



COMMONWEALTH of VIRGINIA

Office of the Governor

Commission to Examine Racial & Economic Inequity in the Law

AGENDA

Wednesday, August 11th, 2021

1:00-3:30pm

Patrick Henry Building | 1111 East Broad Street, Richmond, VA 23219

Additional Public Participation via Webex

<https://governor.virginia.gov/i/equitycommission>

Dial-in phone number: 866-692-4530 | Dial-in access code: 161 821 8649

1. Call to Order
2. Swearing-in of the Commissioners by Representative from the Office of the Secretary of the Commonwealth
3. Remarks by Chair Cynthia Hudson
 - a. Introduction to Commission Staff
 - b. Introduction to Commission Counsel
4. Approval of Policy for Virtual Attendance
5. Public Comment
6. Presentation from Virginia Community Capital, Inc. by Leah Fremouw, SVP, Director of Community Innovation
7. Presentation from The Fountain Fund by Erika Viccellio, Executive Director & Martize Tolbert, Client Partner Navigator
8. Presentation from University of Virginia Researchers: Access to Capital & Rural Equity Issues by Julia Eger, Joe Aldridge, and Scott Chamberlain
9. *Refreshment Break*
10. Discussion
11. Adjournment
 - a. Future Commission Meeting Dates:
 - i. August 24, 2021 (10am-1:00pm)
 - ii. September 15, 2021 (1-4pm)

COMMISSION TO EXAMINE RACIAL AND ECONOMIC INEQUALITY IN VIRGINIA LAW POLICY GOVERNING ELECTRONIC PARTICIPATION IN MEETINGS

Adopted August 11, 2021, pursuant to VA Code §2-2 3708.2

Occasions may arise when a member of the Commission to Examine Racial and Economic Inequality in Virginia Law is unable to be physically present at the meeting. Under certain circumstances, Virginia law permits members to participate in meetings through electronic means such as telephone and video conferencing. The law limits the instances in which this may occur, prescribes procedures that must be followed when a member participates in a meeting through electronic means, and requires that a written policy governing such participation be adopted. This Policy, as hereafter set forth, sets forth the instances when a member may participate in a meeting electronically and the procedures that apply.

Circumstances When Electronic Participation is Permitted

A Commission to Examine Racial and Economic Inequality in Virginia Law member may participate in a meeting through electronic means from a remote location not open to the public under the following circumstances:

1. a. A member shall notify the chair on or before the day of the meeting that such member is unable to attend the meeting due to an emergency or personal matter, and shall identify with specificity the nature of the emergency or personal matter. The Commission to Examine Racial and Economic Inequality in Virginia Law shall record in its minutes the specific nature of the emergency or personal matter and the remote location from which the member participated. If the member's participation from a remote location is disapproved because such participation would violate the provisions of this Policy, such disapproval shall be recorded in the minutes.

b. Such participation by the member shall be limited to two meetings each calendar year (provided Commission to Examine Racial and Economic Inequality in Virginia Law has at least six meetings a year).
2. A member may notify the chair that such member is unable to attend a meeting due to (i) a temporary or permanent disability or other medical condition that prevents the member's physical attendance or (ii) a family member's medical condition that requires the member to provide care for such family member, thereby preventing the member's physical attendance. The Commission to Examine Racial and Economic Inequality in Virginia Law shall record that a member participated through electronic means due to a (i) temporary or permanent disability or other medical condition that prevents the member's physical attendance or (ii) a family member's medical condition that requires the member to provide care for such family member as well as the remote location from which the member participated in its minutes.

Procedural Requirements

Participation by a member of the Commission to Examine Racial and Economic Inequality in Virginia Law as authorized above shall be only under the following conditions:

1. A quorum of the Commission to Examine Racial and Economic Inequality in Virginia Law is physically assembled at the primary or central meeting location.
2. The Commission to Examine Racial and Economic Inequality in Virginia Law makes arrangements for the voice of the member who is participating remotely to be heard by all persons at the primary or central meeting location.

Members of the Commission to Examine Racial and Economic Inequality in Virginia Law may meet by electronic communication without a quorum physically assembled at the primary or central meeting location when the Governor has declared a state of emergency, provided that (i) the catastrophic nature of the declared emergency makes it impracticable or unsafe to assemble a quorum in a single location and (ii) the purpose of the meeting is to address the emergency or a broader purpose if separately designated by the General Assembly in response to the emergency. Under this circumstance, the Treasury Board shall:

1. Give public notice using the best available method given the nature of the emergency, which notice shall be given contemporaneously with the notice provided to members of the Commission to Examine Racial and Economic Inequality in Virginia Law;
2. Make arrangements for public access to such meeting; and
3. Otherwise comply with the provisions set forth above.

The Commission to Examine Racial and Economic Inequality in Virginia Law shall record the nature of the emergency, the fact that the meeting was held by electronic communication means, and the type of electronic communication means by which the meeting was held in the minutes.

How Community Development Financial Institutions (CDFIs) can help improve Capital Access

Governor's Commission to Examine Racial Inequity in Virginia Law
August 11th , 2021

Presented by Leah Fremouw
SVP, Director of Community Innovation
Virginia Community Capital

Agenda

- Overview of the capital environment
- What is a CDFI
- CDFIs in Virginia
- Virginia's Small Business Recovery Fund
- Recommendations

Access to Capital

- In 2020, fewer than 1 in 4 Black-owned employer firms had recent relationship with a bank. This drops to less than 1 in 10 among Black nonemployer firms, compared with 1 in 4 white-owned nonemployers.
- Black-owned firms apply for financing at equal or higher rates than white-owned firms but are disproportionately denied.
- 54% of “healthy or stable” white employers have an existing banking relationship, compared to 33% of “healthy or stable” Black employers.

Other Factors Impacting Capital Access



Lack of borrower-
friendly terms and
interest rates



Lack of small
and/or micro
lending



Business
“readiness” or
ability to take on
debt

What is a CDFI?

- **Community Development Financial Institutions (CDFIs) are private financial institutions that drive non-predatory capital to low-wealth communities.**
- **CDFIs are certified by the US Department of Treasury as financially-sustainable and mission-forward.**
- CDFIs may be banks, credit unions, loan funds, or venture capital firms.
- Virginia has more than 17 CDFIs with track records reaching back more than 30 years.
 - Small business lending
 - Real estate and affordable housing
 - Clean energy lending
 - Food access lending and support
 - Consumer lending and banking services

CDFIs— Timeline

Community
Reinvestment
Act (CRA)
Passes

1977

CDFI Fund
Formed at
U.S. Dept of
Treasury

1994

CRA Overhaul

1995

First CDFI
Fund Awards

1996

Eligibility Criteria

Be a legal entity at the time of certification application

Primary mission is promoting community development

Be a financing entity

Primarily serve one or more “target markets”

Provide development services in conjunction with its financing activities

Maintain accountability to its defined target market

Be a non-government entity and not be under control of any government entity (Tribal governments excluded)

CDFIs Target Market



Focused on a specific geographic area



Focus on a group of individuals who lack access to financing options



Focused on a group population or with a documented need or of being historically underserved



CDFIs must demonstrate how it is **dedicating at least 60% of its activities** towards the defined target markets

Types of CDFIs

Community Development Banks: Loans and depository services for housing, business, commercial real estate, and consumers

Community Development Credit Unions: Promote ownership of assets and savings for individuals; affordable credit and retail financial services

Community Development Loan Funds: Loans for housing, microenterprise, small business, community facilities, and commercial real estate

Microloan Fund: Small loans for consumer needs, small businesses, and microenterprises

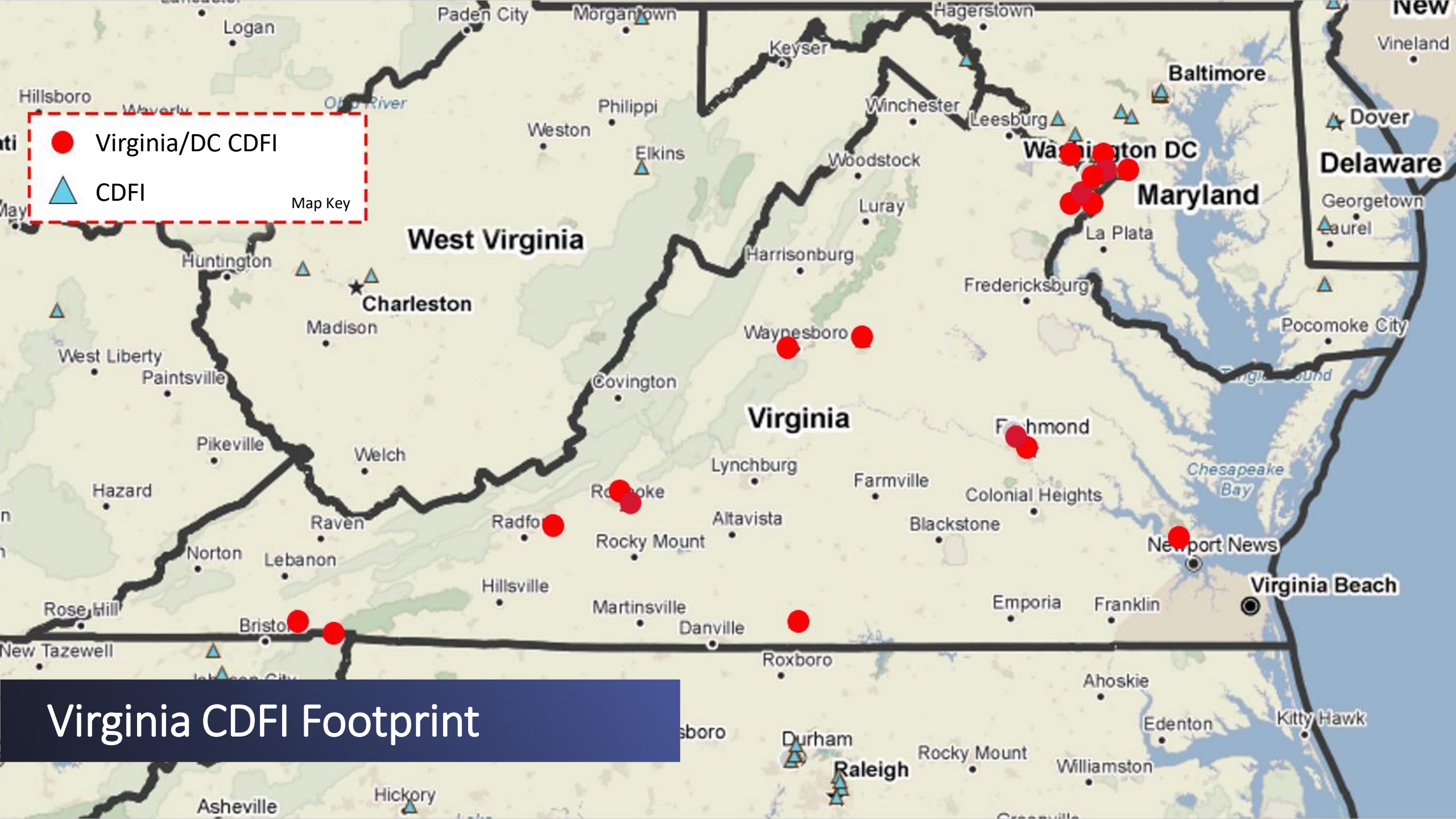
Community Development Venture Capital Funds: Equity and debt with equity features to mid-sized businesses with high growth potential and social impact

CDFIs Customers Nationally

47% Women

73% Low-income

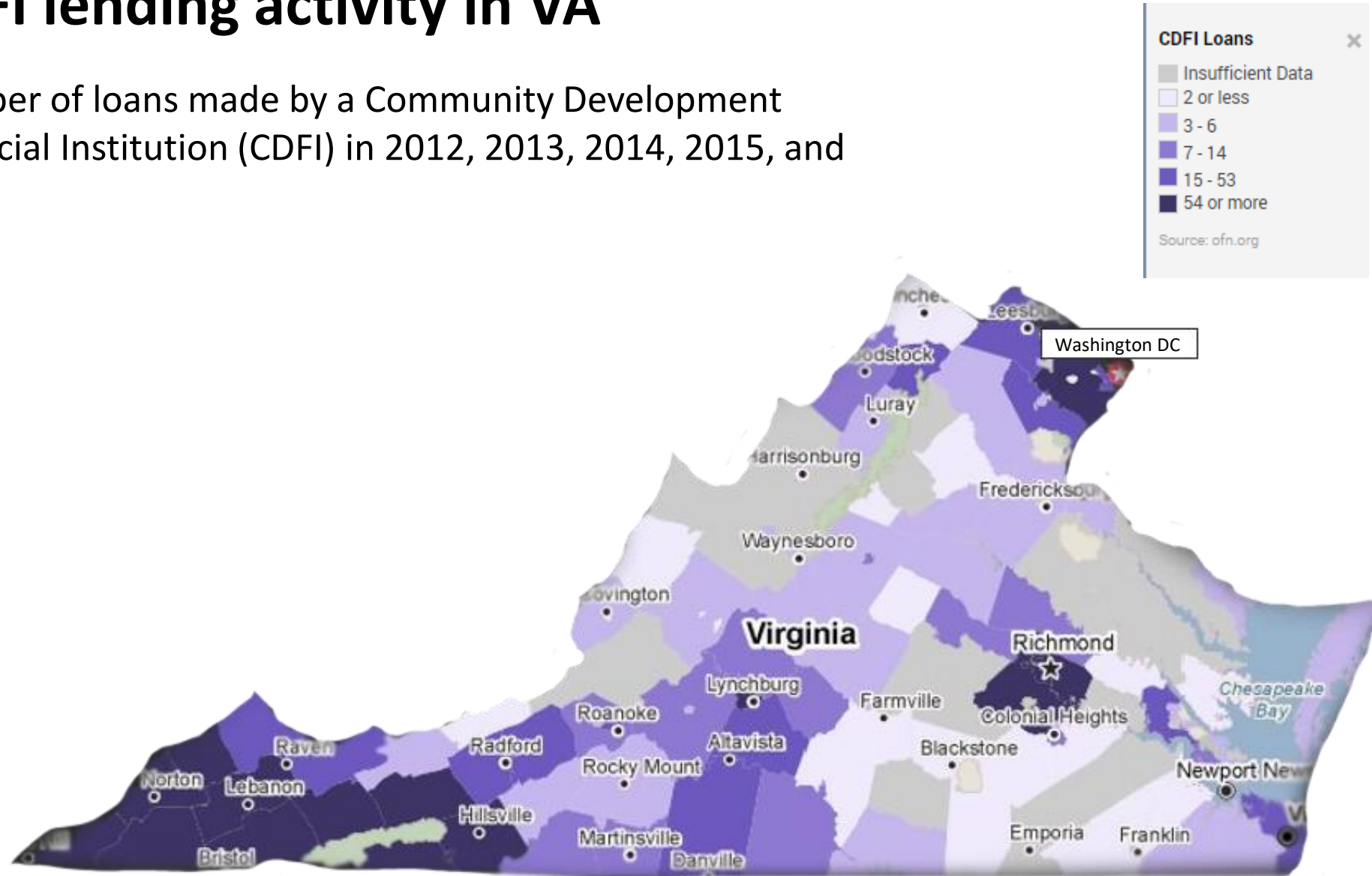
54% People of Color



Virginia CDFI Footprint

CDFI lending activity in VA

Number of loans made by a Community Development Financial Institution (CDFI) in 2012, 2013, 2014, 2015, and 2017.



Snapshot: CDFI Lending Activity in Va



151 originations totaling
\$93.4M to businesses



22 originations totaling \$9.8M
to industrial/agricultural
businesses



131 originations totaling
\$44.1M to individuals



27 originations totaling \$30M
to nonprofits &
community facilities



1.3M sq. Ft. of real estate
constructed or rehabilitated



1,504 units of affordable
housing financed

*Data only includes activity in 2017

The Virginia Small Business Recovery Fund



One-time funding of \$10 million to the va dept. Of housing and community development (DHCD)



DHCD has financial support to fully staff the program



Program design and stakeholder engagement has begun

Recommendations



Change the budget language to permanently install and fund the program



Add a minimum of \$10 million to the fund in 2022



Expand the program to include consumer services



THE FOUNTAIN FUND


Lending Hope

Our Mission

The Fountain Fund
**increases the
economic mobility**
of formerly incarcerated
people to **improve lives**
and **disrupt recidivism.**



Our Vision

A light blue map of Virginia is shown in the background, with its county boundaries outlined. The text is centered over the map.

Communities of **hope** and **opportunity**
for formerly incarcerated people
and their families

The Problem

- Court debt
- Barriers to securing transportation, housing and employment
- Lack of access to capital
- Ineligibility for bank loans
- Prohibitively high interest rates

These hurdles limit the economic mobility of formerly incarcerated people and prevent them from reaching their potential as productive members of society.



Our Solution

The Fountain Fund provides **low interest loans** to formerly incarcerated people, helping them **build credit** and achieve **self-determined goals**.



Loans Approved 2017 - 2021

- 200 microloans approved
- 175 Client Partners
- Total of \$750,000 extended
- \$272,000 in recycled capital (to date)

**90% of current Fountain Fund loans
are in good standing.**



Purpose of Loans

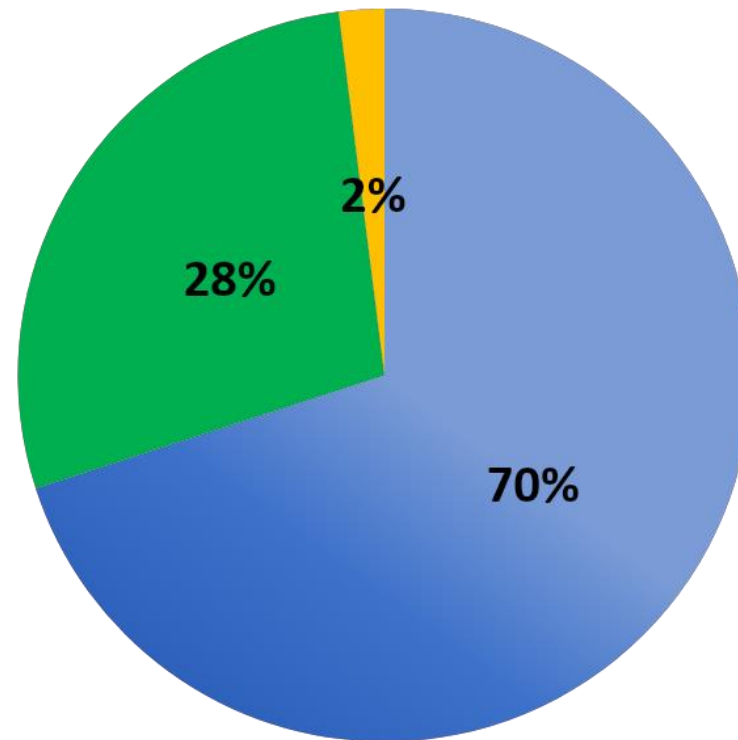


Small Businesses
Fines and Fees
Restitution
License Reinstatement
Transportation
Housing



Loan Recipients

Race



■ Black ■ White ■ Hispanic

Results

- 86% of Client Partners report at least one factor of elevation: license reinstatement, secure housing, increased wages, and/or launching a small business.
- 77% of Client Partners established or improved their credit score.
- Only 7% of Client Partners have been reincarcerated. This compares to an average reincarceration rate in our area of 78% after five years (as of December 2019).





Presentation to the Governor's Commission to Examine Racial Inequity in the Law

Professor Andy Block

Julia Eger, Joe Aldridge & Scott Chamberlain



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of VIRGINIA

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DISCLAIMER

The ideas and recommendations expressed in this presentation are not those of the University of Virginia, or the University of Virginia School of Law. They are those of the authors of this presentation alone.



1. Introduction
2. Research Process
3. Data Review & Policy Recommendations:
 - a) Access to Capital
 - b) Rural Issues
4. Q&A

ACCESS TO CAPITAL



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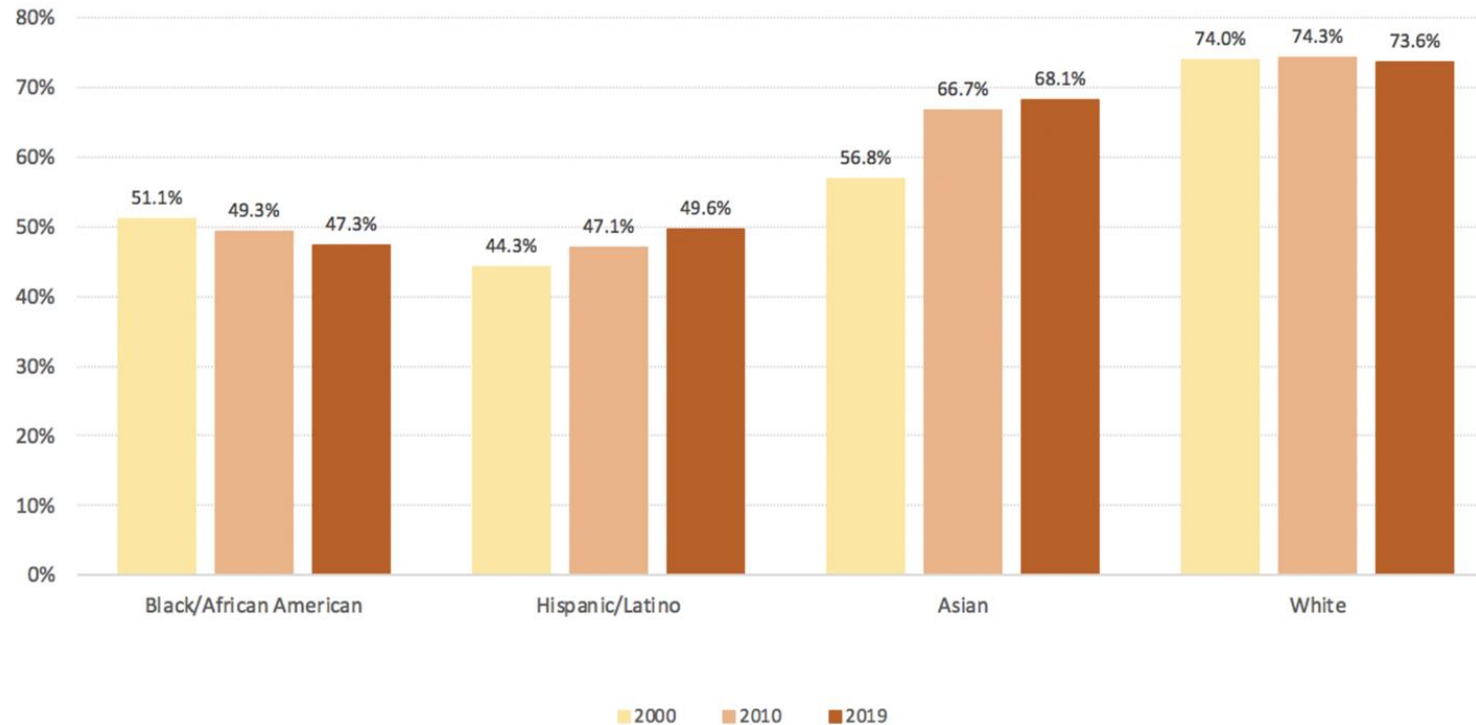
1. Introduction to Access to Capital
2. Homeownership
3. Entrepreneurship

Introduction to Access to Capital

- Black Americans own less than two percent of small businesses with employees in the United States, despite making up 13 percent of the U.S. population.
- Black-owned businesses in the U.S. are seven times less likely than white-owned firms to obtain business loans in their first year.
- In Virginia in 2019, the Black-white homeownership gap was 26.3%, up from 22.9% in 2000.
- In Virginia, African-Americans were twice as likely as white people to be denied loans to buy homes in 2019.

Barriers to Homeownership for People of Color

Homeownership Rates by Race/Ethnicity, Virginia
(2000 - 2019)



Source: U.S. Census Bureau

Homeownership Proposals

PROPOSAL 1: Increase the Support Offered by the State Down Payment Assistance Program and First-Time Homebuyer Tax Credit.

More than half of renters view a down payment as a major obstacle to buying a home, and many do not know about the assistance available to them. These issues have impacted predominantly Black communities especially heavily.

PROPOSAL 2: Increase Funding for the Virginia Housing Trust Fund.

There is a requirement that at least 80 percent of the fund be used for the Competitive Loan Pool, which provides short-, medium-, and long-term loans for the production and preservation of affordable housing. The loans are low-interest, and their provisions encourage the recipients to use outside funding sources.

Homeownership Proposals

PROPOSAL 3: Use State Funds to Support Financial Literacy Training.

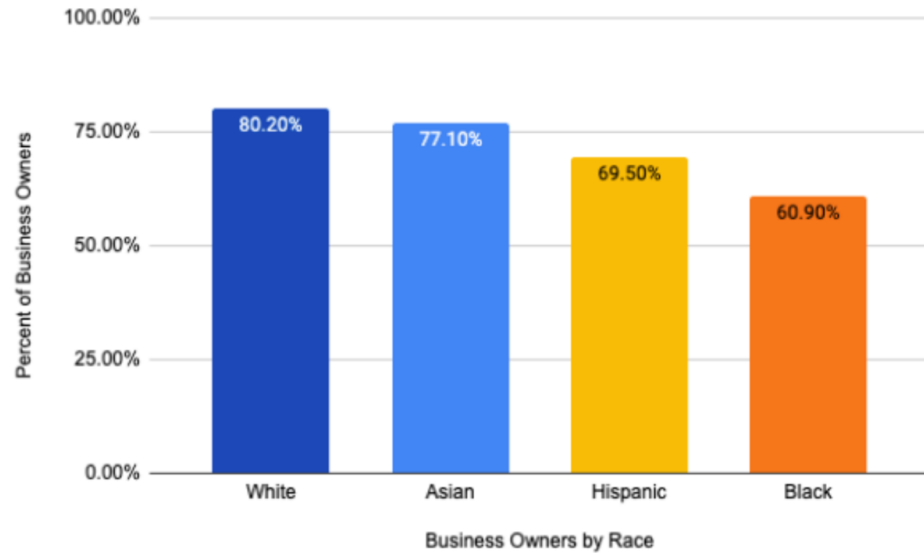
Around 30% of Black households in the Richmond region, despite having bank accounts, have turned to another financial resource such as a payday loan within the past year. Furthermore, 14% of Black households in the region do not have a bank account at all.

PROPOSAL 4: Direct the State Corporation Commission to Require the Use of Alternative Methods of Credit Scoring.

Creditors should include factors such as an applicant's history of rental, cell phone, and utility payments in their credit scoring models or the underwriting process.

Barriers to Entrepreneurship for People of Color

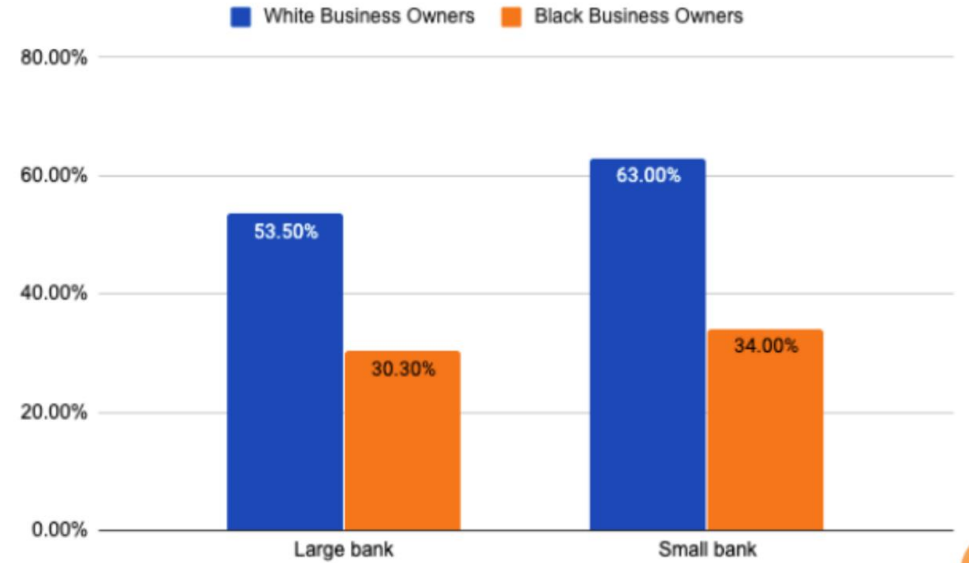
What percentage of business owners receive at least some of the funding they request from a bank?



*Data from the Federal Reserve's 2020 Small Business Credit Survey



What percentage of business owners said they faced "no challenges" when applying for a loan from a large or small bank?



*Data from the Federal Reserve's 2020 Small Business Credit Survey



Entrepreneurship Proposals

PROPOSAL 1: Continue to Support Virginia's New CDFI Fund. CDFIs are specialized financial institutions that serve low-income communities. They typically have more flexible underwriting criteria than other financial institutions and are more likely to make small-dollar loans to small businesses.

PROPOSAL 2: Develop State Entrepreneurial Catalyst Grants. “Evergreen community investment funds” support new businesses in their early stages. Collaborative investment funds engage established businesses to work with new businesses for joint product development and supplier relationships.

Entrepreneurship Proposals

PROPOSAL 3: Direct the State Corporation Commission to Require Diversity and Bias Training for Lenders. Because of the history of discrimination against minority borrowers and its continued impact, it is important that lenders receive this training.

PROPOSAL 4: Enact a Truth-in-Lending Law to Protect Small Businesses. An example that could aid Virginia in developing its own truth-in-lending law is California's Truth in Lending Act for small businesses, which requires lenders to disclose the total amount of financing, total cost of financing, term length, frequency and amount of payments, prepayment policies, and annual interest rate at the time of financing.

Homeownership Proposals

- **Increase the Support Offered by the State Down Payment Assistance Program and First-Time Homebuyer Tax Credit.**
- **Increase Funding for the Virginia Housing Trust Fund.**
- **Use State Funds to Support Financial Literacy Training.**
- **Direct the State Corporation Commission to Require the Use of Alternative Methods of Credit Scoring.**

Entrepreneurship Proposals

- **Continue to Support Virginia's New CDFI Fund.**
- **Develop State Entrepreneurial Catalyst Grants.**
- **Direct the State Corporation Commission to Require Diversity and Bias Training for Lenders.**
- **Enact a Truth-in-Lending Law to Protect Small Businesses.**

RURAL ISSUES



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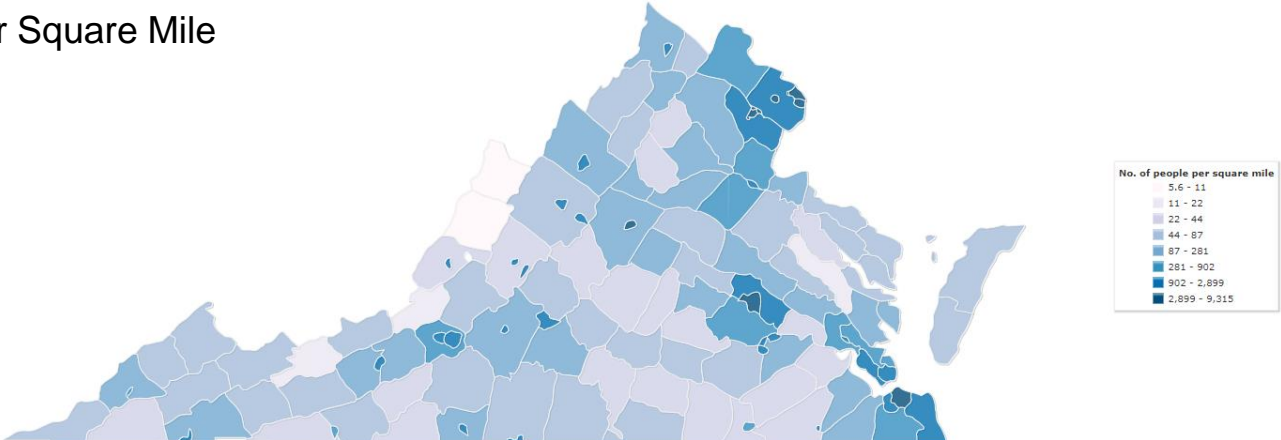
1. Introduction to Rural Issues
2. Health
3. Infrastructure
4. Criminal Justice
5. Education

Introduction to Rural Issues

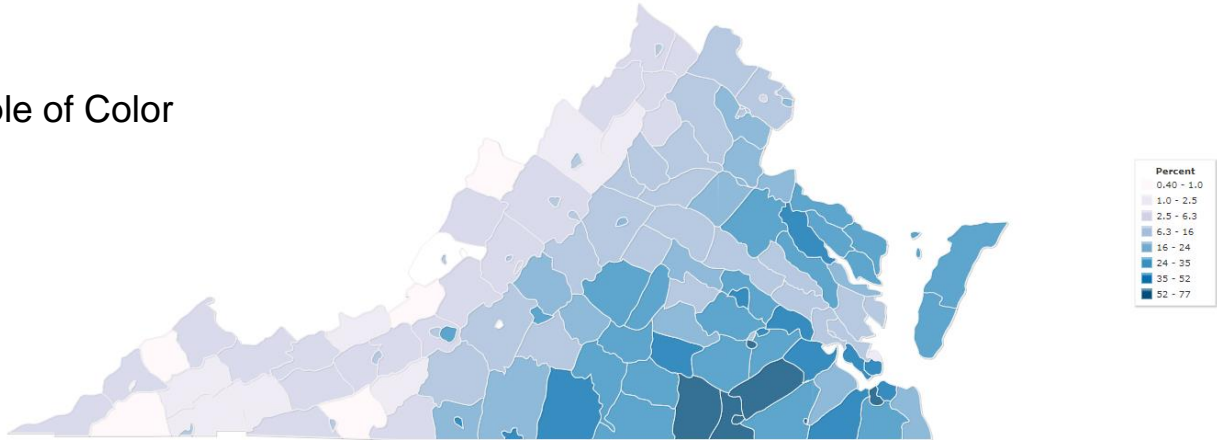
- Acknowledgements
- A Note on Data

Introduction to Rural Issues

Population per Square Mile

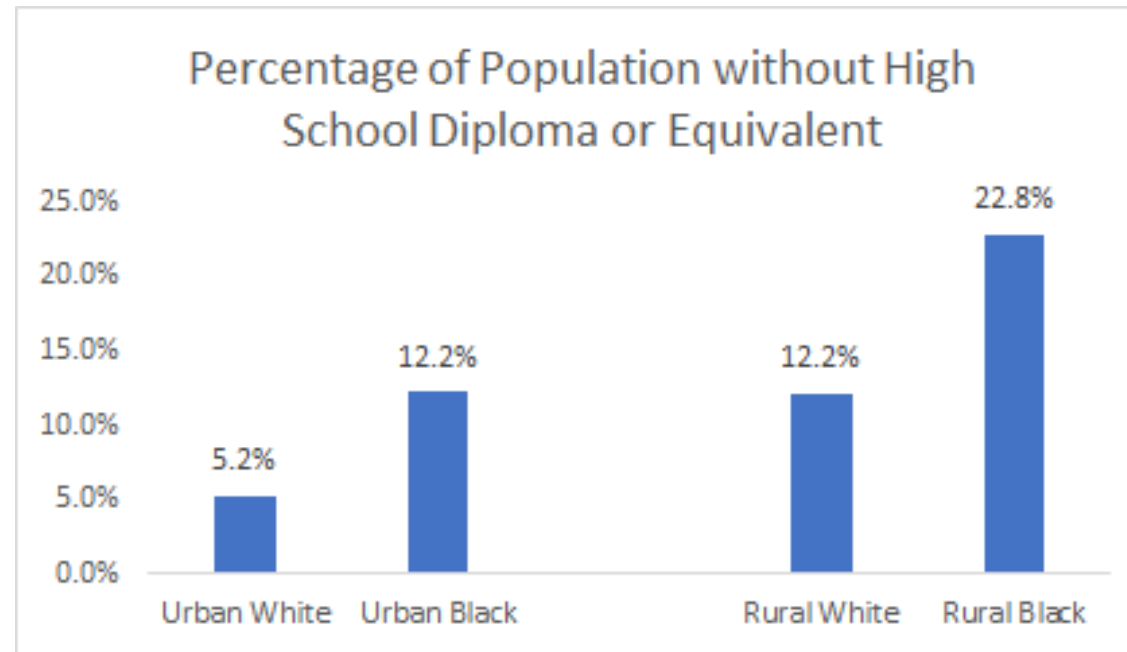


Percentage People of Color



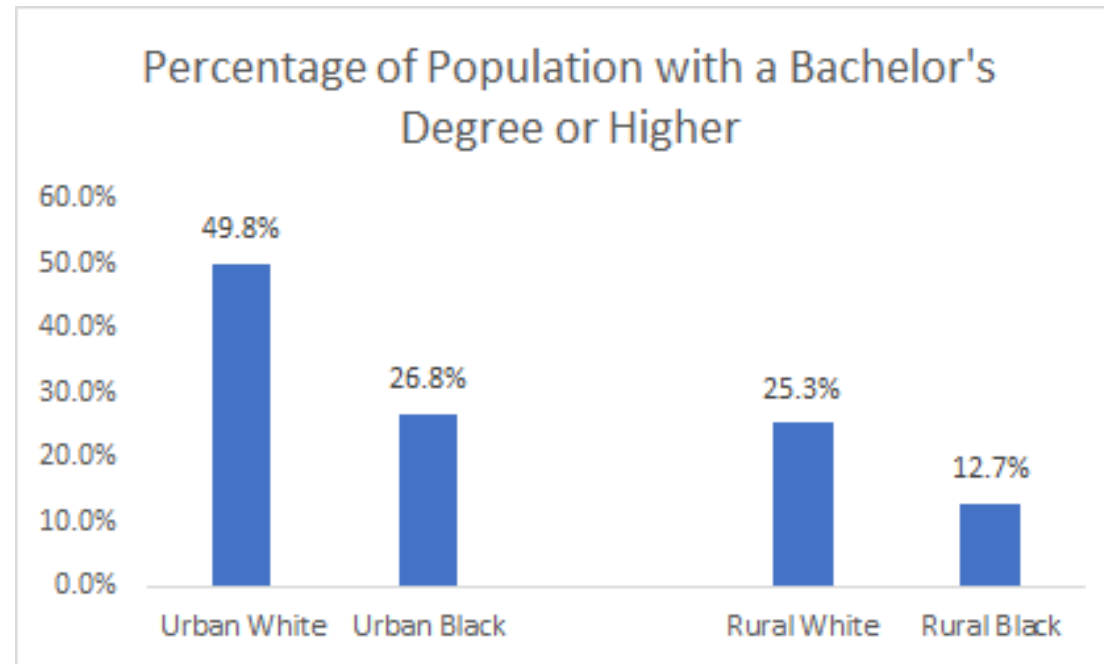
Source: indexmundi.com

Introduction to Rural Issues



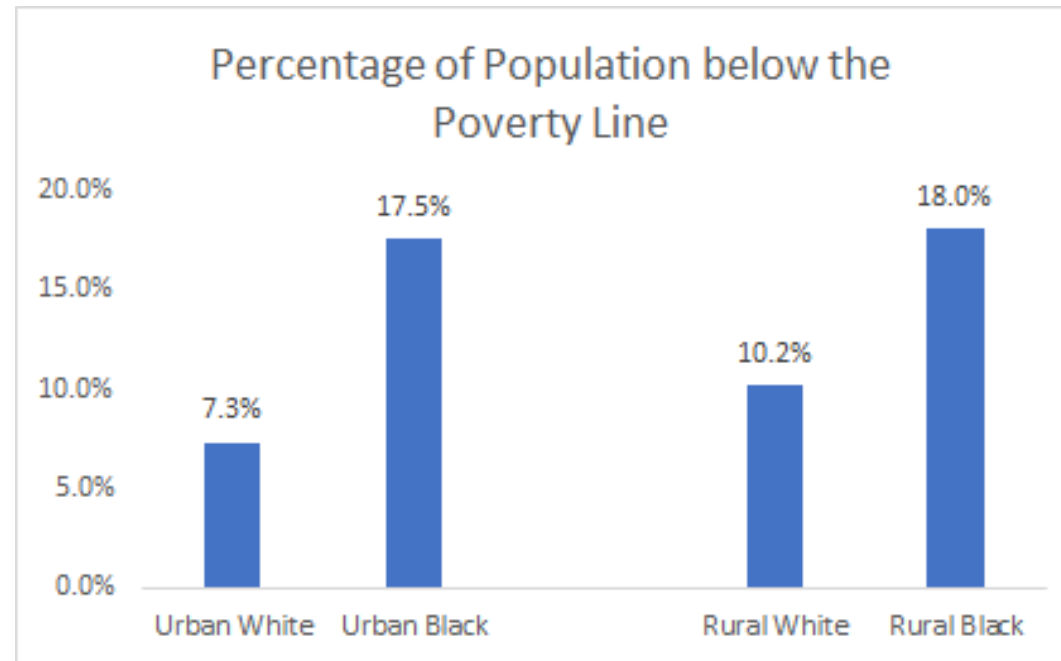
Source: 2015-2019 American Community Survey & 2010 Census P2-Urban and Rural Table.

Introduction to Rural Issues



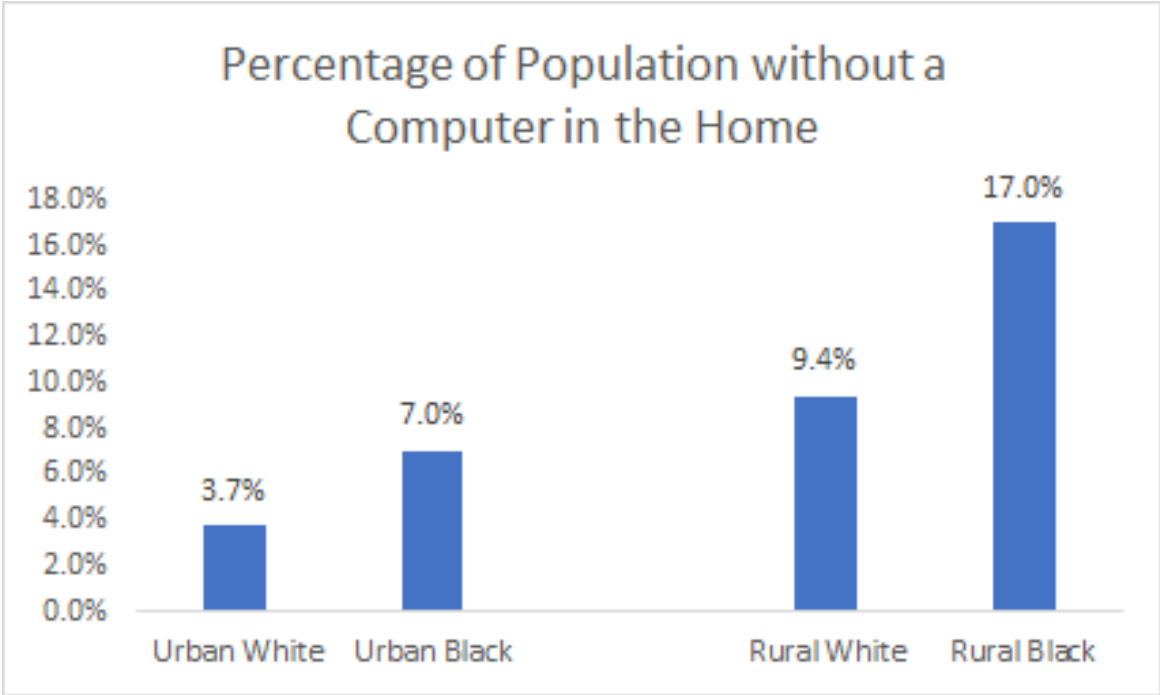
Source: 2015-2019 American Community Survey & 2010 Census P2-Urban and Rural Table.

Introduction to Rural Issues



Source: 2015-2019 American Community Survey & 2010 Census P2-Urban and Rural Table.

Introduction to Rural Issues

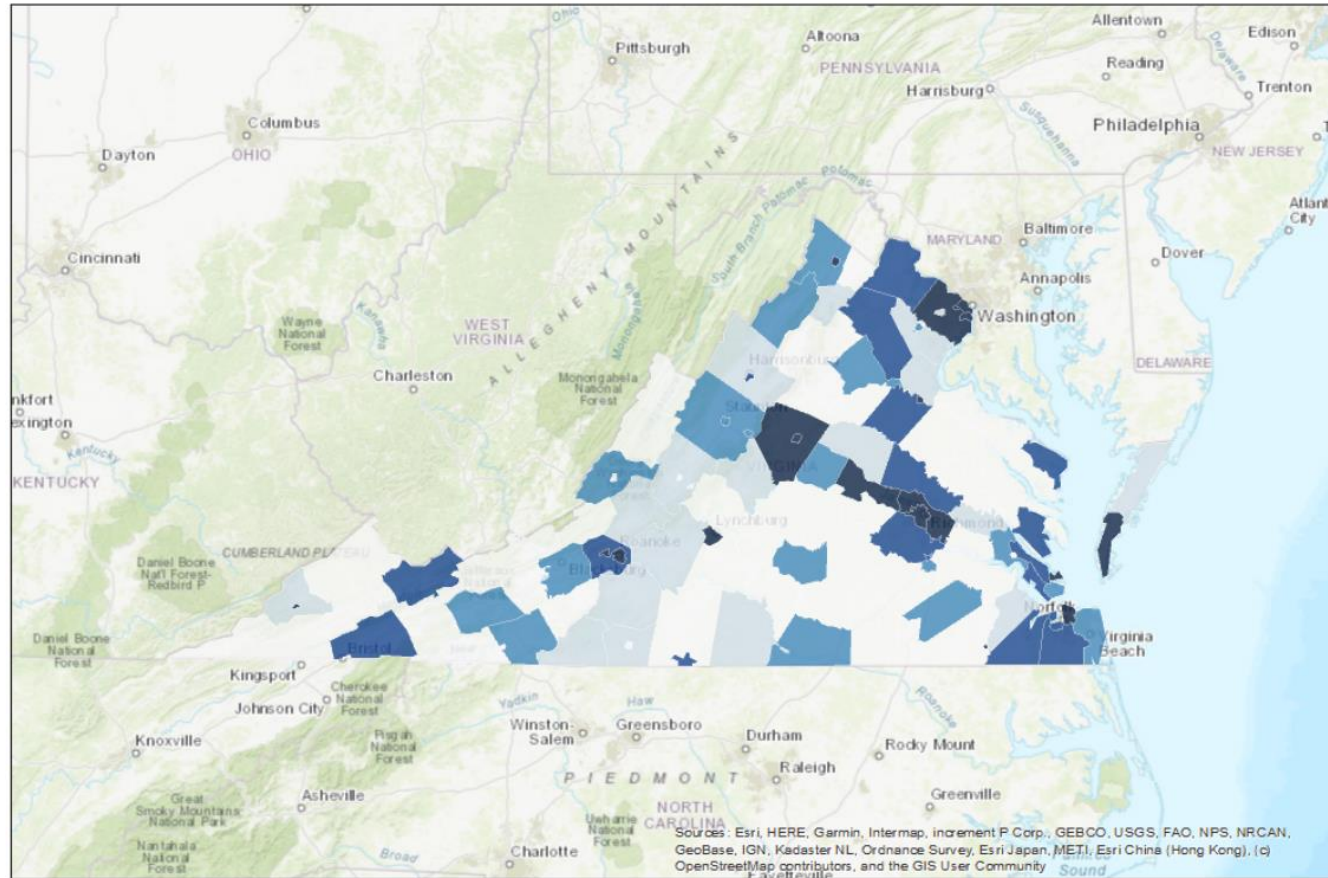


Source: 2015-2019 American Community Survey & 2010 Census P2-Urban and Rural Table.

Health

- Rural/Urban Mortality
- Hospital Closures
- Physician Shortages
- Fewer Insured

Health



Source: Health Resources & Services Administration, 2019-2020.

Social Determinants of Health

Social Determinants of Health



- Social determinants of health are resources whose distribution across a population impacts the length and quality of life
- Social determinants include things like: food supply, housing, transportation, insurance, broadband, etc.
- The categories we discuss today may not always be explicitly related to healthcare, but many of them affect health outcomes

Health Proposals

PROPOSAL 1: Support and Require Social Determinant and Health Outcome Report Cards and Plans. Given the impact that social determinants can play in health outcomes in rural communities, it is important that each health district both report on these determinants and work with the communities they serve to develop comprehensive plans to address areas of need.

PROPOSAL 2: Make Cooperative Funding Information Publicly Available. First, we recommend that the Commonwealth make information concerning the budget, administration, and staffing of the Cooperative Health Department publicly available. Second, in order to monitor unfilled positions, health districts should track the change in the number of specific position titles over the years.

Health Proposals

PROPOSAL 3: Employ an At-Risk Add-On Funding Model. Virginia's current Department of Education budget allows for the allocation of extra funds to "at-risk" schools with a higher population of low-income students. The state should consider adopting a similar program for health districts suffering from underfunding or understaffing.

PROPOSAL 4: Give Tax Credits to Health Providers who Practice in Underserved Communities. The shortage of physicians is growing in rural areas faster than urban areas. Many of Virginia's rural communities are federally designated Health Professional Shortage Areas, lacking primary care physicians, dentists, OB/GYN's, and more. Other states like New Mexico, Oregon, and Georgia already have rural practitioner tax credits in place. Such a tax credit could apply to other types of medical providers as well, not just physicians. These tax credits likely help to retain providers in qualifying areas.

Health Proposals

PROPOSAL 5: Create a Pipeline for Medical Students to Work in Rural Areas. Another approach to direct medical practitioners to rural communities is to create residency opportunities in those communities. Students who come from underserved communities, and students who work in those communities as part of their medical education are more likely to then practice in those communities. UC Davis has had such a program since 2007. Such a program could be implemented at any of the Commonwealth's great medical schools. The pipeline idea is applicable to other medical professionals as well, including nurses, EMT's, etc.

PROPOSAL 6: Collect Better Data that Shows Differences between Rural Race Groups. There is often inadequate data about the differences in health outcomes between groups within rural communities. Because bad health outcomes in rural communities arise partly from poverty, one can assume that the poorest rural communities, often Black, would bear the brunt of this. More data would help in formulating tailored policy. Collection of this data could be part of the mandatory population health reporting recommended in Proposal 1 of this section.

Health Proposals

PROPOSAL 7: Conduct a Study that Demonstrates the Effects of Hospital Closures. Three hospitals have closed in Virginia since 2010 and they were all in rural areas. Many more rural area hospitals are in danger of closure, especially in the wake of the COVID-19 pandemic. A study of those communities that have already faced a hospital closure may illuminate the issues that arise in its absence. A before and after study of the health of the community could inform state and locality decisions about maintaining these institutions.

PROPOSAL 8: Provide an Income Tax Credit to Volunteer First Responders. Most Virginia firefighters are volunteers, with career firefighters being a resource only more populated localities can afford. Nationally, the number of response calls made to fire departments has gone up and staffing capacity has gone down. Fewer volunteers can mean inconsistent response times and inadequate staffing. Virginia could do more for its volunteer first responders by providing a tax credit for volunteers. Nebraska, Delaware, Iowa, Louisiana, Maryland, New York, and South Carolina already have income tax credits in place for volunteer firefighters, and some include other first responders as well, such as paramedics.

Health Proposals

PROPOSAL 9: Provide Health Districts with Policy Staff. Each health district in Virginia has distinct needs and varying local support. Providing health districts with an internal policy analyst could help to alleviate many problems. As part of their duties, such an analyst could also represent the health district's needs to local officials. A dedicated policy analyst at either the district or regional level could generate great recommendations for improving the delivery of health services to rural and underserved communities.

Infrastructure

- Transportation
- Internet
- Food deserts
- School maintenance

Infrastructure Proposals

PROPOSAL 1: Expand Broadband Infrastructure in Rural Communities. Rural communities have less internet yet, in some ways, need it more because of the need for telemedicine and distance learning. During a crisis like the current pandemic, the need for broadband is multiplied. In the state of Virginia, 83.9% of households have a broadband subscription at any speed. But that number gets as low as 56.1% in Lunenburg County and 57.2% in Halifax County, and no Southside county gets above 75%. Expansion of broadband infrastructure should continue and with an eye to those areas and populations least served.

PROPOSAL 2: Include Rural Focus in Food Insecurity Efforts. The greatest food insecurity in Virginia is in the South and Southwest Counties that are largely rural. The disparity in nutrition only exacerbates the differences in health, education, and economic outcomes between rural and urban communities. Legislative efforts to address food insecurity could be tailored to ensure that any improvements are distributed equitably across the Commonwealth.

Infrastructure Proposals

PROPOSAL 3: Restore Yearly Funds for School Construction and Maintenance. More than 50% of schools in the Commonwealth are more than 50 years old. The areas of the state with the oldest schools are also those with the highest poverty, and the Southside and Southwest counties have the oldest schools in the Commonwealth. The Commission should support a reinstatement of the School Construction Fund as it existed prior to the 2010 budget cuts.

PROPOSAL 4: Direct JLARC to Conduct a Study of State/Local Funding Approaches across all areas of Government to Determine Impact on Service Provision in Rural Communities. Localities are required to provide matching funds to receive some state grants. Virginia should consider these formula and matching grants to make sure that they are not posing real barriers to people in rural localities receiving the services they need.

Criminal Justice

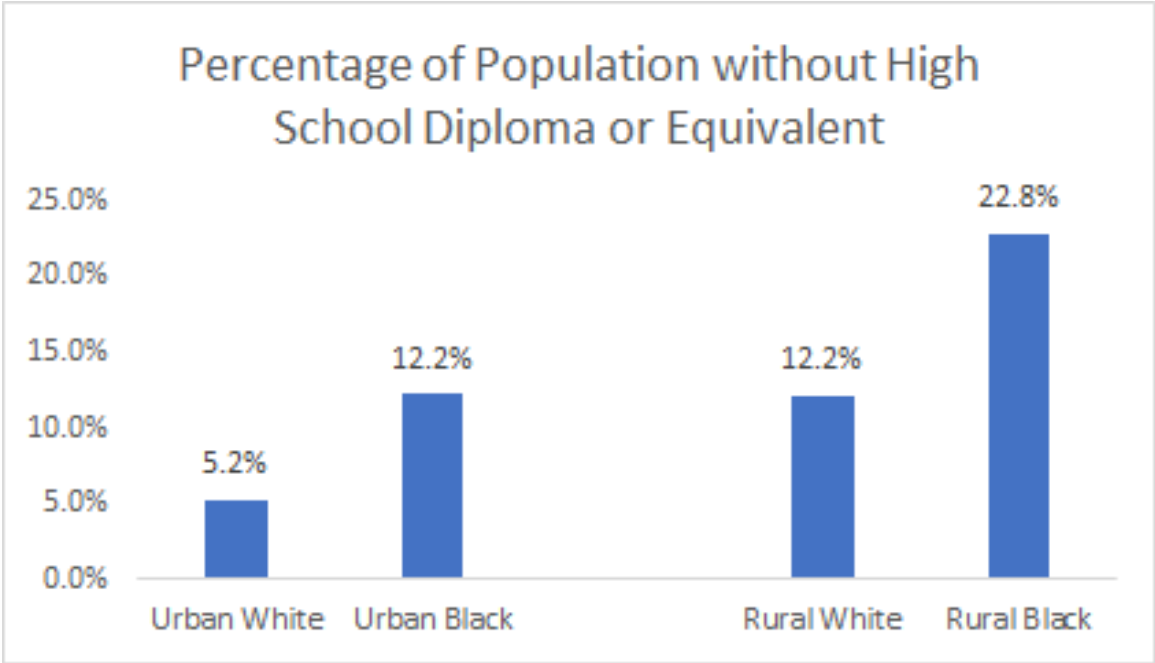
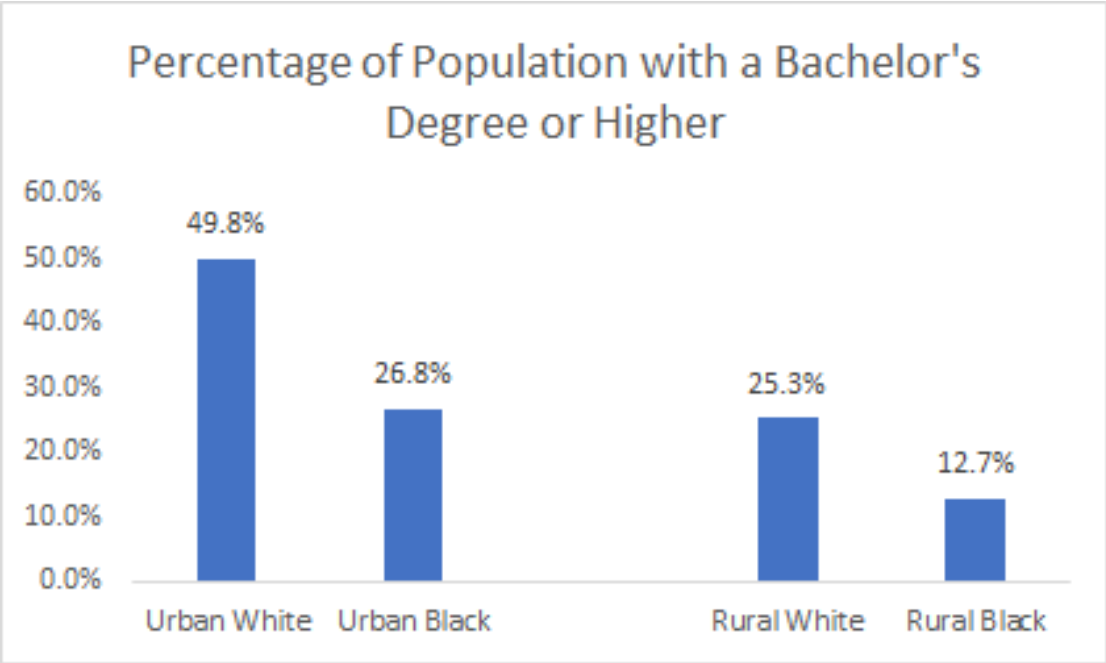
- Pretrial incarceration has decreased by 40% in Virginia's urban counties since 2000
- In rural counties, it has increased by 99% in the same time period

Criminal Justice Proposals

PROPOSAL 1: Expand Pretrial Services Offerings in Rural Areas. There are still Virginia localities which do not have pretrial services. Urban areas have been able to lessen their pretrial populations because they have more funding. The Commonwealth should step in to provide these resources when localities are not able to. Accidents of geography should not be a determinant of trial outcomes. In addition, workload assessments should be conducted to ensure that staffing needs are being met for localities with pretrial services.

PROPOSAL 2: Improve Access to Substance Abuse Counseling in Rural Areas. Rural substance abuse counselors face unique challenges because of their spread-out client base. These counselors cannot offer the level of specialized treatment that urban counselors can, such as tailored treatment for women, HIV-positive people, or people of color. In order for judges to defer offenders to treatment instead of incarceration, there needs to be local treatment options available.

Education



Source: 2015-2019 American Community Survey & 2010 Census P2-Urban and Rural Table.

Education Proposals

PROPOSAL 1: Create Tax Incentives for Teachers in Underserved Communities. Better qualified teachers could help to close the achievement gap in rural schools. Virginia should issue tax credits to qualifying teachers to make teaching in a rural community more attractive. Georgia has implemented a tax credit targeting rural schools and low-performing schools. Studies have shown that small financial incentives can reduce teacher turnover.

PROPOSAL 2: Require State Universities to Do More for Rural Communities. Many college-bound students will never return to their rural communities; rising student loan debt has led to more college-educated people heading to big cities than ever before. Public universities should be urged to create satellite campuses in rural areas that keep college-bound students connected with their communities. Colleges and universities' presence and engagement in rural communities can assist efforts to improve health and stimulate local economies.

Education Proposals

PROPOSAL 3: Dedicate State Funds to Bolster Rural School District Offerings to Students with Specialized Needs. Schools in rural areas struggle to meet the specialized needs of some students. English Language Learners, students with disabilities, and students identified as gifted and talented are often not adequately served because of challenges in recruiting and retaining staff in the face of limited resources.

Preliminary Rural Health Proposals

- Provide an Update on Ongoing Work Concerning Social Determinants of Health.
- Make Cooperative Funding Information Publicly Available.
- Employ an At-Risk Add-On Funding Model.
- Give Tax Credits to Health Providers who Practice in Underserved Communities.
- Create a Pipeline for Medical Students to Work in Rural Areas.
- Collect Better Data that Shows Differences between Rural Race Groups.
- Conduct a Study that Demonstrates the Effects of Hospital Closures.
- Provide an Income Tax Credit to Volunteer First Responders.
- Provide Health Districts with Policy Staff.

Preliminary Rural Infrastructure Proposals

- **Expand Broadband Infrastructure in Rural Communities.**
- **Include Rural Focus in Food Insecurity Efforts.**
- **Restore Yearly Funds for School Construction and Maintenance.**
- **Direct JLARC to Conduct a Study of State/Local Funding Approaches across all areas of Government to Determine Impact on Service Provision in Rural Communities.**

Preliminary Rural Criminal Justice Proposals

- **Expand Pretrial Services Offerings in Rural Areas.**
- **Improve Access to Substance Abuse Counseling in Rural Areas.**

Preliminary Rural Education Proposals

- **Create Tax Incentives for Teachers in Underserved Communities.**
- **Require State Universities to Do More for Rural Communities.**
- **Dedicate State Funds to Bolster Rural School District Offerings to Students with Specialized Needs.**



MEMORANDUM

TO: The Commission to Examine Racial Inequity in Virginia Law

FROM: Julia Eger and Andrew Block

RE: Access to Capital Recommendations for Commission

DATE: August 11, 2021

ACCESS TO CAPITAL

Introduction

People of color often experience challenges when trying to invest in their future. Low net worth, poor credit, and apparent bias make it more difficult for minorities to access financing and capital to start or operate businesses, or to buy a home, than it is for white people. According to data from the LEAD Center, in Virginia, the average white household has more than eleven times the wealth of the average black household (as measured by net worth— assets minus liabilities).¹ In addition to having lower wealth than white families, families of color typically have lower incomes. In 2018, the median income for white families in Virginia was \$95,215, while the median income for black families was \$61,923.² Furthermore, on average, black workers in Virginia earn 73 cents for every dollar white workers earn.³

These factors result in young adults of color being both less likely to have access to financial support from family members⁴ and less likely to receive loans.⁵ The minority-white wealth gap thus perpetuates itself as families of color struggle to access some of the most effective methods of increasing their wealth. Therefore, mitigating disparities in access to capital and enabling more minority families to invest in homes and businesses would go a long way towards equalizing economic opportunity for whites and people of color.

¹ https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_2.pdf

² <https://www.pilotonline.com/news/vp-nw-racial-income-gap-virginia-20200915-b5t4cl7p6fa7hkdtufpwrnj34e-story.html>

³ <https://thehallsheet.org/post/624820264899936256/latest-data-shows-trend-toward-economic-recovery>

⁴ https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_2.pdf

⁵ <https://www.startsupnow.org/wp-content/uploads/sites/12/2021/03/AmericasNewBusinessPlan.pdf>

Homeownership

BACKGROUND:

The homeownership gap between black and white households in the U.S. has always been significant. The Great Recession only exacerbated the problem, widening the gap from 28.1 percentage points in 2010 to 30.2 percentage points in 2017.⁶ During the same period, the black homeownership rate dropped 4.8 percentage points, while the white homeownership rate dropped only 0.5 percentage points.⁷ In Virginia in 2019, the black-white homeownership gap was 26.3%, up from 22.9% in 2000.⁸

In general, people of color are more likely than white people to lack access to financing for purchasing a home. In 2019, more than 4 percent of black mortgage loan applicants in Virginia were rejected because lenders thought that their debts would consume too much of their income, while only 1.4 percent of white applicants were rejected for this reason.⁹ Additionally, 3.6 percent of black people were denied mortgage loans because of their credit history, compared to only 1 percent of white people.¹⁰

Bruce Whitehurst, the CEO of the Virginia Bankers Association, explained in an interview with *Virginia Mercury* that the lack of access to financing is a multifaceted problem—“What leads to a poor credit history, what leads to a high debt-to-income ratio, aren’t as simple as the applicant didn’t pay their bills on time or the applicant was trying to borrow more money than his or her income would support. It’s really a much more layered, complicated representation of the disadvantages Black Americans have faced for a very long time.”¹¹

Bruce McClary, a former credit counselor in the Richmond area, explained to *Virginia Mercury* that even among African-American clients who were good credit risks, “their first stop was a subprime lender.”¹² The decision to go to subprime lenders is rooted in the historical difficulties black people have faced in accessing credit—McClary said that clients told him they chose subprime lenders because they knew the lender and because their parents went to that lender.¹³ As a result of taking out subprime loans, McClary explained, “[p]eople struggle to pay

⁶ https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_2.pdf

⁷ https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_2.pdf

⁸ <https://virginiarealtors.org/2021/02/01/understanding-african-american-homeownership-in-virginia/>

⁹ <https://www.virginiamercury.com/2020/07/21/the-bedrock-of-wealth-inequality-data-shows-big-racial-disparities-in-mortgage-loans-and-homeownership/>

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

them back, and they get caught up in a cycle of debt.”¹⁴ In part due to people of color being more likely to take out subprime loans, the majority of white households in the U.S. have a FICO credit score above 700, while only 20.6 percent of black households do.¹⁵ Furthermore, 33 percent of black households with credit histories lack a credit score entirely, compared to 17.9 percent of white households.¹⁶ Differences in family wealth levels also contribute to the disparities in access to financing between whites and people of color. Overall, differences in parental wealth and homeownership explain 12 to 13 percent of the black-white homeownership gap in the U.S.¹⁷

As a result of these issues, according to federal data, African-Americans in Virginia were twice as likely as white people to be denied loans to buy homes in 2019.¹⁸ 11.9 percent of the approximately 14,700 mortgage loan applications submitted by black people in Virginia in 2019 were rejected, while only 5 percent of the approximately 70,400 applications from non-Hispanic whites were rejected.¹⁹ Even among applicants at the same income level, the denial rates for black people in Virginia in 2019 were higher than the denial rates for white people.²⁰ For applicants making about \$115,000, the denial rates for black and white Virginians, respectively, were 8.9 percent and 3.4 percent.²¹ For applicants making about \$185,000, the gap was 7.4 percent vs. 2.3 percent.²²

Proposal 1: Increase the Support Offered by the State Down Payment Assistance Program and First-Time Homebuyer Tax Credit, and Ensure That Potential Homebuyers Are Aware of the Assistance Available to Them.²³ Communities that do not have adequate access to financial services and banks struggle with a lack of fairly priced financial services.²⁴ More than half of renters view a down payment as a major obstacle to buying a home, and many are not aware of low-down-payment options or payment assistance programs.²⁵ These issues have impacted

¹⁴ *Id.*

¹⁵ https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_2.pdf

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ https://www.princewilliamtimes.com/news/the-bedrock-of-wealth-inequality-data-shows-big-racial-gaps-in-virginia-mortgages-homeownership/article_768a99ea-cb4a-11ea-b2de-c7b47decd3de.html

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ https://www.urban.org/sites/default/files/publication/100204/building_black_ownership_bridges_1.pdf

²⁴ https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_2.pdf

²⁵ https://www.urban.org/sites/default/files/publication/100204/building_black_ownership_bridges_1.pdf

predominantly black communities especially heavily.²⁶ Black Millennials are significantly less likely than white Millennials to buy a home, and the homeownership gap will widen in the future if this trend continues.²⁷

Improving opportunities for young black adults to buy homes can help to increase homeownership among people of color in Virginia.²⁸ The Virginia Down Payment Assistance Program provides first-time homebuyers with an income at or below the program limit for their region and a Federal Housing Administration credit score of at least 620 with a grant of 2 to 2.5 percent of the purchase price of the home.²⁹ Additionally, the Virginia Housing Development Authority provides first-time homebuyers with a Mortgage Credit Certificate, which is a dollar-for-dollar credit against the homebuyer's federal income tax liability equal to 20 percent of the homebuyer's annual mortgage interest. This credit continues for the life of the mortgage every year that the homebuyer continues to live in the home.³⁰ Virginia could improve its Down Payment Assistance Grant program by increasing the maximum grant and/or reducing the credit score required to receive the grant. It could also increase the amount of the first-time homebuyer tax credit offered. If funding for these increases is not available, simply making citizens aware of the current programs through education and outreach could improve homeownership rates among people of color and aid in closing the homeownership gap.³¹

Proposal 2: Increase Funding for the Virginia Housing Trust Fund. The Virginia Housing Trust Fund, part of the Virginia Department of Housing and Community Development, was established to create affordable housing and reduce homelessness in Virginia.³² There is a requirement that at least 80 percent of the fund be used for the Competitive Loan Pool, which provides short-, medium-, and long-term loans for the production and preservation of affordable housing for both homebuyers and renters.³³ The loans are administered through the Affordable and Special Needs Housing (ASNH) Program and the Vibrant Community Initiative (VCI).³⁴ The loans are awarded to developers producing affordable housing who meet goals aligned with gubernatorial initiatives or state housing policies.³⁵ The loans are low-interest, and the loans' provisions encourage the recipients to use outside funding sources.³⁶ Some of the

²⁶ *Id.*

²⁷ https://www.urban.org/sites/default/files/publication/100204/building_black_ownership_bridges_1.pdf

²⁸ *Id.*

²⁹ <https://www.vhda.com/Homebuyers/Pages/DownPayment.aspx>

³⁰ <https://virginiarealtors.org/2019/03/14/federal-tax-credit-help-first-time-homebuyers/>

³¹ https://www.urban.org/sites/default/files/publication/100204/building_black_ownership_bridges_1.pdf

³² <https://www.dhcd.virginia.gov/vhtf>

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

criteria the ASNH program and the VCI use to award funding include affordability, financial sustainability, feasibility, and the potential project's effects on state housing policy.³⁷ In 2019-20, \$4,460,000 was allocated for the Competitive Loan Pool, while \$1,000,000 was allocated for the Vibrant Community Initiative.³⁸ The Virginia Legislative Black Caucus has supported this proposal on several occasions as a means of improving access to affordable housing for people of color in the Commonwealth.³⁹

Proposal 3: Use State Funds to Support Financial Literacy Training. This proposal could expand on the efforts of organizations such as Virginia Housing, which provides free education courses, credit counseling, and down payment grants.⁴⁰ People of color are less likely than white people to have bank accounts because of a lack of knowledge or trust of financial institutions due to historical discrimination as well as physical barriers such as not having cars or consistent access to public transportation.⁴¹

According to United Way of Greater Richmond and Petersburg, almost 30% of black households in the Richmond region are underbanked, meaning that they have bank accounts but have used another financial resource, such as a payday loan, within the past year.⁴² 14% of black households in the region are unbanked, which means they do not have a bank account at all.⁴³ Geographic areas with inadequate access to banks are known as banking deserts, a phenomenon that often affects rural areas.⁴⁴ The lack of access to banking among people of color is problematic because people who do not have bank accounts are likely to pay thousands of dollars through cash loan services and are also vulnerable to losing their savings to theft or natural disasters.⁴⁵ Youngmi Kim, an associate professor at Virginia Commonwealth University, has said that institutions can improve access to banking using education and outreach, but must also create more innovative approaches to making banking accessible so that people can both receive government benefits and participate in the mainstream financial system.⁴⁶

³⁷ *Id.*

³⁸ *Id.*

³⁹ <https://www.vablackcaucus.com/news/c/0/i/53030955/vlbc-announces-its-2021-legislative-agenda>, <https://www.vablackcaucus.com/news/c/0/i/41535961/virginia-legislative-black-caucus-announces-its-2020-legislative-agenda-restorative-and-equitable-agenda>, <https://www.vablackcaucus.com/news/c/0/i/41520366/virginia-legislative-black-caucus-advocacy-results-equity-initiatives-and-investments-governor-northams-proposed-biennial-budget>

⁴⁰ <https://www.virginiamercury.com/2020/07/21/the-bedrock-of-wealth-inequality-data-shows-big-racial-disparities-in-mortgage-loans-and-homeownership/>

⁴¹ *Id.*

⁴² https://richmond.com/news/local/access-to-banking-remains-issue-for-communities-of-color-in-the-richmond-region/article_87eb612b-4357-5ecd-8362-5c109840cf61.html

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

Proposal 4: Direct the State Corporation Commission to Require the Use of Alternative Methods of Credit Scoring.

Families of color experience more difficulty than white families in obtaining mortgage credit because people of color are more likely to have low credit scores or thin or no credit files because of historical barriers to accessing banking and credit.⁴⁷ Although creditors today often use computer algorithms to make credit decisions, these systems tend to disadvantage black households.⁴⁸ Rent, cell phone, and utility payments currently are not incorporated into the credit score models used for mortgage underwriting. If creditors included rental payment history in credit scoring models or the underwriting process, more households of color could access credit to buy homes without increasing the probability of default on the loans extended.⁴⁹ It is also important for credit scoring to address the racial biases within the existing system. For example, black borrowers were more likely to be given high-cost mortgages during the housing boom, and both financial technology and traditional lenders charge higher interest rates for black households with financial records similar to those of white households.⁵⁰

Entrepreneurship

BACKGROUND:

Much like the challenges with securing financing for home purchases, people of color who are starting or running businesses also face challenges in accessing capital. The reasons appear to be varied.

Lower levels of wealth among people of color sometimes result in less access to start-up capital.⁵¹ Notably, black-owned businesses in the U.S. have lower levels of start-up capital across all major industries.⁵² The lack of access to financial capital among people of color leads to difficulty maintaining businesses through economic downturns.⁵³ These businesses are also likely to have lower sales, profits, and employment than businesses that have higher levels of start-up capital.⁵⁴

The lack of access to start-up capital among people of color may be partially attributable to lending discrimination.⁵⁵ In the past five years, 46 percent of white-owned businesses in the U.S. with employees accessed credit from a bank, while only 23 percent of black-owned

⁴⁷ https://www.urban.org/sites/default/files/publication/100204/building_black_ownership_bridges_1.pdf

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ <https://journals.sagepub.com/doi/abs/10.1177/0002716207303578?journalCode=anna>

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ <https://www.americanprogress.org/issues/race/reports/2020/07/31/488423/blueprint-revamping-minority-business-development-agency/>

businesses and 32 percent of Latino-owned businesses did.⁵⁶ Another factor contributing to racial disparities in access to capital may be lower levels of personal and family wealth among people of color, which entrepreneurs can borrow against or use as equity financing.⁵⁷ Without wealth, potential entrepreneurs cannot invest directly in businesses or secure collateralized business loans.⁵⁸ Differences in home equity among whites and people of color may be especially instrumental in creating disparities in access to start-up capital—homes provide collateral, while home equity loans provide lower-cost financing.⁵⁹

Possibly due to lower levels of wealth, black-owned businesses in the U.S. are seven times less likely than white-owned firms to obtain business loans in their first year.⁶⁰ When black-owned businesses do receive loans, those loans are typically smaller than those white-owned businesses receive. The average black-owned business receives \$35,205 in startup capital during its first year, while the average white-owned firm receives \$106,720.⁶¹

Racial disparities in access to capital continue after the first year. According to the Federal Reserve, 80.2% of white business owners in the U.S. receive at least a percentage of the funding they request from a bank, compared to 66.4% of minority business owners.⁶² Additionally, black business owners are given loans with higher interest rates, and these disparities remain even when controlling for creditworthiness.⁶³ A 24-year-old woman of color who lives in Richmond is quoted as saying, “It’s like paying extra money for no reason, but sometimes people are stuck in a predicament where they’re forced to deal with the interest rate because loan companies are so hard and tough on credit.”⁶⁴

In addition to the barriers explained above, black loan applicants often receive differing treatment from potential lenders than white applicants. One audit found that minority applicants for bank loans were more often asked to show various documents and were also less likely to be offered assistance in filling out loan applications.⁶⁵ Perhaps because of unequal

⁵⁶ <https://www.startsupnow.org/wp-content/uploads/sites/12/2021/03/AmericasNewBusinessPlan.pdf>

⁵⁷ <https://journals.sagepub.com/doi/abs/10.1177/0002716207303578?journalCode=anna>

⁵⁸ <https://www.americanprogress.org/issues/race/reports/2020/07/31/488423/blueprint-revamping-minority-business-development-agency/>

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² <https://www.fundera.com/blog/racial-funding-gap>

⁶³ *Id.*

⁶⁴ https://richmond.com/news/local/access-to-banking-remains-issue-for-communities-of-color-in-the-richmond-region/article_87eb612b-4357-5ecd-8362-5c109840cf61.html

⁶⁵ <https://www.fundera.com/blog/racial-funding-gap>

treatment by banks, according to the Federal Reserve, 37.9% of black business owners said that their main reason for not applying for a loan was that they believed they would be rejected.⁶⁶

These barriers conspire to keep black businesses out of the marketplace—black Americans own less than two percent of small businesses with employees, despite making up 13 percent of the U.S. population.⁶⁷ In contrast, white Americans own 82 percent of small businesses with employees despite making up 60 percent of the U.S. population.⁶⁸ This lack of access to capital hurts black business owners in other ways as well. For example, Virginia localities where less than 20% of residents were black received 23% more capital in PPP loans than localities with higher percentages of black residents.⁶⁹

Proposal 1: Continue to Support Virginia’s New CDFI Fund. Mission-driven small business funds aim to fill in gaps in access to capital by providing low-cost financing solutions and support for entrepreneurs.⁷⁰ CDFIs are specialized financial institutions that serve low-income communities and are, in many ways, designed to respond to some of the barriers that people of color face when trying to access capital.⁷¹ With the potential for having multiple funding streams, and using some of these funds to mitigate risk, they typically have more flexible underwriting criteria than other financial institutions, such as more lenient collateral requirements and lower credit score thresholds.⁷² They are also more likely than typical financial institutions to make small-dollar loans to small businesses; to provide outreach, coaching, and other kinds of support for potential borrowers; and to establish programs (usually with federal support) to target woman- and minority-owned businesses.⁷³ Grant subsidies and entrepreneur support programs mitigate the increased risks that these funds take by lending to people with lower levels of wealth and lower credit scores.⁷⁴

During the 2021 Virginia General Assembly Session, the legislature authorized \$10,000,000 in one-time funding to be managed by the Department of Housing and Community Development

⁶⁶ *Id.*

⁶⁷ <https://www.americanprogress.org/issues/race/reports/2020/07/31/488423/blueprint-revamping-minority-business-development-agency/>

⁶⁸ *Id.*

⁶⁹ <https://vpm.org/news/articles/20741/virginia-doubles-down-on-ppp-potentially-harming-black-owned-businesses>

⁷⁰ <https://www.bostonindicators.org/-/media/indicators/boston-indicators-reports/report-files/capitalgap052020211458.pdf?la=en>

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

to support the work of CDFIs. While there may be further policy proposals in the future, for now, we recommend that the Commission endorse the continued support of this fund.

Proposal 2: Develop State Entrepreneurial Catalyst Grants.⁷⁵ In addition to supporting the work of CDFIs, Virginia could develop funding streams to promote entrepreneurship and support new businesses. There are several models for funding streams that could benefit entrepreneurs of color in Virginia. “Evergreen community investment funds,” such as MassVentures in Massachusetts and JumpStart Evergreen Fund in Ohio, can support new businesses in their early stages of proof-of-concept and product development.⁷⁶ Collaborative investment funds, such as Cintrifuse in Cincinnati and Renaissance Venture Capital in Michigan, can engage established businesses to work with new businesses for joint product development and supplier relationships.⁷⁷ Virginia could create a funding stream by establishing a quasi-public corporation and requesting a grant from the U.S. Department of Commerce to fund the corporation, as the Commonwealth of Massachusetts did when it established MassVentures.⁷⁸

These funding streams could benefit entrepreneurs of color similarly to how CDFIs do because all three types of organizations help people to start businesses who otherwise would not have the necessary funding. However, the goals of “Evergreen community investment funds” and collaborative investment funds differ somewhat from those of CDFIs because these organizations aim to support new businesses rather than low-income communities specifically. Therefore, developing Entrepreneurial Catalyst Grants could supplement, but not replace, efforts to support the new CDFI fund in Virginia.

Proposal 3: Direct the State Corporation Commission to Require Diversity and Bias Training for Lenders. Making lenders aware of possible implicit bias could mitigate the disparate treatment of white and minority loan applicants.

Proposal 4: Enact a Truth-in-Lending Law to Protect Small Businesses. The protections that the federal Truth in Lending Act provides generally do not apply to small business owners or entrepreneurs obtaining credit for commercial purposes.⁷⁹ Because entrepreneurs of color are less likely to receive funding from traditional capital markets, they are especially vulnerable to predatory lending.⁸⁰ Therefore, Virginia should apply consumer truth-in-lending rules to new

⁷⁵ <https://www.startusupnow.org/wp-content/uploads/sites/12/2021/03/AmericasNewBusinessPlan.pdf>

⁷⁶ <https://www.startusupnow.org/wp-content/uploads/sites/12/2021/03/AmericasNewBusinessPlan.pdf>

⁷⁷ *Id.*

⁷⁸ <https://www.mass-ventures.com/history>, <https://www.startusupnow.org/wp-content/uploads/sites/12/2021/03/AmericasNewBusinessPlan.pdf>

⁷⁹ <https://www.startusupnow.org/wp-content/uploads/sites/12/2021/03/AmericasNewBusinessPlan.pdf>

⁸⁰ *Id.*

and small business borrowers so that there is greater transparency in lending. One example that could aid Virginia in developing its own truth-in-lending law is California's Truth in Lending Act for small businesses, enacted in 2018.⁸¹ This act requires lenders to disclose the total amount of financing, total cost of financing, term length, frequency and amount of payments, prepayment policies, and annual interest rate at the time of financing.⁸² The Responsible Business Lending Coalition estimated that this act would save California small businesses \$617 million to \$2.9 billion annually.⁸³ Another example is New York's Small Business Truth in Lending Act, enacted in December 2020, which requires disclosure of APR or estimated APR.⁸⁴

⁸¹ *Id.*

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.*

MEMORANDUM

TO: The Commission to Examine Racial Inequity in Virginia Law

FROM: Joe Aldridge, Scott Chamberlain, and Andrew Block

RE: Preliminary¹ Rural Issues Recommendations for Commission

DATE: August 10, 2021

RURAL ISSUES

INTRODUCTION:

In its prior reports, this Commission has investigated racial disparities and made recommendations that would help to reduce them. Those prior reports focused on people of color in Virginia generally, and this Commission has not before considered the challenges facing people of color in Virginia's rural communities that are different from those faced in urban communities. It is not always possible, or relevant, to disaggregate data between rural and urban populations. However, there are contexts in which one's geography bears directly on one's outcomes. For that reason, the Commission has decided to investigate the intersection of rural issues and race issues in the Commonwealth. The largely white Appalachian region is often the focus of rural issues discussions in Virginia. This is often appropriate, given the tremendous challenges faced by those communities. However, many rural communities in the Commonwealth have substantial populations of people of color who must not be left out of the conversation. The Background section of this report will proceed by discussing rural/urban disparities generally, and then demonstrate that those disparities are borne disproportionately by people of color. Then, we will discuss issues of infrastructure, health, education, and criminal justice in the context of rural communities.

¹ Due to the complexity of the challenges facing rural communities generally, and people of color in rural communities more specifically, we require additional time to vet the proposals outlined below before formally offering them to the Commission for consideration and a vote to recommend, or not, to the Governor. Accordingly, we have labeled our recommendations "Preliminary." We believe, if only for purposes of education, that it remains appropriate for the Commission to begin the education process so that it can make truly informed votes on policy recommendations at the meeting on August 24th.

BACKGROUND:

Before we begin to highlight some issues that arise from rural living, we want to acknowledge the benefits. Many people prefer to live outside of major population centers because of the peace and quiet, the sense of community and tradition, historic and family connections to property, the access to nature, and many other reasons; living in large population centers comes with many disadvantages of its own. By highlighting the challenges people face in rural communities generally, and people of color face specifically, we are not intending to disparage these communities or their residents. Rather, by shining a light on some of the struggles in these communities we are intending to inform a discussion about policy solutions that not only address the challenges but bring needed improvements to the quality of life in Virginia's rural areas.

To begin, it is worth pointing out that people experience higher rates of poverty in rural communities than urban communities, and nowhere is the poverty rate gap between rural and urban communities larger than in the South.² In Virginia, the non-rural poverty rate is 9.9% and the rural poverty rate is 15.4%.³ In rural communities, Virginians are 6% less likely to finish high school and 20% less likely to attain a bachelor's degree.⁴ Rural Virginian communities also have the oldest public schools, and the schools most in need of repair.⁵ These rural populations are also more likely to not carry health insurance.⁶ Virginia is a national leader in the rural-urban mortality disparity, with rural mortality about 30 percent higher than urban mortality.⁷ Many areas in Virginia lack primary care doctors, let alone emergency and specialty services.⁸ Rural communities in Virginia are also more likely to detain arrestees pretrial.⁹

² <https://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/>.

³ <https://www.vdh.virginia.gov/equity-at-a-glance/virginia/income-and-poverty/>.

⁴ Hereinafter, Commission Census Data. This is based on data from the 2015-2019 American Community Survey and the 2010 Census P2-Urban and Rural Table. Using the P2-Urban and Rural Table, I designated each census tract with more than 50% of its residents living in rural areas as rural, and all other census tracts as urban. I then gathered data on poverty, educational attainment, health insurance coverage, presence of a computer in the home, and unemployment from the American Community Survey for non-Hispanic white and Black Virginians by census tract. When referring to total or overall populations, the total is the combination of the white only and Black only data, it does not include all race groups.

⁵

https://studiesviriniageneralassembly.s3.amazonaws.com/meeting_docs/documents/000/000/979/original/Needs_and_Conditions_of_Virginia_School_Buildings_6.3.21.pdf?1622733329.

⁶ Commission Census Data. See also See Gordon Gong, et al, *Higher US Rural Mortality Rates Linked to Socioeconomic Status, Physician Shortages, and Lack of Health Insurance*, Health Affairs, December 2019 (discussing the factors contributing to the urban/rural mortality disparity including unequal health insurance coverage).

⁷ See Gordon Gong, et al, *Higher US Rural Mortality Rates Linked to Socioeconomic Status, Physician Shortages, and Lack of Health Insurance*, Health Affairs, December 2019.

⁸ Id.

⁹ <https://www.vera.org/downloads/pdfdownloads/state-incarceration-trends-virginia.pdf>.

All of these systemic factors intersect to make rural issues particularly complicated to address, let alone solve. Many of the issues are intertwined, reinforcing one another. For example, the lack of public transportation limits peoples' mobility, but it also has profound effects on educational and employment opportunities, access to healthcare, and social cohesion. Similarly, the lack of access to quality broadband internet prevents people from applying to jobs, attending virtual learning, or receiving telehealth medicine. Solving these two issues would help in the short-term and over time, but they are altogether incomplete on their own. Public transportation can help someone get to the grocery store, but there still needs to be a grocery store.

Living in a rural community comes with a host of obstacles regardless of one's race, and we want the Commonwealth to acknowledge the struggles of all rural communities. However, there are various ways in which being a person of color makes one more likely to experience the worst outcomes of these obstacles. Within rural Virginian communities, for example, while 12% of white people do not have a high school diploma or equivalent, that number grows to 22% for the Black population.¹⁰ White people in rural Virginia are nearly twice as likely to receive a bachelor's degree as their Black counterparts.¹¹ Similarly, rural Black people are nearly twice as likely as rural white people to live in a home that does not have a computer.¹² Rural Black Virginians are nearly twice as likely to be unemployed as well.¹³ 10% of the white, rural population lives below the poverty line while 18% of the rural, Black population does.¹⁴ White Virginians in rural communities are uninsured at nearly 8% of the population; Black Virginians in those communities are uninsured at over 10% of the population.¹⁵ This data demonstrates what one would expect—that the harmful effects of living in a rural area are even more harmful to people of color.¹⁶

Social Determinants of Health

While this memorandum addresses various broad issues, with a particular focus on health, it is important to look at all the issues as having an interrelated impact on health outcomes, often described as social determinants of health. The Center on Disease Control has defined Social Determinants of Health as, "(C)onditions in the places where people live, learn, work, and play that affect a wide range of health risks and outcomes."¹⁷ These include "economic stability,

¹⁰ Commission Census Data.

¹¹ Commission Census Data.

¹² Commission Census Data.

¹³ Commission Census Data.

¹⁴ Commission Census Data.

¹⁵ Commission Census Data.

¹⁶ Commission Census Data.

¹⁷ <https://www.cdc.gov/socialdeterminants/about.html>

education access and quality, healthcare access and quality, neighborhood and built environment, and social and community context.”¹⁸

One example of such a social determinant is education. People with higher levels of education are more likely to be healthy.¹⁹ In addition, people with steady employment are more likely to be healthy.²⁰ Another example of a factor that can directly affect one’s health is access to reliable transportation. Without transportation, it is difficult to see a doctor or get to a grocery store. In rural communities, then, where education opportunities are limited, access to public transportation is virtually non-existent, jobs are few, food deserts are many, and medical professionals are miles away, many factors can coalesce and combine to create stark differences in the health outcomes between race groups and between rural and urban populations. Therefore, when we discuss education issues, transportation issues, food insecurity, poverty, access to internet, and more below, it is helpful to think about the interdependent relationship these things have with health issues.

INFRASTRUCTURE:

This section addresses the disparate accessibility of basic commodities and services such as internet, electricity, food, and safe schools between rural and urban communities. In rural areas, delivery of basic utilities and commodities is more difficult due to the decentralized nature of the population. While the infrastructure disparity creates challenges for all rural populations, the problems are experienced most by people of color. The following recommendations would begin to uplift rural communities at large but would also help to close the gap between races in rural areas.

PROPOSAL 1: Expand Broadband Infrastructure in Rural Communities.²¹ Improving access to broadband internet is essential for reducing disparities between rural and urban populations. Rural communities have less internet yet, in some ways, need it more. For example, the drive to the doctor’s office is much longer in rural areas than it is in urban centers, especially for specialized care. With better access to internet, people in rural communities could utilize telehealth to meet some of their care needs. High-speed internet is also required for distance learning. The need for high-speed internet is especially critical for children with special needs, who might not have the local offerings they need and can only access specialized services through distance learning. During a crisis like the current pandemic, the need for broadband is

¹⁸ Id.

¹⁹ Id.

²⁰ Id.

²¹ Although the Commonwealth is attempting to address this issue, see <https://www.governor.virginia.gov/newsroom/all-releases/2021/january/headline-891658-en.html>, we need to reach all rural communities as soon as possible.

multiplied. In the state of Virginia, 83.9% of households have a broadband subscription at any speed.²² But that number gets as low as 56.1% in Lunenburg County and 57.2% in Halifax County, and no Southside county gets above 75%.²³ Across the Commonwealth, Black households are 8% less likely to have access to internet than white households.²⁴ Still, Black households in rural areas are 10% more likely to not have a computer in the home than Black households in urban areas.²⁵

PROPOSAL 2: Develop a Rural Strategy and Budget to Address Food Insecurity and Food

Deserts: The greatest food insecurity in Virginia is in the South and Southwest Counties that are largely rural.²⁶ Food insecurity is associated with higher rates of obesity and diabetes as well as mood disorders and stress.²⁷ These problems can reinforce one another and lead to more serious health consequences.²⁸ Problems related to access to nutritious food affect Virginians of color differently: the obesity rate for Black Virginians being 1.5 times higher than that for white Virginians.²⁹ The disparity in nutrition only exacerbates the differences in health, education, and economic outcomes between rural and urban communities.

These problems are exacerbated by the decentralized population, lack of transportation, and overall poverty levels. And while there may be farms, getting food from those farms into the hands of people who need it is complicated for these reasons and others.

While the Governor and General Assembly have recently passed legislation to get Virginia to address food insecurity, a specific, and targeted strategy is required to address these problems in rural communities.³⁰

PROPOSAL 3: Restore Yearly Funds for School Construction and Maintenance. More than 50% of schools in the Commonwealth are more than 50 years old.³¹ The areas of the state with the

²² <https://www.vdh.virginia.gov/equity-at-a-glance/virginia/virginia-broadband-access/>.

²³ Id.

²⁴ Id.

²⁵ Commission Census Data.

²⁶ <https://map.feedingamerica.org/county/2018/overall/Virginia>.

²⁷ https://www.ruralhealthresearch.org/mirror/4/453/2010_halverson_final_report.pdf

²⁸ https://www.ruralhealthresearch.org/mirror/4/453/2010_halverson_final_report.pdf.

²⁹ Robert Wood Johnson Foundation, "Virginia State Obesity Data, Rates and Trends: The State of Obesity."

³⁰ Both Senate Bill 1188 (2021), allowing state reimbursement for farmers who donate produce to food banks, and Senate Bill 1073 (2020), addressing food deserts and expanding SNAP benefits, are helpful but are not targeted at the unique challenges of addressing these issues in rural communities..

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https://studiesvirginiageneralassembly.s3.amazonaws.com/meeting_docs/documents/000/000/979/original/Needs_and_Conditions_of_Virginia_School_Buildings_6.3.21.pdf?1622733329.

oldest schools are also those with the highest poverty.³² Therefore, it is no surprise that Southside and Southwest counties, with their comparative lack of financial resources,³³ have the oldest schools in the Commonwealth.³⁴ Virginia made school construction grants until 2010, when the state eliminated them during the Great Recession budget cuts.³⁵ Despite the economy's recovery, and despite ongoing attempts to reinstate the funding, these funds have remained unavailable. The Commission should support greater state support for local school construction, especially in districts with high rates of poverty.³⁶

PROPOSAL 4: Direct JLARC to Conduct a Study of State/Local Funding Approaches across all areas of Government to Determine Impact on Service Provision in Rural Communities. From education to health to the Virginia Juvenile Community Crime Control Act to a range of other services, Virginia delivers a number of state services to local communities through a combination of state and local funding. Formulas for the ratio of state to local funding varies across service areas. Likewise, the delivery of such services and the ability to provide local funds, or to supplement these often baseline services, ranges greatly across communities. Given the many service gaps in rural Virginia, and the service disparities between rural communities and wealthier urban and suburban areas, the Governor and the General Assembly should direct the Joint Legislative Audit and Review Commission to conduct a wide-ranging study on the impact of these funding approaches to actual service delivery in rural communities and to make accompanying recommendations for necessary improvements.

HEALTH:

Disparities in poverty rates, as well as reduced access to medical services, including the lack of medical professionals, lead to a dramatic difference in health outcomes between urban and rural communities.³⁷ Virginia, unfortunately, is a national leader in the rural-urban mortality disparity, with rural mortality about 30 percent higher than urban mortality.³⁸ People in rural communities are less likely to have health insurance and access to medical services.³⁹

³² Id.

³³ <https://www.dhcd.virginia.gov/sites/default/files/Docx/clg/fiscal-stress/fiscal-stress-report.pdf>.

³⁴ Id.

³⁵

<https://www.virginiamercury.com/2020/03/06/in-the-final-days-of-session-funding-school-construction-is-still-a-budget-debate/>.

³⁶ Id. See also

<https://www.wdbj7.com/2020/12/29/fight-for-school-construction-funding-to-continue-in-general-assembly/> ; <https://lis.virginia.gov/cgi-bin/legp604.exe?212+sum+SB1109>.

³⁷ Gordon Gong, et al, *Higher US Rural Mortality Rates Linked to Socioeconomic Status, Physician Shortages, and Lack of Health Insurance*, Health Affairs, December 2019.

³⁸ Id.

³⁹ Id.

As discussed above, social determinants of health are factors like wealth, geography, and education that are correlated to health outcomes. To illustrate some of these social determinants, consider the following data about obesity. In Virginia, those without a high school diploma are 1.6 times more likely to be obese than those with a college degree.⁴⁰ Similarly, those who earn less than \$25,000 annually are more than 1.3 times more likely to be obese than those who earn more than \$75,000 annually.⁴¹ And, as noted above, Black Virginians are nearly 1.5 times more likely to be obese than white Virginians.⁴² To give another example, Black Virginians are more likely to be infected with COVID-19 as well as more likely to die from the disease than white Virginians.⁴³ Therefore, any conversation around disparities between rural and urban populations in the Commonwealth should be viewed in the context of social determinants. Any conversation about health disparities is inevitably about race disparities as well.

PROPOSAL 1: Support and Require Social Determinant and Health Outcome Report Cards and Plans. Given the impact that social determinants can play in health outcomes in rural communities, it is important that each health district both report on these determinants and work with the communities they serve to develop comprehensive plans to address areas of need. It is important to note that VDH already maintains an [interactive map](#) that breaks down social determinants of health by locality. While this is a good start, the data is not presented in a centralized and linked way that shows the collective impact of the various determinants. The data is also not linked to plans to comprehensively address the areas of challenge. The state has recently allocated funds to hire local population health managers whose job it will be to conduct Community Health Assessments and begin addressing some of these areas, using the Virginia Plan for Well Being.

PROPOSAL 2: Make Cooperative Funding Information Publicly Available. The Cooperative Health Department Program was established in 1954 and was designed to have percentage shares of the CHD budget paid by localities. At the time, local payments were based on the values of local taxable property. In 1990, the funding formula was revised to base local contributions on local revenue capacity and median household income rather than taxable property. In 2021, the funding formula was revised to base local contributions just on local revenue capacity, rather than both local revenue capacity and median household income. The program retained the 45% maximum and 18% minimum. The new bill established a “hold

⁴⁰ <https://www.americashealthrankings.org/explore/annual/measure/Obesity/state/VA>.

⁴¹ Id.

⁴² Id.

⁴³ <https://www.vdh.virginia.gov/coronavirus/covid-19-in-virginia-demographics/>.

harmless” policy for the fiscal year of 2022 for counties experiencing an increase in their payments. General Funds will be used to fill in the gaps for counties paying less in the interim.

We recommend that the Commonwealth make information concerning the budget, administration, and staffing of the Cooperative Health Department in local health districts publicly available. Many of the stakeholders we spoke to in rural counties discussed understaffing due to lack of funds, but we were unable to obtain documentation detailing which positions went unfilled. Further clarity about funding gaps will make it possible to rectify them. In order to monitor unfilled positions, it may be helpful for health districts to track the change (or lack of change) in the number of specific position titles over the years, as positions that are eliminated in favor of hiring for new roles are not officially designated as “unfilled.” Lastly, the legislature should ensure that adequate funding exists to maintain the change in match rates.

PROPOSAL 3: Employ an “ At-Risk Add-On” Funding Model for Virginia Department of Health Health Districts. Virginia’s current Department of Education budget allows for the allocation of extra funds to “at-risk” schools with a higher population of low-income students. The state should consider adopting a similar program for health districts suffering from underfunding or understaffing. The state could designate an “at-risk” measure to identify those communities who might need additional state funds to recruit or retain staff, add staff due to the size and rural nature of the district, or address other critical needs.

PROPOSAL 4: Give Tax Credits to Health Providers who Practice in Underserved Communities. The shortage of physicians is growing in rural areas faster than urban areas.⁴⁴ Many of Virginia’s rural communities are federally designated Health Professional Shortage Areas.⁴⁵ The shortage of doctors is not limited to primary care; rural communities often go without a local dentist or mental health provider as well. Indeed, there are many Virginia counties without a single OB/GYN.⁴⁶ People in rural areas already need to travel farther to get to a doctor with less access to public transportation, but fewer doctors means these trips get even longer, especially for specialty care. Doctor shortages may lead to avoidable emergency room visits.⁴⁷ Other states like New Mexico, Oregon, and Georgia already have rural practitioner tax credits in place.⁴⁸ Such a tax credit could apply to other types of medical providers as well, not just physicians. It can be

⁴⁴ Id.

⁴⁵ <https://data.hrsa.gov/tools/shortage-area/hpsa-find>.

⁴⁶ See <https://data.hrsa.gov/topics/health-workforce/ahrf> and filter the results by Virginia and Obstetrics and Gynecology.

⁴⁷ See <https://www.vhi.org/Hospitals/avoidable-ed-visits.asp> indicating higher levels of avoidable ER visits in Southern Virginia.

⁴⁸ See <https://www.nmhealth.org/about/phd/pchb/oprh/rhcptc/>; <https://www.ohsu.edu/oregon-office-of-rural-health/tax-credits>; and <http://rules.sos.state.ga.us/GAC/560-7-8-.20?urlRedirected=yes&data=admin&lookingfor=560-7-8-.20>.

hard to measure the effectiveness of these credits as there are many things that factor into provider retention. However, Oregon's program has been in place since 1989 and New Mexico's since 2007. These tax credits likely help to retain providers in qualifying areas.

PROPOSAL 5: Create a Pipeline for Medical Students to Work in Rural Areas. Another approach to direct medical practitioners to rural communities is to create residency opportunities in those communities. Students who come from underserved communities, and students who work in those communities as part of their medical education are more likely to then practice in those communities.⁴⁹ Therefore, Virginia should do as much as it can to target students who are interested in practicing medicine in rural areas and create programs that give them hands-on experience serving those communities in medical school. University of California Davis has had such a program since 2007, and it allows the school to take an applicant's rural experience into consideration in the admissions process and put interested students into residencies in rural areas.⁵⁰ Such a program could be implemented at any of the Commonwealth's great medical schools. The pipeline idea is applicable to other medical professionals as well, including nurses, EMT's, etc. University and college presence in rural communities could empower students to stay in their communities, as we discuss in a later recommendation.

PROPOSAL 6: Collect Better Data that Shows Differences between Rural Race Groups. We know that the poverty rate is higher among Blacks than whites in rural communities,⁵¹ but there is often inadequate data about the differences in health outcomes between groups within rural communities.⁵² Because bad health outcomes in rural communities arise partly from poverty, one can assume that the poorest rural communities, often Black, would bear the brunt of this. More data would help in formulating tailored policy. Collection of this data could be part of the mandatory population health reporting recommended in Proposal 1 of this section.

PROPOSAL 7: Conduct a Study that Demonstrates the Effects of Hospital Closures. Three hospitals have closed in Virginia since 2010 and they were all in rural areas.⁵³ Lack of physician coverage and cuts to Medicare and Medicaid reimbursements were cited as responsible for the

⁴⁹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5007145/>

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<https://health.ucdavis.edu/health-news/newsroom/medical-school-training-program-is-transforming-health-care-in-california/2019/11/>. Many graduates of this program are practicing in underserved communities, but the program is small, and we were not able to find any data as to the effectiveness of the program in reducing Health Professional Shortage Areas in California.

⁵¹ <https://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/>.

⁵² https://www.cdc.gov/mmwr/volumes/66/ss/ss6623a1.htm?s_cid=ss6623a1_w.

⁵³ <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>.

closing of Lee Regional Medical Center in Pennington Gap.⁵⁴ Many more rural area hospitals are in danger of closure, especially in the wake of the COVID-19 pandemic.⁵⁵ Several communities in Virginia have lost their hospital, and several more are at risk. A study of those communities that have already faced a hospital closure may illuminate the issues that arise in its absence. A before and after study of the health of the community could inform state and locality decisions about maintaining these institutions.

PROPOSAL 8: Provide an Income Tax Credit to Volunteer First Responders. Most Virginia firefighters are volunteers, with career firefighters being a resource only more populated localities can afford. Indeed, 70% of Virginia’s firefighters are volunteers, and 88.2% are at least mostly volunteers.⁵⁶ Nationally, the number of response calls made to fire departments has gone up and staffing capacity has gone down.⁵⁷ Volunteer fire departments are having an increasingly difficult time recruiting and retaining volunteers.⁵⁸ Fewer volunteers can mean inconsistent response times and inadequate staffing. Some localities provide a few benefits to their volunteer first responders.⁵⁹ But Virginia could do more for its volunteer first responders by providing a tax credit for volunteers. Nebraska, Delaware, Iowa, Louisiana, Maryland, New York, and South Carolina already have income tax credits in place for volunteer firefighters, and some include other first responders as well, such as paramedics.⁶⁰ This is not a perfect fix, as even states with tax credits struggle to meet their personnel needs.⁶¹ However, in the absence of more expensive solutions such as hiring more full-time firefighters, it may help to bridge the gap.

PROPOSAL 9: Provide Health Districts with Policy Staff. Each health district in Virginia has distinct needs and varying local support. Providing health districts with an internal policy advocate could help to alleviate many problems. As part of their duties, such an analyst could

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https://heraldcourier.com/news/wellmont-health-system-closing-lee-county-hospital/article_ce47717a-1aef-11e3-aea9-001a4bcf6878.html.

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<https://www.kaine.senate.gov/press-releases/with-covid-19-adding-to-financial-strain-bipartisan-senators-introduce-bill-to-help-rural-hospitals-keep-their-doors-open>.

⁵⁶ <https://apps.usfa.fema.gov/registry/summary>.

⁵⁷

<https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/01/11/volunteer-firehouses-struggle-to-find-recruits>.

⁵⁸ Id.

⁵⁹ <http://dls.virginia.gov/GROUPS/volunteers/meetings/082307/incentives.pdf>.

⁶⁰

<https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/01/11/volunteer-firehouses-struggle-to-find-recruits>.

⁶¹ Id.

also represent the health district's needs to local officials. A dedicated policy analyst at either the district or regional level could generate great recommendations for improving the delivery of health services to rural and underserved communities.

CRIMINAL JUSTICE:

This Commission has reported on the disproportionate impact the Virginia criminal justice system has on people of color and made numerous accompanying policy recommendations.⁶² However, there are ways in which rural communities of color are at even greater risk than Virginians of color at large. Since 2000, the pretrial incarceration rate has increased 99% in Virginia's rural counties while the rate decreased by 40% in the state's urban counties.⁶³ The highest increase in pretrial incarceration was in Brunswick County, which is predominantly Black.⁶⁴ According to the Vera Institute, Virginia ranks number one in the country for pretrial incarceration rate.⁶⁵ This is incarceration of people who have not been convicted of a crime and are awaiting trial. Various studies have shown that being detained prior to trial makes one more likely to plead guilty and more likely to be convicted.⁶⁶

PROPOSAL 1: Expand Pretrial Services Offerings in Rural Areas. One way to reduce the pretrial incarceration rate is to expand pretrial services. Efforts have been made on this point.⁶⁷ Still, there are some localities which do not have pretrial services.⁶⁸ Urban areas have been able to lessen their pretrial populations because they have more funding.⁶⁹ The Commonwealth should step in to provide these resources when localities are not able to. Accidents of geography

⁶² See <https://www.governor.virginia.gov/media/governorvirginiagov/governor-of-virginia/pdf/2020-Commission-Report---Inequity-and-Inequality-in-Virginia-Law.pdf>.

⁶³ <https://www.vera.org/downloads/pdfdownloads/state-incarceration-trends-virginia.pdf>.

⁶⁴ Id.

⁶⁵ Id.

⁶⁶ <https://www.vera.org/downloads/publications/Justice-Denied-Evidence-Brief.pdf>.

⁶⁷

<https://www.dcjs.virginia.gov/news/governor-northam-announces-more-135-million-grants-state-and-local>.

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<https://www.dcjs.virginia.gov/sites/dcjs.virginia.gov/files/publications/corrections/report-pretrial-services-fy-2020.pdf>.

⁶⁹

<https://www.wvtf.org/post/urban-rural-divide-examining-incarceration-rates-rural-jails-across-virginia#stream/0>.

should not be a determinant of trial outcomes. In addition to making sure every locality has pretrial services, workload assessments should be conducted to ensure that staffing needs are being met.⁷⁰ Pretrial release is often granted under the condition that the released party will seek substance abuse treatment, and those services are also scarcer in rural areas.

PROPOSAL 2: Improve Access to Substance Abuse Counseling in Rural Areas. Rural substance abuse counselors face unique challenges because of their spread-out client base. These counselors cannot offer the level of specialized treatment that urban counselors can, such as tailored treatment for women, HIV-positive people, or people of color.⁷¹ In order for judges to defer offenders to treatment instead of incarceration, there needs to be local treatment options available. A successful intervention would help to grow resources and build trust in rural communities.

EDUCATION:

The achievement gap in education between race groups in Virginia is well documented in this Commission's prior reports.⁷² However, educational attainment is lower in rural areas than urban areas as well, with rural adults being less likely to have earned a high school diploma and a bachelor's degree.⁷³ 12.7% of Black Virginians in rural communities have a Bachelor's degree compared to 26.8% of urban Black Virginians and 25.3% of rural White Virginians.⁷⁴ 22.8% of rural Black Virginians have not attained a high school diploma compared to 12.2% of urban Black Virginians and 12.2% of rural white Virginians.⁷⁵ The following recommendations address some of the contributing factors to these disparities.

PROPOSAL 1: Create Tax Incentives for Teachers in Underserved Communities. Better qualified teachers could help to close the achievement gap in rural schools. Teachers are not incentivized to work in these schools, and the state could issue tax credits to qualifying teachers to make teaching in a rural community more attractive. This could come in the form of a refundable tax credit for teachers at schools with a certain poverty threshold; this might give a disproportional boost to rural schools because whatever the value of the tax credit, it likely goes farther in a

⁷⁰ See <https://www.jmijustice.org/blog/caseload-pretrial-probation/>.

⁷¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3995852/>.

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<https://www.governor.virginia.gov/media/governorvirginiagov/governor-of-virginia/pdf/2020-Commission-Report---Inequity-and-Inequality-in-Virginia-Law.pdf>.

⁷³ <https://www.ers.usda.gov/webdocs/publications/83078/eib-171.pdf>.

⁷⁴ *Supra* note 3.

⁷⁵ *Supra* note 3.

rural area where cost of living is lower.⁷⁶ Georgia has implemented a tax credit targeting rural schools and low-performing schools.⁷⁷ Studies have shown that small financial incentives can reduce teacher turnover.⁷⁸

PROPOSAL 2: Require State Universities to Do More for Rural Communities. Many college-bound students will never return to their rural communities; rising student loan debt has led to more college-educated people heading to big cities than ever before.⁷⁹ Public universities should be urged to create satellite campuses in rural areas that keep college-bound students connected with their communities. Of course, this goes hand in hand with developing rural areas economically, as graduates will be searching for jobs. Colleges and universities' presence and engagement in rural communities can assist efforts to improve health and stimulate local economies.⁸⁰

PROPOSAL 3: Dedicate State Funds to Bolster Rural School District Offerings to Students with Specialized Needs. Schools in rural areas struggle to meet the specialized needs of some students. English Language Learners, students with disabilities, and students identified as gifted and talented are often not adequately served because of challenges in recruiting and retaining staff in the face of limited resources.⁸¹ It is hard for rural school districts to attract qualified teachers, possibly because many prefer to live in metropolitan areas,⁸² and possibly because teachers want to work in school districts that have the resources to support them. On top of having fewer resources available for students with special needs, children in rural areas are diagnosed with developmental disabilities like ADHD and autism at higher rates than students in urban areas.⁸³ Distance learning could be leveraged for individual students whose schools are unable to offer the programming they need.

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<https://www.brookings.edu/blog/brown-center-chalkboard/2018/07/30/tax-credits-can-help-high-poverty-schools-attract-more-teachers/>.

⁷⁷ <https://apnews.com/article/georgia-legislation-education-bills-aa4e5228054d2e9631d9a0e7e4be66f7>.

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<https://www.brookings.edu/blog/brown-center-chalkboard/2018/07/30/tax-credits-can-help-high-poverty-schools-attract-more-teachers/>; <https://www.sciencedirect.com/science/article/abs/pii/S0047272707001065>.

⁷⁹ <https://www.cbsnews.com/news/rural-americas-brain-drain-how-student-debt-is-emptying-small-towns/>.

⁸⁰ https://cece.vt.edu/content/dam/cece_vt_edu/projects/RV1%20Final%20112018.pdf.

⁸¹

<http://www.bscpcenter.org/resources/publications/HowStatesCanHelpRuralLEAsMeettheNeedsofSpecialPopulations.pdf>.

⁸²

<https://www.masters-in-special-education.com/faq/how-do-special-education-programs-differ-in-rural-and-urban-schools/>.

⁸³ See

<https://www.usnews.com/news/healthiest-communities/articles/2020-02-19/rural-children-more-likely-to-have-developmental-disability> (citing a CDC study).

CONCLUSION:

To date, the Commission has not specifically focused on the impact of geography on racial disparities in the Commonwealth. As we hope that this memo shows, such a focus is necessary. We ask the Commission to consider these problems and proposals and invite further conversation on the matter.