

# Kentucky's Rural Communities Rely on Social Security Income More than Non-Rural Communities

The mandatory benefit cuts included in the President's Social Security privatization proposal would hurt Kentucky's rural communities more harshly than urban communities.

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As the nation engages in an historic debate about the future of Social Security in America, it is vitally important that citizens and policymakers have the information they need to make informed decisions. While a wealth of information is available on the impact that Social Security and various reform proposals would have on many communities, surprisingly little data is available on the unique role that Social Security plays in America's rural communities.

For every county in Kentucky, the Institute for America's Future analyzed Social Security income and beneficiary data as well as other distinguishing characteristics from the Social Security Administration, Congressional Budget Office, Bureau of Economic Analysis and other sources. Counties were compared by their status of "non-metropolitan or rural" or "urban or sub-urban" by definitions established by the Census Bureau.

Social Security plays a more significant role in the overall income of rural counties than it does in non-rural counties in nearly every state in the Union. The Institute for America's Future finds that rural communities in Kentucky depend on income from Social Security 36 percent more than non-rural communities. Additionally, Kentucky's rural communities have a higher percentage of senior citizens, residents who depend on Social Security's disability insurance, and elderly women receiving Social Security than the state's non-rural communities.

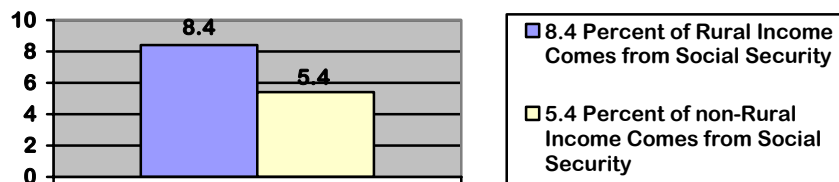
The increased importance of Social Security income in rural communities is important to both Kentucky workers and families who depend on Social Security checks each month and the businesses and local governments whose economic wellbeing is reliant on the Social Security guarantee as well.

As Kentucky lawmakers representing rural communities consider proposals to change Social Security, their constituents' disproportionate reliance on Social Security should be carefully considered. Proposals such as the President's plan for mandatory reductions in guaranteed Social Security benefits and optional private investment accounts for nearly all Kentucky workers aged 55 and younger are sure to have a significant impact on the lives of individuals, families and communities throughout the state's rural communities as the aging population grows.

## Kentucky's Rural Communities Rely on Social Security Income More than Non-Rural Communities

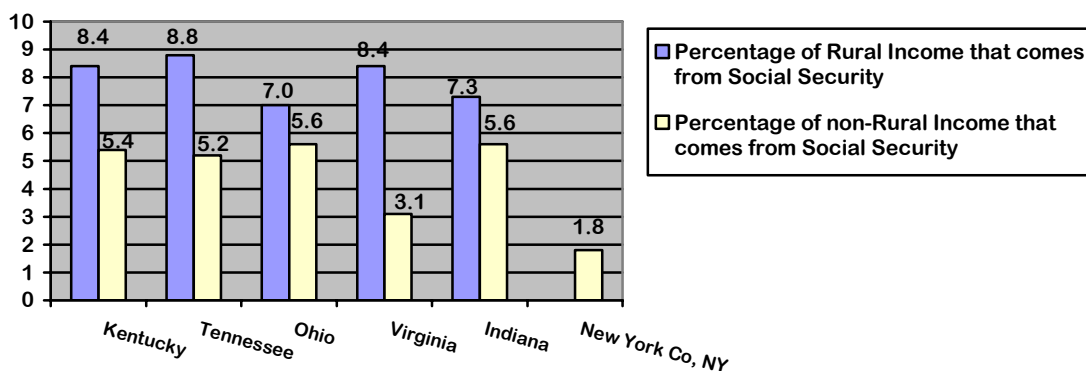
According to the National Association of Counties, there are 2,187 non-metropolitan or rural counties in the 50 states, fully 71 percent of all counties in America.<sup>1</sup> In Kentucky, 104 out of 120 counties are considered rural.<sup>2</sup> Total personal income in these counties was fully \$44,482,125,000 in 2003 (the most recent county-specific income data available) according to the U.S. Bureau of Economic Analysis (BEA).<sup>3</sup> This includes individuals of all ages at varied stages of their work lives. The BEA also reports that Kentuckians with Social Security income in these counties cumulatively received \$3,750,822,000 in Social Security checks in 2003 – or 8.4 percent of the total personal income to individuals in rural counties.<sup>4</sup> This includes Social Security benefits for retirement, disability and survivorship.

### Kentucky's Rural Communities Rely on Social Security Income More than non-Rural Communities



While non-rural communities in Kentucky depend on Social Security income as well, they do not rely on that income nearly as much as counties considered non-metropolitan or rural. There are 16 non-rural counties in the state with a total personal income of \$64,959,901,000 in 2003.<sup>5</sup> Individuals in these communities received \$3,496,527,000 in Social Security income in 2003, or 5.4 percent of the total personal income to individuals in these non-rural counties.<sup>6</sup>

### Rural Communities in Each State Rely on Social Security Income More than non-Rural Communities



It is important to note that the total county income includes all individuals receiving income – including those working at the peak of their earning history. This was necessary because Social Security recipients include many children, surviving spouses and workers who become disabled who are not seniors.

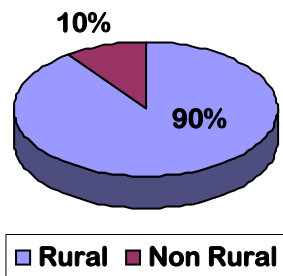
## Rural Communities Have a Higher Percentage of Seniors

While the President has claimed that the mandatory Social Security benefit cuts included in his plan will not affect current retirees, his plan does begin mandatory cuts for most workers aged 55 today, with cuts becoming more severe for younger workers.<sup>7</sup>

As the older population in America grows, the importance of Social Security to rural communities will surely increase as well. According to the Census Bureau, the older population in America is expected to double between 2001 and 2050.<sup>8</sup> A careful examination of the characteristics of rural communities today is important to assess the impact of the President's plan on rural America.

Rural Americans tend to be older and more likely to depend on Social Security. More than 90 percent of counties in America with high senior populations (20 percent or more) are rural counties.<sup>9</sup> In 2001, 20 percent of rural Americans were 60 years old or older, significantly higher than the 15 percent of seniors living in metropolitan communities.<sup>10</sup>

**Counties with High Senior Populations**



13 percent of rural seniors live in poverty, whereas only 9 percent of seniors in metropolitan communities are poor.<sup>11</sup> And poverty increases as seniors age – with fully one fifth of rural seniors over age 85 living in poverty.<sup>12</sup>

Social Security is crucial to the economic independence of seniors who have worked hard and paid taxes all of their life. Cuts to Social Security benefits would swell the ranks of the rural poor to levels not seen since the Great Depression. A dramatic reduction in the economic wellbeing of future rural seniors will have a devastating impact on rural American communities, governments and businesses. Already, local rural governments are struggling to meet the needs of an older population – the President's Social Security plan would force these governments to either renege on their commitment to their seniors or dramatically increase taxes to support those who can no longer afford to make ends meet because of lost income.

### **Snapshot: Social Security and Rural Kentucky**

- 419,590 rural Kentuckians receive Social Security checks each month
- 232,220 receive retirement benefits
- 115,615 receive disability insurance benefits
- 71,755 receive survivors insurance benefits
- 143,310 women over age 65 receive Social Security benefits
- 8.4 percent of rural Kentucky's income comes from Social Security benefits

## **More Senior Women Receive Social Security Checks in Kentucky's Rural Communities**

New details about the President's plan reveal mandatory benefit cuts of at least 35 percent for the spouses and children of Kentucky workers who retire or who have become disabled or who die. If a deceased worker chose a private account that underperformed on the stock market – that worker's surviving spouse could actually be left with even deeper cuts to her guaranteed Social Security benefit.<sup>13</sup> A surviving spouse could even inherit debt instead of a nest egg. These cuts break a promise made by President Bush to hold these vulnerable Americans harmless in his plan to privatize Social Security and cut guaranteed benefits.<sup>14</sup>

As a group, senior women in rural communities find it harder to make ends meet than most other Americans and likely could not afford the President's planned benefit cuts. Nationally, 15 percent of rural women over age 60 are poor compared to 11 percent of men, and 80 percent of rural seniors over age 85 with incomes of less than \$10,000 are women.<sup>15</sup>

In Kentucky, 143,310 women over age 65 receive Social Security benefits in rural communities, or 7.1 percent of the 2,026,304 total population in those communities.<sup>16</sup> This compares to 6.6 percent of the population in non-rural areas who are senior women.<sup>17</sup>

## **More Kentuckians with Disabilities Receive Social Security in Rural Communities**

Work in rural communities can be very dangerous, making Social Security's disability insurance protections vital – more than 20 percent of those in the nation's rural areas have a disability.<sup>18</sup>

In Kentucky's rural communities, a total of 115,615 individuals receive Social Security disability insurance benefits, 5.7 percent of the total population in these areas.<sup>19</sup> This compares to 3.6 percent of the total population in non-rural areas who receive Social Security disability insurance benefits.<sup>20</sup> As rural communities struggle to provide healthcare services to those who need them, cuts to these disability benefits would only exacerbate problems.

Unfortunately, advisors to the President have recently said that cuts to disability benefits are being considered as a part of his Social Security plan. This reverses the President's stated position that disability benefits are not a part of his plan to change Social Security.

By nearly every measure, Social Security has a larger impact on the livelihoods of individuals, families and communities in rural America than non-rural America. The President's proposal to change Social Security includes mandatory benefit reductions for nearly all American workers and optional private accounts.

The Institute for America's Future and the Center for Economic and Policy Research estimate that for the typical Kentucky worker, the President's proposal would result in a lifetime benefit reduction of over \$141,739,<sup>21</sup> even after average gains to a private account are considered. This dramatic reduction would undoubtedly impact the quality of life for Kentucky's rural and non-rural communities creating a new generation of very low income seniors and vulnerable citizens. In addition to causing hardship for individuals, these benefit reductions would also place unprecedented new demands on already stretched state and local government budgets – squeezing out funds for other top priorities or forcing higher taxes.

Because rural communities rely on Social Security income more than non-rural communities, have a higher percentage of senior citizens, and have more senior women and people with disabilities receiving Social Security – the impact of the President's Social Security benefit cuts would be particularly hard hitting for rural Kentucky.

## Endnotes

- <sup>1</sup> Karen Miller, President-Elect of the National Association of Counties, Testimony before the U.S. House of Representatives Government Reform Committee, Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census; April 29, 2003. Available online at <http://www.naco.org/Template.cfm?Section=20048&template=/ContentManagement/ContentDisplay.cfm&ContentID=7938>.
- <sup>2</sup> National Association of Counties Rural Action Caucus, County Data; Accessed June 8, 2005. Available online at [http://www.naco.org/RuralTemplate.cfm?Section=RAC\\_County\\_Data&Template=/cfiles/rac/state\\_srch.cfm](http://www.naco.org/RuralTemplate.cfm?Section=RAC_County_Data&Template=/cfiles/rac/state_srch.cfm).
- <sup>3</sup> To determine the total personal income by rural county, the Institute for America's Future first identified rural counties using the National Association of Counties Rural Action Caucus database. Personal income data by county according to the U.S. Bureau of Economic Analysis, Regional Economic Accounts: Local Area Personal Income in 2003. Data released April 27, 2005. Available online at <http://www.bea.gov/bea/regional/reis/>.
- <sup>4</sup> To determine the total amount of Social Security benefits received by rural and non-rural residents, the authors identified rural counties through the National Association of Counties Rural Action Caucus database and county specific OASDI benefits in 2003 from the Bureau of Economic Analysis. U.S. Bureau of Economic Analysis, Regional Economic Accounts: Local Area Personal Income – Personal Current Transfer Receipts, "Old-age, survivors and disability (OASDI) benefits", 2003. April 2005; Available online at <http://www.bea.gov/bea/regional/reis/default.cfm#a>.
- <sup>5</sup> See note 2 for methodological explanation and sources.
- <sup>6</sup> See note 3 for methodological explanation and sources.
- <sup>7</sup> Jason Furman, "White House Distortions Mask Social Security Benefit Reductions," Center on Budget and Policy Priorities; May 20, 2005. Available online at <http://www.cbpp.org/5-6-05socsec2.htm>.
- <sup>8</sup> U.S. Bureau of Labor Statistics, March 2001 Current Population Survey as cited by the U.S. Department of Agriculture, Economic Research Service, "Rural Population and Migration: Rural Elderly," May 2002. Available online at <http://www.ers.usda.gov/Briefing/Population/elderly/>.
- <sup>9</sup> U.S. Department of Agriculture, Economic Research Service.
- <sup>10</sup> U.S. Department of Agriculture, Economic Research Service, "Rural Population and Migration: Rural Elderly," May 2002. Available online at <http://www.ers.usda.gov/Briefing/Population/elderly/>.
- <sup>11</sup> Ibid.
- <sup>12</sup> Ibid.
- <sup>13</sup> Dean Baker, "The Regressive Impact of the Progressive Indexation of Social Security Benefits," Center for Economic and Policy Research, May 2005. Available online at <http://www.cepr.net>.
- <sup>14</sup> "Allen Abney, a White House spokesman, said the administration plans no changes in disability or child survivor benefits. But he acknowledged that guaranteed benefits would be lower for workers who invest in personal accounts and for their adult survivors if they die early." *Cleveland Plain Dealer*, April 19, 2004; Available online at [http://www.ohioroundtable.org/news/newsindividual.cfm?news\\_ID=354&issuecode=taxes](http://www.ohioroundtable.org/news/newsindividual.cfm?news_ID=354&issuecode=taxes); "And [Bush] said he has no plans to cut benefits for the approximately 40 percent of Social Security recipients who collect monthly disability and survivor payments as he prepares his plan for partial privatization." *Washington Post*, January 16, 2005; Available online at <http://www.washingtonpost.com/wp-dyn/articles/A12450-2005Jan15.html>.
- <sup>15</sup> U.S. Department of Agriculture, Economic Research Service, "Rural Population and Migration: Rural Elderly," May 2002. Available online at <http://www.ers.usda.gov/Briefing/Population/elderly/>.
- <sup>16</sup> Social Security Administration, "OASDI Beneficiaries by State and County, 2003," August 2004. Available online at [http://www.ssa.gov/policy/docs/statcomps/oasdi\\_sc/2003/](http://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2003/). To determine the total number of women over age 65 in rural areas receiving Social Security benefits, the authors used state and county specific data isolating male and female senior beneficiaries from the Social Security Administration's website and separated these counties by rural and non-rural as determined by the National Association of Counties Rural Action Caucus.
- <sup>17</sup> Ibid.
- <sup>18</sup> AgraAbility Project, National Consensus Conference on Disability in Agriculture and Rural America, pre-conference briefing paper, May 2002.
- <sup>19</sup> Social Security Administration, "OASDI Beneficiaries by State and County, 2003," August 2004. Available online at [http://www.ssa.gov/policy/docs/statcomps/oasdi\\_sc/2003/](http://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2003/). To determine the total number of people in rural areas receiving disability benefits from Social Security, the authors added the following categories "Disability: Disabled Workers", "Disability: Spouses," and "Disability: Children" for all the counties in the nation. The authors separated these counties by rural and non-rural as determined by the National Association of Counties Rural Action Caucus.
- <sup>20</sup> Ibid.
- <sup>21</sup> Institute for America's Future, 2005.