

# News Release

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One Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

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**Contact:** Jennifer Clark  
402-221-5560  
[jennifer.clark@kc.frb.org](mailto:jennifer.clark@kc.frb.org)

## **LATEST MAIN STREET ECONOMIST ARTICLE EXPLORES RURAL AMERICA'S FISCAL CHALLENGE**

Fiscal challenges at state and local governments are a potential threat to the economic recovery in rural America. These threats, as well as opportunities to overcome them, are discussed in the latest issue of *The Main Street Economist*.

In the article "Rural America's Fiscal Challenge," Federal Reserve Bank of Kansas City economist Alison Felix and Omaha Branch Executive Jason Henderson explore how rural communities are affected by shrinking government revenues and state spending cuts. Rural communities depend heavily on intergovernmental transfers from the states to provide local services, and many people in these communities rely on the state or local governments for their jobs and on Medicaid as part of their income. These ties make rural economies highly susceptible to state budget shortfalls, the article finds.

Although strong rural real estate markets continue to support property tax revenues, rural governments must still find ways to offset the declines in state and federal intergovernmental transfers. Many solutions can be painful, including raising taxes, limiting service delivery and cutting jobs. As Felix and Henderson note, however, there is also an opportunity for rural America to spur a new round of innovation in service delivery through consolidation, cooperation and privatization of services.

The complete article is available at:

<http://www.kansascityfed.org/regionalaffairs/mainstreet/mainstmain.htm>.

The Tenth Federal Reserve District encompasses Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

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