

## THE METROPOLITAN OPPORTUNITY CHALLENGE ALIGNING ANTI-POVERTY INVESTMENTS REGION-WIDE

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### SUMMARY

By repurposing a fraction of existing place-based anti-poverty funding, the federal government should create a Metropolitan Opportunity Challenge to increase access to economic opportunity throughout metropolitan regions, particularly for the majority of metropolitan poor who now live in suburbs. Similar to the Department of Education's Race to the Top program, the Challenge would award resources to states through a competitive process, transforming the field by offering organizations and state and local governments incentives to increase low-income families' access to regional opportunity, and to leverage new resources to address those challenges. The Challenge should allow flexibility for regions to identify the scaled-but-local strategies appropriate for enhancing opportunity across their diverse array of localities, sparking the scaled, collaborative, and strategically financed approaches that can ultimately reinvent place-based antipoverty policy.

### BACKGROUND

During the 2000s, as the poor population in the United States grew to record levels (46.2 million), the nation passed a tipping point. For the first time, the number of poor people in major metropolitan suburbs surpassed the number in cities, making suburbia home to the largest and fastest growing poor population in the country. Between 2000 and 2011, the suburban poor population grew by 64 percent—more than twice the rate of growth in cities (29 percent). By 2011, 16.4 million residents in suburbia lived below the poverty line, outstripping the poor population in cities by almost 3 million people. Over the same period, poverty rates rose by nearly equal degrees in cities and suburbs (more than 3.5 percentage points), although urban poverty rates remain considerably higher than those in suburbs. Still, by the end of the 2000s, more than one-third of the suburban poor population lived in neighborhoods with poverty rates of at least 20 percent.

Place intersects with poverty in ways that can ease or exacerbate its challenges. Good schools, good jobs, good housing, and good services are not distributed equally across the American landscape. Where a poor family lives thus determines whether they have access to the tools, resources, and opportunities that can set them on a path to greater economic stability. Neglecting suburban poverty's rise risks repeating the mistakes of the past, and recreating the challenges of concentrated disadvantage in suburbs that many cities have struggled with for decades.

Fortunately, a number of innovative organizations around the country are responding to the challenge of suburbanizing poverty. Neighborhood Centers in greater Houston delivers services in more than 60 sites across the metro area, blending funding from upwards of 30 federal programs to serve clients in a seamless fashion. The Road Map Project in Seattle and South King County combines seven school districts across city and suburban lines in a collective impact effort to reduce achievement gaps in schools and prepare kids for college and careers. And IFF, a Chicago-based Community Development Financial Institution, offers a portfolio of services that includes research, lending, and development capacity, enabling it to work across jurisdictional and policy silos to facilitate community development in city and suburban communities throughout the Midwest. The efforts of these organizations, and other innovative models in regions throughout the country, suggest three key principles for addressing region-wide poverty challenges:

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- **Getting to scale** by improving systems and networks, promoting high-performance organizations, and supporting smart consolidation.
- **Promoting collaboration and integration** by identifying and reducing barriers to integration and collaboration, rewarding integrated and collaborative approaches, and catalyzing regional capacity.
- **Funding strategically and flexibly** by committing to enterprise-level funding, promoting strategic tools that leverage public and private funds, and developing and maintaining consistent, comparable data.

## THE PROBLEM

In the decades since the War on Poverty, numerous policies and programs have evolved to address poverty in place, largely focusing on distressed inner-city neighborhoods. Today, the federal government spends roughly \$82 billion dollars on more than 80 such programs, spread across 10 different agencies. These efforts tend to take one of three approaches, working to improve neighborhoods by upgrading their physical and economic infrastructure; deliver services in communities to meet basic needs or help residents find and keep employment; or expand opportunity by giving residents a wider set of options (whether related to jobs, housing, or education) elsewhere in the metro area.

However, these types of programs were not built with suburbs in mind, and often encounter challenges in trying to adapt to the suburban landscape. Neighborhood improvement programs built for concentrated city neighborhoods are a poor fit for many suburbs, where poverty spreads across larger areas and fragmented jurisdictions. Service delivery programs are not easily mapped onto dispersed suburban poor populations, especially in small, resource-strapped municipalities, and in places where residents lack information about available safety net services or have concerns about stigma. And many lower-income suburbs include residents who took advantage of programs to expand residential opportunity, but who now find themselves further isolated from social and economic opportunity. Finally, these approaches often fail to confront the lack of capacity, fragmentation, and inefficient and inflexible funding sources that often exist in suburbia.

The answer to these challenges is not to shift limited resources from poor urban to poor suburban communities. Instead, the country needs to reform and remake policies and practices that confront barriers to opportunity not just at the community level, but at the regional scale of the economy.

## PROPOSAL

To accelerate the move toward a 21st-century framework that promotes opportunity at the regional level, the federal government should create a **Metropolitan Opportunity Challenge**. Like the Department of Education's Race to the Top program, the Challenge would use limited resources to transform the field by offering organizations and state and local governments incentives to reinvent approaches to regional poverty and opportunity, and to leverage new resources to address those challenges. It would:

**Spark state-level reforms.** Like Race to the Top, the Metropolitan Opportunity Challenge would (in the first instance) be a competitive grant program for states. To be eligible, states would be required to have adopted key reforms that streamline access to work supports for low-income individuals and families. For instance, the program could require eligible states to have implemented (and/or provide resources to help them implement) automated eligibility determinations and data sharing among the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid/CHIP, and child care programs. Such reforms are particularly meaningful for ensuring that eligible families throughout metropolitan areas gain access to those supports, given challenges around proximity and stigma that may limit take-up in suburban jurisdictions. Despite their history of

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indifference to metropolitan concerns, states remain critical to smart metro-level strategies, particularly given their powers in policy areas such as transportation, education, housing, and skills training. Similar to the Race to the Top program, later rounds could provide federal funding directly to entities at the metropolitan level, but engaging states as grantees in at least the first round would be critical for gaining buy-in and leveraging their contributions to regional capacity over the long term.

**Support tailored metro-level strategies.** While states would be the primary grantees for the Metropolitan Opportunity Challenge, the dollars would be deployed in metropolitan areas to improve access to opportunity for low-income residents. As part of the application process, states—ideally jointly with metropolitan actors—would articulate how the Metropolitan Opportunity Challenge would provide enterprise-level funding to capable regional entities to implement strategies tailored to their places. The metropolitan-level strategies could focus on measurable outcomes that are judged to be most important for the economic advancement of lower-income populations in that metropolitan region. The goals of these interventions could include, among others, locating more affordable housing near good jobs or high-quality schools; stimulating economic development along key corridors that span distressed urban and suburban communities; scaling the delivery of social and health services to reach underserved areas; or coordinating the provision of workforce training and child care to help more adults prepare for in-demand careers.

The Metropolitan Opportunity Challenge would be agnostic about what type of entity carries out the strategy in any given state or metropolitan area—a nonprofit, a community development financial institution (CDFI), a government agency, a metropolitan planning organization, or a consortium thereof—but would require states to demonstrate that those entities had the scale, expertise, and market understanding to tackle the strategy from a metropolitan perspective. In addition, the geography of the intervention could be regional or subregional, and applicants would be judged on how well that geography aligns with the issues identified, and the degree to which it promotes scaled delivery.

**Bend “mainstream” funding.** Funding for the Metropolitan Opportunity Challenge would give states and metropolitan areas the motivation and financial cushion to undertake new, tailored strategies. More than that, however, the challenge resources would obligate states and regions to bend existing place-based programs toward those new strategies. For instance, a state might propose to grant Metropolitan Opportunity Challenge dollars to a metropolitan area in order to increase the availability of high-quality schools in struggling suburban communities, and to increase the availability of affordable housing in suburban communities with good schools. While those dollars might provide the capital needed to establish new charter schools, attract high-quality staff to existing schools, or provide enhanced housing mobility counseling for low-income families, the state and metropolitan area would also be expected to align larger, existing funding flows such as Title I, the Low Income Housing Tax Credit, and the Housing Choice Voucher program in support of that strategy. Moreover, the Affordable Care Act’s investments in new service access points and preventive care present new opportunities for regions to integrate health policy into a broader anti-poverty agenda by targeting the so-called social determinants of health. Applicants would detail how their strategies would harness complementary federal, state, and local resources, and what additional flexibility they seek from federal agencies through waiver processes to enable policy and spending coordination. Ideally, the challenge would encourage such resource alignment via systemic state- and metro-level reforms that persist beyond the specific strategies funded.

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**Fund for success.** The program could also embrace the spirit of the growing “Pay for Success” movement by conditioning a portion of the funding on how well the strategies achieved their desired gains in metropolitan access to opportunity. Because the Metropolitan Opportunity Challenge would aim to enhance the long-term economic mobility of individuals and families in metropolitan areas through a range of strategies, it may not be fertile ground for attracting private capital focused on shorter-run government savings. However, while the bulk of challenge dollars would fund the design and implementation of access to opportunity strategies, “bonus” funding could be reserved for states that meet intermediate targets stipulated in the application process, such as measurable increases in low-income households’ geographic access to employment via affordable transportation, children in voucher households attending good-performing schools, eligible families gaining access to subsidized nutritional assistance, or low-income individuals seeing a primary care physician on a regular basis.

**Deploy data strategically.** To measure gains in access to opportunity objectively, the Metropolitan Opportunity Challenge should incorporate funding for rigorous program evaluation and data sharing. Many of the data sets analyzed as part of *Confronting Suburban Poverty in America* and the Brookings Metropolitan Opportunity Series could prove useful for establishing strategy baselines and performance tracking. The federal government could engage philanthropy and the private sector to establish and support a common data platform to evaluate the progress of Metropolitan Opportunity Challenge participants and to stimulate similar efforts to improve access to opportunity in other metropolitan areas.

**Grow metropolitan capacity.** The Metropolitan Opportunity Challenge would be designed not only to stimulate new metro-level thinking and action around access to opportunity, but also to grow stronger networks of intermediaries and supporting institutions working at a regional scale. In some metropolitan areas, those entities (like Neighborhood Centers in Houston or IFF in the Midwest) might already exist. In others, the challenge could motivate new cross-sector, multijurisdictional partnerships. It could also attract new high performers to regions with limited existing capacity, in the way that the Department of Education’s Charter Schools Program has encouraged the spread of high-performing charter management organizations to new markets. Similar to promising new efforts like the Social Innovation Fund and the Investing in Innovation program, the Metropolitan Opportunity Challenge should require states and metropolitan areas to leverage the federal funds with matching dollars from the private and philanthropic sectors. It could thus motivate more national and regional philanthropies to move their grant making from the neighborhood and city levels to the regional scale. The Metropolitan Opportunity Challenge could also be separated into planning and implementation grant rounds, with planning grants allowing more regions time to assemble and test plans, and to attract or build the capacity of regional entities to carry out the plans.

Because Metropolitan Opportunity Challenge grants could incorporate interventions across a wide variety of policy areas, coordinated federal leadership would be needed to design and judge applications, and to align existing federal resources and authorities behind the metropolitan strategies. The Departments of Housing and Urban Development, Education, Health and Human Services, and Labor operate the largest number of the more than 80 place-based programs that currently address poverty in place, and should jointly administer the program under a special Metropolitan Opportunity Partnership. That partnership could in turn consult with other agencies whose investments could influence access to opportunity strategies, such as the Departments of Transportation, Commerce, and Justice. The benefits of aligning a broad array of resources and rules behind the Metropolitan Opportunity Challenge strategies—as demonstrated through the Sustainable Communities Partnership—stand to outweigh inevitable but manageable bureaucratic costs.

## IMPLEMENTATION

Undertaking the Metropolitan Opportunity Challenge need not require new federal dollars. We propose that 5 percent of the existing \$82 billion in annual federal place-based antipoverty funding—\$4 billion—be redirected to the Metropolitan Opportunity Challenge. This is similar to the amount appropriated through the 2009 stimulus for Race to the Top, and a smaller share of total place-based program spending than Race to the Top represented as a share of the Department of Education’s discretionary budget at the time. That program had a truly transformative effect on state and local education reform even though it represented less than 1 percent of the total annual spending on K–12 education in the United States.

Exactly which programs should be trimmed to support the \$4 billion program should be studied further, though it is notable that the Obama administration has already proposed (and in other cases acceded to) cuts in long-standing place-based programs such as the Community Development Block Grant, HOME, and the Community Services Block Grant. As the fiscal climate and divided government in Washington place further downward pressure on anti-poverty spending, the Metropolitan Opportunity Challenge could represent an “escape valve” for repurposing additional cuts into a bolder, bottom-up approach to enhancing economic mobility at the regional scale of the economy.

However, even with the immediacy of needs across cities and suburbs alike, gridlock in Washington may hamper productive action on these issues at the federal level. Local leaders and private sector partners can nevertheless spur innovation and drive change from the bottom up. By conducting regional Metropolitan Opportunity Challenge pilots in a select number of metro areas, and carrying out rigorous evaluations to determine what works, government officials, nonprofit leaders, and private funders can demonstrate the efficiencies and improved outcomes that can be gained through more scaled, collaborative, and strategically funded approaches to increasing access to economic opportunity region-wide.