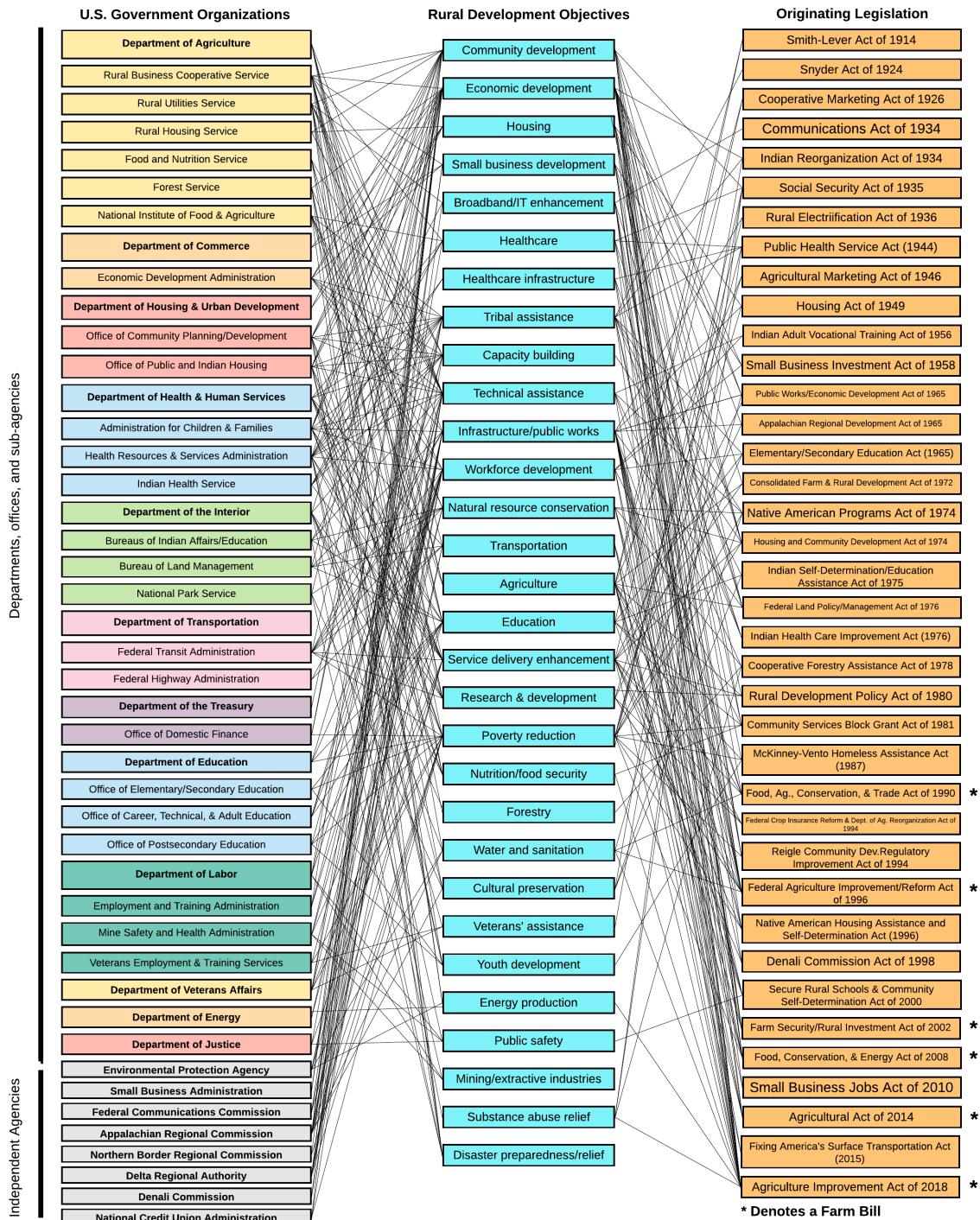
A subset of these programs (93) are designed specifically for rural areas. We call these rural-exclusive programs.

¹ “Rural Development: Federal Programs That Focus on Rural America and Its Economic Development” (Washington, DC: U.S. Government Accountability Office, February 21, 1989), <https://www.gao.gov/products/137966>.

² “2019 Catalog of Federal Domestic Assistance” (Washington, DC: U.S. General Services Administration, October 2019).

Figure 1

The landscape of federal assistance to rural communities is fragmented and complex



Source: Brookings analysis of the 2019 Catalog of Federal Domestic Assistance

Note: Due to space constraints, this visualization excludes a small number of sub-agencies and offices that administer rural and tribal development programs. Lines drawn directly from department names account for programs administered by sub-agencies and offices that do not appear in the chart.

designed specifically to benefit rural communities or open to them only.

The chart below (Figure 1) visualizes this complicated landscape.³⁴ It connects the major authorizing legislation and implementing agencies of underlying programs accessible by rural communities to the development outcomes these programs are meant to produce, as articulated by legislative text and descriptions in the 2019 Catalog of Federal Domestic Assistance (Box 1).

The complexity of the visualization reflects the challenges that rural leaders and institutions confront as they seek support to improve their community’s well-being. Rural organizations and local governments invest time, capacity, and resources to navigate this jumble of opportunities. Successfully accessing and managing the assistance appropriate to their needs requires

sophistication and a high degree of technical knowledge. This poses a particularly significant challenge for rural communities that face technological, financial, and personnel constraints.

Each underlying program that comprises the basis for this chart represents an effort to fill a gap or address a specific need existing programs did not meet, and each resulted from the impulse of policymakers to expand the resource pool for community and economic development. Yet the total result is one of fragmentation and confusion. Practitioners often indicate that accessing federal programs for rural development is complicated and difficult to do, lacking in clear vision and strategy. This visualization suggests there is a significant opportunity to improve the effectiveness and efficiency of federal assistance, and produce better outcomes for rural communities, by improving coherence, reducing redundancy,

Table 1:

Authorizing legislation for rural development programs spans 7 House and 7 Senate committees

Committee (House)	Pieces of legislation	Committee (Senate)	Pieces of legislation
Agriculture	11	Agriculture, Nutrition and forestry	12
Financial Services	9	Banking, Housing, and Urban Affairs	5
Natural Resources	6	Energy and Natural Resources	5
Energy and Commerce	3	Finance	5
Education and Labor	1	Indian Affairs	3
Foreign Affairs	1	Health, Education, Labor and Pensions	2
Ways and Means	1	Commerce, Science, and Transportation	1

Source: Brookings analysis of 2019 U.S. Catalog of Federal Domestic Assistance

Note: Committee jurisdictions for specific issues do not always coincide between the two legislative bodies. For example, the Senate has a committee on Indian Affairs while the House does not; legislation authorizing programs related to tribal nations instead falls under the jurisdiction of the House Committee on Natural Resources. Such instances further complicate the legislative landscape for rural.

WHAT IS RURAL?

There are over 15 different definitions of “rural” used by federal agencies and programs, of which Table 2 shows several. There are at least eight definitions within USDA rural development programs alone. Some programs, such as USDA-RD’s Distance Learning and Telemedicine Grants program, even require applicants to calculate a combined “Rurality Score” based on population size of benefiting areas.³⁵ Federal regulations defining rural often change as laws are amended, adding confusion.

Table 2

A selection of rural definitions used by federal government programs

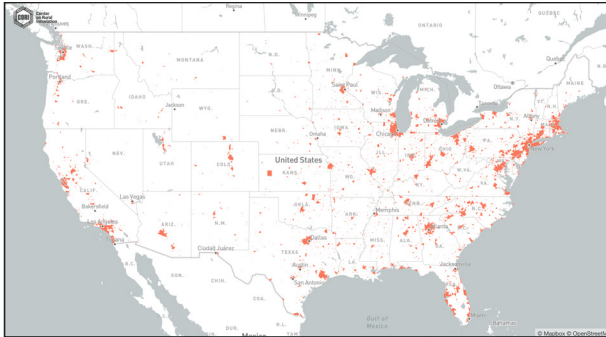
Agency	Classification scheme	Unit of measurement	Rural percent of population (2010 Census)	Description
Office of Management and Budget (OMB)	Core-Based Statistical Areas (CBSAs)	County	15	Rural areas are all areas OUTSIDE of metropolitan areas (urban cluster with 50k+ people), including micropolitan areas (urban cluster with 10k - 50k people).
Census Bureau	N/A	Census block/tract	19	Rural areas are all areas OUTSIDE of urbanized areas (population 50k+) and urban clusters (population 2.5k – 50k). This definition forms the basis for the OMB definition and many others.
USDA Economic Research Service (ERS)	Rural-Urban Continuum Codes (RUCC)	County	15	Subdivides OMB metro/nonmetro areas into 9 categories based on population, urbanization, and adjacency to metros. Categories 4-9 are considered nonmetro/rural.
USDA Economic Research Service (ERS)	Rural-Urban Commuting Areas Codes (RUCA)	Census tract	16.5	Within a set of 10 codes, 7 nonmetropolitan codes form a unidimensional scale of rurality. Levels are determined by population density, urbanization, and commuting patterns.
Health Resources and Services Administration (HRSA)	Federal Office of Rural Health Policy definition	Census tract	18	Accepts all counties not designated as “metropolitan” by OMB as rural; uses RUCA codes to incorporate rural tracts inside metro areas.
USDA Economic Research Service (ERS)	Frontier and Remote Area (FAR) Codes	Zip code	8.5	Classifies “frontier and remote” populations using 4 levels based on time it takes to travel to urban areas.
USDA Economic Research Service (ERS)	Urban Influence Codes	County	15	Subdivides OMB metro/nonmetro classifications into 2 metro and 10 nonmetro categories. Distinguishes metros based on population size and nonmetros by size of largest city/town and proximity to metro/micropolitans.

Note: This table displays seven of over 15 definitions of “rural” employed by federal agencies and programs, many of which stem from the Census Bureau classifications of urbanized areas and urban clusters and the Office of Management and Budget’s metropolitan, micropolitan, and nonmetropolitan delineation scheme.

Note: Rural areas are shown in white.

Table 2a

Census Bureau definition of “rural” based on urbanized areas and urban clusters



Source: Center on Rural Innovation

Table 2b

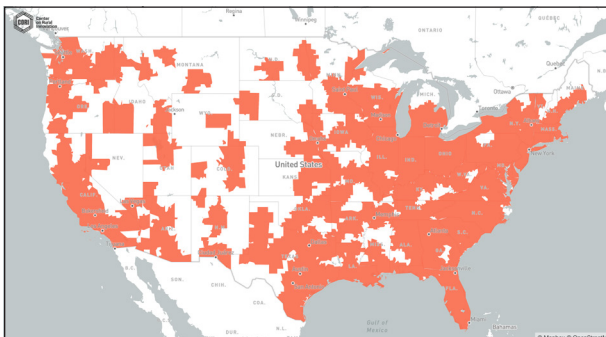
Map of rural America using the Health Research and Services Administration Federal Office of Rural Health Policy definition



Source: Center on Rural Innovation

Table 2c

Map of rural America using USDA Frontier and Remote Area (FAR) codes



Source: Center on Rural Innovation

and increasing coordination to streamline and align the thicket of programs and objectives.

COMPETING CONGRESSIONAL

JURISDICTION: Just as there is no sole agency with the practical authority and influence to rationalize the wide range of efforts administered by the executive branch, there is no one “responsible” committee for rural development in Congress.

A total of 14 legislative committees have jurisdiction over the authorizing legislation (Table 1) for rural-eligible development programs. While the House Committee on Agriculture and Senate Committee on Agriculture, Nutrition, and Forestry figure prominently, the majority of legislation falls under the purview of other committees, with the House Committee on Finance; the Senate Committee on Banking, Housing, and Urban Affairs; and the House Committee on Natural Resources and the Senate Committee on Energy and Natural Resources playing large roles.

Table 1 refers to legislative committees with authorizing powers over the development programs available to rural areas. There exists a similar diversity of appropriations subcommittees, which allocate the funds authorized by this legislation. While the appropriations subcommittees on Agriculture, Rural Development, Food and Drug Administration, and related agencies fund most programs within USDA, the Subcommittees on Commerce, Justice, and Science have discretion over key economic development programs such as those housed in the Economic Development Administration, and the Subcommittees on Interior, Environment, and related agencies make decisions regarding DOI and EPA programs that impact rural resources and public lands.

The breadth of legislation and committees of jurisdiction implicated in rural development makes it difficult to advance a coherent legislative agenda based on rural priorities.

The previous maps (Figure 2a-c) from the Center on Rural Innovation (CORI) visualize

how different federal definitions change what is and is not considered rural. The swath of land considered “rural” —shown in white on the maps—is significantly more expansive using the Census Bureau definition, which considers as “rural” all areas outside of urbanized areas and clusters, than using USDA’s Frontier and Remote Area Codes, which categorize areas

based on how long it takes to travel by car to the edges of nearby urban areas.³⁶

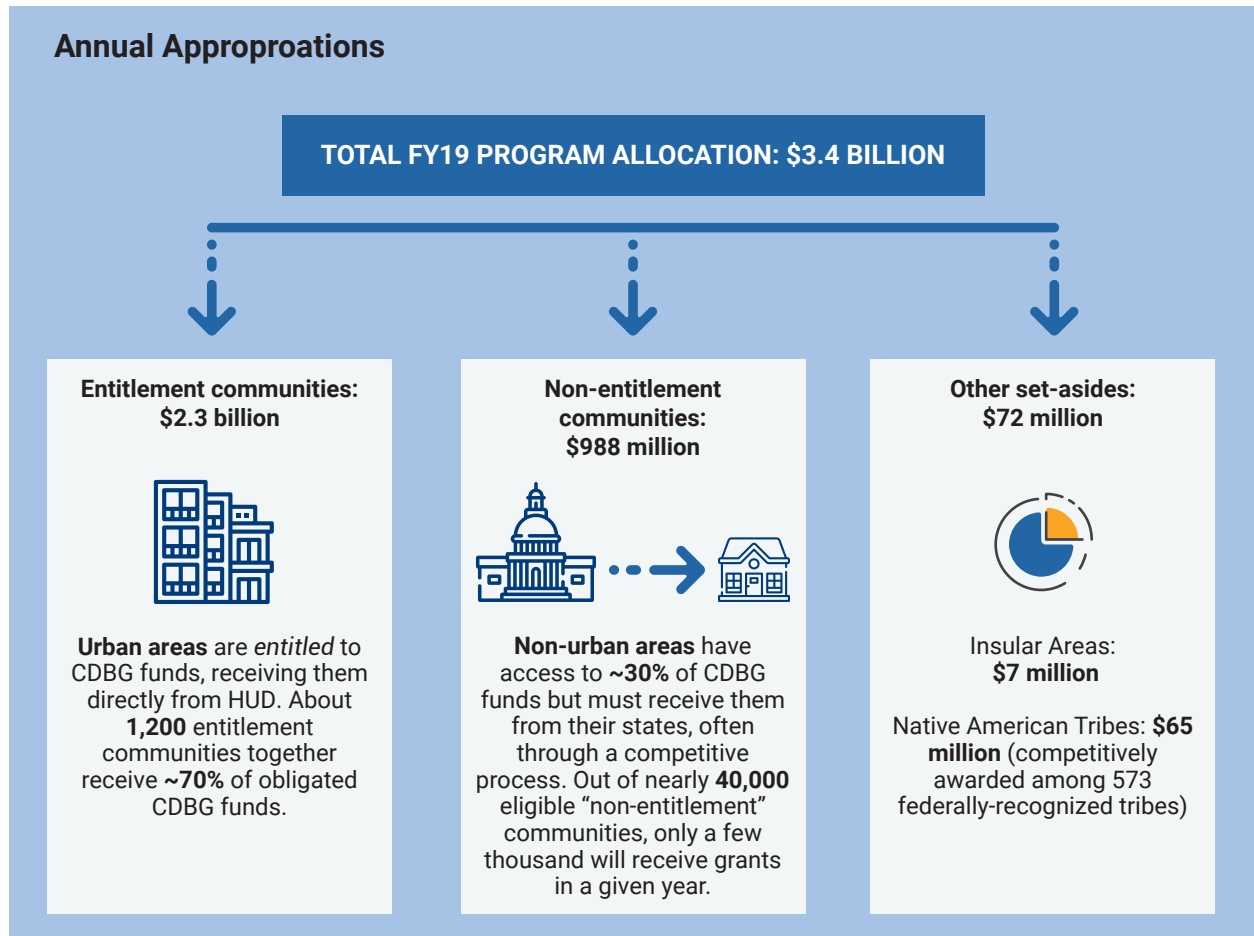
The diversity of rural communities across the U.S. provides a rationale for having different administrative definitions, to ensure optimal targeting depending upon the situation being addressed and the desired development

Table 3

CDBG allocations: Nonmetro areas compete for a fraction of funds



**Community Development Block Grant Program
Department of Housing and Urban Development (HUD)**
How are CDBG program funds allocated?



outcomes. It offers another reminder of the importance of making flexible funding available and investing in local capacity since a one-size-fits-all approach to rural development is unlikely to maximize effectiveness.

ELIGIBILITY, COMPETITION, AND SPENDING FORMULAS: The majority of federal programs to support community and economic development are open to many different sizes of communities across the U.S. However, eligibility requirements can, in effect, lock out rural communities.³⁷

For these general programs, rural communities often compete for funds against more densely populated communities. Rural areas and small towns may be excluded from applying because they fail to meet minimum thresholds based on the absolute number of expected beneficiaries, or minimum ratios such as crime rates, the number of new disease cases, and others. If they are eligible, they are often disadvantaged during scoring by per-capita allocation formulas that give preference to higher numbers of people or high ratios without accounting for variable costs, such as travel time, that impact program administration in more remote areas.

Federal and state regulatory compliance requirements are also often the same for all applicants, no matter the amount of funding; rural and tribal organizations often do not have access to the same level of technical capacity—lawyers, engineers, accountants, and other technical staff—and infrastructure of their urban counterparts. The combination of these types of funding criteria create a “structural urbanism” that shortchanges rural areas, using metrics that privilege breadth rather than depth of impact and create inherent bias toward funding larger population centers.³⁸

For example, some transportation assistance programs, such as the Department of Transportation’s Surface Transportation Block Grant Program, allocate funding in proportion to relative population share—a seemingly logical

method that ignores the uniquely high need for transportation infrastructure in rural areas as well as the fact that nearly three-quarters of U.S. public roads are in rural areas with populations under 5,000.^{39,40}

The Department of Housing and Urban Development’s Community Development Block Grant (CDBG) program provides another example. After small set-asides for tribes and insular areas, 70 percent of funding appropriated annually is automatically distributed to nearly 1,200 grantees in metropolitan “entitlement communities.” The remaining 30 percent is divided among the states, for them to sub-allocate among nearly 40,000 smaller metros, towns, and rural areas as they please—usually via a competitive grantmaking process.⁴¹ Only a small handful of these 40,000 eligible communities will actually receive grants in a given program year; the number of grants each state administers annually to these non-entitlement communities ranges from approximately 30 to 130.⁴² Figure 3 visualizes the allocation process for CDBG spending.

Grants vs. loans:

The visualization in Figure 1 shows the origin of funding flows from the federal government for rural development purposes but does not provide context on amounts or types of funds. Limits on data quality and availability, along with challenges in tracing funds that are funneled through the states, make it difficult to follow funds from federal development-oriented programs to their specific locations. It quickly becomes a complicated enterprise to account for the overall universe of federal investments that reach rural communities; break down how those funds are allocated among different development objectives; and determine the size and type of specific investments.

As an initial step, we analyzed the subset of 93 programs that are rural-exclusive—i.e., open to or benefitting rural communities only—using

Box 2

Types of Federal Assistance

As rural practitioners and organizations navigate the federal funding landscape, they can access many different types of federal financial assistance, including grants, cooperative agreements, loans, and loan guarantees. Loan funding requires partial or full repayment by recipients, while grants and cooperative agreements offer lump-sum payments that allow communities to pursue development goals without incurring debt. The Catalog of Federal Domestic Assistance identifies several types of financial assistance made available through programs.¹ These include:

- **Formula grants:** Monetary allocations made to states or subdivisions based on predetermined allocation formulas.
- **Project grants:** Payments made to states, localities, organizations, or institutions for a range of specific projects.
- **Cooperative agreements:** Funding arrangements, often similar to grants, wherein a federal agency provides assistance and is substantially involved in carrying out award activities.
- **Direct payments:** Financial assistance paid directly to individuals, private entities, or other eligible beneficiaries either to

encourage a specific activity (specified use) or without restrictions.

- **Direct Loans:** Assistance through the lending of federal monies with reasonable expectation of repayment.
- **Guaranteed/insured loans:** Arrangements through which the government agrees to assume all or part of debt obligations in the event that borrowers default.

In this analysis, we categorize formula grants, project grants, and cooperative agreements as “grants.” Our analysis does not consider government contracts, technical assistance, provision of specialized services, or other forms of assistance that do not involve direct and quantifiable assistance flowing from federal agencies to communities.

In line with the Catalog of Federal Domestic Assistance and USASpending, we do not include tax deductions or credits in this analysis of “assistance spending.” However, both the size and the impact of tax deductions and tax credits in rural communities can be significant, especially on issues such as affordable housing, and it is an important area for further research.

¹ “2019 Catalog of Federal Domestic Assistance” (Washington, DC: U.S. General Services Administration, October 2019).

obligations² data from USASpending, the Department of the Treasury’s online source for U.S. government spending data (Appendix

A), supplementing with agency financial documents where necessary.⁴³

² Here, and throughout this analysis, “obligations” and “spending” refer to non-contract federal assistance obligations, as classified by transaction-level data from USASpending. This spending does not include administrative and personnel costs associated with programs and relevant agencies, but rather refers to monies obligated for awards to program beneficiaries. USASpending.gov also offers a “Spending Explorer” feature, which incorporates administrative and personnel costs and thus generates different totals. Any of the data presented here can be validated by downloading the transaction-level data available through USASpending’s “Advanced Search” function.

These 93 rural-exclusive programs span 13 agencies. In FY2019, these programs obligated approximately \$2.58 billion in grants³ and supported a loan portfolio worth \$38 billion.⁴ Even with its mandate for rural development, USDA manages only a slight majority of these 93 programs.

The total in grants distributed through programs supporting community and economic development exclusively for rural communities (\$2.58 billion) represents 0.2 percent of overall federal discretionary spending⁵ for FY2019.⁴⁴

Figure 4 shows the grant spending breakdown by agency.

The ratio of loan authority overall to grant spending was nearly 15:1. Figure 5 shows the breakdown of direct loan authority, guaranteed loan authority, and grant assistance across the 93 rural-exclusive development programs.

Grants can be particularly catalytic; they do not incur long-term obligations for recipients, and they have the possibility of being very flexible. Given the increased austerity of state

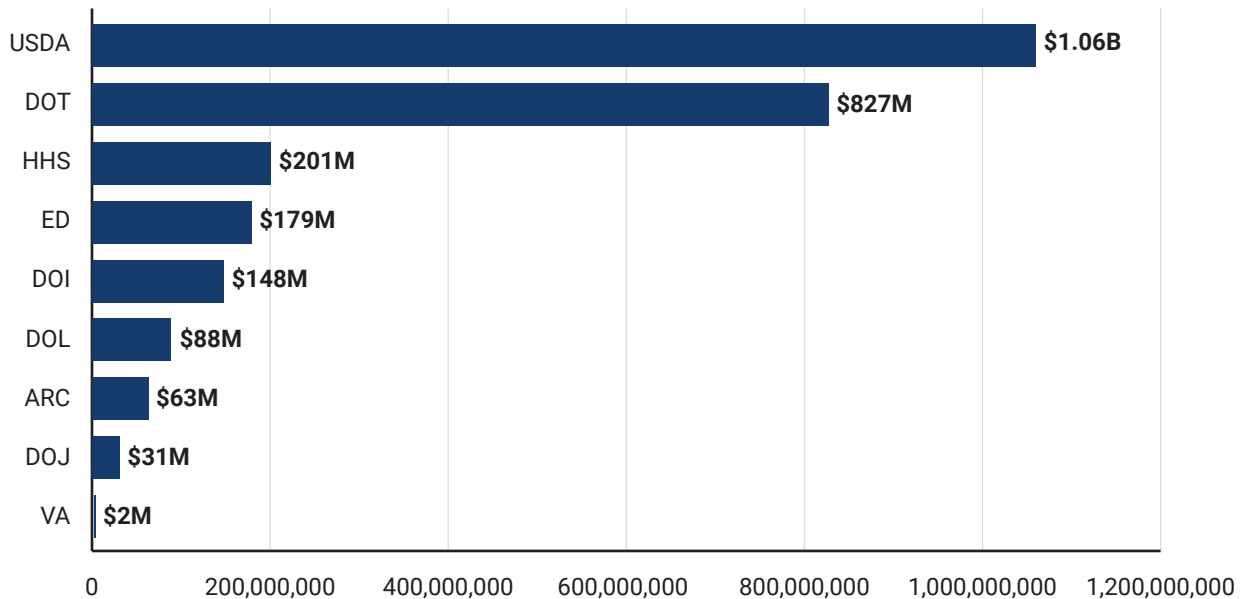
3 In line with USASpending and the FFATA Subaward Reporting System (FSRS), we consider both grants and cooperative agreements ‘grants’ in this analysis.

4 Though 13 agencies host rural-exclusive development programs, only 9 reported grant spending for these programs to USASpending for FY2019. Those with missing data for grant spending included the Federal Communications Commission, the Department of Homeland Security, the Northern Border Regional Commission, and the Department of Housing and Urban Development.

5 According to the Congressional Budget Office, federal discretionary spending totaled \$1.3 trillion in fiscal year 2019. Discretionary spending refers to spending that lawmakers control through the annual appropriations process. It does not include mandatory spending on large, means-tested programs such as Medicare, Medicaid, or the Supplemental Nutrition Assistance Program (SNAP).

Figure 4

FY2019 grant spending on rural-exclusive development programs, by agency

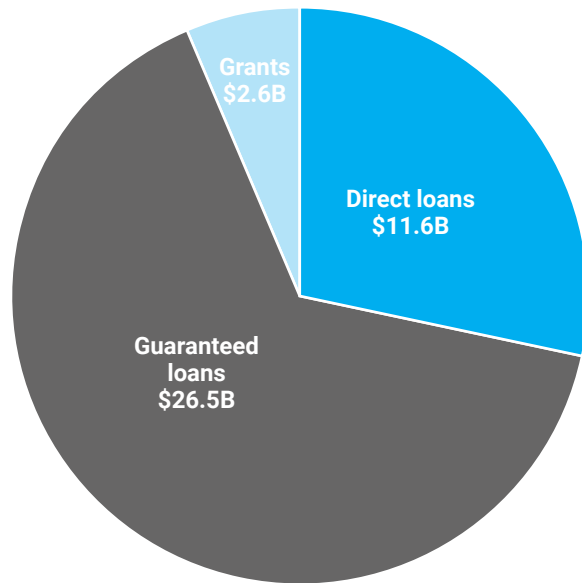


Source: Brookings analysis of USASpending data

Note: This figure excludes funding for programs open to, but not exclusive to, rural communities, as well as means-tested grants and direct payments such as Rural Rental Housing Assistance direct payments, Multifamily Housing vouchers, and Very Low-income Housing Repair grants.

Figure 5

Loan authority accounts for the vast majority of rural-exclusive development assistance



Source: Brookings analysis of USASpending data and USDA-RD FY2021 budget summary

Note: Due to USASpending loan data quality concerns, we used program-level actuals for FY2019 contained in the USDA FY2021 budget summary to generate totals for direct and guaranteed loan authority. This graph excludes \$0.125B in grant/loan combined funding included in the budget summary that could not be disaggregated. It also excludes funding for programs open to, but not exclusive to, rural communities, as well as means-tested grants and direct payments such as Rural Rental Housing Assistance payments, Multifamily Housing vouchers, and Very Low-income Housing Repair grants.

and local budgets, declining local tax bases due to industrial transitions, and the historical scarcity of philanthropic giving in rural areas, grants can represent an immediate investment in capacity, know-how, and strategy for places and institutions.^{45,46,47}

In addition to the limited pool available, many of these grant programs have narrow restrictions on the uses of their funds or are limited to one-year terms. They sometimes require appli-

cants to “match” government funding with their own resources or those sourced from funders, both of which often present significant barriers for rural applicants, given inadequate budgets and limited access to outside support.^{48,49}

All \$38 billion in loans originated in USDA Rural Development programs.^{6,50} This \$38 billion in loan authority represents *program-level assistance*—the amount of money available for borrowing by beneficiaries. It is distinct from *budgetary authority*, which represents money USDA-RD itself expects to spend to support these loans (often referred to as subsidy costs), reflecting the cost to the agency.

Most of USDA-RD’s loan assistance flows through programs with very low or negative subsidy costs, meaning that the cost to the government to support the loans is either negligible or—if accounted as a negative subsidy cost—the agency receives a positive return on the loan.⁵¹ Agency budget documents show that \$200 million in budget authority supported over \$38 billion in loans in FY2019.⁵² Our analysis of USASpending data also shows over \$12 million in negative subsidies – i.e., positive returns—accrued back to USDA from loans through rural-exclusive development programs in FY2019.

In addition to the loans valued at \$38 billion, USDA disbursed an estimated \$1.06 billion in grants for development purposes, nearly all of which (\$917 million) originated in USDA-RD. With almost 95% of its portfolio in debt instruments, USDA-RD acts more like a national development bank than an implementing agency—but with its tools siloed into particular sectors, it lacks a high-level strategic orientation and focus on community-level outcomes and has limited flexibility to package different types of capital and instruments.

6 Due to data quality concerns for loans reported to USASpending, we referred to USDA’s agency budget documents to calculate program-level estimates and budgetary authority for loan programs in FY2019.

Modernizing U.S. rural policy: An urgent imperative

While byzantine, the web of programs and legislation outlined above is also a testament to federal leadership. It reflects a legacy of federal responsiveness and innovation—a willingness to support community and economic development by investing locally, filling market gaps, and supporting civic and public infrastructure to improve the conditions for small communities to thrive.

Federal programs have expanded in scope and complexity to meet emerging needs, but the organizational structure has not kept pace. And while complexity has increased, the dollars and capacity associated with direct federal assistance have contracted. Take the two flagship community development programs: funding for CDBG is currently about one-quarter of its peak levels in the late 1970s,⁷ and funding for EDA is about one-third.⁵³

Federal leadership will be central to addressing the social and economic crisis precipitated by the COVID-19 pandemic and the racial and regional inequalities that currently define the U.S. Producing greater consistency in well-being and economic resilience across America is possible. Doing so successfully means addressing geographic as well as demographic differences in social and economic outcomes and recognizing the link between the two.

In a nation where long-term poverty and economic distress concentrate disproportionately among people of color in rural areas, it is impossible to disentangle rural development from

efforts to promote economic and racial justice.⁵⁴ It is time to consider geographic equity as a key element of a long-term equity agenda.

The development effectiveness of assistance made available to rural communities through the current assortment of federal definitions, programs, and tools is undermined by lack of coherence. It is limited in its flexibility and capability to help local leaders and institutions respond to 21st century pressures. A key lesson from the U.S. experience in international development is that tweaks or isolated new initiatives will be inadequate: rural policy must be reimagined and transformed to catch up with the demands and diversity of today's rural America. Given the insufficiency of a “one size fits all” approach, reforms must be grounded in principles that accommodate the multiplicity of rural experience, invest in local leaders and institutions, and improve results by catalyzing locally-led development strategies (Box 3).

This analysis provides further evidence for the proposals outlined in a previous policy report, “Redesign required: 4 ideas for reimagining federal rural policy in the COVID-19 era,” some of which bear repeating here.⁵⁵ It also suggests additional actions that will help maximize the effectiveness of every federal dollar for community and economic development in rural areas:

Recommendations

1. Launch a domestic development corporation, modernizing technical capabilities and financing tools

We recommend launching a new development corporation to deploy a range of creative tools and financing instruments to assist distressed communities in developing and executing

⁷ This estimate was obtained by merging historical data on CDBG core allocations provided by HUD Exchange and adjusting for inflation using the Bureau of Labor Statistics' Consumer Price Index (CPI) data. This simple adjustment reveals that spending reached its peak in 1978 at \$3.4 billion, which translates to \$13.4 billion in 2019 dollars using the CPI. The 2019 allocations summed to \$3.3 billion, about a quarter of the 1978 adjusted amount.

Box 3

Guiding principles for reimagining federal rural policy in the COVID-19 era

These principles, proposed in a previous article and refined here, reflect the experience of successful development practice in the U.S. and globally.¹ They should guide proposals to reform current federal programs and architecture:

1. **Support local ownership and strategies:** Policy should empower rural residents and community leaders to identify what they need to succeed. Purposeful federal interventions can promote integrated regional priorities while ensuring that rural communities own their transformation.
2. **Invest in people and institutions:** Funding for people and institutions must accompany investments in physical infrastructure. Very few small towns or rural communities have the extent of capacity available in larger places or cities. These investments must reach people and communities of color that have been historically marginalized by both policy and financial institutions.
3. **Increase flexibility and align federal and state funds to meet local needs:** Federal and state funding streams should strive to support the creation of locally-determined priorities—and then flex and align to help bring these locally-determined priorities to fruition. Longer-term investments will provide a better chance for success.
4. **Measure and reward outcomes:** Rather than counting “jobs,” “growth,” and number of services provided, agencies and states should seek to measure improvements in equity and overall quality of life. This will require rigorous analysis in program planning and design; careful attention to the distribution of program benefits and costs among demographic groups; expanded program evaluation; and transparency about successes and failures.
5. **Embrace a regional mindset:** National and local policymakers must be sensitive to regional variation while considering how individual rural communities exist within a regional economy and the interdependencies of urban and rural communities. In addition, assembling the critical mass of people, ideas, and resources needed for success requires working across sectors and geographic boundaries in less densely populated places.

¹ Tony Pipa, Katharine Ferguson, and Natalie Geismar, “Redesign Required: Principles for Reimagining Federal Rural Policy in the COVID-19 Era,” Brookings (blog), April 14, 2020, <https://www.brookings.edu/blog/up-front/2020/04/14/redesign-required-principles-for-reimagining-federal-rural-policy-in-the-covid-19-era/>.

locally-led plans for economic and social renewal.

Major block grant program: This corporation would be built on the modern principles underlying development effectiveness. At its core would be an unwavering focus on improving

community-level outcomes as the key metric of success. It would employ cutting-edge data systems to provide evidence and rigorous analysis and utilize an approach that strengthens the capacity of local leaders and institutions. On a competitive basis, distressed communities would benefit from a major block

grant program that offers large, long-term (at least five years) flexible grants, technical assistance, and resources for capacity-building to support implementation of locally-led plans for economic and social renewal.

The institution would also implement a readiness program, offering preliminary financial and technical assistance for the most vulnerable communities. The program would help build their capabilities, support experimentation and innovation, and align local priorities in preparation for applying and accessing larger block grant investments.

Modernize development financing: The institution should also act as a domestic development finance corporation by integrating and expanding the breadth of development financing tools, offering equity and debt financing; using various vehicles to address market gaps or limited capital access; and providing expertise and capability to blend multiple types of financing. It would bring a strategic orientation and provide a platform for financing innovation that is currently missing, with existing financing tools and loan funds widely dispersed throughout federal agencies and limited by narrow authorities and mandates. The corporation would seek to test promising models of community and economic development financing that could be scaled to more places as the evidence base grows.

In a reversal of the exclusionary spending formulas and eligibility requirements that rural communities often face, we recommend that this new corporation limit its assistance to rural and tribal communities for five years before considering expansion to other communities.

This proposal is based on successful federal innovations in overseas development. In 2005, the Bush administration launched the Millennium Challenge Corporation (MCC), a new agency offering large, flexible, 5-year grants—“compacts”—to invest in locally-led plans, provide technical assistance and capacity, and rigorously measure progress. And in 2018, the U.S. government launched the

International Development Finance Corporation (IDFC) by consolidating tools from different agencies under one roof while adding capital, new capabilities, and additional flexibility that goes beyond loans and loan guarantees to equity investments.⁵⁷

The functions represented by the MCC and the IDFC exemplify the type of innovation that is needed to identify transformative solutions in rural and other underserved communities. The proportionate shares of the different types of financial assistance used by rural-exclusive programs (Figure 5) indicate a system out of balance. Grants are generally the most flexible instrument and can be quite catalytic, yet they make up the smallest proportion by far of instruments used by rural-exclusive programs. Funding from CDBG and EDA has declined, and there are limited options for getting support for technical assistance, capacity-building, and coaching. And while loans and loan guarantees proliferate, the fragmentation makes it challenging to deploy those resources as strategically as possible to maximize their overall development impact.

Launching a new entity is a significant step, but the experiences of creating MCC and the IDFC show that starting fresh allows for structure and processes built around the singular focus of achieving development impact. Though there may be other pathways that consolidate or build upon existing programs, one thing is clear: The imperative is strong for modernizing the tools available for rural community and economic development at a meaningful scale.

2. Create a national strategy and undertake associated reforms to improve coherence, regional integration, and transparency

National Rural Strategy: With significant input from rural regions across the nation, we recommend creating a national strategy to provide clear policy direction for advancing and supporting rural development. This would be a

key step in maximizing the strategic use of new or modernized federal tools and would help bring coherence to the fragmented ecosystem of opportunities for assistance that currently exists.

As early as the 1970s, officials in the Carter administration noted that “the federal rural development effort consisted of programs, rather than policy.”⁵⁸ The patchwork of more than 50 agencies, offices, and sub-agencies currently administering programs that can assist rural communities—each using unique eligibility criteria, funding formulas, and standards—highlights the need for a clear intellectual framework if we expect to maximize the strategic use of their resources.

A successful national strategy for advancing and supporting rural development would distinguish rural policy from agricultural policy and acknowledge that accountability and leadership for rural development span beyond USDA. It would account for and highlight the diversity of today’s rural America, sharpening understanding of how 21st century pressures affect it, and acknowledge how geographic divergence in economic and social outcomes contributes to racial inequities and reduced resilience.

By setting clear direction on national priorities, community-level outcomes, milestones, and metrics, a rural strategy will provide guidance to improve coherence, strengthen interagency coordination, align with state and local authorities, and offer clarity on key approaches and processes. It provides an opportunity to reduce redundancies, streamline overlapping mandates, and identify areas of complementarity among federal agencies and programs that can be leveraged to improve overall outcomes.

Rural Audit: To complement the national strategy and ensure that rural areas have fair access to the federal assistance that can help advance its priorities, we suggest a close examination of eligibility, funding formulas, and spending criteria of community and economic development programs, identifying those that disadvantage or create barriers to entry for rural areas. The Office of Management and Budget (OMB) is well-placed to oversee an

interagency process and undertake an audit to analyze the extent to which existing spending rules and regulations disadvantage or create complications for rural communities.

Rural-Urban Integration: A national strategy should elevate the imperative of rural development in the U.S. while breaking down the rural-urban divide by incentivizing regional approaches. Modern rural policy must respect and honor the identity and distinctiveness of what it means to be rural—and what rural means in different places and regions—while strengthening connectivity and collaboration among rural counterparts and between rural areas and relevant urban centers. A growing body of evidence demonstrates the importance of regional approaches in helping rural communities thrive.^{59,60}

This can be a tricky balance, since rural leaders and institutions often face capacity constraints – human, analytical, and financial– that dilute their voice and reduce their ability to shape and influence regional decisions. Smart federal policy and implementation design will enable federal agencies and programs to flexibly respond to local circumstances and invest in local leaders and institutions.

Such investments can help build capacity and incentivize models of decision-making that enable rural leaders to be proactive, rather than reactive, participants. They will make an impact on rural areas a primary, rather than secondary, consideration as regional plans are developed and economic ecosystems evolve.

It is imperative that regional strategies avoid reinforcing power dynamics that have historically excluded groups based on race, class, or ethnicity. A national rural strategy should ensure that attempts to incentivize regional decision-making and growth bring a diverse set of local leaders and voices to the table – including and especially those of people of color and Native American tribes – and strengthen their voice in policymaking and implementation.

Additional suggested actions include:

- Regional commissions review:** The seven regional commissions and authorities that have been authorized by the federal government offer another entry point. Given the variation in funding and levels of activity across the commissions, an analysis of their impact, constraints, and successes to date would be beneficial, with the objective of developing a clear strategy for their continued growth and impact. Only four can be considered “active,” receiving Congressional appropriations between \$15 and \$165 million in FY2019; the Appalachian Regional Commission is the oldest and largest.⁶¹ The commissions are structured to engage in multimodal economic development approaches that integrate federal, state, and local priorities. This review and strategy should include an analysis that examines the extent to which these commissions have benefited the Black and brown communities within their geographic areas, with recommendations to ensure equitable coverage. We also urge appointing co-chairs to the Southeast Regional Crescent Commission and the Southwestern Border Regional Commission, which are authorized but presently unmanned.
- Stakeholder engagement:** Key organizations such as the National Association of Counties (NACo), the National Association of Development Organizations (NADO), and the National Association of Regional Councils (NARC) should also be engaged to help design interventions and tools that reinforce rural interests while facilitating positive relationships between rural communities and nearby urban centers.⁶² A national rural strategy should promote collaboration with a wide range of partners and intermediaries with a regional purview, from EDA-funded local development districts to regional councils, community foundations, CDFIs, and rural development “hubs” that bring together expertise and leverage public, private, and philanthropic funding.⁶³ Active and sustained participation from groups such as UnidosUS and the NAACP will also be beneficial to

ensure policy interventions catalyze equity across racial and ethnic groups.

White House and Interagency Leadership: A strategy can provide a coherent blueprint, but ensuring that policy decisions and implementation include rural considerations requires focused political attention and better interagency coordination. We recommend elevating White House leadership. Establishing positions responsible for rural and tribal development with enough rank to be influential in key forums such as the Domestic Policy Council and the National Economic Council will help drive political prioritization. Rural communities deserve a voice and an advocate at the highest ranks of the White House as policies are being developed and implemented. Creating mechanisms that enable local communities—rural, urban, suburban and tribal nations—to have greater representation within federal decision-making structures and access to federal leadership is one piece of the puzzle.

Interagency coordination must also be strengthened and sustained; it will be critical to transforming the fragmentation that characterizes the current policy landscape. An independent office that provides staff, technical expertise, and consistency across presidential administrations would improve the alignment and communication among different programs and agencies. It would also offer leadership and convening power for developing and executing a national strategy. Interagency bodies such as the United States Interagency Council on Homelessness (USICH), which has coordinated the efforts of nearly 20 federal agencies to end homelessness since its authorization in 1987, offer an experience and models that might be leveraged.⁶⁴

Transparency: Assessment of the effectiveness and proportionality of the federal assistance accessed by rural areas is complicated by challenges in following where the funding actually flows at basic levels of disaggregation. To better inform policymakers, practitioners, local leaders, and the general public about the uses of federal funds in rural America, we recommend a simple-to-use web tool that easily tracks funding

Box 4

Development funding for Native American communities

Native American tribal communities retain the right of self-government. Many—but not all—are rural, and their sovereign status sets them apart. Treaties, executive orders, and court rulings have created a special relationship between tribal nations and the U.S. government. This relationship warrants its own full review. Even if it must be a separate undertaking, it is necessary to provide a full picture of the rural funding landscape.

Federally recognized tribes are eligible for many of the more than 400 economic and community development programs we identified in the Catalog of Federal Domestic Assistance. Additionally, there are 141 programs that specifically target Native American communities, 67 of which are administered

by the Department of the Interior’s Bureau of Indian Affairs and Indian Education, and the rest of which are spread across 10 additional agencies.

A review of assistance to Native American communities must account for and consider the unique sovereign and legal relationship between the U.S. government and tribes; the importance of language revitalization and cultural preservation to Native American communities; and the legacy of racism and colonial U.S. government policies. Any examination of the impact of federal programs for rural America will be incomplete without a full review of federal investments tied to tribal communities.

flows to rural people and places and can geographically map the final destination of funds.

Development effectiveness thrives on transparency. Ease of accessing data about the intended purposes, locations served, and the corresponding results of public spending improve its outcomes. It makes it easier for residents to participate in civic decisions and engage with policymakers; helps local leaders strategize and implement initiatives; and improves accountability.

The Federal Funding Accountability and Transparency Act (FFATA) of 2006, and the Digital Accountability and Transparency Act (DATA Act) of 2014 require full disclosure of entities and organizations that receive federal funds, and provide the impetus for USASpending.gov, an online search tool created and maintained by the Department of the Treasury’s Bureau of the Fiscal Service.⁶⁵

USASpending offers a wide range of easily accessible information, but searching by location requires considerable sophistication. Even then, a user does not have the ability to generate a simple breakdown of the amounts and corresponding purposes—housing, health, economic development, etc.—for a particular geographic location.

We suggest mimicking the U.S. government’s online tools that track overseas development assistance (ForeignAssistance.Gov and Aid Explorer), which use basic point-and-click functionality to plot the development objectives of over \$30 billion annually of federal grants on a simple map.^{66,67} There are several ways the executive branch could initiate this, including through executive order or an OMB memorandum. Congress could institutionalize it with an amendment to FFATA.

Evaluation of Outcomes: Even more conspicuous by its absence is the lack of information

on results. We recommend a mandate to set aside and spend 5 percent of program funding to enable communities to collect and analyze data, inform evaluation design and objectives, and transparently evaluate success.

FFATA only mandates financial disclosure by agencies. By contrast, the Foreign Aid and Transparency Act of 2016 (FATA), which mandates financial disclosure of overseas assistance, also requires program evaluations and outcome reports.⁶⁸ Agencies working in overseas development, such as USAID, publish and implement policies for monitoring and evaluation to measure what works and understand the social return on investment.⁶⁹

We recommend Congress update FFATA to incorporate evaluation and monitoring, keeping to the same standards it demands of overseas investments.⁷⁰ This would include requiring program evaluations and outcome reports. However, as measurable goals and performance metrics are developed, it is important that they incorporate relative benchmarks and ratios that are meaningful and appropriate to rural places. Such evaluations should prioritize learning and assessments of well-being, for example, rather than per capita output. This mandate should be combined with a congressional commitment to provide the 5 percent budget, to ensure adequate capacity.

In the absence of legislative action, key agencies can undertake their own efforts. USDA, for example, published a comprehensive monitoring and evaluation policy in 2019 for programs managed by its Foreign Agricultural Service, but has nothing comparable for USDA-Rural Development.⁷¹ Commitments to monitoring and evaluation can be reflected in new policies and guidance, and must set aside the resources to make it real. Evaluations should be public and easily accessible; one model is the Development Experience Clearinghouse (DEC) managed by USAID, which collects and publishes all its project evaluations in a searchable online database.⁷²

3. Appoint a bipartisan congressional commission to undertake a top-to-bottom review and build momentum for improving the effectiveness of federal rural policy

The scale of operational and structural changes that will be necessary to make meaningful improvements will depend upon support and actions from both the legislative and executive branches, and from both political parties. To build and sustain momentum for the scale of change suggested in this analysis, we recommend a bipartisan, congressionally appointed commission undertake a top-to-bottom review of the effectiveness of federal assistance for rural community and economic development.

The members of the commission will be experts and leaders who represent the geographic, economic, and demographic diversity of rural America, and whose expertise in development ranges from the international, to the urban, to the rural. Given the political economy of allocating federal funds for domestic purposes, where allegiance to local constituencies can complicate decision-making, lead to bartering, or even reinforce power dynamics and decision-making that exclude communities of color or workers, it is important that any review remain centered on development results and community outcomes as the primary benchmarks of success. As an independent advisory body, a commission offers the opportunity to navigate the political complexity and build consensus for actions. Its primary objective would focus on producing an evenhanded assessment of the current federal policy and architecture for rural development and identifying gaps and opportunities for better coordination across federal agencies; new or reimagined tools and processes; and a better development return on its investment.

Such an effort might be modeled on the HELP Commission, which was proposed by then-Representative Frank Wolf (R-VA) to study

ways federal agencies could better coordinate to deliver humanitarian assistance overseas. The commission issued a report in 2007 with a set of recommendations that served as an important catalyst for successful reforms to U.S. foreign assistance over the ensuing decade.⁷³

A presidential administration could undertake its own review or put forward some of the proposals already mentioned. However, a successful congressionally appointed commission could help facilitate buy-in and momentum on Capitol Hill and seek to plant the seeds for a bipartisan consensus that strengthens over time.

Conclusions:

The analysis contained in this report offers a starting point. A complete financial picture, one that follows and documents all the federal assistance that flows into rural areas to support community and economic development, would offer additional insights to improve its effectiveness. Such an analysis would also benefit from an examination of the development impact of means-tested programs. SNAP, for example, has shown evidence of boosting and sustaining employment and local grocers, and Medicaid expansion has been linked to the financial solvency of rural hospitals.^{74,75} This would offer the chance to explore the interplay between different types of interventions and produce a more holistic view of what it takes for a community to strengthen its resilience.

In a similar fashion, it would be ideal to incorporate the impact on rural areas – both positive and negative – of policy levers that shift financial incentives and influence local capital markets. From the activities of Fannie Mae and Freddie Mac, to Opportunity Zones, to New Markets Tax Credits and Community Reinvestment Act ratings and evaluations, such an analysis would offer a fuller picture for identifying the best leverage points to pair investments and policy to benefit communities over the long-term. This could also include siting of federal facilities and employment and its impact on economic and social activity.

While this analysis views the federal architecture through the lens of rural community and economic development, the fragmented and byzantine organizational chart of federal opportunities and programs (Figure 1) is a fact of life for any community—urban, suburban, micropolitan, or rural—accessing federal assistance to enable their community’s aspirations. Rural communities, however, face additional layers of complexity—an additional set of programs open only to them, spending regulations and formulas that regularly disadvantage them, limits on their capacity to sift through the opportunities and evaluate their applicability—that make it even more difficult to juggle the trade-offs as they are being buffeted by the pressures of a rapidly changing economy.

Yet it is clear that the opportunity exists for the federal government to be a strong and innovative partner in setting rural communities up for success, even in the face of this complexity. It will require a transformation in mindset and a modernization of its architecture and tools. The support and financing it offers must be more strategic, coherent, flexible, and long-term in mentality and time horizon. It will also require resources at a level significant enough to be meaningfully felt in local communities. The fallout from COVID-19 and racial injustice has broadened and deepened the rationale for taking action. It is time to meet the urgency of the moment and intensify federal leadership and ambition to reverse the country’s geographic divergence in prosperity and well-being.

Appendix A: Identifying and visualizing rural-eligible development programs

Figure 1 visualizes the array of federal agencies, objectives, and authorizing legislation that make up contemporary federal assistance for rural and tribal development in the United States. We conceptualized this “development assistance” as federal funding that—whether earmarked specifically for rural development or not—enters rural and tribal communities to build the full range of assets needed for improving community and economic development and attaining community prosperity. Importantly, the figure draws on many programs that are not exclusive to rural communities but are open to them, distinguishing it from our collection of 93 rural-exclusive development programs used in the financial analysis contained in this brief.

Methodology: We began by scraping the most recent publicly available government-wide analyses of “rural development-type” programs, contained in the 1989 U.S. General Accounting Office briefing report “Federal Programs That Focus on Rural America and Its Economic Development” and a successor GAO report from 2006, “Rural Economic Development: More Assurance Is Needed That Grant Funding Information Is Accurately Reported” to extract a base of federal programs.^{76,77} We then reviewed the 2019 Catalog of Federal Domestic Assistance and live federal assistance listing data from the General Service Administration’s System for Award Management, an online repository for information on federal programs, to determine which programs from the GAO analyses remain active and which no longer exist, and to identify contemporary corollaries to programs cited in the GAO docs that have changed in title or have since merged into another CFDA listing.^{78,79}

We combined the resulting list of programs with CFDA-cataloged programs that explicitly mentioned “rural” in their stated objectives, administering agency name, eligibility criteria,

or authorizing legislation, extracted from a database of over 2,200 listings. We also included 141 programs that provide community and economic development-oriented assistance to tribal nations in rural areas. We further supplemented and refined this list through desk research and an independent review of CFDA listings, reviewing federal agency websites and mission statements, individual CFDA program objectives, obligation amounts reported in the CFDA, grey literature and existing research (including compilations of census-guided rural assistance programs).⁸⁰ This served to 1) identify additional programs which aim to cultivate the integrated range of assets essential to building sustainable, vibrant rural economies and communities and 2) to eliminate programs that had objectives unrelated to rural development or that no longer actively receive and disburse funds for rural development purposes. The set of agencies, objectives, and legislation that appears in the chart is drawn from the collated programs list.

We consulted with rural and tribal development experts from a range of government agencies and community development organizations to refine the database of programs. This helped us to include programs that emphasized assistance to small, persistently poor, agriculture-dependent, or economically distressed areas, regardless of whether program objectives explicitly mentioned rural or tribal development.

We excluded large means-tested programs such as the Supplemental Nutrition Assistance Program, Medicare, Medicaid, and the Supplemental Security Income Program, given their focus on providing direct support to individuals or households. We also excluded direct payment and voucher programs such as USDA Rural Development’s Rental Assistance Payments program. We recognize the importance of these programs to rural people and places, and that these programs have positive development impacts (sometimes significant); however, we chose to focus on programs that work to build local capacity to accumulate wealth and initiate long-term structural change.

Appendix B: Financial analysis of federal spending on rural-exclusive programs using USASpending data

Figure 4 shows total spending on grant obligations on rural development programs by federal agency, in order of magnitude. The 93 programs included in this analysis comprise, in our view, a comprehensive listing of contemporary federal assistance for development offered exclusively to rural areas in the United States.

Methodology: We began by reviewing the list of 400+ rural-eligible development programs used to create Figure 1. We created a subset of 93 rural-exclusive development programs by conducting desk research, including reviewing federal guidelines and regulations associated with program administration, and an independent review of program descriptions contained in the Catalog of Federal Domestic Assistance (CFDA) to identify programs that exclusively targeted rural populations. It should be noted that, while all of the included programs aim to serve rural communities, discrepancies exist between the definitions of “rural” that they employ. Additionally, we included programs such as Appalachian Regional Development, for which a small amount (<5 percent) of FY2019 grant funding was administered to counties included in a metropolitan statistical area, but that displayed an overwhelming focus on promoting prosperity in rural communities.

We excluded means-tested programs such as the Supplemental Nutrition Assistance Program, Medicare, Medicaid, and the Supplemental Security Income Program, given their focus on providing direct support to individuals or households. We also excluded direct payment and voucher programs such as USDA Rural Development’s Rental Assistance Payments program. While there is no doubt that these programs have importance for rural people and places, and that these programs have positive development impacts (sometimes significant), we chose to focus on programs that work to build local capacity to accumulate wealth and initiate long-term structural change.

Once the list of 93 programs was identified, we analyzed FY2019 transaction-level obligations data for each from USASpending.gov, aggregating across individual transactions to create program totals. We engaged USASpending support staff several times to facilitate accurate data interpretation. It is important to note that the data for several programs include negative obligated amounts (i.e., de-obligated grant funding), which decreased overall program totals by a slight margin. We incorporated the negative amounts into our calculations to facilitate data validation using USASpending’s advanced search feature, which also incorporates negative obligations to yield annual spending for CFDA listed programs.

It is also important to note that several programs in the analysis were cross-listed between agencies. When a program was cross-listed, we deferred to its agency categorization in the Catalog of Federal Domestic Assistance and included spending associated with the program in that agency’s spending total across programs, reflected in Figure 4. In our conversations, USASpending staff acknowledged that cross-listing of programs between two agencies was likely due to reporting errors by agencies.

Initially, we analyzed loan spending data made available by USASpending as well as grant expenditures. However, due to significant data quality concerns, we deferred to USDA Rural Development’s FY2021 budget summary document, which includes program-level actual spending for FY2019, to determine the total amount of loan authority issued through programs on our rural-exclusive list (no loans originated from agencies outside of USDA-RD). USASpending itself has publicly identified loans as “an area of data quality concern,” noting on its website that “loan data is generally less accurate than that of other award types.”⁸¹

Next steps: This preliminary quantitative analysis provides a first look at total federal grant spending on rural development through programs explicitly designed to serve rural

areas. Additional analyses could examine the structure, distribution, and magnitude of federal assistance to tribal areas for development purposes. In addition, further investigations could follow a similar approach to produce a similar overview of federal development spending that goes to rural areas (even if the program is not “rural exclusive” in its focus).

Future plans to deepen insights might include an analysis that integrates federal expenditure and program place-of-performance data from USASpending.gov and applies county-level or census tract-level definitions of “rurality” provided by the Census Bureau, the Office of Management and Budget, or other federal agencies. Mapping dollar amounts to place-of-performance data and merging results with, for example, the USDA economic research service’s rural urban continuum codes or the census tract-based rural-urban commuting area codes, would allow us to further

refine the database of rural development programs; understand the absolute and relative size of said programs; and calculate program expenditures as a percent of overall agency- or government-level spending, which we can use as a proxy for level of prioritization and policy attention given to rural communities and their development needs. Further analysis will also aim to spatially visualize the distribution of federal funds and understand how dollars flow to diverse sets of rural communities; for example, mapping federal assistance flows onto the typology developed by the American Communities Project could reveal demographic or geographic disparities in assistance flows among rural and tribal areas.⁸² Further, more research is needed to understand the impact of means-tested programs on rural communities’ health, wellbeing, and prosperity.

Appendix C: Rural-exclusive development programs with grant funding data from USASpending

Note: These amounts represent aggregate totals from transaction-level federal assistance data reported to USASpending by agencies during fiscal year 2019. A blank box next to a program signals that no data was available for the program via USASpending. Amounts in parentheses refer to de-obligated funds.

CFDA Program Number	CFDA Program Title	Awarding Agency	Grant Funding
10.167	Transportation services	Department of Agriculture (USDA)	\$167,420.00
10.25	Agricultural and rural economic research, cooperative agreements and collaborations	USDA	\$(289,172.96)
10.318	Women and minorities in science, technology, engineering, and mathematics fields	USDA	\$373,947.02
10.35	Technical assistance to cooperatives	USDA	\$ -
10.351	Rural business development grant	USDA	\$36,308,071.14
10.352	Value-added producer grants	USDA	\$837,334.62
10.377	Agriculture innovation center (aic) program	USDA	\$ -
10.405	Farm labor housing loans and grants	USDA	\$14,875,288.00
10.41	Very low to moderate income housing loans	USDA	\$ -
10.411	Rural housing site loans and self help housing land development loans	USDA	\$-
10.415	Rural rental housing loans	USDA	\$-
10.417	Very low-income housing repair loans and grants	USDA	\$ -
10.42	Rural self-help housing technical assistance	USDA	\$12,361,323.00
10.433	Rural housing preservation grants	USDA	\$11,995,554.58
10.438	Section 538 rural rental housing guaranteed loans	USDA	\$ -
10.443	Outreach and assistance for socially disadvantaged and veteran farmers and ranchers	USDA	\$14,951,691.90
10.446	Rural community development initiative	USDA	\$ -
10.447	The rural development (RD) multi-family housing revitalization demonstration program (MPR)	USDA	\$13,762,295.35

CFDA Program Number	CFDA Program Title	Awarding Agency	Grant Funding
10.516	Rural health and safety education competitive grants program	USDA	\$ -
10.52	Agriculture risk management education partnerships competitive grants program	USDA	\$ -
10.549	Rural child poverty nutrition center	USDA	\$ -
10.664	Cooperative forestry assistance	USDA	\$122,756,982.50
10.698	State & private forestry cooperative fire assistance	USDA	\$17,862,272.00
10.702	Alaska national interest lands conservation act (anilca) agreements	USDA	\$-
10.751	Rural energy savings program (resp)	USDA	\$-
10.752	Rural econnectivity pilot program	USDA	\$-
10.759	Part 1774 special evaluation assistance for rural communities and households (search)	USDA	\$2,298,584.25
10.76	Water and waste disposal systems for rural communities (doi)	USDA	\$511,902,928.90
10.761	Technical assistance and training grants	USDA	\$31,219,664.38
10.762	Solid waste management grants	USDA	\$3,891,317.68
10.763	Emergency community water assistance grants	USDA	\$9,356,076.71
10.766	Community facilities loans and grants	USDA	\$47,270,274.93
10.767	Intermediary relending program	USDA	\$-
10.768	Business and industry loans	USDA	\$-
10.77	Water and waste disposal loans and grants (section 306c)	USDA	\$44,555,011.84
10.771	Rural cooperative development grants	USDA	\$6,410,000.00
10.773	Rural business opportunity grants	USDA	\$7,208,936.00
10.782	Appropriate technology transfer for rural areas	USDA	\$2,800,000.00
10.85	Rural electrification loans and loan guarantees	USDA	\$-
10.851	Rural telephone loans and loan guarantees	USDA	\$-
10.854	Rural economic development loans and grants	USDA	\$7,858,334.00

CFDA Program Number	CFDA Program Title	Awarding Agency	Grant Funding
10.855	Distance learning and telemedicine loans and grants	USDA	\$45,272,792.00
10.858	Denali commission grants and loans	USDA	\$3,000,000.00
10.859	Assistance to high energy cost rural communities	USDA	\$7,668,534.00
10.862	Household water well system grant program	USDA	\$1,165,867.00
10.863	Community connect grant program	USDA	\$19,069,704.00
10.864	Grant program to establish a fund for financing water and wastewater projects	USDA	\$1,000,000.00
10.865	Biorefinery assistance	USDA	\$-
10.866	Repowering assistance	USDA	\$-
10.867	Bioenergy program for advanced biofuels	USDA	\$8,611,388.36
10.868	Rural energy for america program	USDA	\$40,564,125.95
10.87	Rural microentrepreneur assistance program	USDA	\$3,510,463.00
10.871	Socially-disadvantaged groups grant	USDA	\$2,015,000.00
10.872	Healthy food financing initiative	USDA	\$-
10.874	Delta health care services grant program	USDA	\$2,698,709.00
10.886	Rural broadband access loans and loan guarantees	USDA	\$-
10.89	Rural development cooperative agreement program	USDA	\$1,478,972.00
14.265	Rural capacity building for community development and affordable housing grants	Department of Housing and Urban Development (HUD)	\$-
14.268	Rural housing stability assistance program	HUD	\$-
14.27	Appalachia economic development initiative	HUD	\$-
14.878	Affordable housing development in main street rejuvenation projects	HUD	\$-
15.226	Payments in lieu of taxes	Department of the Interior (DOI)	\$-
15.234	Secure rural schools and community self-determination	DOI	\$(48,233.22)

CFDA Program Number	CFDA Program Title	Awarding Agency	Grant Funding
15.25	Regulation of surface coal mining and surface effects of underground coal mining	DOI	\$52,540,134.18
15.254	Osm/vista americorps	DOI	\$200,000.00
15.516	Fort peck reservation rural water system	DOI	\$30,245,142.35
15.52	Lewis and clark rural water system	DOI	\$15,300,942.31
15.522	Mni wiconi rural water supply project	DOI	\$12,208,299.48
15.525	Rocky boy's/north central montana regional water system	DOI	\$29,750,000.00
15.548	Reclamation rural water supply	DOI	\$-
15.553	Eastern new mexico rural water system	DOI	\$4,288,000.00
15.636	Alaska subsistence management	DOI	\$3,989,930.69
16.589	Rural domestic violence, dating violence, sexual assault, and stalking assistance program	Department of Justice (DOJ)	\$31,000,368.27
17.264	National farmworker jobs program	Department of Labor (DOL)	\$87,917,808.60
20.509	Formula grants for rural areas; formula grants for rural areas and tribal transit program (dot)	Department of Transportation (DOT)	\$817,045,350.00
23.002	Appalachian area development	Appalachian Regional Commission (ARC)	\$63,141,424.00
23.003	Appalachian development highway system	ARC	\$-
32.005	Universal service fund - rural health care	Federal Communications Commission (FCC)	\$-
64.035	Veterans transportation program	Department of Veterans Affairs (VA)	\$2,620,053.19
64.038	Grants for the rural veterans coordination pilot	VA	\$-
64.052	Veterans employment pay for success program	VA	\$-
84.358	Rural education	Department of Education (ED)	\$175,868,658.90
90.601	Northern border regional development	Northern Border Regional Commission	\$-

CFDA Program Number	CFDA Program Title	Awarding Agency	Grant Funding
93.155	Rural health research centers	Department of Health and Human Services (HHS)	\$31,811,450.00
93.223	Development and coordination of rural health services	HHS	\$2,500,000.00
93.241	State rural hospital flexibility program	HHS	\$31,240,002.00
93.301	Small rural hospital improvement grant program	HHS	\$18,209,477.00
93.319	Outreach programs to reduce the prevalence of obesity in high risk rural areas	HHS	\$11,518,101.00
93.816	Preventing heart attacks and strokes in high need areas	HHS	\$3,150,000.00
93.912	Rural health care services outreach, rural health network development and small health care provider quality improvement	HHS	\$93,134,274.00
93.913	Grants to states for operation of state offices of rural health	HHS	\$9,548,231.00
93.968	Funding in support of the Pennsylvania rural health model	HHS	\$-
97.12	Rural emergency medical communications demonstration project	Department of homeland security (DHS)	\$-
TOTAL	--	--	\$2,583,969,104.90

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1775 Massachusetts Avenue, NW
Washington, D.C. 20036-2188
telephone 202.797.6139
fax 202.797.2965
www.brookings.edu/