

National Rural Economic Development Association (NREDA)

Rural Economic Development Challenges and Opportunities — 2026 Edition

Why This Update Matters

Rural America faces rising costs, demographic shifts, aging infrastructure, and uncertain federal funding. Without sustained investment, communities risk losing workforce, essential services, and economic viability—threatening not just local stability but national priorities like agriculture, supply chains, and energy security.

Why Congress Should Act — The Stakes for Rural America

- **1 in 5 Americans (~46 million)** live in rural counties — and rural America remains vital to agriculture, energy, manufacturing, and natural-resources sectors.
 - Without action, rural communities risk a downward spiral: shrinking workforce, rising housing costs, collapsing infrastructure, and disappearing healthcare — undermining long-term viability.
 - Investments in rural housing, broadband, infrastructure, healthcare, and workforce will pay off with stronger local economies, new businesses, job creation, improved quality of life, and reduced pressure on urban centers.
 - A comprehensive rural policy package would support national goals: rural access to resources, economic growth, resilient supply chains, energy infrastructure and deployment, and closing the urban-rural divide.
-

Key Challenges & Opportunities

1. Improve Rural Access to Federal Government Resources

The federal government currently provides numerous resources for rural America. Recent research by the Brookings Institution shows there is more than \$40 billion in federal resources available for rural communities. The problem? This money is “spread across more than 400 programs, 13 departments, and 50 offices.”

While larger communities face challenges accessing the federal bureaucracy, they have more resources to help them navigate it – whether through greater staff capacity, experienced grant writers, or resources to hire outside consultants. In contrast, rural communities are smaller and lack the funds and capacity to overcome these barriers.

NREDA supports policy efforts to streamline the federal bureaucracy to make it easier to access federal resources. For example, federal grant applications are notoriously complex. They require extensive knowledge and time commitment to complete. Many of the smaller communities in rural America would like to take advantage of existing grant opportunities, but most are unable to due to the lack of available staff members, experienced grant writers, or time restraints. Small communities would be more likely to compete for these grants with a less burdensome application process.

One idea to increase access to federal funds is to use short-form applications for rural communities applying for economic development grant programs through the Economic Development Administration (EDA). In 2024, Sen. Barrasso (R-WY) introduced legislation to achieve this goal, which NREDA supports. We believe that simplifying the EDA's application processes, reducing requests for information already available in several other government datasets, and increasing transparency in review criteria will directly improve access to critical funding for small, under-resourced rural communities, thereby enabling greater participation in federal economic development programs.

NREDA supports further efforts by Congress to streamline access to federal funds to other agencies, not just the EDA, like the Department of Agriculture, Commerce, Energy, Health and Human Services, Transportation, Housing and Urban Development, and the Small Business Administration.

2. Workforce Development: Rural Labor-Force Challenges and Opportunity Gaps

Current Data & Trends

- As of 2024, small businesses (which often drive rural employment) account for **56.6%** of employment in non-metropolitan (rural) areas.
- Rural labor markets have **lower bachelor's degree attainment (around 25%)** than urban areas, contributing to workforce gaps and wage ceilings.
- According to USDA Economic Research Service data (2019–2023 ACS estimates), about **11.1 %**
- About **32%** of small business owners in rural communities' report job openings, they can't fill — among *historic highs*, even with increased wages.

Implications

- Lower labor-participation and lower education attainment constrain the availability of skilled and semi-skilled labor.
- Without intervention, rural areas may be unable to support new industries (e.g., advanced manufacturing, clean energy, broadband installation/maintenance).
- Local small businesses — critical rural employers — may struggle to hire or retain staff, limiting economic growth.

Policy & Program Recommendations

- Expand funding for rural **career-technical education, apprenticeship, and retraining programs**, especially for in-demand sectors (renewables, broadband infrastructure, skilled trades). In PRI's core service region, spanning eight counties in deep eastern Kentucky, **53% of 12th graders participated in career exploration activities during the 2024–2025 school year**. This represents remarkable growth from the prior years, but there is still a need to ensure rural students have consistent access to career pathways that lead to high-quality, in-demand jobs. (Source: PRI records, USDA RPED grant).
- Support funding for **childcare infrastructure and transportation subsidies** in rural areas — both remove barriers to workforce participation.

- Provide incentives (e.g., tax credits) for small businesses that hire and train local rural workers, to strengthen rural employment and entrepreneurship.

3. Housing & Community Services: The Rural Housing Affordability Crisis

Current Data & Trends

- According to a 2025 brief from the Council of Economic Advisers, real rents in rural areas increased by **31.2% between 2000 and 2023**, while median real incomes of rural renting households rose only **5.5%**.
- More than **40% of rural renters are cost-burdened** (i.e., paying a disproportionate share of income for housing).
- Real house prices in rural America have increased far faster than homeowner incomes — at over **6× the pace**.
- Between 2020 and 2023, nearly one-third of rural counties saw home prices rise by **at least 40%**.

Implications

- Housing affordability has deteriorated significantly, limiting homeownership prospects — especially for working-age households.
- Rising costs hinder the ability of communities to attract or retain workforce (teachers, healthcare workers, service workers).
- Without expanded housing supply, many will be priced out, undermining long-term community viability and workforce pipelines.

Policy & Program Recommendations

- Create or expand **rural-focused housing development incentives**: low-interest loans, tax credits, infrastructure grants, and local revolving loan funds to offset high pre-development and infrastructure costs.
- Encourage use of **modular construction, manufactured homes, and mixed-use development** to reduce build time and cost.
- Expand **homebuyer assistance programs** (down-payment help, low-interest mortgages) tailored to rural households and the workforce.
- Support **zoning and land-use reforms** to streamline permitting and accelerate housing development in rural areas.

4. Infrastructure Modernization: Broadband, Energy, Water, Transportation & Emergency Services

Broadband Access

- Under the ReConnect Program administered by the U.S. Department of Agriculture (USDA), the federal government announced more than **\$313 million in December 2024** to connect rural residents, businesses, and farms across eighteen states to high-speed internet.

- Since the start of the current Administration, USDA’s rural broadband investments under the ReConnect Program total approximately **\$4.4 billion**, funding 360 awards and bringing broadband to over **680,000 rural Americans**.
- Despite progress, gaps remain: many rural areas still lack reliable, high-speed, affordable internet — limiting remote work, telehealth, education, business competitiveness, and economic development.

Recommendation: Congress should sustain and expand rural broadband funding programs (e.g., ReConnect, BEAD, state broadband grants), ensure affordability standards, and prioritize last-mile service for the hardest-to-reach communities.

Energy Access & Transition

Rural communities are at the nexus of the nation’s energy transition — yet they face distinct risks: aging grid infrastructure; need for reliable baseload power; inadequate transmission/distribution; and vulnerability to climate-driven weather events.

Recommendation: Support federal grants, low-interest loans, and tax incentives for rural utilities — electric co-ops, municipal utilities — to modernize grids, expand renewable generation + storage, and ensure resilience and reliable baseload power during the energy transition.

Water & Wastewater Infrastructure

As industrial uses expand (e.g., advanced manufacturing, data centers), rural water and wastewater systems must be upgraded or expanded. Additionally, rural communities often face challenges with aging infrastructure, compliance costs (e.g., PFAS regulations), and limited ratepayer bases.

Recommendation: Establish or increase dedicated federal funding — via USDA, EPA, or separate rural water infrastructure grants — for water/wastewater upgrades; offer loan guarantees; and enable flexible cost-sharing with local utilities to support industrial and community growth.

Transportation Infrastructure & Emergency Services

- Rural transportation networks (roads, bridges, small airports, freight corridors) often lag behind demand.
- Emergency services — hospitals, clinics, EMS, ambulance services, law enforcement — remain under strain, especially with rising rural hospital closures.

Recommendation: Advocate for **long-term reauthorization** and increased funding of rural-targeted transportation programs; boost investment in rural EMS, clinic, and hospital support; and incentivize local-public/private partnerships to enhance rural mobility and emergency services.

5. Rural Healthcare: Crisis of Access, Closures, and Workforce

Current Data & Trends

- **1 in 5 Americans (~46 M)** live in rural counties under the official USDA/Census definition.
- Since 2005, around **two hundred rural hospitals have closed or discontinued inpatient services**.
- Between 2010 and 2023, more than **140 rural hospitals** have shut their doors.

- Many rural hospitals operate with negative margins — in 2023, around **44% of rural hospitals** did so (compared to 35% of urban hospitals) making them especially vulnerable.
- Over half of rural hospitals no longer offer labor and delivery services. In some states, the percentage is especially high (e.g., 91% in Florida; 79% in North Dakota).
- Rural residents face longer travel distances for care: after closures, many travel **twenty miles farther for inpatient care and forty miles farther for specialized services**.
- Rural populations tend to be older, poorer, and have greater health burdens than their urban counterparts — making access to care more critical.

Implications

- Hospital closures not only reduce access to essential care but also eliminate major local employers and economic anchors. For many rural towns, the local hospital is among the top employers.
- Lack of healthcare access and services undermines a community's ability to attract or retain workforce and families — exacerbating population decline and economic stagnation.
- The trend puts rural America at increasing risk of “medical deserts,” with disproportionate impacts on seniors, low-income households, and chronically ill patients.

Policy & Program Recommendations

- Expand and strengthen rural hospital stabilization funding — including support for conversion to alternative care models (e.g., rural emergency hospitals, outpatient clinics, telehealth-equipped centers).
- Incentivize recruitment and retention of healthcare professionals — including loan forgiveness, grants for medical training with rural-service commitments, and support for telehealth infrastructure.
- Increase federal investment in rural health infrastructure — clinics, EMS, broadband-enabled telehealth, mental/substance-use health services — to ensure baseline access.
- Support regulatory reforms and payment models that reflect the higher fixed costs and lower patient volumes typical of rural hospitals (e.g., adjusted Medicaid/Medicare reimbursement, special rural facility designations).

6. Financing Tools and Institutional Capacity

Community Development Financial Institutions (CDFIs)

CDFIs play a vital role in expanding access to capital in rural and persistently underserved communities, particularly where traditional financial institutions have limited presence. Rural CDFIs support small businesses, farmers, housing developers, and community facilities by providing flexible financing products tailored to local conditions.

Current Data & Trends

- Demand for CDFI financing in rural areas continues to rise as small banks consolidate and branch access declines.
- Rural CDFIs are increasingly financing business transitions, workforce housing, childcare facilities, and infrastructure-adjacent projects.
- Capital constraints and limited access to long-term, low-cost funds remain key barriers to scale, especially for smaller rural lenders.

Implications

Without expanded federal support, rural CDFIs may be unable to meet growing demand for capital, slowing job creation, entrepreneurship, and community revitalization. Strengthening CDFI financing tools would improve capital flow to rural regions that are critical to national supply chains, food systems, and energy development.

Policy & Program Recommendations

- Enhance federal credit support mechanisms that lower the cost of capital for rural CDFIs.
- Improve program design to better reflect rural project sizes, timelines, and collateral limitations.
- Prioritize rural participation across Treasury-administered CDFI programs.

Small Business Development Centers (SBDCs)

SBDCs are a primary source of entrepreneurship, technical assistance, and business development support in rural America. They provide no- or low-cost services to startups and existing businesses, including financial planning, market analysis, and operational support.

Current Data & Trends

- Rural small businesses face heightened challenges related to workforce shortages, succession planning, and access to capital.
- An increasing share of rural business owners are nearing retirement age, creating urgency around ownership transitions.
- SBDCs are expanding services related to digital commerce, disaster recovery, and federal contracting, but capacity varies widely by state and region.

Implications

Insufficient rural SBDC funding risks leaving small businesses without the technical assistance needed to remain viable, transition ownership, or scale operations. This could accelerate business closures and reduce employment in already fragile rural economies.

7. USDA and EDA Economic Development Tools

USDA Rural Economic Development Loan and Grant (REDLG) Program

The USDA Rural Economic Development Loan and Grant (REDLG) program has a long-standing record of supporting rural job creation, business growth, and community investment through zero-interest loans

and grants administered by local utilities and cooperatives. S. 5241's EDA Short Form Application aligns with these objectives by simplifying access to federal economic development resources, making it easier for rural communities to apply for and leverage REDLG funds alongside other federal support.

Current Data & Trends

- REDLG funding is frequently oversubscribed, indicating strong demand for gap financing in rural areas.
- Projects increasingly target workforce housing, healthcare access, local manufacturing, and essential community services.
- Rising construction and financing costs have reduced the purchasing power of existing REDLG allocations.

Implications

Current program funding levels and restrictive eligibility criteria limit REDLG's ability to fully address modern rural economic development challenges. Expanding the program would enable rural communities to attract private investment and close persistent gaps in infrastructure and essential services.

Policy & Program Recommendations

- Increase annual funding authorizations to better match documented demand.
- Broaden eligibility uses to include contemporary rural priorities such as childcare facilities, broadband-adjacent infrastructure, and disaster-resilient projects.
- Simplify application and compliance requirements, particularly for small communities and utility providers, to encourage greater participation and efficient fund utilization.

NREDA Bill Watchlist

Workforce & Small-Business Support

- H.R. 3227 – *Farm Workforce Modernization Act*
Requires the SBA to competitively hire an Assistant Administrator for the Office of Rural Affairs with rural small business experience and strengthens rural small-business outreach and support.
- H.R. 1055 — *CONSTRUCTS Act of 2025*
Expands the Workforce Innovation and Opportunity Act to increase training capacity at junior/community colleges and area career & technical education schools, particularly for residential construction trades, which can benefit rural workforce pipelines.

Rural Housing & Community Development

- S. 1260 — *Rural Housing Service Reform Act of 2025*
Reforms rural housing programs (USDA RHS), including community development initiative grants and CDFI eligibility enhancements for affordable housing.
- H.R. 2038 — *American Housing and Economic Mobility Act of 2025*
Broad housing affordability and economic mobility bill, with potential relevance to rural housing cost concerns

- H.R. 6644 — *Housing for the 21st Century Act*
Updated housing legislation aimed at addressing housing challenges nationally (potential implications for rural affordability)

Broadband, Energy, Water & Infrastructure

- H.R.5598 — *Revitalizing Rural Communities Act of 2025*
Reauthorizes and strengthens USDA’s Rural Economic Development Loan and Grant (REDLG) program, which supports rural infrastructure, utility, and community development projects.
- H.R. 3125 — *Rural Broadband Assistance Act*
Amends the Rural Electrification Act of 1936 to provide technical assistance and support for expanding rural broadband deployment.
- H.R. 2399 / S. 98 — *Rural Broadband Protection Act of 2025*
Requires the FCC to vet applicants for high-cost universal service programs to ensure funded broadband projects have the technical and financial capacity — helping more accountable rural broadband expansion.
- H.R. 3119 — *ReConnecting Rural America Act of 2025*
Amends the Rural Electrification Act of 1936 to establish and strengthen the USDA’s ReConnect broadband program, which supports high-speed internet deployment in underserved rural areas.
- *Bridges and Safety Infrastructure for Community Success Act*
BASICS Act is bipartisan federal transportation legislation aimed at updating and strengthening how federal transportation funds are distributed — especially for rural and regional priorities.

Rural Healthcare Stabilization & Modernization

- H.R. 6468 — *Rural Residency Planning and Development Act of 2025*
Establishes a grant program to increase rural medical residency slots, with priority on primary care and high-need specialties — a targeted workforce strategy for rural healthcare shortages.
- S. 2237 / H.R. 4313 — *Hospital Inpatient Services Modernization Act*
Extends and studies “Hospital at Home” models that could stabilize rural care capacity and alternatives to inpatient closures.

Dedicated Financing Mechanisms & Loan/Grant Access

- H.R. 5598 — *Revitalizing Rural Communities Act*
Expands USDA loan and grant programs for rural economic and infrastructure development.
- S. 5241 — *EDA Short Form Application Act*
Streamline EDA grant applications for rural communities by requiring a short form application option.
- S. 1880 — *CDFI Bond Guarantee Program Improvement Act of 2025*
Reauthorizes and expands the CDFI Bond Guarantee Program to improve long-term access to capital for community development lenders, a key tool for rural economic investment.

- H.R. 804 — *Rural Small Business Resilience Act*
Would require SBA to improve disaster assistance for rural small businesses — connecting to rural economic resilience.
 - H.R. 818 — *Small Business Procurement & Utilization Reform Act*
Aims to improve access to federal assistance for small businesses, which may help rural entrepreneurs and increase capacity.
 - H.R. 4544 — *American Access to Banking Act*
Promotes the creation of new depository institutions — including Community Development Financial Institutions and rural banks/credit unions — addressing the decline of traditional bank branches in underserved and rural areas.
-

Conclusion

Rural communities face a critical inflection point. The data shows growing housing unaffordability, eroding healthcare access, workforce and infrastructure deficits, and mounting costs.

Still, there is opportunity — with targeted, well-coordinated federal policy and investment, rural America can revive as a vibrant, resilient engine of economic growth, community stability, and national resilience.

As the only national association committed exclusively to rural economic development, NREDA urges Congress to adopt a bold, integrated rural-prosperity agenda — one that ensures rural Americans are not left behind.

We stand ready to support, advise, and collaborate.