

2009 Explanatory Notes  
Rural Development

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## RURAL DEVELOPMENT

Available Funds and Staff Years  
2007 Actual and Estimated 2008 and 2009

Item	Actual 2007		Estimated 2008		Estimated 2009	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Rural Community Facility Program Account a/.....	\$72,002,700	--	\$68,469,336	--	\$23,767,000	--
Rural Housing Insurance Fund Program Account: Subsidy d/....	228,788,826	--	207,299,673	--	20,580,000	--
Rural Housing Assistance Grants e/.....	59,603,028	--	38,727,000	--	43,500,000	--
Farm Labor Program f/.....	32,137,047	--	21,846,000	--	--	--
Rental Assistance Program g/.....	616,020,000	--	478,715,370	--	997,000,000	--
Rural Housing Voucher Program h/.....	15,840,000	--	27,804,000	--	(20,000,000)	--
Mutual and Self-help Housing Grants i/.....	33,660,000	--	38,727,000	--	--	--
Rural Water and Waste Disposal Program Account b/.....	554,994,000	--	538,767,045	--	269,007,000	--
Rural Electrification and Telecommunications						
Program Account: Subsidy.....	4,302,569	--	3,713,820	--	525,000	--
Rural Telephone Bank Program Account: Subsidy .....	--	--	--	--	--	--
Distance Learning, Telemedicine, and Broadband Program j/....	49,077,069	--	54,565,350	--	25,169,000	--
Guaranteed Local Television Program Account.....	--	--	--	--	--	--
High Energy Cost Grants k/.....	25,740,000	--	19,860,000	--	--	--
Rural Business Program Account c/.....	84,398,752	--	87,086,100	--	30,450,000	--
Rural Development Loan Fund Program Account: Subsidy.....	14,926,454	--	14,383,605	--	14,134,000	--
Rural Economic Development Loans						
Program Account: Subsidy l/.....	5,405,941	--	--	--	--	--
Rural Economic Development Grants Rescission.....	--	--	--	--	(39,000,000)	--
Renewable Energy Program.....	22,840,604	--	35,748,000	--	--	--
Rural Cooperative Development Grants m/.....	26,718,000	--	27,826,839	--	4,455,000	--
Rural Empowerment Zone/Enterprise Community Grants n/.....	11,088,000	--	8,129,691	--	--	--
National Sheep Industry Improvement Center						
Revolving Fund o/.....	--	--	--	--	--	--
Subtotal, Ongoing Programs.....	1,857,542,990	--	1,671,668,829	--	1,369,587,000	--
2007 Tornado Emergency Supplemental:						
Rural Community Facility Program Account 1/ .....	9,000,000	--	--	--	--	--
Rural Business Program Account 2/ .....	2,000,000	--	--	--	--	--
Rural Housing Insurance Fund Program Account: Subsidy 3/ .....	2,900,000	--	--	--	--	--
Rural Housing Assistance Grants 4/ .....	2,000,000	--	--	--	--	--
Hurricane Planning Study - Kansas Supplemental 5/.....	1,000,000	--	--	--	--	--
Subtotal, 2007 Tornado Emergency Supplemental.....	16,900,000	--	--	--	--	--
Farm Bill Authorities:						
Distance Learning, Telemedicine, and Broadband Program p/....	--	--	--	--	--	--
Rural Business Investment Program q/.....	--	--	--	--	--	--
Renewable Energy Program.....	3,000,000	--	--	--	--	--
Biomass Research and Development Grants r/.....	14,000,000	--	--	--	--	--
Rural Cooperative Development Grants s/.....	--	--	--	--	--	--
Subtotal, Farm Bill Authorities.....	17,000,000	--	--	--	--	--
Salaries and Expenses t/.....	657,622,140	6,281	661,657,746	6,200	700,000,000	6,100
Total, Salaries and Expenses & Program Resources.....	2,549,065,130	6,281	2,333,326,575	6,200	2,069,587,000	6,100

Obligations under other USDA Appropriations:

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Reimbursements from:

Farm Service Agency.....	6,124,634	--	7,000,000	--	7,000,000	--
Natural Resources & Conservation Service.....	315,594	--	1,000,000	--	1,000,000	--
Office of the Chief Information Officer.....	1,270,000	--	3,000,000	--	3,000,000	--
Foreign Agriculture Services.....	1,889,116	--	3,000,000	--	3,000,000	--
Miscellaneous Reimbursements.....	5,933,658	--	8,000,000	--	8,000,000	--

Total, Other USDA appropriations.....	15,533,002	--	22,000,000	--	22,000,000	--
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Total, Agriculture Appropriations.....	2,564,598,132	6,281	2,355,326,575	6,200	2,091,587,000	6,100
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Rural Economic Development Loans u/.....	--	--	7,472,000	--	--	--
Rural Economic Development Grants u/.....	9,693,333	--	461,918	--	--	--

Other Federal Funds:

Reimbursement from NADBank.....	--	--	--	--	--	--
Appalachian Regional Commission Program v/.....	15,379,000	--	3,800,000	--	--	--
Delta Regional Authority Grants w/.....	739,987	--	--	--	--	--
NADBank x/.....	--	--	--	--	--	--
Economic Development Administration.....	--	--	--	--	--	--
Federal Emergency Management Agency.....	871,126	--	--	--	--	--
Department of Interior.....	175,000	--	--	--	--	--

Subtotal, Other Federal Funds.....	17,165,113	--	3,800,000	--	0	--
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Total, Rural Development.....	2,591,456,578	6,281	2,367,060,493	6,200	2,091,587,000	6,100
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- a/ Excludes \$36,160,646.06 of unobligated balances and \$3,821,455.89 in recoveries of prior year obligations which were available in FY 2007. Also excludes the transfers of \$1,002,648.00 of appropriated funds and \$60,545.00 of unobligated balances through the Secretary's Interchange in FY 2007. Excludes \$25,740,000 for high energy grants in FY 2007. Excludes \$15,444,242.10 of unobligated balances available in FY 2008.
- b/ Excludes \$88,647,538.04 of unobligated balances and \$19,390,426.04 in recoveries of prior year obligations which were available in FY 2007. Also excludes the transfer of \$558,000 through the Secretary's Interchange in FY 2007. Excludes \$86,025,339.24 of unobligated balances available in FY 2008. Excludes \$19,860,000.00 for high energy grants in FY 2008.
- c/ Excludes \$20,040,248.03 of unobligated balances and \$7,847,621.68 of recoveries of prior year obligations which were available in FY 2007. Also excludes the transfer of \$1,000,000 through the Secretary's Interchange in FY 2007. Excludes \$25,915,833.44 of unobligated balances available in FY 2008.
- d/ Excludes \$47,900,188.78 of unobligated balances and \$990,729.25 in recoveries of prior year obligations which were available in FY 2007. Also excludes the transfer of \$748,460.50 to the Sec Interchange, \$8,266,032 to RHAG, and \$432,380 to the Working Capital Fund in FY 2007. Excludes \$33,291,560.65 of unobligated balances available in FY 2008.
- e/ Excludes \$23,904,697.98 of unobligated balances and \$955,238.48 in recoveries of prior year obligations which were available in FY 2007. Excludes \$41,201,159.72 of unobligated balances available in FY 2008. Unobligated balances for the Demonstration program were transferred to the Rural Housing Voucher Program as of October 1, 2007.
- f/ Excludes \$4,075,326.14 of unobligated balances and \$6,107,013.62 in recoveries of prior year funds which were available in FY 2007. Excludes \$14,323,462.37 of unobligated balances available in FY 2008.
- g/ Excludes \$402.09 of unobligated balances available in 2008.
- h/ Excludes \$14,022,868.60 of unobligated balances available in FY 2007. Also excludes the transfer of \$1,532,137 through the Secretary's Interchange. Excludes \$24,901,775.50 of unobligated balances available in FY 2008. Excludes unobligated balances of \$3,419,768.00 transferred from the RHAG program account as of October 1, 2007.
- i/ Excludes \$2,253,78.41 of unobligated balances and \$1,539,039.81 in recoveries of prior year obligations which were available in FY 2007. Excludes \$1,279,938.73 of unobligated balances available in FY 2008.
- j/ Excludes \$12,880,717.55 of unobligated balances carried forward to FY 2007. Excludes \$2,999,972.17 in recoveries for FY 2007. Excludes \$15,167,424.50 unobligated balances available in FY 2008 and \$5,246,881.50 in expired carryover from FY 2007. Also includes rescission of \$6,405,000 of loan subsidy in FY 2009.
- k/ Excludes \$17,514,150 of unobligated balances which were available in FY 2007. Excludes \$20,907,352.17 of unobligated balances which were available in FY 2008. Excludes \$2,659,383.00 transferred to Secretary's Interchange in FY 2007.
- l/ Excludes \$101,120.81 of unobligated balances and \$217,673.00 in recoveries of prior year obligations which were available in FY 2007. Excludes \$9,862.01 of unobligated balances which were available in FY 2008.
- m/ Excludes \$348,468.97 of unobligated balances, \$2,299.73 transferred to S&E, and \$2,956,156.25 in recoveries of prior year obligations which were available in FY 2007. Excludes \$879,502.12 in unobligated balances available in FY 2008.

- n/ Excludes \$3,014,219.00 in unobligated balances and \$190,133.00 in recoveries which were available in FY 2007. Excludes \$2,594,414.00 in unobligated balances available in FY 2008.
- o/ Excludes carryover in FY 2007 and FY 2008 and \$83,098.55 in recoveries which were available in FY 2007. The NSIIC is privatized.
- p/ The \$38,210,002.20 unobligated balance as of October 1, 2006, was rescinded pursuant to the Deficit Reduction Act of 2005.
- q/ The \$94 million unobligated balance as of October 1, 2006, is rescinded, pursuant to the Deficit Reduction Act of 2005.
- r/ Excludes \$14,135,554.48 of unobligated balances available in FY 2008.
- s/ The \$211,354.25 unobligated balance as of October 1, 2006 was rescinded pursuant to the Deficit Reduction Act of 2005.
- t/ Excludes \$248,000.00 for Congressional Liaison Activities in FY 2007. Excludes \$996,492 for Hurricane Supplemental and \$7,616,711 for the Secretary's Interchange Transfer.
- u/ Section 313 of the Rural Electrification Act provides the authority to make grants with the earnings generated from the interest differential on voluntary cushion of credit payments made by RUS borrowers.
- v/ Excludes \$5,614,432.87 of unobligated balances available in FY 2007. Excludes \$11,380,870.97 unobligated balances available in FY 2008.
- w/ Excludes \$391,748.00 of unobligated balances available in FY 2007. Excludes \$268,895 of unobligated balances available in FY 2008.
- x/ Excludes \$678,393.36 of unobligated balances which were available in FY 2007. Excludes \$359,058.36 of unobligated balances available in FY 2008.
  
- 1/ Excludes \$7,000,000.00 unobligated balances available in FY 2008.
- 2/ Excludes \$2,000,000.00 unobligated balances available in FY 2008.
- 3/ Excludes \$2,900,000.00 unobligated balances available in FY 2008.
- 4/ Excludes \$2,000,000.00 unobligated balances available in FY 2008.
- 5/ Excludes \$1,000,000 of unobligated balances available in FY 2008.

## RURAL DEVELOPMENT

Permanent Positions by Grade and Staff Year Summary  
2007 Actual and Estimated 2008 and 2009

Grade	2007			2008			2009		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive									
Service	17	0	17	17	0	17	17	0	17
SL-00	2	0	2	2	0	2	2	0	2
GS-15	47	50	97	47	50	97	47	50	97
GS-14	83	28	111	82	28	110	83	28	111
GS-13	215	512	727	215	520	735	215	512	727
GS-12	94	1,520	1,614	94	1,520	1,614	70	1,520	1,590
GS-11	17	669	686	17	686	703	17	680	697
GS-10	3	2	5	4	2	6	4	2	6
GS-9	27	587	614	27	635	662	27	630	657
GS-8	13	120	133	12	129	141	10	120	130
GS-7	53	1,290	1,343	50	1,294	1,344	48	1,264	1,312
GS-6	30	354	384	27	404	431	27	400	427
GS-5	7	260	267	6	260	266	5	253	258
GS-4	8	47	55	6	47	53	5	45	50
GS-3	7	3	10	1	4	5	1	4	5
GS-2	2	1	3	4	5	9	4	5	9
Ungraded Positions.....	3	2	5	3	2	5	3	2	5
Total Permanent									
Positions.....	628	5,445	6,073	614	5,586	6,200	585	5,515	6,100
Unfilled Positions									
end-of-year.....	3	12	15	0	0	0	0	0	0
Total, Permanent									
Full-Time Employment									
end-of-year.....	625	5,433	6,058	585	5,515	6,100	585	5,515	6,100
Staff Year									
Estimate.....	628	5,653	6,281	614	5,586	6,200	585	5,515	6,100

## Rural Development

## Motor Vehicle Fleet Report

Size, Composition, and Annual Cost of Motor Vehicle Fleet  
(in thousands of dollars)

Number of Vehicles by Type*					
Fiscal Year	Sedans and Station Wagons	Light Trucks, SUVs and Vans		Total Number of Vehicles	Annual Operating Costs (\$ in Thousands)
		4X2	4X4		
FY 2006	767	122	89	978	\$4,006
Change from 2006	-13	0	+2	-11	
FY 2007	754	122	91	967	\$4,355
Change from 2007	0	0	0	0	
FY 2008	754	122	91	967	\$4,355
Change from 2008	-69	-7	-2	-78	
FY 2009	685	115	89	889	\$4,355

\* These numbers include vehicles that are owned by the agency, leased from commercial sources, and leased from GSA.



## RURAL DEVELOPMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Rural Development Salaries and Expenses (including transfers of funds)

For necessary expenses for carrying out the administration and implementation of programs in the Rural Development mission area, including activities with institutions concerning the development and operation of agricultural cooperatives; and for cooperative agreements; [\$169,998,000] \$258,185,000: Provided, That notwithstanding any other provision of law, funds appropriated under this section may be used for advertising and promotional activities that support the Rural Development mission area: Provided further, That not more than \$10,000 may be expended to provide modest nonmonetary awards to non-USDA employees: Provided further, That any balances available from prior years for the Rural Utilities Service, Rural Housing Service, and the Rural Business-Cooperative Service salaries and expenses accounts shall be transferred to and merged with this appropriation.

RURAL DEVELOPMENT  
 LEAD-OFF TABULAR STATEMENT  
 AND SUMMARY OF INCREASES AND DECREASES  
SALARIES AND EXPENSES

Estimate, 2008 .....	\$661,658,000
Budget Estimate, 2009 .....	<u>700,000,000</u>
Increase in Appropriation .....	<u>38,342,000</u>
Adjustments in 2008:	
Appropriations Act, 2008 .....	\$666,322,000
Rescission under P.L. 110-161 a/ .....	-4,664,000
Activities transferred to Departmental Administration Office of Ethics b/ .....	<u>-250,000</u>
Adjusted base for 2008 .....	661,408,000
Budget Estimate, 2009 .....	<u>700,000,000</u>
Increase over adjusted 2008 .....	<u>38,592,000</u>

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

b/ Beginning with 2008, the Department will transfer and consolidate all Ethics activities under the Office of Ethics in Departmental Administration (DA). On a comparable basis the full annual cost of the activity is \$250,000 for 2009.

RURAL DEVELOPMENT  
SUMMARY OF INCREASES AND DECREASES  
 (On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2008 Estimated</u>	<u>Pay Costs</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
Salaries and Expenses .....	<u>\$661,408,000</u>	<u>\$15,390,000</u>	<u>\$23,202,000</u>	<u>\$700,000,000</u>
Total Available .....	<u>661,408,000</u>	<u>15,390,000</u>	<u>23,202,000</u>	<u>700,000,000</u>

RURAL DEVELOPMENT

SALARIES AND EXPENSES

Project Statement by Program

(On basis of appropriation)

	<u>2007 Actual</u>		<u>2008 Estimated</u>		Increase or Decrease	<u>2009 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
1. Direct Appropriation	\$171,974,750	1,580	\$168,558,014	1,582	\$89,626,986	\$258,185,000	2,250
2. Rural Electrification and Telecommunications Loans Program Account	38,623,160	365	38,352,639	359	-533,639	37,819,000	330
3. Rural Housing Insurance Fund Program Account	452,926,910	4,289	449,756,511	4,214	-50,334,511	399,422,000	3,480
4. Rural Development Loan Fund Program Account	4,774,070	47	4,740,582	45	-166,582	4,574,000	40
<b>Total Available or Estimate</b>	<b>668,298,890</b>	<b>6,281</b>	<b>661,407,746</b>	<b>6,200</b>	<b>38,592,254</b>	<b>700,000,000</b>	<b>6,100</b>
Unobligated balance, start of year:							
Supplemental Appropriation for Hurricane Recovery a/	-996,492	--	--	--	--	--	--
Goodfellow Earmark	-5,935,530	--	--	--	--	--	--
Unobligated balance expiring	411,204	--	--	--	--	--	--
Supplemental Appropriation for Planning Study-Kansas b/	-1,000,000	--	--	--	--	--	--
Secretary's Interchange Transfer c/	-7,616,711	--	--	--	--	--	--
Unobligated balance, end of year	4,796,008	--	--	--	--	--	--
Transfer from Departmental Administration for Congressional Liaison Activities	-248,000	--	--	--	--	--	--
Transfer to Departmental Administration for Ethics d/	--	--	250,000	--	--	--	--
Offsetting Collections	-87,229	--	--	--	--	--	--
Rescission e/	--	--	4,664,254	--	--	--	--
<b>Total, Appropriation</b>	<b>657,622,140</b>	<b>6,281</b>	<b>666,322,000</b>	<b>6,200</b>			

a/ Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006, pursuant to P.L. 109-234.

b/ Supplemental appropriations in the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 pursuant to P.L. 110-28, signed May 25, 2007.

c/ Secretary's Interchange Authority

d/ Beginning with 2008, the Department will transfer and consolidate all Ethics activities under the Office of Ethics in Departmental Administration (DA). On a comparable basis the full annual cost of the activity is \$250,000 for 2009.

e/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

	<u>FY 2008</u>	<u>Pay Cost</u>	<u>FTE Decrease</u>	<u>Other Program Adjustments</u>	<u>IT Modernization Business Plan</u>	<u>FY 2009</u>
1. Direct Appropriation.....	\$168,558,014	\$3,926,000	\$0	\$65,513,250	\$20,187,736	\$258,185,000
2. Rural Electrification and Telecommunications Loans Program Account.....	38,352,639	892,000	-3,074,000	-1,825,653	3,474,014	37,819,000
3. Rural Housing Insurance Fund Program Account	449,756,511	10,460,000	-7,082,000	-56,164,761	2,452,250	399,422,000
4. Rural Development Loan Fund Program Account	4,740,582	112,000	-530,000	-184,582	436,000	4,574,000
<b>Total</b>	<b>661,407,746</b>	<b>15,390,000</b>	<b>-10,686,000</b>	<b>7,338,254</b>	<b>26,550,000</b>	<b>700,000,000</b>

RURAL DEVELOPMENT  
SALARIES AND EXPENSES

Project Statement by Program  
(On basis of obligation)

	<u>2007 Actual</u>		<u>2008 Estimated</u>		Increase or Decrease	<u>2009 Estimated</u>	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Direct Appropriation	\$171,974,750	1,580	\$173,354,022	1,582	\$84,830,978	\$258,185,000	2,250
2. Rural Electrification and Telecommunications Loans Program Account	38,623,160	365	38,352,639	359	-533,639	37,819,000	330
3. Rural Housing Insurance Fund Program Account	452,926,910	4,289	449,756,511	4,214	-50,334,511	399,422,000	3,480
4. Rural Development Loan Fund Program Account	4,774,070	47	4,740,582	45	-166,582	4,574,000	40
Total Available or Estimate	668,298,890	6,281	666,203,754	6,200	33,796,246	700,000,000	6,100
Unobligated balance, start of year: Supplemental Appropriation for Hurricane Recovery <i>a/</i>	-996,492	--	-408,581	--	--	--	--
Goodfellow Earmark	-5,935,530	--	--	--	--	--	--
Unobligated balance expiring	411,204	--	--	--	--	--	--
Supplemental Appropriation for Planning Study-Kansas <i>b/</i>	-1,000,000	--	-1,000,000	--	--	--	--
Secretary's Interchange Transfer <i>c/</i>	-7,616,711	--	-3,387,427	--	--	--	--
Unobligated balance, end of year	4,796,008	--	--	--	--	--	--
Transfer from Departmental Administration for Congressional Liaison Activities	-248,000	--	--	--	--	--	--
Transfer to Departmental Administration for Ethics <i>d/</i>	--	--	250,000	--	--	--	--
Offsetting Collections	-87,229	--	--	--	--	--	--
Rescission <i>e/</i>	--	--	4,664,254	--	--	--	--
Total, Appropriation	657,622,140	6,281	666,322,000	6,200			

*a/* Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006, pursuant to P.L. 109-234.

*b/* Supplemental appropriations in the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 pursuant to P.L. 110-28, signed May 25, 2007.

*c/* Secretary's Interchange Authority

*d/* Beginning with 2008, the Department will transfer and consolidate all Ethics activities under the Office of Ethics in Departmental Administration (DA). On a comparable basis the full annual cost of the activity is \$250,000 for 2009.

*e/* The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

## RURAL DEVELOPMENT

## Justification of Increases and Decreases

- (1) A net increase of \$38,592,000 in Salaries and Expenses is requested to accomplish Rural Development's goals and objectives. Rural Development is requesting:

Rural Development's (RD) Salary and Expense request of \$700,000,000 is based on the organization's ongoing strategic plan to structure its workforce for the future. In recent years RD has made steady progress in reducing FTE's, consolidating offices, and streamlining program delivery. These efforts have already yielded significant savings, but going forward they necessitate investment in training and information technology to enable a reduced and realigned staff to implement the new program delivery strategy.

RD has worked diligently for the past six years to reinvent the way it does business, increase efficiency, and improve program delivery. These efforts are not *ad hoc*; they flow from a carefully developed reorganization plan that will improve program delivery, increase responsiveness to customer needs in rural America, and better leverage scarce funding by using local resources more effectively. For example, loan guarantees are replacing direct loans as Rural Development's primary means for facilitating investment. Loan guarantees allow transactions to be turned faster and more efficiently, increase the quality of the portfolio by engaging private lenders, and drive investments toward sustainable, market-oriented opportunities.

At the same time, RD will consolidate over 130 offices nationwide during Fiscal Year (FY) 2008. The Full-time equivalent (FTE) ceiling has decreased from 7,020 in FY 2001 to 6,300 in FY 2007. Further reduction of FTEs will occur throughout FY 2008 to prepare for the proposed 6,100 ceiling level in FY 2009. These economies will yield a reduction in salaries of \$10,686,000 and in rent of \$1,947,816 for a total savings of \$12,633,816. These savings are offset by a \$9,287,000 increase in travel, motor vehicles, and training, resulting in net savings of \$3,346,816. The agency intends to invest these savings in Information Technology Infrastructure Modernization, thereby reducing the amount that would otherwise be requested for this purpose.

RD's new business model has and will continue to require increased investments in other forward-looking areas, particularly in technology and IT infrastructure. Travel costs and vehicle expenses will increase as Rural Development reduces the number of local offices, shifts staff into the field, and enhances service by moving program delivery to its customers' doorsteps. Investment in training for employees and technical assistance for customers will also deepen as agency staff adjusts to new roles and customers adapt to new and improved automated processes for program access.

- (a) An increase of \$15,390,000 for pay costs which includes \$4,373,000 for annualization of the fiscal year 2008 pay raise and \$11,017,000 for the anticipated fiscal year 2009 pay raise.

These funds will enable the agency to fund its FY 2009 pay cost expenses at 2.9 percent. In addition, the request includes one quarter of the FY 2008 pay raise not provided in the FY 2008 appropriation. Because approximately 75 percent of the total Salaries and Expenses account goes to salaries and benefits, these funds are needed to ensure that RD is positioned to carry out its mission.

- (b) A decrease of \$10,686,000 associated with a 100 FTE staff decrease across the National Office and the State Offices.

In FY 2007 and FY 2008, RD implemented a new business plan which abolished single-purpose field offices. All programs are now delivered at each field location. Also, additional housing servicing functions continue to be centralized in the Centralized Servicing Center in St. Louis, Missouri. The new field structure and servicing processes will result in added efficiency to loan origination and servicing and will allow Rural Development to reduce its staff by 100 FTEs.

Savings associated with a reduction in FTE will be redeployed towards critical investments in Information Technology (IT) infrastructure modernization. These investments will reduce risks associated with Rural Development's rapidly aging infrastructure and allow for greater productivity from the remaining staff through cross training and upgraded IT infrastructure. In addition, the savings will be used to offset increased Departmental fixed costs.

- (c) A net increase of \$33,888,184 for Information Technology Infrastructure Modernization (\$26,550,000) and Other Program Increases (\$7,338,184).

RD's IT function directly supports the day-to-day delivery of critical products, services and operations. In addition, business intelligence and operating management IT applications are essential to efficient oversight and decision-making for the entire Rural Development portfolio. In order to maintain the strength, security, and financial soundness of a portfolio of over \$99 billion, Rural Development must invest in its aging infrastructure.

The requested budget increases are to directly fund several major areas: (1) increased services costs to run the infrastructure (end user computing, budget application hosting, network connectivity and voice services) for RD, and (2) provide capital improvements for aging server infrastructure and RD end user computing, and (3) achieve compliance with new stringent information technology standards and Office of Management and Budget (OMB) circulars.

1. An increase of \$11,538,000 for Increased for IT Shared Services.
  - From FY 2005 through FY 2007 Rural Development's shared services cost for NITC, ITS and eGov charges have increased by more than 36% (\$19.2m) in aggregate.
  - Rural Development has been working with the other Service Center Agencies, Office of the Chief Information Officer (OCIO) and Office of the Chief Financial officer (OCFO) to reduce the rate of increase and has experienced some success. This FY 2009 request accounts for those reductions and would allow Rural Development to meet shared IT increases for delivering the programs.

2. Capital Improvements – An increase of \$11,521,000 (Servers - \$5,521,000, End User Computing - \$6,000,000)

Not included or accounted for in the Information Technology Services (ITS) convergence and shared services model was the cost of capital for replacing servers or end user (i.e. desktops, laptops, printers and other peripherals) computing. Since FY 2004 refreshment of this critical infrastructure has been limited and ad hoc. The result is that more than 90 percent of this hardware has not been refreshed within standard lifecycle ranges (four years for both servers and end user computing).

Business Application Servers:

ITS operates over 250 business application servers which directly support Rural Development programs. The average age of these servers is over 5 years and by FY 2009, the age of all hardware supporting RD will be 7 years old. This critical need, if not resolved, will result in increased potential for key systems failures that could halt operations and endanger Rural Development's stewardship of the loan portfolio. In addition, servers are required to support new Disaster Recovery Planning requirements to ensure that there is no interruption to critical business processes.

- This request will allow for a planned replacement of servers on a four year capital refresh cycle and will incorporate an OCIO consolidation strategy with other SCAs.
- In FY 2009 nearly 100% of servers supporting RD programs will be outside of the commercially accepted four year recycle window which means that:
  - maintaining out of cycle hardware is more expensive than maintaining new hardware; and
  - repair rates increase and the business lines encounter more frequent and longer outages.

End User Computing:

RD' desktop infrastructure is aging and will not be able to continue to support modern operating systems and applications. Upgrades to the desktop infrastructure are needed to enable RD to enhance the delivery of programs that provide such essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities and electric and telephone service. RD has not had sufficient funds to replace aging equipment. This increase will allow RD to maintain a quality service infrastructure by replacing outdated infrastructure at all levels of our operation.

3. Regulatory and standards compliance – An increase of \$3,491,000

RD must modify application software to comply with new and revised standards issued by the National Institute of Standards and Technology, OMB, and new USDA information technology policies. These include enhancing financial systems to support increased monitoring, evaluating, and reporting of internal general computer controls required by law under the Sarbanes-Oxley Act of 2002 and OMB Circular A-123, "Management Responsibilities for Internal Controls", Appendix A. It also includes implementing automation changes to protect personal identifiable information based on a broader definition of the data to which these controls and restrictions apply; new controls for the configuration management of application software; and the implementation of automation to strengthen access controls Agency software applications and data. It includes strengthening processes to identify, track, and manage metrics related to capital planning and investment control.

4. Travel, Training, Motor Vehicles and Leasing:

Rural Development will consolidate over 130 offices nationwide over the course of FY 2008. As a result, rents will have decreased and resources will have been leveraged.

To maintain and enhance service despite these office closures, costs for travel, training, and motor vehicle will increase. RD's strategic plan calls for evolving its workforce to increase productivity and adjust to a new structure adapted to a changed environment for doing business in rural America. Personnel will spend more time traveling to rural communities to conduct outreach and transactions with rural business, banks, communities, and homebuyers. RD's investment and commitment to training for its own staff and for employees and technical assistance for customers will also expand as agency staff adjusts to new roles and customers adapt to new and improved automated processes for program access. Most training will be conducted electronically, either on-line or by video conferencing.

## RURAL DEVELOPMENT

Geographic Breakdown of Obligations and Staff Years  
2007 Actual and Estimated 2008 and 2009

	2007		2008		2009	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama.....	\$9,870,270	119	\$9,845,385	117	\$10,344,837	116
Alaska.....	3,521,409	37	3,512,531	39	3,690,720	38
Arizona.....	5,512,405	63	5,498,506	66	5,777,443	64
Arkansas.....	12,002,284	138	11,972,023	135	12,579,359	132
California.....	12,525,221	134	12,493,641	135	13,127,438	134
Colorado.....	5,208,806	60	5,195,674	59	5,459,248	58
Connecticut.....	1,237,500	15	1,234,380	15	1,297,000	15
Delaware.....	4,344,844	43	4,333,889	43	4,553,746	43
District of Columbia.....	273,665,705	1,682	272,975,717	1,719	286,823,665	1,699
Florida.....	10,239,939	118	10,214,121	115	10,732,280	112
Georgia.....	12,149,682	141	12,119,050	132	12,733,844	129
Hawaii.....	3,307,754	34	3,299,414	34	3,466,792	34
Idaho.....	6,569,634	71	6,553,070	68	6,885,505	66
Illinois.....	10,792,190	133	10,764,980	125	11,311,083	122
Indiana.....	8,919,468	105	8,896,979	102	9,348,320	99
Iowa.....	10,746,189	121	10,719,095	117	11,262,870	114
Kansas.....	6,000,917	72	5,985,787	72	6,289,443	70
Kentucky.....	11,398,748	131	11,370,009	129	11,946,804	126
Louisiana.....	9,660,033	115	9,635,677	112	10,124,491	110
Maine.....	7,108,338	87	7,090,416	84	7,450,110	82
Maryland.....	1,072,222	14	1,069,518	14	1,123,775	13
Massachusetts.....	4,242,117	44	4,231,421	42	4,446,080	41
Michigan.....	11,531,651	134	11,502,577	131	12,086,098	130
Minnesota.....	9,954,379	118	9,929,282	111	10,432,990	110
Mississippi.....	17,737,225	214	17,692,505	184	18,590,038	183
Missouri.....	12,478,608	147	12,447,146	147	13,078,585	144
Montana.....	4,600,972	50	4,589,372	53	4,822,189	52
Nebraska.....	6,034,931	71	6,019,715	68	6,325,093	67
Nevada.....	2,275,091	25	2,269,355	26	2,384,478	25
New Hampshire.....	2,094,219	25	2,088,939	25	2,194,910	24
New Jersey.....	4,094,744	46	4,084,420	47	4,291,621	46
New Mexico.....	4,703,338	53	4,691,480	54	4,929,477	53
New York.....	10,144,424	123	10,118,847	118	10,632,172	118
North Carolina.....	15,757,186	195	15,717,458	178	16,514,798	176
North Dakota.....	4,758,778	54	4,746,779	56	4,987,582	54
Ohio.....	9,985,112	117	9,959,937	112	10,465,200	110
Oklahoma.....	8,013,641	93	7,993,436	91	8,398,940	89
Oregon.....	6,688,094	72	6,671,232	74	7,009,661	72
Pennsylvania.....	10,343,177	120	10,317,099	116	10,840,481	116
Puerto Rico.....	7,479,286	89	7,460,429	93	7,838,894	91
Rhode Island.....	412,500	5	411,460	5	432,333	5
South Carolina.....	10,145,119	123	10,119,540	112	10,632,901	110
South Dakota.....	6,202,738	77	6,187,099	75	6,500,968	73
Tennessee.....	12,093,003	141	12,062,514	141	12,674,440	140
Texas.....	16,036,271	192	15,995,839	194	16,807,301	193
Utah.....	4,600,312	52	4,588,713	47	4,821,497	46
Vermont.....	3,871,304	43	3,861,543	39	4,057,438	39
Virginia.....	10,101,000	114	10,075,532	108	10,586,660	107
Washington.....	6,397,313	73	6,381,184	75	6,704,899	73
West Virginia.....	6,235,706	73	6,219,984	78	6,535,521	76
Wisconsin.....	8,280,260	99	8,259,383	102	8,678,379	100
Wyoming.....	3,300,430	39	3,292,109	40	3,459,116	39
Western Pacific Areas.....	1,139,915	21	1,137,041	21	1,194,723	19
Virgin Islands.....	301,284	4	300,524	4	315,770	4
Subtotal, Available or Estimate.....	667,887,686	6,281	666,203,754	6,200	700,000,000	6,100
Unobligated balance .....	411,204					
Total, Available or Estimate.....	668,298,890	6,281	666,203,754	6,200	700,000,000	6,100

## RURAL DEVELOPMENT

Classification by Objects  
2007 Actual and Estimated 2008 and 2009

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Personnel Compensation:			
Washington, D.C. ....	\$278,276,819	\$120,047,496	\$105,007,356
Field.....	119,347,623	280,110,824	298,867,092
11 Total personnel compensation.....	397,624,442	400,158,320	403,874,448
12 Personnel benefits.....	102,391,299	106,371,199	107,359,071
13 Benefits for former personnel.....	46,871	47,762	47,762
Total pers. comp. & benefits.....	500,062,612	506,577,281	511,281,281
Other Objects:			
21 Travel and transportation of persons.....	15,494,896	15,743,530	23,647,530
22 Transportation of things.....	713,456	1,436,745	1,436,745
23 Rent, Communications, & Utilities.....	1,652,869	1,684,273	1,684,273
23.2 Communication Services.....	624,737	636,607	636,607
23.3 Communication Services-GSA.....	969,942	988,371	988,371
23.4 Rents, Building.....	14,815,100	16,609,331	14,661,515
23.5 Postage and Related Fees.....	4,935,084	4,835,760	4,835,760
24 Printing and reproduction.....	2,148,598	2,189,421	2,189,421
25 Other contractual services.....	30,907,772	36,388,324	37,046,393
25.1 Advisory and assistance services.....	2,941,644	6,226,238	6,226,238
25.2 Other services.....	1,718,895	1,749,361	3,132,361
25.3 Repair, Alteration or Maintenance of.....			
Equipment, Furniture, or Structures.....	3,601,633	1,628,514	1,628,514
25.4 Operation and maintenance of facilities.....	1,044,069	1,063,906	1,063,906
25.5 Research and development contracts.....	59,804,421	43,090,984	62,370,139
25.6 ADP Services and Supplies.....	15,800,275	14,284,642	16,100,480
25.7 Miscellaneous Services.....	2,386,233	2,430,702	2,430,702
26 Supplies and materials.....	6,156,729	6,218,740	6,218,740
31 Equipment.....	1,892,531	1,812,055	1,812,055
33 Investments and Loans.....	343	0	0
41 Grants, Subsidies and Contributions to States	8,700	8,700	8,700
42 Insurance claims & indemnities.....	600,269	600,269	600,269
43 Interest and dividends.....	18,082	0	0
Total other objects.....	168,236,278	159,626,473	188,718,719
Total direct obligations.....	\$668,298,890	\$666,203,754	\$700,000,000
Position Data:			
Average Salary, ES positions.....	\$146,148	\$150,532	\$155,048
Average Salary, GS positions.....	\$63,507	\$65,730	\$67,636
Average Grade, GS positions.....	9.3	9.7	9.8