



Creating awareness and understanding of public policies that enhance the vitality of Rural America

Why Rural Matters III: The Rural Impact of the Administration's FY08 Budget Proposal



March 2007

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The National Rural Network is a coalition of over 70 nongovernmental national organizations, working to create awareness and understanding of public policies that enhance the vitality of rural America

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INTRODUCTION

Overview

On February 5, President Bush released the administration's proposed budget for fiscal year 2008, which begins on October 1, 2007. (The complete FY08 budget is available at <http://www.gpoaccess.gov/usbudget/>) An administration's budget reflects its priorities, its values, and its vision for our nation. This budget is no exception. This \$2.9 trillion budget proposal for FY2008 increases spending on defense and homeland security while limiting growth for domestic discretionary programs. While many sectors, interest groups and constituencies have already expressed concern regarding this budget's implications, an integrative rural impact has not yet been articulated. The National Rural Network (NRN), a coalition of over 70 organizations working together to create awareness and understanding of the rural implications of public policies, has compiled this document to address that need.

Our diverse organizations, representing all the sectors working to sustain and revitalize rural America, recognize that if one of our rural sectors does not fully thrive, our entire rural community is challenged. We are only as healthy as our rural communities themselves.

National Rural Network organizations have a strong interest in the sustainability and prosperity of small town and rural America and are not solely rural in focus. Many are broad-based national organizations, with constituencies in urban, suburban and rural America. We all believe in one America, which is best strengthened when all its communities are thriving.

The Rural Community Disadvantage in Federal Funding

Current federal policies are putting our nation's rural communities at a distinct competitive disadvantage, both nationally and globally. Specifically, the FY2003 Consolidated Federal Funds data analyzed by the Southern Rural Development Initiative shows nonmetropolitan areas receive \$548 less per capita than metropolitan areas (\$7,242 versus \$6,694). Furthermore, per capita funding for community resources represent 14.5 percent of funds to metropolitan areas, but only 8.9 percent of funds to nonmetropolitan areas. This is consistent with other independent studies that show metropolitan areas received two to five times more, per capita, in federal community development resources than their rural counterparts, during each year from FY1994-2001.

A disproportionate share of current federal assistance to rural areas is in income security programs. In FY2003, 68 percent of federal assistance to rural areas was for income security programs, compared to 53 percent for metro areas. While these funds are essential for millions of rural Americans, this highlights the fact that the bulk of this current federal support simply sustains rural Americans' dependence on federal subsidy, rather than enabling rural communities and regions to pursue new economic and community growth opportunities. Meanwhile, urban areas with continuous federal resources for strategic human, community and infrastructure improvements are using these to build long-term investments to grow the competitive advantage of their regions.

Framework for NRN Analysis

The rural implications of this budget are pervasive, and significant rural concerns are evident in many sectors. To highlight these challenges more specifically, this document contains detailed budget analyses of several critical rural programs which impact the constituencies of twelve NRN organizations. These were chosen for the diversity of their interests and the unique rural community challenges which will affect that sector, should this budget successfully move through the Congress, as proposed. Many other NRN member organizations not included in this analysis have completed their own internal budget reviews, which may be accessed through their websites. All NRN members are actively addressing the needs of rural America each day, and the impacts of this Administration's budget proposal.

Conclusion

Rural America is challenged in many ways. Rural places include those where poverty has persisted for decades, where populations have been declining for over half a century, where private sector growth has been minimal, at best, and where local schools, hospitals and churches are often only a memory of aging residents. These pervasive structural challenges require a long-term commitment.

However, investments of capital, ingenuity and hard work are leading to new successes across rural America. Where these investments are occurring, unique rural renaissance is evident. New institutional innovations, public and private entrepreneurship, and a renewed commitment are becoming much more common, as a new rural governance is framed.

Rural America is a very diverse and rich national heritage. A new spirit of rural collaboration is emerging, and rural areas are recognizing their existing assets provide their greatest potential for economic competition in a global marketplace. Thus, asset-based regional development frameworks are being crafted across our rural landscape. These very hopeful developments must not be lost; they must be nurtured and expanded. While the federal government is but one partner in this process, the enabling opportunities which federal funding alone allows must be enhanced. These enhancements are not evident in this FY08 budget proposal.

Rural America in the FY 2008 Budget: By the Numbers¹

Program	FY 2003 Final (in millions)	FY 2004 Final (in millions)	FY 2005 Final (in millions)	FY 2006 Final (in millions)	FY 2007 Final (in millions)	FY 2008 Budget
COMMUNITY DEVELOPMENT						
Community Development Block Grant Funds (CDBG)	\$4,367.0	\$4,356.55	\$4,150.03	\$3,748.4	\$3,710.9	\$2,974.6
Community Services Block Grant (CSBG)	\$645.8	\$648.8	\$642.0	\$636.8	\$636.8	0
Community Development Funding	\$4,937.0	\$4,937.0	\$4,709.0	\$4,222.0	\$3,771.0	\$3,036.6
USDA Rural Community Advancement Program	\$907.7	\$757.4	\$716.1	\$701.9	\$701.9	0 ²
ECONOMIC DEVELOPMENT						
Economic Development Administration	\$320.7	\$318.7	\$287.9	\$284.0	\$284.0	\$202.8
Small Business Association MicroLoan Program	\$29 MicroLoan \$15 MicroLoan TA	\$20 MicroLoan \$15 MicroLoan TA	\$15 MicroLoan \$14 MicroLoan TA	\$12.7 MicroLoan \$13 - MicroLoan TA	\$13 MicroLoan \$13 MicroLoan TA	0 0
Workforce Development: Adult Training	\$900.0	\$900.0	\$898.0	\$866.0	\$866.0	\$712.0
Workforce Development: Youth Training	\$994.5	\$1000.9	\$994.0	\$950.0	\$950.0	\$840.5
Workforce Development: Dislocated Workers	\$1,550	\$1,500.0	\$1,479.0	\$1,476.0	\$1,476.0	\$902.94

¹ Aggregate numbers under each program area reflect summaries outlined by each NRN member organization, as a component of their analysis. Therefore, aggregate totals should not be summed.

² For 2008, funding for community facilities, utilities and business will no longer be combined in RCAP. Each stream will be funded separately in other USDA areas.

Program	FY 2003 Final (in millions)	FY 2004 Final (in millions)	FY 2005 Final (in millions)	FY 2006 Final (in millions)	FY 2007 Final (in millions)	FY 2008 Budget
EDUCATION						
Department of Education	\$53,113.7	\$55,662.5	\$56,576.6	\$55,925.6	\$57,500.6	\$55,996.8

HEALTH & HUMAN SERVICES						
Rural Hospital Flexibility Grant Program	\$39.5	\$39.5	\$39.5	\$38.5.0	\$38.5	0
Rural Health Outreach Network Development	\$39.6	\$39.6	\$39.6	\$39.6	\$38.9	0
Community Access Program		\$104.3	\$83.6	\$0	\$0	0
Health Professional Train.	\$72.8	\$71.5	\$70.4	\$28.7	60.2	0
NATURAL RESOURCES						
USDA Resource Conservation & Development (RC&D)	\$51.0	\$51.9	\$51.6	\$51.3	\$51.3	14.43
EPA Clean Water State Revolving Fund	\$1,350.0	\$1,342.0	\$1,100.0	\$900.0	\$1,083.0	\$688.5
EPA Drinking Water SRF		\$850.0	\$850.0	\$850.0	\$850.0	\$842.0
UTILITIES						
USDA Rural Utilities Service Electric Loans	\$4,021.0	\$4,090.0	\$3,320.0	\$3,788.0	\$3,839.0	\$4,100.0
USDA Rural Utilities Service Water & Waste Programs	\$723.2 grant	\$566.0 grant	\$462.0 grant \$974.0 loans	\$455.0 grant \$1000.0 loans	\$455.0 grant \$1000.0 loans	\$346.0 grant \$1080.0 loans
USDA Rural Utilities Service Telecommunications Infrastructure Program – Broadband Loans		\$602.0	\$550.0	\$500.0	\$500.0	\$300.0
USDA Rural Utilities Service Rural Telephone Bank		\$173.5	\$175.0	\$2.5	\$2.5	0

Clean Coal Technology & Renewable Energy			\$352.1	\$379.0	\$310.0	\$385.0
DOE Weatherization Assistance for Low-Income			\$227.1	\$242.5	\$166.0	
DOE Power Marketing Administration				\$314.7	\$314.7	\$342.1
MISC						
Essential Air Services Program	\$113.0	\$102.0	\$102.0	\$110.0	\$110.0	\$50.0
USDA Value-Added Producer Grant Program/Value-Added Agricultural Product Market Development Program	\$40 mandatory \$40 discretionary	\$40 mandatory \$15 discretionary	\$40 mandatory \$15.5 discretionary	\$40 mandatory \$20.3 discretionary	\$40 mandatory \$20.3 discretionary	\$40 mandatory \$15 discretionary
Department of Homeland Security: State Homeland Security Grant Program	\$2,300.0	\$1,700.0	\$1,100.0	\$550.0	\$525.0	\$250.0



Analysis of the Department of Education's Budget Impact on Rural America

Purpose of Program:

The Department of Education was initially created to equalize opportunity between high-poverty students and their more economically advantaged counterparts. Over the years, the equalization priority has been increased to focus not only on poverty but also on issues of federal lands and geographic isolation. Nationwide, federal funding of K-12 education equates to 7.6 percent of local school district budgets, on average. Most of the funding that rural districts receive is through federal formula grants.

Rural school districts are placed at an additional disadvantage because they often do not have the staff availability in order to apply for competitive grants at the federal level. Teachers are often instructing multiple grade and subject areas and superintendents are often also serving as principals and in some cases, bus drivers.

Within the federal education budget, there are several programs of note to rural America. Most of these programs fall under the Elementary and Secondary Education Act (ESEA), known as the No Child Left Behind Act. Title I provides funding to school districts via one of several formulas based on the number of poor students. Title V, Part B is the Rural Education Achievement Program. This is the first federal education program dedicated to helping rural districts overcome the financial barriers of geographic isolation. Title VIII is known as Impact Aid and provided a guarantee for any school district that can show a substantial financial impact due to the presence of federal property to receive supplementary federal funding. In addition, the Perkins Career and Technical Education Act provides funding for schools to expand career and technical education opportunities for their districts. Finally, the Individuals with Disabilities in Education Act (IDEA) provide additional dollars to school districts to help meet the needs of special education students.

Impact of FY2008 Budget Proposal:

Under President Bush's budget proposal for FY 2008 (2008 – 2009 school year,) funding for education would be cut by \$1.5 billion, a 2.6 percent reduction. This is the third year in a row that the President has recommended a funding reduction for the Department of Education. As these funding cuts hit at the local level, school districts continue to have fewer resources available to meet the increasing mandates under the Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities Education Act (IDEA). Rural schools would be dramatically impacted because it is the dollars they count on every year that are most at risk.

The President's budget signals a strong retreat away from the goal of reaching the federal commitment to fund IDEA. In 1975, Congress promised to provide 40 percent of the National Average per Pupil Expenditure for every child in special education. For the first time, a president is proposing cutting funding to students with disabilities and increasing the funding shortfall on local school districts. The FY 2008 budget would represent just 16.5 percent instead of the promised 40 percent, representing a \$15 billion federal shortfall. This is the lowest the federal commitment has been since FY 2002 and represents a decrease from the high of 18.6 percent in FY 2005. In addition, President Bush's proposed level would be \$8.7 billion below the level promised for FY 2008 in the IDEA reauthorization of 2004. Once again, the burden for paying for special education will continue to be shifted to local districts, forcing school districts to raise local taxes. In many rural communities, the tax base is not sufficient leaving local school districts to make tough choices.

Despite the large proposed cut in IDEA, the president still increased funding for Title I grants by \$1.1 billion. Unfortunately, the Title I increases has so many strings that it is unlikely that the most rural schools will see the increase. This particular formula would focus new dollars on concentrations of poverty (in terms of both numbers of low-income students and percentages of poverty). Using this formula will mean that some high-poverty rural areas with smaller student populations will be hurt by this decision. In addition, most dollars will be caught at the state level for the four percent state set aside for school improvement meaning that most new funding will never reach local school districts.

The President proposes the elimination of Education Technology State Grants (Title II, Part D of ESEA) and the Education Innovative Block Grant (Title V of ESEA) citing the lack of need at the local level. Specifically, the administration acknowledges advances in technology in schools and claims there is no longer a need for a dedicated pot of funding even as rural schools struggle to keep their technology up to standards. The Education Innovative Block Grant is slated for elimination because the Administration claims it is too flexible to track its use in local school districts.

In addition, the President once again proposes to cut funding in half for the Perkins Career and Technical Program. The funding cut for Perkins will mean massive cuts for local school districts as they work to meet the new requirements of the Perkins reauthorization of 2006. The administration also suggests a \$100 million cut to the Improving Teacher Quality State Grants (Title II, Part A of ESEA) despite the continuing need to meet the highly qualified provisions. Finally, the administration has proposed a significant cut to the Safe and Drug Free Schools State Grants. This would represent a 70 percent cut to the program and would greatly affect local school districts' ability to provide safe environments for learning and fight the rise of methamphetamines.

For the fourth year in a row, President Bush has included funding for the Rural Education Achievement Program in his FY 2008 budget and recognized the continued importance of this critical rural education funding stream. As other federal education programs are cut or eliminated, funding for REAP becomes even more important to help fill the funding shortfall in many rural districts.

FY04 Final (in millions)	FY05 Final (in millions)	FY06 Final (in millions)	FY07 Budget (in millions)	FY07 Final (in millions)	FY08 Budget (in millions)
\$55,662.5	\$56,576.6	\$55,925.6	\$54,410.3	\$57,500.6	\$55,996.8.

The Preston Community School in Preston, Iowa, currently serves 350 students from kindergarten to 12th grade. Serving a small number of students in rural America presents difficult challenges. A math teacher costs the same here as it would in a suburban district; however, they only teach a small number of students. This often puts a serious financial strain on the district.

The Preston Community School District received \$27,691 in new funding under the Small and Rural School Achievement Program for the 2006-07 school year. With increased program flexibility and new dollars, the district was able to update their technology with more computers in the classroom and training for their teachers on integrating the technology into the classroom. They are able to match these technology dollars with their local dollars. This was critical for their district because over the past four years Iowa has eliminated all state funding for technology. The other half of the funds was spent on professional development and efforts to reduce class size. The REAP dollars combined with state and local monies are able to help Preston maintain class sizes of 15 students or less in grades K through 3. REAP dollars are allowing Preston, as a rural district, to compete educationally and professionally with its larger rural, suburban and urban counterparts.

About AASA, NEA, NAFIS and Rural School and Community Trust:

Founded in 1865, the American Association of School Administrators (AASA) is the professional organization for more than 14,000 school superintendents and local educational leaders across the United States and Canada. www.aasa.org

Contact: Mary Kusler, Assistant Director of Government Relations, AASA, 703-875-0733
mkusler@aasa.org

The National Association of Federally Impacted Schools (NAFIS) is an organization representing the interests of more than 1,400 school districts, which receive funds from Title VIII of the Elementary and Secondary Education Act, Impact Aid. www.nafisdc.org

Contact: John Forkenbrock, Executive Director, NAFIS, 202-624-5455, johnfork@nafisdc.org

The National Education Association (NEA) was founded in 1857 to elevate the character and advance the interest of the teaching profession and to promote the cause of public education in the United States.

NEA membership currently stands at 2.8 million. www.nea.org

Contact: Randy Moody, Manager – Federal Policy and Politics, NEA, 202-822-7594, rmoody@nea.org

The Rural School and Community Trust is the leading national organization addressing the crucial relationship between good schools and thriving rural communities by involving young people in learning linked to their communities, improving the quality of rural teaching and school leadership, and advocating for appropriate state policies that address the needs of rural schools. www.ruraledu.org

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CENTER *for* RURAL AFFAIRS



MicroLoan Program, Small Business Administration

Purpose of Program:

The MicroLoan Program provides loans and technical assistance to start-up and growing businesses with five or fewer employees. Funds are provided to nonprofit community-based intermediaries who, in turn, make funds available to eligible borrowers. Intermediaries are also required to provide business training and technical assistance to borrowers.

Impact of FY2008 Budget Proposal:

The SBA MicroLoan program assists individuals and families that other SBA programs do not. The MicroLoan program serves individuals and families that banks are not eager to serve and for which credit is not readily available. MicroLoan borrowers generally lack business experience and are in need of training and technical assistance – other SBA programs generally provide services to experienced businesses with significant collateral. Over 20% of jobs in rural areas in the United States are attributable to microbusinesses, significantly higher than in urban areas. With incomes generally lower in rural areas, the niche that the MicroLoan program serves is crucial in rural areas and necessary for rural economic development, and would not be served by other small business credit programs. The FY08 Budget Proposal would eliminate the MicroLoan technical assistance grants, thus denying rural entrepreneurs significant training and advice that allows their businesses to be successful. The FY08 Budget Proposal also proposes making the SBA MicroLoan program a “zero subsidy” program with a goal toward making the program self-funding through an increase of interest rates charged to program intermediaries. This has the result of making the cost of serving rural entrepreneurs more expensive and likely less attractive, eventually resulting in fewer intermediaries interested in providing services to rural entrepreneurs, thus a decreased number of rural people interested in beginning small businesses.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$20 – MicroLoan	\$15 – MicroLoan	\$12.7 – MicroLoan	\$0 – MicroLoan	\$13 – MicroLoan	\$0 – MicroLoan
\$15 – MicroLoan TA (Technical Assistance)	\$14 – MicroLoan TA	\$13 – MicroLoan TA	\$0 – MicroLoan TA	\$13 – MicroLoan TA	\$0 MicroLoan TA

Betty Vermeer owns and operates a Hilltop Greenhouse and Floral in Sterling, Nebraska, and is an SBA MicroLoan client. After being rejected by banks and small business experts, Betty started her business with only one employee – herself. After obtaining SBA MicroLoan capital and technical assistance, 10 years later she has five employees, has added two greenhouses to boost retail sales and supplies community groups with bedding plants for fundraising activities.

Value-Added Producer Grant Program/Value-Added Agricultural Product Market Development Program, USDA

Purpose of Program:

This program provides grants for planning and working capital for value-added agricultural enterprises. The goals of the program are to create jobs and self-employment opportunities in rural areas and to enhance the farm/ranch share of the food system profit. The program was authorized to receive \$40 annually in mandatory spending in the 2002 Farm Bill.

Impact of FY2008 Budget Proposal:

Value-added agricultural enterprises serve to strengthen the farm and rural economy. Together with small business development, value-added enterprises form the best hope for viable rural development in many parts of the nation. Greater opportunities for more farmers and ranchers to be involved in value-added enterprises will provide higher rural incomes and increased rural job creation. The FY08 Budget Proposal proposes to provide only 37.5% of the Farm Bill-authorized level for the Value-Added Producer Grant Program and 26% less than the current appropriated amount. The result will be fewer opportunities for farmers and ranchers to take advantage of new, high-value markets and fewer entrepreneurial opportunities for small- and mid-sized and beginning farmers and ranchers.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$40 mandatory	\$40 mandatory	\$40 mandatory	\$40 mandatory	\$40 mandatory	\$40 mandatory
\$15 discretionary	\$15.5 discretionary	\$20.3 discretionary	\$20.3 discretionary	\$20.3 discretionary	\$15 discretionary

Small Farms Cooperative, a group of seven Nebraska farmers and ranchers raising natural beef, was a recipient of a grant under this program. As a result of their grant, they established relationships with the European Union; since 2003, the cooperative has sold natural beef to the EU in an amount resulting in nearly \$600,000 in income to members of the cooperative.

Resource Conservation and Development (RC&D), USDA

Purpose of Program:

The RC&D program focuses on natural resource conservation, rural economic and community development in multi-county areas designated by the Secretary of Agriculture. RC&Ds employ a unique administrative system with community volunteers controlling the RC&D Council boards while developing private-public partnerships. RC&D Council members include local volunteers, local business owners, and local appointed and elected officials. Each RC&D Council selects projects that meet the needs of the area and its communities.

Impact of FY2008 Budget Proposal:

The budget proposal would decrease federal support by over 70% to all 375 regional RC&D Councils by eliminating RC&D coordinator positions and consolidating the RC&D coordinator functions at the state level. Many of these Councils are located in low-income rural areas without the local, state and national public and philanthropic means to replace the federal funds. The regional coordinator is aware of local needs and of projects and resources to meet those needs. Consolidating the RC&D coordinator function will place greater burdens on a state level that is not aware of needs or accountable to local officials or RC&D board members, and great responsibilities on regional volunteer boards that do not have the

resources to accomplish the necessary day-today operations of RC&D projects.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$51.6	\$51.6	\$50.8	\$25.9	\$50.8	\$14.7

The North Central Nebraska RC&D Council and local communities, businesses, and individuals joined together to create the Nebraska Outback Initiative. The Nebraska Outback Initiative is a comprehensive economic and community development project that provides services to regional communities and projects to obtain and leverage local, state and federal resources. RC&D staff provides grant writing and other services to small, rural communities that would not otherwise have access to such services.

About the Center for Rural Affairs: Established in 1973, the Center for Rural Affairs is a private, non-profit organization working to strengthen small businesses, family farms and ranches, and rural communities.

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Housing Assistance Council

USDA Rural Development Housing and Community Facilities Program

The proposed budget for fiscal year 2008 would dramatically change the federal funding landscape for rural housing. For the U.S. Department of Agriculture rural housing programs, the budget pursues trends from past years, such as favoring loan guarantees over direct lending, but goes drastically farther than previous proposals.

- △ **DIRECT LENDING PROGRAMS DEVASTATED.** As it did last year, the Administration proposes no funding for the Section 515 rental housing loan program, which produces rental units affordable for the lowest-income rural residents. In a surprising move, the proposed budget also zeroes out funding for the popular and productive Section 502 single-family direct program.
- △ **GUARANTEED PROGRAM FUNDING INCREASED.** Funding for the Section 502 single-family and Section 538 multifamily guarantee programs would be substantially increased. While these programs provide much needed funding for homeownership and rental housing development, they serve residents with more moderate incomes than the direct lending programs that have been cut from the proposed budget.
- △ **SELF-HELP GRANT PROGRAM FUNDING SLASHED.** The budget significantly cuts Section 523 grants to nonprofit organizations that administer rural self-help programs. This change, along with the deletion of funds for the Section 502 direct loans most rural self-help homebuyers receive, would significantly reduce the production of new rural self-help homes.
- △ **FARM LABOR HOUSING FUNDING REDUCED.** The budget would sharply reduce funding for Section 514 farm labor housing loans and 516 farm labor housing grants, cutting the program to only one-third of its FY 2007 level.
- △ **RENTAL HOUSING PRESERVATION JEOPARDIZED.** The FY 2008 budget would provide only \$27.8 million for vouchers and rental property revitalization. This is about the same amount Congress appropriated for preservation initiatives in FY 2006 and 2007, but those initiatives are by no means the total preservation funding available for those years. The budget overlooks the facts that in FY 2006 \$61.8 million in Section 515 funds were used for preservation and that, even so, USDA could fund less than 2 percent of the revitalization applications it received.

Department of Housing and Urban Development

Continuing the Administration's past trends, total funding for HUD's discretionary program would be \$38.2 billion in fiscal year 2008, \$1 billion (2.8 percent) less than funding in 2006 and \$4.3 billion (10.6 percent) below 2004 funding levels, adjusted for inflation.

- △ **CDBG FUNDING REDUCTIONS CONTINUE.** Unlike previous years' versions, the Administration's HUD budget does not propose to consolidate the Community Development Block Grant program with other HUD programs. Instead, the budget proposes cutting CDBG formula grants by \$735 million or almost 20 percent. The budget also states the Administration's intent to reintroduce its proposal to modify the formula under which CDBG funding is allocated.
- △ **ELIMINATION OF RHED, HOPE VI, AND OTHER PROGRAMS.** The budget proposes eliminating the Rural Housing and Economic Development program, Brownfields Redevelopment grants, HOPE VI program, and the Community Development Loan Guarantee (Section 108) program.
- △ **SIGNIFICANT CUTS IN MANY RENTAL HOUSING PROGRAMS AND OTHERS.** The budget proposes significant cuts for project based rental assistance, public housing, programs for elderly people and those with disabilities, and lead hazard control.
- △ **FUNDING INCREASES FOR SOME TARGETED AND FLEXIBLE PROGRAMS.** Increases are proposed for tenant-based rental assistance, HOME, programs for homeless people, Housing for People with AIDS, and the Self-Help Homeownership Opportunity Program (SHOP).

The Housing Assistance Council (HAC) is a national nonprofit organization that supports the development of affordable housing in rural areas of the United States. HAC provides technical housing services, seed money loans from a revolving fund housing program and policy assistance, and research and information services. HAC is an equal opportunity lender.

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E-Mail: hac@ruralhome.org
www.ruralhome.org**



Economic Development Administration: Planning Grants, Public Works Grants, Economic Adjustment Grants

Purpose of Program:

The Public Works Program empowers distressed communities to revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies, and generate or retain long-term, private sector jobs and investment. The Economic Adjustment Program assists state and local interests to design and implement strategies to adjust or bring about change to an economy. The program focuses on areas that have experienced or are under threat of serious structural damage to the underlying economic base. Partnership Planning programs help support local organizations (Economic Development Districts, Indian Tribes, and other eligible areas) with their long-term planning efforts and their outreach to the economic development community on EDA’s programs and policies.

Impact of FY2008 Budget Proposal:

For FY 2008, the administration is proposing a reduction of \$80 million for the Economic Development Administration (EDA), which would bring funding to \$202.8 million. If enacted, the budget request would represent a 56 percent total cut in EDA funding since FY2001.

The request includes \$32.8 million for salaries and expenses (an increase of \$2.1 million), \$27 million, as mandated by law, for planning and \$13 million for trade adjustment assistance.

Funding for EDA's public works, economic adjustment, technical assistance and research and evaluation would be consolidated and replaced by a new Regional Development Account (RDA) funded at \$130 million, nearly \$84 million below the current combined level. This is the second straight year the administration has proposed eliminating funding for EDA's traditional economic development assistance programs to establish a new consolidated account that would focus on investing in regional-based projects.

Both chambers of Congress have rejected the Regional Development Account (RDA) proposal in past years. In its FY 2007 committee report, the Senate Commerce-Justice-Science Appropriations subcommittee stated that it was "concerned about the negative impacts of the proposal in the fiscal year 2007 budget request to eliminate funding by separate accounts for public works, technical assistance, research and evaluation, and economic adjustment

FY2004 Final (in millions) \$318.67	FY2005 Final (in millions) \$287.91	FY2006 Final (in millions) \$284.04	FY2007 Budget (in millions) \$326.70 million	FY2007 Final (in millions) \$284.04	FY2008 Budget (in millions) \$202.80
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Community Development Block Grant

Purpose of Program:

The Community Development Block Grant (CDBG) within the Department of Housing and Urban Development is a flexible community development program that is used by local governments for a variety of purposes including public works projects, public services, rehabilitation of public buildings and planning. Current FY2006 spending for CDBG is \$3.75 billion, of which 70 percent goes directly to metropolitan cities and counties and the remaining 30 percent is sent to the states to be disbursed to small metropolitan and rural communities.

Impact of FY2008 Budget Proposal:

The President's fiscal 2008 budget request includes \$35.2 billion in discretionary budget authority for HUD, an increase of \$1.1 billion from the 2007 level. For a third straight year, the administration is proposing a significant reduction in funding for the Community Development Block Grant (CDBG) program, as well as legislation to revise its allocation formula "to better target needy communities, to provide bonus funds tied to performance, and to make further reforms to increase CDBG's effectiveness."

CDBG formula grants are provided with \$2.974 billion, a decrease of \$736 million under current spending and more than \$1.3 billion below the annual levels for FY2002-FY2004. In addition, the budget proposes a rescission of \$306.9 million from prior year balances for the Economic Development Initiative (EDI) and \$49.5 million for grants for neighborhood initiatives.

The administration will propose legislation to "improve" the CDBG allocation formula. In its request, the administration states that the "current formula has not been updated in almost 30 years and results in many lower-income communities receiving less assistance than wealthier communities." The proposal will also include a Challenge Grant Fund to reward high-performing communities.

FY2004 Final	FY2005 Final	FY2006 Final	FY2007	FY2007 Final	FY2008
(in millions)	(in millions)	(in millions)	Budget	(in millions)	Budget (in
			(in millions)		millions)
\$4,356.55	\$4,150.03	\$3,748.40	\$2,974.0	\$3,770.91	\$2,974.58

Rural Community Advancement Program

Purpose of Program: Established in the 1996 farm bill, the Rural Community Advancement Program (RCAP) is the umbrella program for USDA's rural utilities, rural business and rural community facilities grant and loan programs. RCAP resources are aimed at providing critical infrastructure, such as water, sewer, advanced telecommunications, as well as business development and community facilities in rural communities.

Impact of FY2008 Budget Proposal:

The President's budget request includes \$91 billion for the Department of Agriculture (USDA), \$6 billion more than current funding. This includes \$20.2 billion in discretionary funding and \$71 billion in mandatory funding. Although the administration released its 2007 Farm Bill proposal prior to the release of the budget proposal, none of the Farm Bill initiatives are included in the request.

The budget proposes to change the way funds under the Rural Community Advancement Program (RCAP) are appropriated. Currently, RCAP serves as a \$701.94 million umbrella program for rural community facility, water and sewer and business cooperative programs. The RCAP umbrella allows state Rural Development offices the flexibility to target funding on priority needs.

Under the budget proposal, funds for rural community facility, water and sewer and business cooperative programs are no longer combined under RCAP. Instead, funds for these programs are appropriated under

new and separate accounts within the Rural Housing, Rural Utility and the Rural Business Services. Further, when taken together, the new accounts receive \$131.5 million less than total fiscal 2007 RCAP funding.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$757.42	\$716.05	\$701.94	\$600.76	\$701.94	\$0


About the National Association of Development Organizations: The National Association of Development Organizations (NADO) provides advocacy, education, research and training for the nation’s regional development organizations. Building on four decades of experience, the national network of 542 regional development organizations serves as a key catalyst for regional strategic planning, partnerships and initiatives that are designed to meet locally-identified needs and conditions. The core philosophy of regional development organizations is to help local government officials and communities pool their limited resources to achieve economies of scale, build organizational skills and professional expertise, and foster regional cooperation and collaborations.

NADO’s members are often known locally as: councils of government, area development districts, economic development districts, local development districts, planning and development commissions, regional development commissions and regional councils of government. Each organization is typically governed by a policy board of local government officials, with additional representation of business, education and community leaders. Depending on local priorities, regional development organizations administer and manage a broad range of federal and state programs, including: aging, business development finance, community and economic development, emergency preparedness, housing, GIS services, rural development, transportation planning and workforce development.

Contact info: Amy Linehan, NADO Legislative Representative, 202.624.8177, alinehan@nado.org , Web site: www.nado.org.



National Rural Electric Cooperative Association

A Touchstone Energy Cooperative 

Rural Utilities Service Electric Loans

Purpose of Program:

Loans to eligible cooperatives, from the U.S. Department of Agriculture’s Rural Utilities Service (RUS), represent approximately 25 percent of total co-op financing. RUS financing remains an essential component of the co-op utility sector’s loan portfolio. This stable source of financing keeps the electric infrastructure in 75 percent of the nation strong and viable today. Infrastructure constructed with RUS loans is held to uniform and high engineering standards and is a critical piece of the U.S. electric system. RUS program funding in the budget is for loans that are paid back with interest.

Impact of FY2008 Budget Proposal:

The FY2008 budget proposal calls for the RUS to stop providing loans for new baseload generation. The President's budget proposes \$4.1 billion in lending for electric cooperatives. \$4 billion is in the Rural Utilities Service (RUS) Federal Financing Bank (FFB) loan program. The remaining \$100 million in loan authorization is assigned to the Hardship Loan Program.

Electric cooperatives have asked Congress for \$6 billion in RUS lending to cover near-term future anticipate generation growth. In direct opposition to this need, the Administration used the budget for its announcement to immediately cease lending in all new electric baseload generation projects. Instead, they say they will make loans available for new transmission, upgrades to existing units and distribution facilities.

NRECA is asking Congress to continue to ensure that rural consumers continue to have access to safe, reliable, and at-cost supplies of power from electric cooperative utilities by fully funding the RUS electric loan program and continuing to support new baseload generation projects. The relatively small federal investment in the RUS electric loan programs over the years, coupled with efficient management of the cooperative businesses, makes the rural electric infrastructure strong and viable.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
	\$3,520.00	\$3,890.00	\$3,839.00	\$3,890.00	\$4,100.00

USDA Renewable Energy Systems and Energy Efficiency Improvements Program (Section 9006)

Purpose of Program:

This program funds grants and loan guarantees to agricultural producers and rural small businesses for assistance with purchasing renewable energy systems and making energy efficiency improvements.

New for 2006, the program offers both grants and guaranteed loans for eligible projects. In addition, projects with total eligible costs under \$200,000 can apply under a Simplified Application Process.

Impact of FY2008 Budget Proposal:

Energy provisions in the FY08 budget request include increasing fossil energy and nuclear energy research programs to meet electricity demand and doubling spending for developing cellulosic ethanol. The budget lists \$34 million for the USDA Renewable Energy Systems and Energy Efficiency Improvements program (Section 9006), allowing the program to issue \$15 million in grants and guarantee \$195 million in loans. Since the program's inception in 2002, several electric co-ops have used Section 9006 loans to install innovative projects, such as methane digesters, and other renewable energy projects.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions) \$1,473.00	FY2007 Final (in millions)	FY2008 Budget (in millions) \$1,236.00
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Members of Dairyland Power Cooperative have built three animal waste-to-energy facilities on dairy farms in its service territory. These “cow power” plants use dairy cow manure as the energy source to generate renewable energy. The manure is collected and heated, creating the natural byproduct of methane gas. That biogas is the fuel used to power the generators.

Each anaerobic manure digester facility can generate 775-840 kilowatts of energy, enough to power at least 600 homes. Dairyland’s long-term goal is to create up to 25 MW of renewable electricity via the manure digesters, powering approximately 20,000 homes. The financing for these three facilities came from Section 9006.

National Rural Electric Cooperative Association (NRECA) is the Arlington, VA-based association of the nation’s 900 not-for-profit, consumer-owned private electric systems in 47 states. Electric cooperatives are a unique industry component. Consumer-owned, consumer-directed electric cooperatives provide their member-consumers the opportunity to exercise control over their own energy destiny. As the electric utility industry works to increase reliability, electric cooperatives will continue to be important service providers for 40 million consumers seeking safe and reliable power in their communities.

NRECA
Government Relations
4301 Wilson Blvd., Arlington, VA 22203-1860
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Outreach and Network Grants

Purpose of Program:

These grants provide capital investment for planning and launching innovative projects in rural communities that later become self-sufficient. These grants are designed to increase access to care and assist providers in developing networks, and a recent study found that more than 85 percent of the Outreach Grants continue to deliver services even five years after federal funding had ended.

Impact of FY2008 Budget Proposal:

The President recommends eliminating this program.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$39.6	\$39.3	\$38.9	\$0	\$38.9	\$0

Rural Hospital Flexibility Grants

Purpose of Program:

These grants fund quality improvement and emergency medical service projects for nearly 1,300 Critical Access Hospitals across the country. Also funded in this line is the **Small Hospital Improvement Program (SHIP)**, which provides grants to more than 1,500 small rural hospitals (50 beds or less) across the country to help improve their business operations, focus on quality improvement and to ensure compliance provisions related to health information privacy.

Impact of FY2008 Budget Proposal:

The President recommends eliminating this program.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$39.5	\$39.2	\$38.5	\$0	\$38.5	\$0

Rural and Community Access to Emergency Devices

Purpose of Program:

This program assists communities in purchasing emergency devices and training potential first responders in their use, as well as in basic CPR and first aid. Defibrillators have been shown to double a victim's chance of survival after sudden cardiac arrest, which an estimated 163,221 Americans experience every year.

Impact of FY2008 Budget Proposal:

The President recommends eliminating this program.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$10.0	\$8.9	\$1.5	\$0	\$1.5	\$0

Impact of funding cuts:

By cutting the program 83% in FY 2006, grants were reduced from 48 programs to four.

Rural Title VII Health Professions Training Programs

Purpose of Program:

Programs such as Area Health Education Centers (AHEC), Health Education Training Centers (HETC), Geriatric Programs, and Quentin Burdick Training Programs work in conjunction to train the next generation of rural health professionals. Rural areas already tend to be medically underserved. Without these programs and other Title VII and Title VIII programs, there is a very real possibility that rural facilities will face dire workforce shortages.

Impact of FY2008 Budget Proposal:

The President recommends eliminating this program.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$71.5	\$70.4	\$28.7	\$0	\$60.2	\$0

Impact of funding cuts:

Studies have shown that these programs achieve their goal of increasing the rural workforce – the Quentin Burdick program, alone, has over fifty percent of graduates remain in rural practices three years later. These programs need federal funding; half of all AHECs would shut down without this funding.

Description of Organization and Mission

The **National Rural Health Association** is a member-driven national nonprofit organization with nearly 11,000 members that provides leadership on rural health issues. The Association's mission is to improve the health of rural Americans through appropriate and equitable health care services and to provide leadership on rural health issues through advocacy, communications, education and research. The NRHA membership consists of a diverse collection of individuals and organizations, all of whom share the common bond of an interest in rural health.

For more information, contact our Government Affairs Office:

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Water and Wastewater Systems Funding

***Rural Community Assistance Partnership
1522 K Street, NW, Suite 400, Washington, DC***

Water and wastewater are critical resources for public health, environmental well-being, and development in rural communities. Water and sanitation systems are expensive and many rural communities rely on federal government funding to ensure that they can afford the cost of implementing and upgrading them, because they do not have enough users to create sufficient economies of scale to make infrastructure projects affordable.

In addition, the complexities of operating and maintaining water and wastewater systems require local management capacity that may not exist in rural communities. Many local boards and operators need technical assistance and training to effectively fulfill their responsibilities. These services are also financed with federal dollars.

Several federal programs provide funding for rural community water and wastewater projects: 1) USDA Rural Development Water and Waste Disposal Program, 2) EPA Clean Water State Revolving Fund (CWSRF) Program, which has a 15 percent set-aside for small wastewater systems, 3) EPA Drinking Water SRF (DWSRF) Program, 4) Department of Health and Human Services Community Services Block Grant (CSBG) Program, and 5) Department of Housing and Urban Development Community Development Block Grant (CDBG) Program.

Taken together, the Administration's proposed cuts to these programs for FY 2008 undermine the resources and support services that have provided the foundation for improved public health, enhanced environmental quality, and economic and community development in rural America for decades.

The tables below describe the impact of the budget on the USDA, CWSRF, and the Department of Health and Human Services (HHS) Community Services Block Grant. The impacts of cutting the CDBG program are discussed in other attached summaries.

USDA Rural Development Water and Waste Disposal Program

Purpose of Program:

The program provides loans, loan guarantees, and grants for water, sewer, storm water, and solid waste disposal facilities in communities with up to 10,000 people and in rural areas. Grants may be provided to reduce user costs to a reasonable level, and may total a maximum of 75 percent of eligible facility development costs.

Impact of FY2008 Budget Proposal:

The budget continues a trend of decreasing grant funding, even as it provides a slight increase in loan dollars. By diminishing the grant portion, the Administration's proposal does two things: 1) it decreases the amount of resources available to communities to ensure that the user costs remain at a reasonable level, and 2) it eliminates the program that funds technical assistance for small rural communities.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
Grant: \$566	Grant: \$462	Grant: \$455	Grant: \$346	Grant: \$455	Grant: \$346
	Loan: \$974	Loan: \$1,000	Loan: \$990	Loan: \$1,000	Loan: \$1,080
	Guarantee: 75	Guarantee: 75	Guarantee: 75	Guarantee: 75	Guarantee: 75

EPA Clean Water State Revolving Fund (CWSRF)

Purpose of Program:

The program provides long-term, low-interest loans to community wastewater systems for treatment plant construction and upgrades and collection systems, as well as non-point source pollution control and watershed management.

Impact of FY2008 Budget Proposal:

The CWSRF has served as the nation's largest water quality funding source. However, the budget reduces funds by nearly \$400 million—a cut of nearly 40 percent. The program's low interest rates and flexibility are crucial for low-income communities. Small rural communities (serving up to 3,300 people) already experience a gap between their reported need and the SRF funding they receive. The proposed budget cut will only increase that gap, further disadvantaging small rural communities.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$1,342	\$1,100	\$900	\$688	\$1,083	\$688

EPA Drinking Water State Revolving Fund (DWSRF)

Purpose of Program:

The program provides long-term, low-interest loans to community drinking water systems for treatment plant construction and upgrades and distribution systems.

Impact of FY2008 Budget Proposal:

The DWSRF has served as the nation's largest water quality funding source. The program's low interest rates and flexibility are crucial for low-income communities. Small rural communities (serving up to 3,300 people) already experience a gap between their share of reported need and the SRF funding they receive. The budget essentially maintains the current funding level.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$850	\$850	\$850	\$842	\$850	\$842

HHS Community Services Block Grant, Section 680 A 3B, Rural Infrastructure

Purpose of Program:

The CSBG program provides critical technical assistance resources for a range of programs to build capacity in disadvantaged communities. Under Section 680 A 3B, Rural Infrastructure, the Office of Community Services has provided more than \$7 million annually since 1998 specifically for water and wastewater technical assistance.

Impact of FY2008 Budget Proposal:

Eliminating the program, as proposed in the Administration's budget, would undermine the technical assistance and capacity development services that are currently available to communities via the Community Action Programs, Community Development Corporations, and the Rural Community Assistance Partnership, among others. This would leave many rural communities without the necessary support to address water, wastewater and other critical development needs.

FY2004 Final (in millions)	FY2005 Final (in millions)	FY2006 Final (in millions)	FY2007 Budget (in millions)	FY2007 Final (in millions)	FY2008 Budget (in millions)
\$7.4	\$7.4	\$7.4	\$0	\$7.4	\$0

Description of Organization & mission:

The Rural Community Assistance Partnership, Inc. (RCAP) operates as a national service delivery network of six regional partners and a national office in Washington, D.C. Each year, nearly 200 RCAP specialists provide technical assistance, training, and financial resources to more than 2,000 small rural communities in all 50 states and Puerto Rico.

RCAP helps connect rural communities, including Native American tribes, with the resources they need to improve their quality of life and to meet the public health and environmental quality requirements of federal laws and regulations. RCAP provides hands-on technical assistance to rural communities as they work to meet their needs.

RCAP also serves as rural communities' advocate with federal agencies, in regulatory proceedings, and in rural associations and coalitions. The RCAP national office engages in applied research, policy development, public education, and advocacy on rural issues, especially with respect to community infrastructure. The national office also supports the work of the network by obtaining financial support, sharing knowledge and best practices across the network, and by promoting dialogue on the changes that will enable rural communities to promote public health, protect the environment, and create wealth.

For more information, visit our Web site at <http://www.rcap.org>.

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