



Congress Must Help Rural America Respond to the Coronavirus

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Introduction and summary

America has entered the fifth month of the coronavirus pandemic. Daily case counts continue to rise, even as the virus' spread slows in many other countries around the world. Though the number of cases is rising, much of the national discourse has focused on the economy—specifically, how the government can help spur an economic recovery. In many cases, however, these discussions and debates have not centered the residents of hard-hit rural communities.

A recent study from the Brookings Institution¹ showed that the wave of new coronavirus cases has shifted from urban cores to more suburban and nonmetropolitan counties. On July 2, nonmetro counties—many of which are located in the Sun Belt region²—experienced an all-time high of 6,452 cases reported in one day. As of June 15, East Carroll Parish, Louisiana, where 72 percent of the population is African American, and Lee County, Arkansas, where 57 percent of the population is African American, had some of the highest rates³ of new infections in the nation. Other hard-hit⁴ counties are located in the Southwest, where members of the Navajo Nation reside. Several articles sounded the alarm⁵ about the serious damage the COVID-19 crisis was likely to inflict upon rural America due to its aging population, lack of health care facilities, and substandard basic public infrastructure, including the lack of running water in some areas, which makes it difficult⁶ for residents to maintain sanitary hygiene through handwashing and has led to clustering at laundromats. Such concerns were prescient: The COVID-19 crisis continues to ravage rural America,⁷ especially rural communities of color⁸.

The effects of the coronavirus have been particularly damaging to the public sector, with state and local governments having shed a total of 1.5 million jobs since the start of the pandemic⁹. Although the pandemic has had significant impacts on schools, many jobs have also been lost in health and human services, a sector critical to combating¹⁰ the public health crisis. Local governments and agencies are often the only places that provide services such as the post office, where rural residents can pay bills, or libraries, which may be the only place where rural residents can access the internet. The National Association of Counties estimates that counties need at least \$150 billion to counteract lost revenue and effectively combat the ongoing pandemic.¹¹ This is a problem for rural

communities, many of which are still struggling to recover from the Great Recession and do not have the tax base that many larger and urban communities have.¹² State and local governments have been hit on both ends of their budgets by the increased costs of fighting the coronavirus and the decreased revenue resulting from lower individual and business incomes and a drop in retail sales.

This report analyzes the dynamics of recent household expenditures and business activity in rural America and offers three key takeaways:

- Many rural areas, particularly rural communities of color, are experiencing coronavirus case numbers and deaths that now surpass those of the large metropolitan areas that dominated the news cycle early on during the pandemic.
- The \$1,200 direct payments given directly to households as part of the relief provided by the CARES Act boosted spending and business revenues in April, especially in Southern rural communities.
- While the percentage of small businesses that were open rose in May and early June, this number plummeted through the end of June along with small-business revenues; this trend coincides with the recent spikes in COVID-19 cases, especially in the Sun Belt region.

In order to get the United States on the trajectory for economic recovery, policymakers need to ensure that states have adequate testing capacity and contact tracing programs in place in order to bring transmission of the virus down to a controllable level. Policymakers also need to provide substantial relief to state and local governments. Finally, policymakers need to extend unemployment insurance and deliver relief to households in the form of direct checks for as long as this public health crisis lasts.

The analysis detailed in this report shows that without clear, consistent policy anchored in data that reflect the real-life experiences of rural communities, people and businesses will not have enough confidence to return to their jobs and daily activities. The result will be a prolonged, deep recession.

Rural communities and COVID-19 outbreaks

The onset of the COVID-19 outbreak was concentrated in large metropolitan cities such as New York City, New Orleans, Chicago, and Seattle, although the effects of the virus varied even within these communities.¹³ Yet early on during the pandemic, research showed that rural America was particularly susceptible to the virus due to an aging population and a lack of health care resources.¹⁴

Over the first two months of the pandemic in the United States, the virus began to reach many rural communities. Some of this spread was due to the presence of prisons in rural counties, as outbreaks within prisons and the churn of incarcerated individuals have been shown to foment transmission of the virus.¹⁵ Outbreaks have also occurred in meatpacking plants, such as the Smithfield pork plant in South Dakota,¹⁶ where plant owners are often able to skirt worker safety laws due to their monopsony status in rural areas.¹⁷ Retirement communities were among the first rural areas to experience relatively higher rates of cases due to tourism.¹⁸ Meanwhile, rural communities of color also started to feel the effects of the pandemic.¹⁹ Many states began lockdowns in March that lasted through early May and began to flatten the curve of the rate of daily infections. Yet critics of lockdowns, who were often armed,²⁰ pushed states to reopen, even though the virus' spread was not under control in many areas and states had not yet met Centers for Disease Control guidance for opening. By late June, the number of cases started to increase again, especially in areas that had rushed to open prematurely.²¹

The data show that this is when the coronavirus quickly spread into rural areas. Figure 1 compares the number of cases in rural communities on April 29, May 29, and June 29 with the number of cases in the Big Cities classification—defined as areas that do not contain any rural counties—on those same dates.

Defining urban and rural communities

Using a detailed breakdown of rurality, a recent Center for American Progress issue brief outlined what has happened in rural communities since the Great Recession.²² One takeaway was that while rural communities have continued to struggle since the Great Recession, some have seen modest economic growth. This breakdown of rurality provides a more precise analysis of the labor market dynamics

occurring in rural communities. Now, it is possible to provide further precision on what is happening in urban and rural communities using a new classification system: the American Communities Project (ACP).²³ A project from The George Washington University, the ACP created a typology of counties that incorporates demographic and socioeconomic data.

FIGURE 1

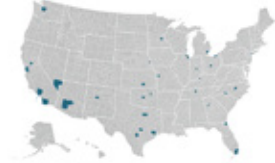
American Communities Project urban and rural universe

Description and geography of ACP community classifications

Metropolitan counties

Big Cities

Dense and diverse areas with high incomes, high poverty, and high crime rates



Exurbs

Wealthy and well-educated areas with largely white populations, low crime rates, and longer commutes to work



Urban Suburbs

Educated and densely populated areas that are racially and economically diverse



Middle Suburbs

Middle-income areas with low diversity and below-average rates of college education



College Towns

Highly educated communities with high turnovers in population, low diversity, and populations that skew young



Military Posts

Middle-income, diverse communities around military bases



Rural counties

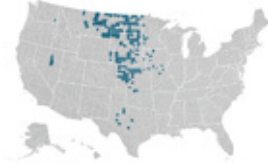
African American South

Median population is roughly 40 percent African American; communities that are largely low-income with high unemployment



Aging Farmlands

Agricultural areas with many seniors, little diversity, and low unemployment rates



Evangelical Hubs

Communities with many evangelical adherents and fewer college graduates and health care providers



Graying America

Communities with large senior populations; populations that are middle income with low rates of diversity and average education levels



Hispanic Centers

Largely rural areas with large Hispanic populations and populations that skew young and lower income, with limited health care access



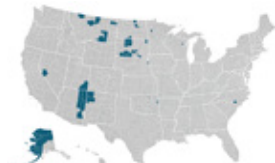
Latter-day Saints Enclaves

Communities with large youth populations; middle income with low rates of diversity and crime



Native American Lands

Communities with large Native American populations and populations that skew young and low income; many uninsured residents



Rural Middle America

Largely rural communities with majority-white populations; middle-income communities with average college graduation numbers rates



Working Class Country

Rural, blue-collar America; low-income communities with low college graduation rates

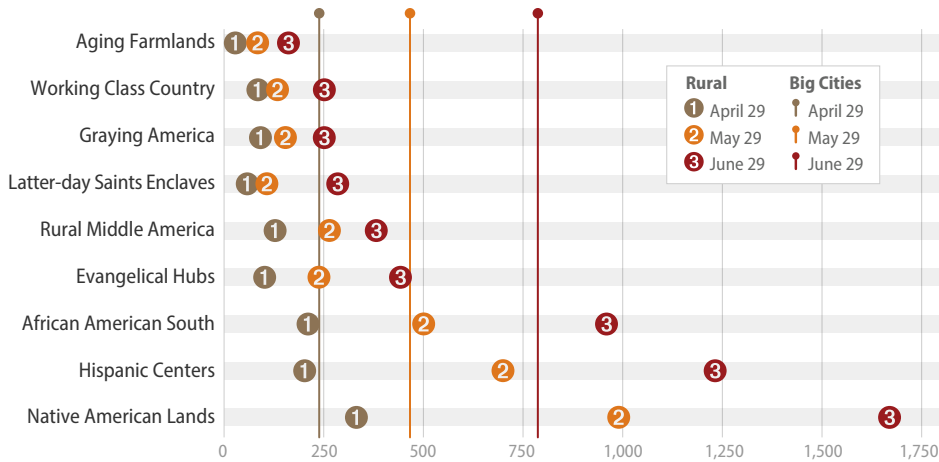


Source: American Communities Project, "The American Communities: Map," available at <https://www.americancommunities.org/#map> (last accessed December 2019).

FIGURE 2

The number of coronavirus cases in rural communities of color has exceeded the number of cases in major cities

Number of coronavirus cases per 100,000 people in rural communities compared with cases in major cities

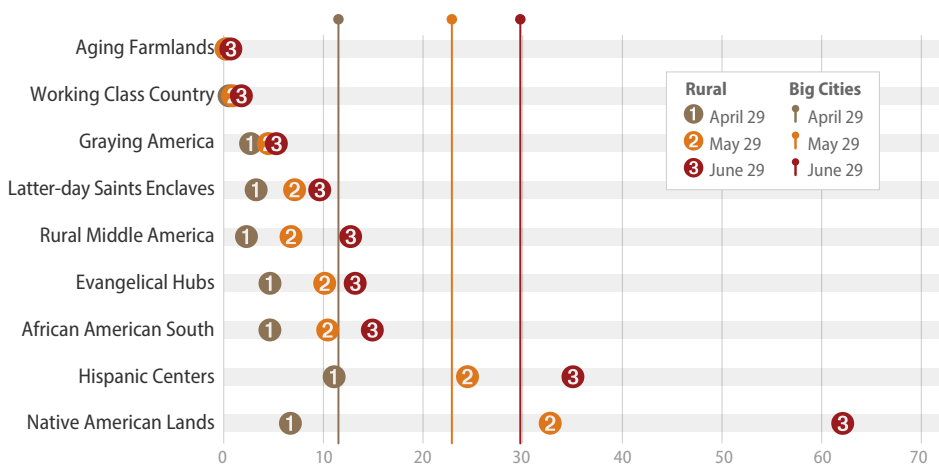


Note: For definitions and more information on the different county types, please see American Communities Project, "The American Communities," available at <https://www.americancommunities.org/> (last accessed July 2020).
Sources: *The New York Times*, "Coronavirus (Covid-19) Data in the United States," available at <https://github.com/nytimes/covid-19-data> (last accessed July 2020); American Communities Project, "The American Communities," available at <https://www.americancommunities.org/> (last accessed July 2020).

FIGURE 3

The number of coronavirus deaths in select rural communities of color has exceeded the number of deaths in major cities

Number of coronavirus deaths in rural communities compared with the death count in major cities



Note: For definitions and more information on the different county types, please see American Communities Project, "The American Communities," available at <https://www.americancommunities.org/> (last accessed July 2020).
Sources: *The New York Times*, "Coronavirus (Covid-19) Data in the United States," available at <https://github.com/nytimes/covid-19-data> (last accessed July 2020); American Communities Project, "The American Communities," available at <https://www.americancommunities.org/> (last accessed July 2020).

Figure 1 shows that rural communities of color—Native American Lands, Hispanic Centers, and the African American South—had initial case levels close to that of Big Cities. However, as of July 2020, their numbers have far surpassed those of Big Cities. While other rural communities have not reached those same heights, their levels are also continuing to rise, and the trends across all rural community classifications are not promising.

A similar story emerges when looking at death rates, with the exception that the death rates in Hispanic Centers are much lower than those of the African American South and Native American Lands. (see Figure 2)

As of April 29, death rates for residents in the African American South were comparable to those in Big Cities, but the death rates in the other rural areas were far lower. Over May and June, the death rates in Native American Lands spiked precipitously, surpassing even those in the African American South and those recorded in Big Cities early in the pandemic.

These data show that the public health crisis is still raging and has quickly spread to rural areas that are much worse-positioned to address the health crisis. The pandemic has lasted long enough that even residents in areas with limited news options understand the seriousness of COVID-19; this stands in stark contrast to the mixed messages that were prevalent in late February and early March.²⁴ The public health crisis is closely linked with economic activity, as research has shown that the public responds to rises in case numbers by decreasing household consumption, thereby limiting business activity.²⁵ Thus, it is critical to address the pandemic in order to help the economy recover. The next section of this report analyzes trends in economic activity to see how the pandemic has harmed rural economies.

Economic activity in rural areas

Although the United States is entering the fifth month of the pandemic, it has been two months since the federal government enacted policy to address the various economic impacts of the coronavirus.²⁶ Various studies have found that the public responded to the health crisis by staying home, even prior to official stay-at-home orders.²⁷ Moreover, 22 percent of small businesses were inactive in April 2020, and while there was some increase in the number of open businesses in May 2020, it was still behind prepandemic levels.²⁸ With many businesses closing again in June, this is not likely to change significantly. While shelter-in-place orders did have an effect on the activity of small businesses, household decreases in consumption played a larger factor in the decrease in business activity.

The question is whether the public health crisis has affected economic activity in rural communities specifically. To answer this question, this report analyzes publicly available data from the Opportunity Insights Economic Tracker.²⁹

Opportunity Insights economic tracker

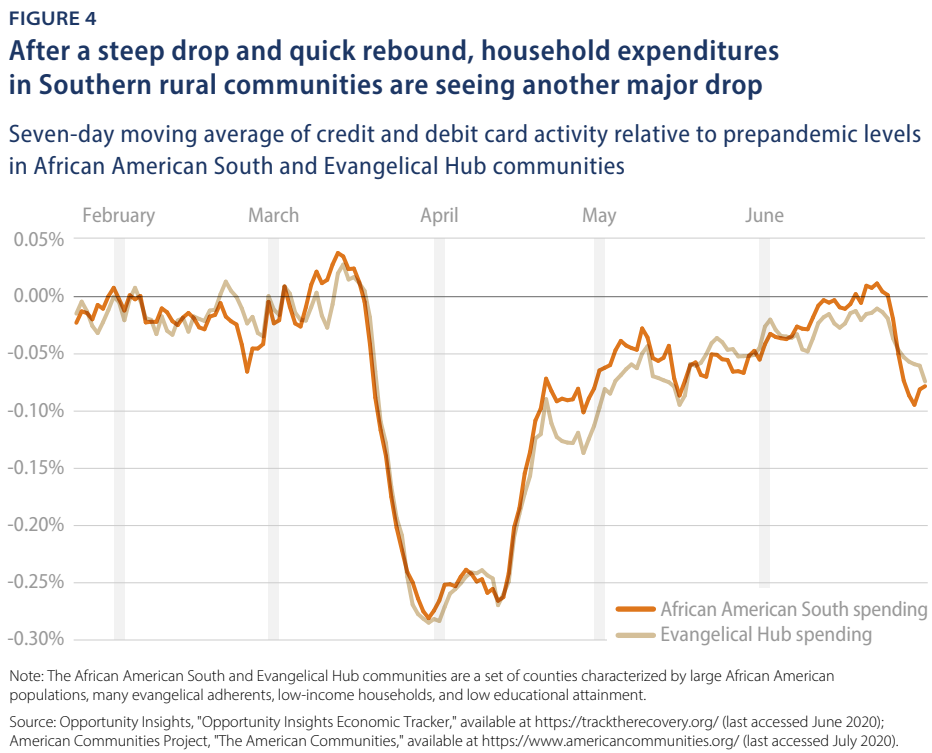
The Opportunity Insights team at Harvard University, run by economist Raj Chetty, have released new work that details economic activity as well as trends in COVID-19 activity since the start of 2020. The team collected real-time activity data from a series of private sources that aggregate credit card transactions. The team then created indices to show the trends in activities. Their analysis showed that expenditures by households in the top income quintile have dropped since the precrisis period and have not recovered since.³⁰ This has had ripple effects across these affluent neighborhoods, leading to small business decline and employment losses.

The Opportunity Insights team took data on household expenditures from the marketing firm Affinity Solutions, which measures seasonally adjusted household spending from credit card and debit card data. It took data on small businesses from Womply that are aggregated from credit card and debit card data. To account for privacy concerns, the data are anonymized and reported as a seven-day moving average relative to the prepandemic period—the baseline of January 2020.

This section focuses on economic activity by households and businesses. CAP's analysis monitors household expenditures, the percentage of small businesses that are open, and revenues from small businesses. CAP merged the data from Opportunity Insights with the ACP classification to get a sense of the economic dynamics across different types of rural communities. This analysis examines five of the nine ACP rural classifications, categorizing the communities into three general regions: Southern rural communities, which include the African American South and Evangelical Hubs; Midwestern rural communities, which include Rural Middle America and Working Class Country; and Western rural communities, which includes Graying America.³¹

Southern rural communities

Figures 3 and 4 look at the African American South and Evangelical Hubs. These communities are characterized by large African American populations, many evangelical adherents, low-income households, and low educational attainment. Figure 3 shows the pattern of household expenditures during the pandemic.



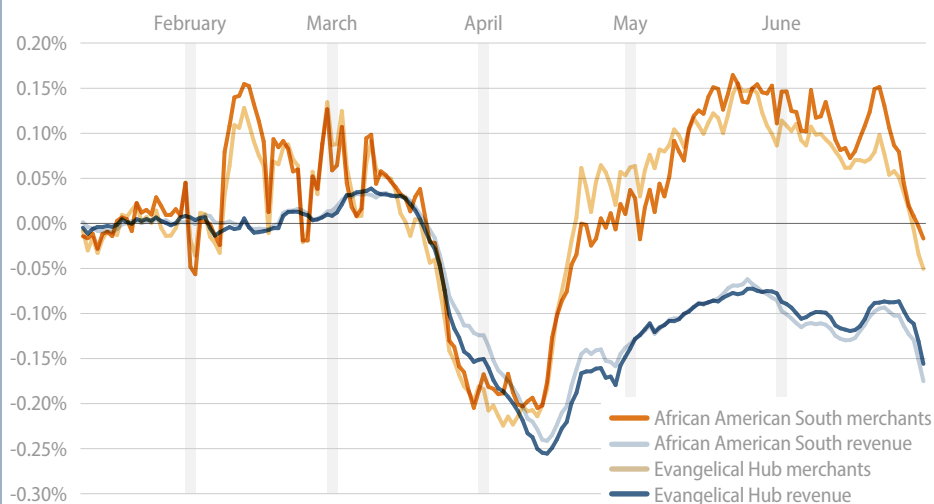
Household expenditures fell in mid-March and plateaued through the early part of April. After mid-April, household expenditures jumped and then began a slow climb through mid-June. The former period coincided with the disbursement of the \$1,200 checks on April 15 that were part of the CARES Act. At the end of June, spending had plummeted in both communities, which is likely a result of the spike in coronavirus cases in the Sun Belt states.

Figure 4, which looks at small-business dynamics, reveals an interesting pattern wherein revenues for small businesses recovered in May even as the percentage of merchants open continued to decrease. In June, both revenues and openings reversed the positive trends from May. These communities are in states that were aggressive about reopening their economies, such as Georgia and South Carolina. Analysis of news-watching data³² also found that these communities had among the highest Fox News viewership, which has been shown to cause an increase in noncompliance with social distancing and other public health recommendations.³³

FIGURE 5

Small-business activity in Southern rural communities increased in early June but decreased at the end of the month

Seven-day moving average of credit and debit card activity relative to prepandemic levels in African American South and Evangelical Hub communities



Note: The African American South and Evangelical Hub communities are a set of counties characterized by large African American populations, many evangelical adherents, low-income households, and low educational attainment.

Source: Opportunity Insights, "Opportunity Insights Economic Tracker," available at <https://tracktherecovery.org/> (last accessed June 2020); American Communities Project, "The American Communities," available at <https://www.americancommunities.org/> (last accessed July 2020).

As with household expenditures, there was a jump in revenue in mid-April, so it is possible that households spent their \$1,200 directly back into the local economy. Additionally, the percentage of merchants open and the revenues for these businesses fell precipitously at the end of June.

In the South, household spending has nearly recovered to the prepandemic level. Expanded unemployment insurance and the direct checks program have likely been instrumental in helping residents in these communities continue their spending. Revenues for small businesses rose through May but started to decline through the beginning of June. There were decreases in the percentage of merchants open throughout this period, but the merchants that were able to stay open saw some gains. The data show that economic activity correlates with the rise in cases as household spending, percentage of businesses open, and revenue for these businesses all plummeted in the last week of June.

Midwestern rural communities

Figures 5 and 6 highlight the rural communities located in the Midwest region and parts of the Northeast that are dominated by blue-collar occupations. These communities are characterized by low-to-middle incomes and low-to-average college graduation rates.

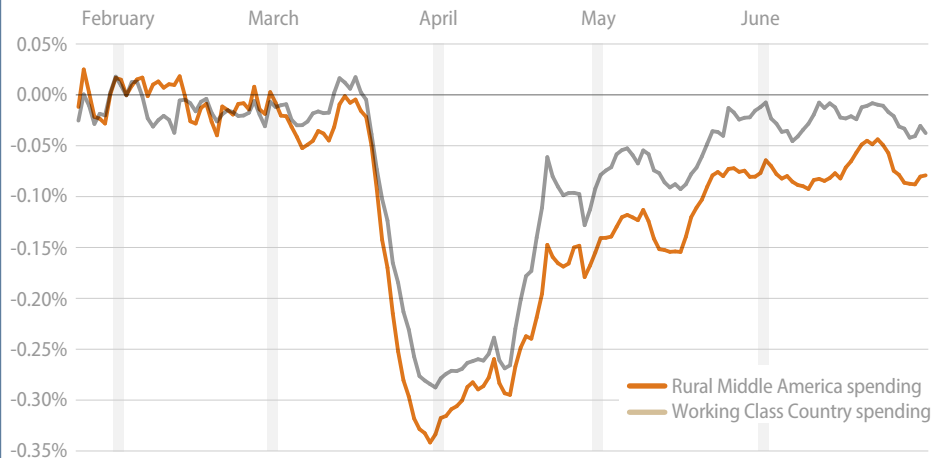
Compared with Southern rural counties, the Midwest saw a steeper fall in household expenditures. Working Class Country counties nearly recovered from the end of April to mid-June, while Rural Middle America continues to see negative growth in household expenditures. (see Figure 5) Again, there was a jump in expenditures in mid-April that coincides with the disbursement of the \$1,200 checks.

Unlike in Southern rural communities, merchants in the rural Midwest are struggling both to maintain revenues and stay open. (see Figure 6) Small-business revenue nearly recovered to prepandemic levels in late May, but since that point, revenues have continued to fall—though not to the extent of Southern rural communities.

FIGURE 6

After a steep drop and quick rebound, household expenditures in Midwestern rural communities have plateaued

Seven-day moving average of credit and debit card activity relative to prepandemic levels in Midwestern rural communities



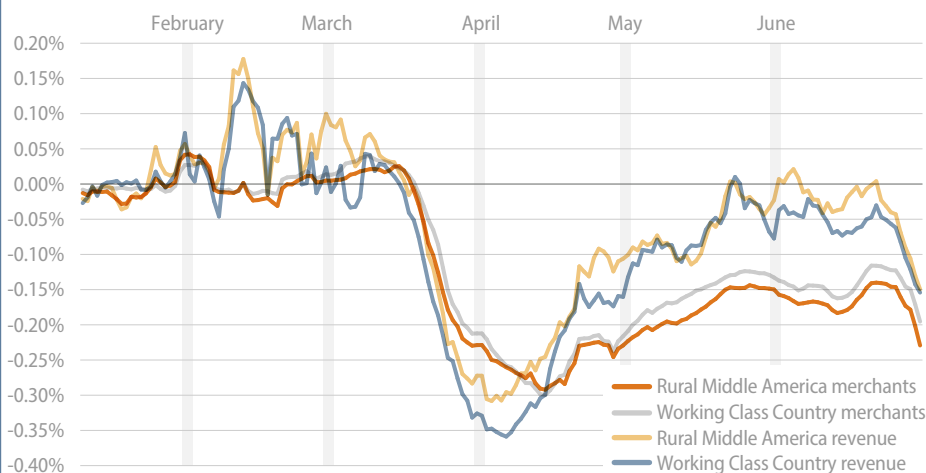
Note: The African American South and Evangelical Hub communities are a set of counties characterized by large African American populations, many evangelical adherents, low-income households, and low educational attainment.

Source: Opportunity Insights, "Opportunity Insights Economic Tracker," available at <https://tracktherecovery.org/> (last accessed June 2020); American Communities Project, "The American Communities," available at <https://www.americancommunities.org/> (last accessed July 2020).

FIGURE 7

Small-business activity in Midwestern rural communities has fallen during the pandemic and continues to falter

Seven-day moving average of credit and debit card activity relative to prepandemic levels in Midwestern rural communities



Note: The rural communities are located in the Midwest region and parts of the Northeast that are dominated by blue-collar occupations. These communities are characterized by low-to-middle income and low-to-average college graduation rates.

Source: Opportunity Insights, "Opportunity Insights Economic Tracker," available at <https://tracktherecovery.org/> (last accessed June 2020); American Communities Project, "The American Communities," available at <https://www.americancommunities.org/> (last accessed July 2020).

Western rural communities

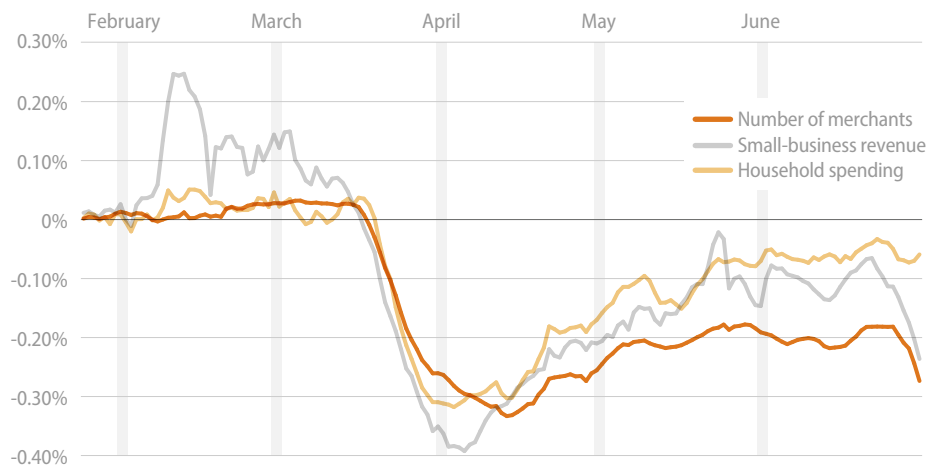
In a CAP issue brief published before the pandemic, the author highlighted Graying America as one of the bright spots for economic growth.³⁴ This community is characterized by an aging population of retirees primarily in the West, but residents of this group are also located in the Northeast and in Florida. Much of the rise in coronavirus cases was due to tourism, which led to Graying America becoming one of first rural communities to be significantly affected by the pandemic.

In Western communities, a pattern similar to that in other rural communities is evident: These areas were experiencing positive household spending before the pandemic, but then the bottom fell out. (see Figure 7) As in the other regions, expenditures in Western communities rose in mid-April and continued to rise at the beginning of May. Since late May, expenditures have plateaued below the prepandemic level. Revenue grew prepandemic but fell over the course of the crisis, and there was a decrease in the number of merchants open throughout May and June. As was the case in the other regions, the number of merchants open and revenue for small businesses both plummeted at the end of June.

FIGURE 8

In Graying America, household expenditures have risen steadily after a large drop, but small-business activity continues to suffer

Seven-day moving average of credit and debit card activity relative to prepandemic levels in Graying America communities



Note: Graying America is characterized by an aging population of retirees primarily in the West, but residents are also located in the Northeast and Florida.

Source: Opportunity Insights, "Opportunity Insights Economic Tracker," available at <https://tracktherecovery.org/> (last accessed June 2020); American Communities Project, "The American Communities," available at <https://www.americancommunities.org/> (last accessed July 2020).

In addition to the \$1,200 direct checks to households, the CARES Act provided expanded unemployment insurance. Both measures provided a financial cushion during the initial lockdown in March and April, and data show that this had a positive impact on household expenditures and revenue for small businesses. Yet while the checks were helpful,³⁵ it was only a one-time disbursement, and as long as this public health crisis runs rampant, further relief is critical. Expanded unemployment insurance has recently been shown to have added more than \$800 billion to the economy, but the expansion is set to expire on July 31. According to the Economic Policy Institute, ending this expansion prematurely could cost the economy more than 5 million jobs.³⁶

Policy recommendations

The analysis in this report shows that the U.S. economy is still struggling to handle both the public health crisis and the economic crisis. Data on the coronavirus find that the numbers of cases and deaths in many rural areas are rising swiftly. Many rural areas have worked to prepare their community for outbreaks, but they still need help from the federal government.³⁷

The nation is past the point of talking about how to prevent a recession or how to mitigate the outbreak. The question now is how to put the country on a trajectory toward recovery. This section highlights three actions that Congress can take to address the current crisis that will be crucial for rural areas.

Stop the spread of COVID-19

Recent spikes in the number of COVID-19 cases in several states throughout the country have paused plans for reopening. Governors in states including Florida, Texas, and Arizona are once again restricting indoor activities in an effort to reverse recent outbreaks.³⁸ These policymakers were misguided in their attempts to restart the economy while the pandemic was in full swing, failing to understand that the economy can only work at its fullest capacity once the public health crisis is stamped out. This will require continuing to restrict indoor activities through social distancing and business closures and providing resources to health care institutions to properly test and treat people. In order to safely undertake a substantial reopening, states and localities must bring down transmission of the virus to a controllable level, ensure that they have adequate testing capacity to detect and control outbreaks, and put in place programs for contact tracing.³⁹

Provide relief to state and local governments

In order to combat the public health crisis amid an economic downturn, state and especially local governments need relief from the federal government to close budget shortfalls, provide resources to hospitals and public health workers, and reverse the

negative trends in employment loss.⁴⁰ States have had to deal with a severe loss of sales tax revenue from decreases in retail sales and a loss of income tax revenue from unemployment and business closures, which have led to the loss of 1.5 million jobs. This is particularly an issue for rural communities, especially in states that did not expand Medicaid,⁴¹ as many people cannot afford health insurance and hospitals have a harder time staying solvent. Rural areas have been devastated by hospital closures, and even communities that have not seen a surge of COVID-19 patients still are struggling financially.⁴² Resources from the CARES Act have helped, but without further funding the mounting financial pressures on residents will continue. Given not only the magnitude of the current crisis but also how much states and localities will continue to struggle into 2021 and 2022, the federal government should allocate \$915 billion to state and local governments to cover shortfalls for the next couple of years.⁴³

Provide direct relief to households

The figures included in the previous section, as well as many studies,⁴⁴ show that providing direct payments to households has been beneficial during the pandemic. As long as the public health crisis continues, further relief is needed. In addition to providing funding to state and local governments, the federal government must provide relief to households as nationwide unemployment and underemployment rates continue to pose a concern for many. Expanded unemployment insurance needs to be extended and linked to local economic indicators so that benefits expire only when the economy has fully recovered. Relief should also come in the form of direct payments to households, as the \$1,200 checks led to increased revenue for small businesses, especially in Southern rural communities. These payments should be ongoing, not a one-time occurrence, as households face greater burdens due to the public health crisis.

Conclusion

Congress and the administration took necessary action at the start of this pandemic, which prevented the economy from suffering an even worse fate than it already has. Spending activity by households increased in mid-April, which helped businesses maintain revenue. However, over the course of May and June, both the federal government and state governments failed to take the necessary steps to reduce the spread of the virus and ensure long-term economic recovery. As this report has shown, daily case counts continue to rise across various rural communities, leading to decreases in economic activity by households and businesses. A significant concern is that with the recent spike in coronavirus cases, small businesses that weathered the spring storm are not going to be able to survive a second lockdown.⁴⁵ Data through the end of June show that households are curbing their spending and fewer businesses are staying open.

It is imperative that Congress not only pass further relief but also that this relief is large in size and scope. It is also critical that relief is tied to economic indicators and does not expire at an arbitrary date. As rural communities work to combat the coronavirus to the best of their ability, policymakers need to step up and meet the moment to help.

About the author

Olugbenga Ajilore is a senior economist at the Center for American Progress. His expertise includes regional economic development, macroeconomic policy, and issues in diversity and inclusion. He has been invited to testify in front of Congress. He has been featured in *The New York Times*, *The Wall Street Journal*, and *The Washington Post*, and has made many media appearances.

Acknowledgments

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