



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

## **Why Rural Matters II: The Rural Impact of the Administration's FY07 Budget Proposal**



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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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[The Rural School and Community Trust](#)  
[Washington Business Group on Health](#)

## INTRODUCTION

### *Overview*

On February 6, President Bush released the administration's proposed budget for fiscal year 2007, which begins on October 1, 2006. (The complete FY07 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.

Because of the current federal deficit and the significant cuts proposed in this budget, this process is receiving more than usual attention. 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 Aof 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.

It is also important to note that the NRN member organizations 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*

We recognize the fiscal challenges before this Congress are real, and spending cuts within this budget are widespread. However, rural people and places have suffered a differential federal funding disadvantage for some time, and this budget proposal does nothing to reverse these dynamics. As with last year's budget, this one further exacerbates an existing structural imbalance. The Consolidated Federal Funds Report for 2001 (the most recent reported data) shows that the federal government returned \$6,131 on a per capita basis to urban areas, while returning only \$6,020 to rural areas. This results in over a \$5.5 billion annual federal disadvantage to rural areas. Furthermore, an equally challenging issue is the difference in the nature of federal funds received in rural areas.

In Fiscal Year 2001, direct payments as a percent of all federal funds per capita were 50.5% in metropolitan areas and 63.9% in nonmetropolitan America. This 13% differential funding builds much of the community capacity and infrastructure of urban and suburban America. Therefore, with each passing year, these dynamics further disadvantage rural jurisdictions and organizations, who are forced to compete with their metropolitan counterparts on an increasingly uneven playing field, without benefit of the professional staff, technical assistance and planning resources which this funding secures.

These stark capacity disadvantages are additive. Each year from 1994-2001, the federal government spent two to five times as much, per capita, on urban than rural community development, and one third as much on community resources in rural areas. Per capita spending on community resources in 2001 was \$286 per person less in nonmetro areas than in urban America, a \$14.1 billion dollar rural community capacity disadvantage (based on 2003 metropolitan classifications of Census 2000 population).

This trend continues in this budget, despite the fact that rural median family income is 25% lower, and rural poverty rates 28% higher than metro areas. In fact, nonmetro counties now comprise 88% of the persistent poverty counties in the United States.

### *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 FY07 budget proposal.

## Rural America in the FY 2007 Budget: By the Numbers\*

Program	FY 2003 Final (in millions)	FY 2004 Final (in millions)	FY 2005 Final (in millions)	FY 2006 Final (in millions)	FY 2007 budget (in millions)
<b>COMMUNITY DEVELOPMENT</b>					
<b>Community Development Block Grant Funds (CDBG)</b>	\$4,367.0	\$4,356.55	\$4,150.03	\$3,748.4	\$2,774.0*
<b>Community Services Block Grant (CSBG)</b>	\$635.5	\$631.7	\$636.8	\$630.0	\$0
<b>Community Development Funding</b>	\$4,937.0	\$4,937.0	\$4,709.0	\$4,222.0	\$3,032.0
<b>USDA Rural Community Advancement Program</b>	\$907.7	\$757.4	\$716.1	\$701.9	\$600.7
<b>ECONOMIC DEVELOPMENT</b>					
<b>Economic Development Administration</b>	\$320.7	\$318.7	\$287.9	\$284.0	\$326.7
<b>Small Business Association MicroLoan Program</b>	\$29 – MicroLoan \$15 – MicroLoan Technical Assistance	\$20 – MicroLoan \$15 – MicroLoan TA	\$15- MicroLoan \$14 – MicroLoan TA	\$12.7 MicroLoan \$13 - MicroLoan TA	\$0 MicroLoan \$0 – MicroLoan TA
<b>Workforce Development: Adult Training</b>	\$900.0	\$900.0	\$898.0	\$866.0	\$0
<b>Workforce Development: Youth Training</b>	\$994.5	\$1000.9	\$994.0	\$950.0	\$0
<b>Workforce Development: Dislocated Workers</b>	\$1,550	\$1,500.0	\$1,479.0	\$1,476.0	\$0
<b>EDUCATION</b>					
<b>Department of Education</b>	\$53,113.7	\$55,662.5	\$56,576.6	\$55,925.6	\$54,410.3

\*The FY07 budget for CDBG formula distribution is \$2,774. In addition an extra \$200 million is proposed to be a competitively awarded grant if authorized by Congress. The CDBG coalition uses \$2,774.

<b>HEALTH &amp; HUMAN SERVICES</b>					
<b>Rural Hospital Flexibility Grant Program</b>	\$39.5	\$39.5	\$39.5	\$64.0	\$0
<b>Rural Health Outreach/Network Development Grant Program</b>	\$39.6	\$39.6	\$39.6	\$39.6	\$11.0
<b>Community Access Program</b>		\$104.3	\$83.6	\$0	\$0
<b>NATURAL RESOURCES</b>					
<b>USDA Resource Conservation &amp; Development (RC&amp;D)</b>	\$51.0	\$51.9	\$51.6	\$50.8	\$25.9
<b>EPA Clean Water State Revolving Fund</b>	\$1,350.0	\$1,350.0	\$1,100.0	\$900.0	\$687.5
<b>UTILITIES</b>					
<b>USDA Rural Utilities Service Electric Loans</b>	\$4,021.0	\$4,090.0	\$3,320.0	\$3,788.0	\$3839.0
<b>USDA Rural Utilities Service RCAP Water &amp; Waste Disposal Programs</b>	\$723.2	\$605.0	\$552.0	\$530.1	\$514.1
<b>USDA Rural Utilities Service Telecommunications Infrastructure Program – Broadband Loans</b>		\$602.0	\$550.0	\$500.0	\$356.4
<b>USDA Rural Utilities Service Rural Telephone Bank</b>		\$173.5	\$175.0	\$2.5	0
<b>USDA Rural Utilities Service Rural Broadband Access Loan &amp; Loan Guarantee Program</b>		\$602.0	\$550.0	\$500.0	\$356.4
<b>Clean Coal Technology &amp; Renewable Energy</b>			\$352.1	\$379.0	\$330.0
<b>DOE Weatherization Assistance for Low-Income Persons</b>			\$227.1	\$242.5	\$166.0
<b>DOE Power Marketing Administration</b>				\$314.7	\$312.2

<b>MISC</b>					
<b>Essential Air Services Program</b>	\$113.0	\$102.0	\$102.0	\$110.0	\$50.0
<b>USDA Value-Added Producer Grant Program/Value-Added Agricultural Product Market Development Program</b>	\$40 mandatory \$40 discretionary	\$40 mandatory \$15 discretionary	\$40 mandatory \$15.5 discretionary	\$40 mandatory \$20.3 discretionary	\$40 mandatory \$20.3 discretionary
<b>Department of Homeland Security: State Homeland Security Grant Program</b>	\$2,300.0	\$1,700.0	\$1,100.0	\$550.0	\$633.0

\* 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.

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

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 provides 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 Vocational 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 FY2007 Budget Proposal**

President Bush's FY 2007 budget proposes the largest funding cut in the history of the Department of Education. The president proposed a \$2.1 billion or 3.8 percent cut. If the funding for school district impacted by Hurricane Katrina, passed in December 2006, is included, the cut equates to a 5.5 percent cut. President Bush's budget will have a severe effect on school districts across the country, but most especially in rural America.

Surprisingly, the president proposed level funding for the Title I Grants to Districts. This funding is seen as the cornerstone of the No Child Left Behind Act. However, due to the cut last year, the suggested level funding this year and shifts in the Title I formula most rural school districts will see dramatic cuts in their Title I funding. In addition, the President proposes to eliminate or severely cut most of the other formula grants under ESEA, such as eliminating Education Technology funding, Safe and Drug Free Schools leaving most rural districts across the country with a net loss in federal education funding, while the mandates under ESEA are increasing. The President calls for level funding Impact Aid, but as a major source of funding for affected districts, it does not keep up with inflationary increases putting increased pressure on over 800 local school districts serving rural populations.

The President did call for level funding of the Rural Education Achievement Program. While level funding is a good first step, dollars must increase for this program to help rural districts offset the costs of the other proposed cuts. As demand for this program increases among rural school districts current recipients will see their allocations reduced.

Additionally, President Bush proposes the elimination of the \$1.3 billion Perkins Vocational Education

Program which gives rural students training and exposure to many of the industries around their schools. Elimination of this funding will prevent districts from offering courses in agriculture, engineering, health sciences and others that encourage students to expand the boundaries of their learning.

Finally, the President reduces the federal commitment to fully funding IDEA. In 1975, Congress promised to pay 40 percent of the National Average per Pupil Expenditure for every child in special education. The president's budget reduces the federal commitment from 17.8 percent to just 17 percent. President Bush's budget is over \$6 billion below the authorized level signed into law just a year ago and thereby forcing districts to cover the \$15 billion federal shortfall.

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$55,662.5</b>	<b>\$56,576.6</b>	<b>\$56,047.8</b>	<b>\$55,925.6</b>	<b>\$54,410.3</b>

### **Impact of the Program in the Community**

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 \$29,272 in new funding under the Small and Rural School Achievement Program for the 2005-06 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 three 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.

### **Description of Organizations & Missions**

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](http://www.aasa.org)

The National Association of Federally Impacted Schools (NAFIS) is an organization representing the interests of more than 1,500 school districts, which receive funds from Title VIII of the Elementary and Secondary Education Act, Impact Aid. [www.sso.org/nafis](http://www.sso.org/nafis)

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](http://www.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](http://www.ruraledu.org)

# CENTER *for* RURAL AFFAIRS



## MicroLoan Program, Small Business Administration

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 FY2007 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.

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
\$20 – MicroLoan	\$15 – MicroLoan	\$0 – MicroLoan	\$12.7 –	\$0 – MicroLoan
\$15 – MicroLoan	\$14 – MicroLoan	\$0 – MicroLoan	MicroLoan	\$0 – MicroLoan
Technical	Technical	Technical	\$13 – MicroLoan	Technical
Assistance	Assistance	Assistance	Technical	Assistance
			Assistance	

### Impact of Program in the Community

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

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 million annually in mandatory spending in the 2002 Farm Bill.

### Impact of FY2007 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.

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
\$40 mandatory \$15 discretionary	\$40 mandatory \$15.5 discretionary	\$40 mandatory \$ 15.5 discretionary	\$40 mandatory \$20.3 discretionary	\$40 mandatory \$20.3 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**

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 FY2007 Budget Proposal**

The budget proposal would decrease federal support by nearly half to all 375 RC&D Councils, and would restructure RC&Ds to larger and less efficient areas. 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 projects and partnerships created by the RC&D Councils through the years will not have the resources to continue.

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$51.6</b>	<b>\$51.6</b>	<b>\$ 25.6</b>	<b>\$50.8</b>	<b>\$25.9</b>

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.

### **Description of Organization and Mission**

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. More information on the impact of the FY 2006 budget to rural economic and community development can be found at [www.cfra.org](http://www.cfra.org)



**Council of State Community Development Agencies**

**Community Development Block Grant Program (CDBG)**

The CDBG program is a flexible block grant used by states and counties in rural areas to provide funding for community development projects, including infrastructure and public facilities, such as potable water and sanitary sewer projects, community centers, homeless shelters and other public services; main street revitalization and economic development projects to create or maintain jobs, and housing rehabilitation and homebuyer programs. The program is required by law to principally serve low and moderate income people. Currently there are over 1100 direct entitlement jurisdictions in urban areas which receive formula allocations each year, states serve the rural areas, often serving over 5,000 small towns and rural areas annually.

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$4,331.0</b>	<b>\$4,110.0</b>	<b>0</b>	<b>\$3,710</b>	<b>\$2,774*</b>

\*The FY07 budget for CDBG formula distribution is \$2,774. In addition an extra \$200 million is proposed to be a competitively awarded grant if authorized by Congress. The CDBG coalition uses \$2,774.

**Impact of Program in the Community**

By the mid-1990's, a number of rural South Carolina towns with populations of 2,000 to 8,000 were in need of both affordable rental housing and downtown revitalization. These jurisdictions did not have the capacity to initiate and implement the necessary development on their own. Many of these rural downtowns were in significant decline, with large numbers of vacant and substandard buildings. In an effort to resolve these problems, the State of South Carolina invested significant amounts of CDBG, HOME and other state funds in seven affordable housing projects that have involved the renovation of historic downtown buildings as affordable rental housing. The development of affordable rental housing in seven rural South Carolina downtowns did not require the establishment of a new, separate program. Beginning in 1997, the Department of Commerce, which has typically funded housing rehabilitation and infrastructure to support affordable housing, focused its existing CDBG program resources as well as HOME funds on these projects, in partnership with other state programs and the private sector. Funding for each of the projects was awarded competitively, based on need, impact, citizen participation, leveraging and performance and capacity of the grantee (local government). Between 1997 and 2004, the state CDBG program invested a total of \$2.224 million in these seven projects. The state also invested more than \$2.5 million in HOME funds as well as \$600,000 in State Housing Trust fund dollars. The local government grantees contributed a total of \$990,000 to the projects and the remainder of the total project costs of nearly \$11.5 million came from developer's equity. A total of seven projects have been completed to date, resulting in the creation of 113 affordable rental units, benefiting 197 low and moderate income persons. The communities in which these projects have been completed include Chester, Clinton, Great Falls, Lancaster, Mullins, Union and York. In each case, the state CDBG investment has been structured as a loan from the local government to the developer. The state agency has functioned as a facilitator and provided necessary technical assistance to the local governments that typically lack the capacity to assemble sophisticated real estate deals. In most of these cases, although

there was a significant need for affordable rental housing, especially for seniors, the projects would not have been economically feasible without the contributions of both state and local governments. With formerly unused structures put back into productive use, there has been an increase in downtown economic activity as well as an improvement in the physical environment. These projects can be easily replicated elsewhere in South Carolina and around the country. The private sector was primarily responsible for implementation and successful, affordable housing has been created in markets where rents and incomes are low and the markets can typically support only a small number of units. Historic structures, many of which were in severe disrepair, have been rehabilitated, eliminating blight and serving as catalysts for further development and overall downtown revitalization.

### **Description of Organization and Mission**

**Council of State Community Development Agencies (COSCDA)** is the premier national association advocating and enhancing the leadership role of states in community development through innovative policy development and implementation, customer-driven technical assistance, education, and collaborative efforts.

**COSCDA**  
**1825 K Street NW**  
**Suite 515**  
**Washington, DC 20006**  
**202-293-5820**  
[www.coscda.org](http://www.coscda.org)



## Housing Assistance Council

### **U.S. Department of Agriculture Rural Development/Rural Housing Service**

The budget for USDA is generally consistent with budgets of the last few years, but proposes more drastic changes for rental housing. Section 521 Rental Assistance (RA) contracts would be reduced to two years; a few years ago Congress cut the formerly five-year contracts to four years in order to lower the dollar total for RA, and this change would lower it further. Section 515 rental housing would receive no funding at all, while the Section 538 guaranteed rental housing loan program would double from \$100 million in 2006 to \$198 million in 2007. RHS officials have said in the past that they expect Section 538 guaranteed loans to be used to refinance Section 515 properties.

Funding for Section 542 vouchers for tenants displaced when Section 515 property owners prepay their loans would increase from \$16 million in 2006 to \$74.25 million in 2007. Of that total, \$8 million is earmarked for administrative expenses. The budget includes language allowing the voucher funds to be used for other preservation and revitalization activities, including debt restructuring. It explains that the Administration expects such activities to be authorized by legislation sent to Congress by the Administration in July 2005 but not yet introduced. No funding is proposed for other preservation and revitalization initiatives created by Congress in 2005 and 2006 appropriations legislation.

Most other USDA programs would receive level or almost level funding. Slight increases are proposed for Section 502 direct homeownership loans, Section 514 farm labor housing loans, and Section 523 Self-Help Technical Assistance grants. While Section 502 guaranteed loans for homebuyers would stay at about the same level as in 2006, the budget suggests limiting eligibility to applicants who are not otherwise able to obtain federally guaranteed homeownership loans – presumably a reference to FHA loans.

### **Department of Housing and Urban Development**

The HUD budget proposes to cut the CDBG program substantially. Unlike last year's budget, it does not moving CDBG to the Department of Commerce. The Rural Housing and Economic Development Program and HOPE VI would be eliminated. The budget proposes cuts for public housing, Native American housing, programs for elderly people and those with disabilities, fair housing, and lead hazard control. Increases are proposed for rental assistance, HOME, programs for the homeless, housing for people with AIDS, and the Self-Help Homeownership Opportunity Program (SHOP).

### **Description of Organization and Mission**

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. Contact Housing Assistance Council at 1025 Vermont Ave., N.W., Suite 606, Washington, DC 20005, Tel.: 202-842-8600, Fax: 202-347-3441, E-Mail: [hac@ruralhome.org](mailto:hac@ruralhome.org)  
[www.ruralhome.org](http://www.ruralhome.org)

<b>USDA/RHS Program (in millions of dollars)</b>	<b>FY 2005 Appropriation</b>	<b>FY 2006 Appropriation</b>	<b>FY 2007 Proposed Budget</b>
<b>Loans</b>			
502 Single Fam. Direct	\$1,150	\$1,140.8	\$1,238
502 Single Fam. Guar.	3,309	3,681	3,564
504 Very Low-Inc. Repair	35	35	36.3
514 Farm Labor Hsg.	42	38.5	41.6
515 Rental Hsg. Direct	100	100	0
538 Rental Hsg. Guar.	100	100	198
<b>Grants &amp; Payments</b>			
504 Very Low-Inc. Repair	31	30	30
516 Farm Labor Hsg. Grants	16	14	13.9
523 Self-Help Tech. Asst.	34	34	37.6
533 Hsg. Preserv. Grants	9	10	9.9
521 Rental Assistance	592	653	486.3
542 Rural Housing Voucher Prog.	--	16	74.25
Rental Preservation Revolving Loans	3	3	0
Rental Preservation Demonstration	--	9	0
Rural Community Devel. Init.	6.35	6.35	0
<b>USDA/RHS Program (in millions of dollars)</b>	<b>FY 2005 Appropriation</b>	<b>FY 2006 Appropriation</b>	<b>FY 2007 Proposed Budget</b>
<b>Loans</b>			
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542 Rural Housing Voucher Prog.	--	16	74.25
Rental Preservation Revolving Loans	3	3	0
Rental Preservation Demonstration	--	9	0
Rural Community Devel. Init.	6.35	6.35	0

(a) Includes \$100 million for American Dream Downpayment Initiative.

(b) Funded as part of HOME in 2006, separately in 2007.

(c) Funded as part of new account for Self-Help and Assisted Homeownership.



## National Association for State Community Services Programs

### Community Services Block Grant (CSBG)

The Community Services Block Grant program (CSBG) is an effective and flexible state administered program uniquely suited to reducing dependency and promoting the self-sufficiency of over 15 million poor Americans. CSBG supports a broad range of federal, state, local, public, and private initiatives aimed at reducing the causes and effects of poverty. The primary service delivery vehicles at the local level are designated as Community Action Agencies (CAAs). Over 1,100 CAAs use CSBG funds to provide comprehensive coordinated services to low-income Americans.

### Impact of FY 2007 Budget Proposal

#### **The President recommends eliminating this program.**

The FY 2007 budget zero-es out funding for the Community Services Block Grant (CSBG) and places more than 15 million poor and near-poor individuals at risk. The President's budget recommends a new economic block grant that eliminates several critical and successful anti-poverty initiatives, while adding bureaucratic layers and administrative spending to implement new and untested plans.

<b>FY 2005 Budget (in millions)</b>	<b>FY 2005 Final (in millions)</b>	<b>FY 2006 Budget (in millions)</b>	<b>FY 2006 Final (in millions)</b>	<b>FY 2007 Budget (in millions)</b>
<b>\$495</b>	<b>\$636.8</b>	<b>0</b>	<b>\$630</b>	<b>\$0</b>

### Weatherization Assistance Program for Low-Income Persons (WAP)

The Weatherization Assistance Program (WAP) is the U.S. Department of Energy's (DOE) core program for reducing energy costs for low-income families through increased home energy efficiency, while ensuring health and safety. The WAP is the largest residential energy conservation program in the nation and serves a vital function in helping low-income families reduce their energy use. The WAP is operated in all 50 states, the District of Columbia, and on several Native American reservations. Through these state agencies and a network of 900 local service providers, WAP funds are used to improve the energy efficiency of low-income dwellings using the most advanced technologies and testing protocols available in the housing industry. The energy use reduction resulting from these efforts helps our country reduce its dependency on foreign oil and decreases the cost of energy for families in need. With lower energy bills, these families can increase their usable income and buy other essentials like food, shelter, clothing, medicine, and health care.

### **Impact of FY 2007 Budget Proposal**

The President has recommended a \$76 million cut (or a 31.4% reduction) in this formula grant program. This action will significantly reduce the appropriations below the threshold for states in the South and Southwest to maintain adequate core capacity while denying this much needed, cost effective service to more than 33,000 low-income families nationwide.

<b>FY 2005 Budget (in millions)</b>	<b>FY 2005 Final (in millions)</b>	<b>FY 2006 Budget (in millions)</b>	<b>FY 2006 Final (in millions)</b>	<b>FY 2007 Budget (in millions)</b>
<b>\$291</b>	<b>\$227.1</b>	<b>\$230.0</b>	<b>\$242.55</b>	<b>\$166</b>

### **Description of Organization and Mission**

The National Association of State Community Services Programs (NASCSPP) has positioned itself as the premier national association charged with advocating and enhancing the leadership role of states in preventing and reducing poverty. NASCSPP's vision encompasses the empowerment of low-income families to reach self-sufficiency in its broadest context, through helping states attain full utilization of their resources and implement an extensive array of services to these families, including weatherization, energy assistance, child care, nutrition, employment, state energy programs, job training, and housing in urban, suburban and rural communities. [www.nascsp.org](http://www.nascsp.org)



**Rural Community Advancement Program**

Established in the 1996 farm bill, the Rural Community Advancement Program 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 FY2007 Budget Proposal**

The FY2007 Bush administration budget proposes cutting RCAP by \$101 million to \$600.76 million. Of this amount, \$514 million is for water and wastewater grants and loans, \$43 million for community facilities and \$43 million for rural business programs. Several important programs within the Rural Business Cooperative Service that would be eliminated include the Rural Business Opportunity Grant and the Rural Business Enterprise Grant. These programs would be incorporated into the broader Strengthening America’s Communities Initiative within the Department of Commerce. In addition, within the Rural Utilities Service the administration proposes zeroing out funding for the rural broadband telecommunications grant and the Distance Learning and Telemedicine loans.

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$757.42</b>	<b>\$716.05</b>	<b>\$521.69</b>	<b>\$701.94</b>	<b>\$600.76</b>

Rural and small metropolitan counties and regional development organizations rely on USDA’s Rural Community Advancement Program to update aging critical infrastructure and build capacity on the local level. Cuts in RCAP seriously impair their ability to obtain the necessary capital for these improvements and places rural communities at a disadvantage in today’s global marketplace.

**Economic Development Administration**

Planning Grants, Public Works Grants, Economic Adjustment Grants

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 FY2007 Budget Proposal**

For FY2007, the administration is introducing a revised version of the Strengthening America’s Communities Initiative (SACI), a proposal originally designed to replace 18 federal community and economic development programs funded at \$5.5 billion with a new \$3.71 billion consolidated block grant and performance bonus program. The original SACI plan was rejected by Congress last year. As part of the revised SACI effort, the President is proposing an enhanced Economic Development Administration (EDA) within the Commerce Department and a slimmed down Community Development Block Grant (CDBG) program at HUD. Funding for the remaining 16 programs at USDA, HUD, HHS and Treasury would be eliminated and a new interagency coordinating council would be formed to develop common

performance goals and metrics for the remaining programs. Without the vital funding that EDA grants provide, many small and rural communities will be unable to continue to address the economic development issues of their region, stalling their business expansion, planning and revitalization efforts.

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>EDA Total: \$318.67 million</b>	<b>EDA Total: \$287.91 million</b>	<b>EDA Total: \$26.58 million</b>	<b>EDA Total: \$284.04 million</b>	<b>EDA Total: \$326.70 million</b>

### **Community Development Block Grant**

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, and 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 FY2007 Budget Proposal**

The FY2007 Bush administration budget proposes to retain a significantly reduced Community Development Block Grant (CDBG) program within HUD. The administration plans to establish a new distribution formula for states and localities and to create a new “bonus” program for high performing communities. CDBG formula grants are reduced nearly \$777 million to \$2.97 billion. The formula account reached a high of \$4.35 billion in FY2004. The budget only provides a general overview of the proposed modifications and intent of the CDBG formula change. Rural communities stand to lose over \$1 billion in CDBG funding that currently assists local governments in maintaining vital community and economic development activities.

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$4,356</b>	<b>\$4,150</b>	<b>\$0</b>	<b>\$3,748.4</b>	<b>\$2,974.0*</b>

\*The FY07 budget for CDBG formula distribution is \$2,774. In addition an extra \$200 million is proposed to be a competitively awarded grant if authorized by Congress. The CDBG coalition uses \$2,774.

### **Description of Organizations and Missions**

The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. NACo is a full-service organization that provides an extensive line of services including legislative, research, technical and public affairs assistance. Furthermore, with approximately two-thirds of the 3,066 county governments nationwide considered rural, NACo recognizes the unique challenges facing rural county officials and is committed to serving rural America. Contact: Joe Dunn, Associate Legislative Director, (202) 942-4207, jdunn@naco.org

The National Association of Development Organizations (NADO), formed in 1967, provides training, information and representation for regional development organizations serving small metropolitan and rural America. Building on nearly four decades of experience, the association offers its members exclusive access to a variety of services and benefits -- all of which are crafted to enhance the activities, programs and prospects of regional development organizations. Contact: Amy Linehan, Legislative Representative, (202) 624-8177, alinehan@nado.org



## National Rural Electric Cooperative Association

A Touchstone Energy Cooperative 

### Rural Utilities Service Electric Loans

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 FY2007 Budget Proposal

The FY2007 budget proposal calls for Rural Utilities Service (RUS) electric loan levels totaling \$3.839 billion, a slight increase from the \$3.788 billion appropriated by Congress for FY2006. The \$3.839 billion proposal breaks down to \$99 million Hardship loans, \$40 million Municipal loans, \$700 million Treasury Rate loans, and \$3 billion in Federal Financing Bank guarantees. This budget proposal recognizes the tremendous need for infrastructure investment by electric cooperatives to meet their critical role in the nation’s power grid.

In passing the Energy Policy Act of 2005, Congress recognized the fact that electric cooperatives have consistently provided reliable service to consumers. The Administration’s FY2007 budget proposal also recognizes the consumer orientation of electric cooperatives.

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 to reduce a backlog of pending RUS loan applications. 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.

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$4,090.00</b>	<b>\$3,320.00</b>	<b>\$2,520.00</b>	<b>\$3,788.00</b>	<b>\$3,839.00</b>

### Impact of the Program on the Community

Electric Cooperatives in the U.S. have invested \$92 billion in generating capacity (about 10 percent of national kWh sales), 16,000 bulk transmission line miles, and 2.4 million miles of distribution lines.

### Power Marketing Administrations

The Power Marketing Administrations (PMAs) are federal agencies housed within the U.S. Department of Energy with responsibility for marketing electric power primarily from multiple-purpose water projects operated by the Bureau of Reclamation and the Corps of Engineers. The four federal PMAs are important sources of power for electric cooperatives in 34 states. NRECA supports maintaining federal ownership of the Power Marketing Administrations, the “preference” clause and cost-based rates for PMA power – cornerstones that keep electric rates affordable for rural Americans.

### **Impact of FY2007 Budget Proposal**

While the FY2007 budget proposal does not include, as in years past, provisions to privatize the PMAs or raise PMA rates to market levels, it does include a provision that would increase power rates in the Pacific Northwest by 10 percent or more. These higher rates would cause severe economic damage for customers of the Bonneville Power Administration.

**FY2006 Final  
(in millions)**

**\$314.71**

**FY2007 Budget  
(in millions)**

**\$312.19**

### **Impact of the Program in the Community**

The PMAs' hydropower projects provide very real, local economic development benefits. At the early stages of the hydropower program, rural electric cooperatives agreed to a partnership with the federal government. The cooperatives agreed to pay higher costs for power in exchange for a guarantee of continued access to power and a promise of lower rates, over the long term. The PMAs ensure that no single sector of the electric power industry can secure a monopoly position. Federal facilities surrounding hydroelectric dams and physical plants are public assets that provide public benefits. These facilities include the nation's locks, dams, reservoirs and lakes that provide recreation, navigation and flood control.

### **Clean Coal Technology and Renewable Energy**

The Administration's FY2007 budget for Department of Energy calls for funding research, development, and demonstration of clean coal technologies. This money will accelerate the development of these technologies to meet environmental, energy efficiency, and cost standards while ensuring that coal remains part of the nation's diverse fuel supply. Clean coal will allow rural areas to keep using plentiful coal instead of switching to costly, less available fuels such as natural gas.

### **Impact of FY2007 Budget Proposal**

The Administration budget plan includes an Advanced Energy Initiative with more research and development funding for some clean coal technology, alternative electric power sources and ethanol production. Clean coal technology is proposed at \$330 million, slightly below the \$379 million appropriated in FY2006. The budget seeks \$74 million for Integrated Gasification Combined Cycle technology development, but at the expense of Advanced Combustion and Advanced Research programs to further development of low-emission and efficient advanced combustion technologies. The budget seeks only \$5 million for the Clean Coal Power Initiative (CCPI), down from \$168 million in FY2004 and \$50 million in FY2005 – this request would effectively end CCPI, an energy program in which companies demonstrate and improve upon promising new technologies on commercial scales.

The budget requests \$10.2 million for grants, loans and guaranteed loans under USDA's Renewable Energy and Energy Efficiency Improvement program, Section 9006 of the 2002 farm bill. The budget will support a program level of \$35 million for loans and \$8 million for grants (of most use for electric cooperatives). The funds are available to ranchers, farmers, and small rural businesses and pay up to 25 percent of eligible project costs to purchase renewable energy systems or make energy efficiency improvements. USDA has sought to expand the program by shifting its emphasis

from grants to loans and loan guarantees. The funding request is level with the FY2005 and FY2006 requests of roughly \$10 million. In both FY2005 and FY2006, Congress ultimately appropriated \$23 million (the full authorization) for the program.

<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$352.00</b>	<b>\$351.00</b>	<b>\$379.00</b>	<b>\$330.00</b>

### **Impacts of the Program in the Community**

Clean Coal Technology will allow electric cooperatives to continue providing clean, reliable electricity from our nation's most abundant domestic energy source the lowest possible prices.

### **Description of Organization and Mission**

**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 37 million consumers seeking safe and reliable power in their communities.

**NRECA**  
**Government Relations**  
**4301 Wilson Blvd., Arlington, VA 22203-1860**  
**703.907.5829**  
[www.nreca.coop](http://www.nreca.coop)

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**Rural Hospital Flexibility Grant Program**

The Rural Hospital Flexibility Grant Program focuses on supporting more than 1200 Critical Access Hospitals (CAHs) in the country through financial performance analysis, network development, quality improvement and integration of emergency medical services.

**Impact of FY2007 Budget Proposal**

**The President recommends eliminating this program.**

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$ 39.5</b>	<b>\$39.5</b>	<b>\$0</b>	<b>\$64.0</b>	<b>\$0</b>

**Rural Health Outreach/ Network Development Grant Program**

The Congress created these grants in 1996 because of a belief that given the isolation of rural providers and the limited resources in rural communities, it is essential that providers work together to improve health care services. While Outreach grants focus on actual service delivery, the Network Development and Network planning grants focus on getting rural providers to work together to build better systems of care.

**Impact of FY2007 Budget Proposal**

**The President recommends effectively eliminating this program.**

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$39.6</b>	<b>\$39.6</b>	<b>\$11.0</b>	<b>\$39.6</b>	<b>\$11.0</b>

## **Community Access Program**

CAP assists health care providers develop integrated, community-wide systems that serve the uninsured and underinsured. CAP grants are designed to increase access to health care by eliminating fragmented service delivery, improving efficiencies among safety net providers, and by encouraging greater private sector involvement.

### **Impact of FY2007 Budget Proposal**

**The President recommends eliminating this program.**

<b>FY2004 Final (in millions)</b>	<b>FY2005 Final (in millions)</b>	<b>FY2006 Budget (in millions)</b>	<b>FY2006 Final (in millions)</b>	<b>FY2007 Budget (in millions)</b>
<b>\$104.3</b>	<b>\$83.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **Description of Organization and Mission**

The National Rural Health Association is a member-driven national organization whose mission is to improve the health and well-being of rural Americans and populations through appropriate and equitable health care services as well as to assist its members in providing leadership on rural issues through advocacy, communications, education and research. [www.nrharural.org](http://www.nrharural.org)