

2010 Explanatory Notes  
Rural Utilities Service

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## RURAL DEVELOPMENT UTILITIES PROGRAMS

### Purpose Statement

Rural Development's Utilities Programs enhance the quality of life and improve economic opportunity in rural communities by providing the basic infrastructure of modern life. Electricity and telecommunications are essential services for individuals and businesses alike. Adequate water and wastewater treatment capacity are significant quality of life, environmental and economic development issues. Tighter environmental standards and the importance of accommodating business growth in a rapidly diversifying rural economy add significantly to program demand.

### Authorization and Program Descriptions

Rural Development delivers electric and telecommunications programs authorized by the Rural Electrification Act of 1936, as amended.

### Electric Program

The electric program offers the following financing assistance: direct electric loans, treasury rate loans, municipal rate loans, guaranteed electric loans. The primary differences between the types of financial assistance are the qualifying criteria and the interest rate.

Direct electric loans (hardship rate loans) are used to finance electric distribution and sub-transmission facilities at the 5 percent hardship rate to qualified borrowers. These loans are made to applicants that meet rate disparity thresholds and whose consumers fall below average per capita household income thresholds. These loans may also be made if the program administrator determines that the borrower has suffered a severe unavoidable hardship, such as a natural disaster. In addition, to the extent of qualifying applications for the loans, Rural Development will provide this rate of financing to any applicant for a loan whose residential revenue exceeds 15 cents per kilowatt-hour sold.

Treasury rate loans are used to finance distribution and sub-transmission facilities of borrowers, including, under certain circumstances, the implementation of demand side management, energy conservation programs, and on-grid and off-grid renewable energy systems. The standard interest rate on direct Treasury rate loans will be established daily by the United States Treasury. Borrowers may select interest rate terms for each advance of funds. The minimum interest rate term is one year.

Guaranteed loans are provided primarily through the Federal Financing Bank (FFB), National Rural Utilities Cooperative Finance Corporation (CFC), and the National Bank for Cooperatives (CoBank). The FFB is an agency within the United States Treasury, providing funding in the form of loans for various government lending programs, including the guaranteed loan program. FFB loans are guaranteed by Rural Development and are available to all electric borrowers. FFB interest rates are fixed to the prevailing cost of money to the United States Treasury, plus an administrative fee of one-eighth of 1 percent. Loans are executed by the borrower and FFB, CFC, or CoBank, as applicable, and with payment of principal and interest guaranteed by Rural Development's Utilities Program.

### Telecommunications Program

Infrastructure loans are made to furnish and improve telecommunications services, including a wide array of telecommunication related services, in rural areas.

Hardship (direct loans) loans bear interest at a fixed rate of 5 percent per year. These loans are intended only for borrowers with extremely high investment costs in terms of per subscriber service. These borrowers also have a very low number of subscribers for each mile of telecommunications line constructed. This low subscriber "density" inherently increases the cost to serve the most sparsely

populated rural areas. Because of the high cost of the investment needed, these borrowers cannot typically afford higher interest rate loans.

Direct loans (or Treasury rate loans) bear interest at the government's cost of money (or the current Treasury rate). Thus, the interest charged varies with the Treasury rate. As Treasury rates increase, so does the cost to the borrower for these loans.

Guaranteed loans are provided to borrowers of a non-government lender or from the Federal Financing Bank (FFB). The interest rate charged on FFB loans is the Treasury rate plus an administrative fee of one-eighth of 1 percent. The terms of these loans may vary significantly and allow borrowers more flexibility in meeting their financing needs.

In terms of risk, all loans are based on extensive feasibility studies that determine a borrower's ability to repay the loan and loans are monitored and secured through covenants in loan contracts and the borrower's mortgage with Rural Development, which gives the government a first lien on all of the assets of the borrower.

Broadband loans were first authorized in the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) which established a new loan and loan guarantee program "Access to Broadband Telecommunications Services in Rural Areas." This program is designed to provide funding for the cost of constructing, improving, and acquiring facilities and equipment for broadband service in rural communities of 20,000 inhabitants or less. Direct loans are made at the cost of money to the Treasury for the life of the facilities financed. Loans may be made at four percent to rural communities where broadband service does not currently exist. Loan guarantees bear an interest rate set by the private lender consistent with the current applicable market rate for a loan of comparable maturity and are guaranteed for no more than 80 percent of the principal amount.

Distance learning and telemedicine (DLT) loans and grants are authorized by 7 U.S.C. 950aaa. This program assists rural schools and learning centers gain access to improved educational resources, and assists rural hospitals and health care centers gain access to improved medical resources. Building on advanced telecommunications infrastructure, telemedicine projects are providing new and improved health care services and benefits to rural residents, many in medically underserved areas, by linking to urban medical centers for clinical interactive video consultation, distance training of rural health care providers, and access to medical expertise and library resources. Distance learning projects provide funding for Internet-based educational services in schools and libraries and promote confidence in, and understanding of, the world-wide-web and its benefits to students and young entrepreneurs. Loans, made at the Treasury rate of interest, and grants will encourage, improve, and make affordable the use of advanced telecommunications. This increased use will provide educational and health care benefits to people living in rural areas. Program results have demonstrated the dramatic benefits that can be achieved by investments made in educational interactive video, Internet, and other information networks.

#### Water and Waste Disposal Loans and Grants

Direct Water and Waste Disposal Loans - Section 306 CONACT & 7 U.S.C. 1926. Direct loans may be made to develop water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and in cities and towns with a population of 10,000 or less.

Guaranteed Water and Waste Disposal Loans - Section 306 CONACT & 7 U.S.C. 1926. Guaranteed loans may be made for the same purpose as direct loans. They are made and serviced by private lenders such as banks and savings and loan associations. The guarantee is 90 percent of the eligible loss incurred by the lender.

Water and Waste Disposal Grants - Section 306 CONACT & 7 U.S.C. 1926. Grants are available to reduce water and waste disposal costs to a reasonable level for users of the system. Grants may be made, in some instances, up to 75 percent of eligible project costs.

Water and Waste Facility Loans and Grants to alleviate health risks - Section 306(c) CONACT & 7 U.S.C. 1926. Section 306C loans and grants are available to low-income rural communities whose residents face significant health risks because they do not have access to water supply systems or waste disposal facilities. The grants are available to provide water or waste services to designated colonias in Arizona, California, New Mexico, and Texas. Grants may be made in conjunction with loans and up to 100 percent of the eligible project cost.

Solid Waste Management Grants - Section 310 (b) CONACT & 7 U.S.C. 1932. Grants are made available to eligible organizations to address solid waste management issues and threats to water resources from solid waste in rural communities. Assistance may be provided to enhance operator skills in operations and maintenance, identify threats to water resources, reduce or eliminate pollution of water resources, improve planning and management of solid waste disposal facilities in rural areas, and reduce the solid waste stream.

#### Geographic dispersion of offices and employees

Rural Development programs are administered by the three programs representing Rural Development: Housing and Community Facilities, Utilities, Business and Cooperative Development. Rural Development headquarters is located in Washington, D.C. As of September 30, 2008, there were 5,771 permanent full-time employees, including 1,604 in the headquarters office and 4,411 in field offices.

#### OIG Reports

09601-004-TE FINAL – Broadband Loan and Grant Programs. In an effort to address criticisms and challenges encountered (from industry, Congress, the IG, as well as desired internal changes), Rural Development issued a Proposed Rule, published in May 2007 seeking comments from interested parties, that:

- (1) clearly defined served, underserved, and un-served markets based on service availability and the number of existing competitors and target un-served an underserved areas;
- (2) provided applicants with a clear definition of which communities are eligible for funding;
- (3) established equity requirements that provide incentives for serving the un-served;
- (4) reduced market survey requirements;
- (5) increased application transparency through web-based information dissemination; and
- (6) imposed new time limits for timely deployment of services to rural customers.

Rulemaking process was suspended in light of the new Farm Bill legislation which would make amendments to the statutory requirements, thus requiring further rulemaking. The 2008 Farm Bill was enacted June 2008.

#### New Regulation Implementing 2008 Farm Bill:

New regulations have been drafted; proceeding with publishing this regulation will address many of the open concerns reported in the last (and upcoming) OIG Audit. The new rules will:

- Implement a new definition of “rural” – eliminating financing in the “urbanized areas”
- Limit funding where there are already three or more service providers
- Place an emphasis on serving the un-served and under-served
- Streamline application procedures and increase the transparency of the application process

#### Current Status:

Working with Office of General Counsel for submission to the Department for clearance.

#### Current OIG Audit:

Discussion draft issued January 6, 2009; exit conference was January 29, 2009.

The Audit was still critical of the program, noting that since the original audit, many recommendations had not been adopted; specifically, issues concerning the definition of rural, funding in competitive areas, funding in “suburban” areas. Despite publishing a proposed rule that addressed these concerns (in May 2007), the audit made no reference to that action. The proposed rule:

- clearly defined served, underserved, and un-served markets based on service availability and the number of existing competitors and target un-served an underserved areas;
- provided applicants with a clear definition of which communities are eligible for funding;
- established minimum transmission rates that must be delivered to the consumer;
- established equity requirements that provide incentives for serving the un-served;
- increased application transparency through web-based information dissemination; and
- imposed new time limits for timely deployment of services to rural customers.

OIG revised the draft audit and provide some credit for issuing the proposed rule.

Current Status:

Official draft audit was issued 2/23/09.

Rural Development has responded with comments on 3/25/09, noting discrepancies and inaccuracies.

A final audit will be published in the near future.

09601-001-CH FINAL – Utilities Program progress in implementing the Improper Payments Information Act of 2002.

Agreement date was 09/29/2006 and is waiting to be closed out.

85099-01-HY Final Report – Homeland Security Issues At Rural Development.

Request for final action was submitted to the Director, Planning and Accountability Division, Office of the Chief Financial Officer (OCFO) in December 2005. The Water Programs Division received a response from the OCFO dated June 1, 2006, accepting final action on recommendations 2, 3 and 4. All recommendations in this audit are closed.

09601-001-CH Rural Utilities Service’s Progress in Implementing the Improper Payments Information Act of 2002.

The Utilities Program’s Financial Management Division (FMD) is overseeing the responses of the water program’s division to the OIG audit. The water program division responded to the audit and requested a management decision. In the spring 2006, FMD stated that a management decision had not been reached but must be reached within six months of the date of the final report. The water program’s division submitted their latest response to FMD on August 18, 2006. The water program’s division provided additional information and requested a management decision be reached on recommendations No. 1 and 3. OIG stated they can reach management decision on recommendation 1 and 3. Management decision for recommendation 2 was reached on May 11, 2006. On August 8, 2007, the water programs division submitted procedures for Management Control Review and State Internal Review as a final action to a recommendation for internal controls. On August 21, 2007, all recommendations in this audit were closed.

GAO Reports

320368 – Reviewing the Use and Effectiveness of U.S. Financial, Program, and Technical Assistance Under the Amended Compact of Free Association (P.L. 108-188) and Related Agreements.

360666 – Entrance: Impact of Coastal Barrier Resources Act (Departmental Audit – Rural Development has the lead).

360754 – Entrance: Freshwater Programs (Departmental Audit – Utilities Programs has the lead).

543159 – Exit: Funding of Public Broadcasting. Program staff had no issues with the comments in the report.

## RURAL UTILITIES SERVICE

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

Rural Water and Waste Disposal Program Account (including transfer of balances)

For the cost of direct loans, loan guarantees, and grants for the rural water, waste water, waste disposal, and solid waste management programs authorized by sections 306, 306A, 306C, 306D, and 310B and described in sections 306C(a)(2), 306D, and 381E(d)(2) of the Consolidated Farm and Rural Development Act, [~~\$556,268,000~~]\$546,230,000, to remain available until expended, of which not to exceed \$497,000 shall be available for the rural utilities program described in section 306(a)(2)(B) of such Act, and of which not to exceed \$993,000 shall be available for the rural utilities program described in section 306E of such Act: *Provided*, That \$65,000,000 of the amount appropriated under this heading shall be for loans and grants including water and waste disposal systems grants authorized by 306C(a)(2)(B) and 306D of the Consolidated Farm and Rural Development Act and for Federally-recognized Native American Tribes authorized by 306C(a)(1): *Provided further*, That not to exceed \$19,000,000 of the amount appropriated under this heading shall be for technical assistance grants for rural water and waste systems pursuant to section 306(a)(14) of such Act, unless the Secretary makes a determination of extreme need, of which \$5,600,000 shall be made available for a grant to a qualified non-profit multi-state regional technical assistance organization, with experience in working with small communities on water and waste water problems, the principal purpose of such grant shall be to assist rural communities with populations of 3,300 or less, in improving the planning, financing, development, operation, and management of water and waste water systems, and of which not less than \$800,000 shall be for a qualified national Native American organization to provide technical assistance for rural water systems for tribal communities: *Provided further*, That not to exceed \$14,000,000 of the amount appropriated under this heading shall be for contracting with qualified national organizations for a circuit rider program to provide technical assistance for rural water systems: *Provided further*, That not to exceed \$12,700,000 of the amount appropriated under this heading shall be available through  
1 June 30, [~~2009~~]2010, for authorized empowerment zones and enterprise communities and  
2 communities designated by the Secretary of Agriculture as Rural Economic Area Partnership Zones for the rural utilities programs described in section 381E(d)(2) of such Act: [*Provided further*, That \$17,500,000 of the amount appropriated under this heading shall be transferred to, and merged with, the Rural Utilities Service, High Energy Cost Grants Account to provide grants authorized under section 19 of the Rural Electrification Act of 1936 (7 U.S.C. 918a): *Provided further*, That any prior year balances for high cost energy grants authorized by section 19 of the Rural Electrification Act of 1936 (7 U.S.C. 901(19)) shall be transferred to and merged with the Rural Utilities Service, High Energy Costs Grants Account: ]*Provided further*, That section 381E-H and 381N of the Consolidated Farm and Rural Development Act are not applicable to the funds made available under this heading: *Provided further*, That any prior balances in the Rural Development, Rural Community Advancement Program account programs authorized by sections 306, 306A, 306C, 306D, and 310B and described in sections 306C(a)(2), 306D, and 381E(d)(2) of such Act be transferred and merged with this account and any other prior balances from the Rural Development, Rural Community Advancement Program account that the Secretary determines is appropriate to transfer.

The first change modifies the expiration date of set-aside funds for empowerment zones and enterprise communities from June 30, 2009, to June 30, 2010.

The second change eliminates the High Energy Cost grants since the program has been funded in previous years and unobligated funds are available for this purpose.

## RURAL UTILITIES SERVICE

Analysis of Change in AppropriationRURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

(On basis of loan level, subsidy, and grants)

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Grants</u>
Appropriations Act, 2009.....	\$932,386,183	\$125,349,860	\$413,418,140
Budget Estimates, 2010.....	<u>1,097,162,000</u>	<u>77,071,000</u>	<u>469,159,000</u>
Increase or decrease in Appropriations.....	<u><u>164,775,817</u></u>	<u><u>-48,278,860</u></u>	<u><u>55,740,860</u></u>

PROJECT STATEMENT

(On basis of supportable loan levels and appropriated subsidies and grants)  
(In thousands of dollars)

Item of Change	2008 Actual		2009 Estimated		Increase or Decrease		2010 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
Rural Water and Waste Disposal Programs:								
Direct loans <u>f</u> /.....	\$1,270,611	\$132,431	\$857,386	\$125,350	\$164,776 (1)	-\$48,279 (5)	\$1,022,162	\$77,071
Guaranteed loans <u>a</u> /.....	18,402	0	75,000	0	0	0	75,000	0
Grants <u>f</u> /.....	438,813	438,813	297,463	297,463	68,765 (2)	68,765	366,228	366,228
Technical assistance grants for rural waste systems.....	18,371	18,371	19,000	19,000	0	0	19,000	19,000
Circuit rider - technical assistance grants for rural water systems.....	13,654	13,654	14,000	14,000	0	0	14,000	14,000
Water and waste disposal grants, Alaskan villages.....	6,825	6,825	24,500	24,500	0	0	24,500	24,500
Water and waste disposal grants, native American tribes.....	21,604	21,604	16,000	16,000	0	0	16,000	16,000
Water and waste disposal grants, colonias.....	23,850	23,850	24,500	24,500	0	0	24,500	24,500
Grants - 2003/2004 hurricane em. supp. <u>b</u> /.....	0	0	0	0	0	0	0	0
Grants - 2005 hurricanes em. Supp. <u>c</u> /.....	0	0	0	0	0	0	0	0
Water well system grants.....	50	50	993	993	0	0	993	993
Water and wastewater revolving funds.....	497	497	497	497	0	0	497	497
Solid waste management grants.....	3,441	3,441	3,465	3,465	-24 (3)	-24	3,441	3,441
Emergency and imminent community water assistance grants.....	6,832	6,832	13,000	13,000	-13,000 (4)	-13,000	0	0
Emergency community water assistance grants - emergency supplemental.....	0	0	0	0	0	0	0	0
Emergency community water assistance grants - 2005 hurricanes em. Supp. <u>c</u> /.....	0	0	0	0	0	0	0	0
High energy costs grants <u>d</u> /.....	0	0	0	0	0	0	0	0
Total Available or Estimate.....	1,822,949	666,367	1,345,804	538,768	220,517	7,462	1,566,321	546,230
Transfer to high energy cost grants <u>d</u> /.....	19,860	19,860	17,500	17,500	-17,500	-17,500	0	0
Recovery of prior year obligations.....	-272,424	-30,806	0	0	0	0	0	0
Unobligated balance available, start of year.....	-88,922	-86,025	0	0	0	0	0	0
Unobligated balance expiring.....	56,598	0	0	0	0	0	0	0
Unobligated balance available, end of year.....	403,951	109,231	0	0	0	0	0	0
Budget Authority transfer from Commodity Credit Corporation <u>f</u> /.....	-355,832	-120,000	0	0	0	0	0	0
Rescission <u>e</u> /.....	10,653	3,938	0	0	0	0	0	0
Total Appropriation.....	1,596,833	562,565	1,363,304	556,268	203,017	-10,038	1,566,321	546,230

NOTE: Amounts reflected above are budget projections of use of funds within the Water and Waste Disposal Program Account. The justification of increases and decreases is based on the projected use of funds. Individual columns may not add due to rounding.

PROJECT STATEMENT  
(On basis of obligations under available funds)  
(In thousands of dollars)

Item of Change	2008 Actual		2009 Estimated		Increase or Decrease		2010 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
Rural Water and Waste Disposal Programs:								
Direct loans <u>f</u> /.....	\$1,270,611	\$132,431	\$894,493	\$130,775	\$127,669	-\$53,704	\$1,022,162	\$77,071
Direct loans - ARRA <u>i</u> /.....	0	0	2,733,516	399,640	-2,733,516	-399,640	0	0
Direct loans 2008 disasters em supp. <u>h</u> /.....	0	0	49,590	7,250	-49,590	-7,250	0	0
Guaranteed loans <u>a</u> /.....	18,402	0	75,000	0	0	0	75,000	0
Grants <u>f</u> /.....	438,813	438,813	322,173	322,173	44,055	44,055	366,228	366,228
Grants - ARRA <u>i</u> /.....	0	0	924,680	924,680	-924,680	-924,680	0	0
Technical assistance grants for rural waste systems.....	18,371	18,371	19,033	19,033	-33	-33	19,000	19,000
Circuit rider - technical assistance grants for rural water systems.....	13,654	13,654	14,000	14,000	0	0	14,000	14,000
Circuit rider - technical assistance grants for rural water systems - ARRA <u>i</u> /.....	0	0	14,280	14,280	-14,280	-14,280	0	0
WWD grants, Alaskan villages.....	6,825	6,825	84,646	84,646	-60,146	-60,146	24,500	24,500
WWD grants, native American tribes.....	21,604	21,604	16,042	16,042	-42	-42	16,000	16,000
Water and waste disposal grants, colonias.....	23,850	23,850	26,254	26,254	-1,754	-1,754	24,500	24,500
Grants - 2003/2004 hurricane em. supp. <u>b</u> /.....	0	0	41	41	-41	-41	0	0
Grants - 2005 hurricane em. Supp. <u>c</u> /.....	0	0	11,938	11,938	-11,938	-11,938	0	0
Grants - May 6, 2007 disasters em. Supp. <u>g</u> /.....	0	0	1,000	1,000	-1,000	-1,000	0	0
Grants - 2008 disasters em. Supp. <u>h</u> /.....	0	0	17,000	17,000	-17,000	-17,000	0	0
Water well system grants.....	50	50	993	993	0	0	993	993
Water and wastewater revolving funds.....	497	497	497	497	0	0	497	497
Solid waste management grants.....	3,441	3,441	3,465	3,465	-24	-24	3,441	3,441
Emergency and imminent community water assistance grants.....	6,832	6,832	13,000	13,000	-13,000	-13,000	0	0
Emergency community water assistance grants - emergency supplemental.....	0	0	190	190	-190	-190	0	0
Emergency community water assistance grants - 2005 hurricanes em. Supp. <u>c</u> /.....	0	0	4,953	4,953	-4,953	-4,953	0	0
High energy costs grants <u>d</u> /.....	0	0	0	0	0	0	0	0

PROJECT STATEMENT  
(On basis of obligations under available funds)  
(In thousands of dollars)

Item of Change	2008 Actual		2009 Estimated		Increase or Decrease		2010 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
Total Available or Estimate.....	1,822,949	666,367	5,226,782	2,011,849	-3,660,461	-1,465,619	1,566,321	546,230
Total administrative expenses - ARRA i/.....	0	0	0	41,400	0	-41,400	0	0
Total administrative expenses - 2008 disasters h/.....	0	0	0	750	0	-750	0	0
Transfer to high energy cost grants d/.....	19,860	19,860	17,500	17,500	-17,500	-17,500	0	0
Transfer of unobligated balances.....	0	0	-67,590	-26,000	67,590	26,000	0	0
Recovery of prior year obligations.....	-272,424	-30,806	0	0	0	0	0	0
Unobligated balance available, start of year.....	-88,922	-86,025	-140,913	-109,231	140,913	109,231	0	0
Unobligated balance available, start of year.....	56,598	0	0	0	0	0	0	0
Unobligated balance available, end of year...	403,951	109,231	0	0	0	0	0	0
Budget Authority transfer from Commodity Credit Corporation f/.....	-355,832	-120,000	0	0	0	0	0	0
ARRA Appropriation i/.....	0	0	-3,672,476	-1,380,000	3,672,476	1,380,000	0	0
Rescission e/.....	10,653	3,938	0	0	0	0	0	0
<b>Total Appropriation .....</b>	<b>1,596,833</b>	<b>562,565</b>	<b>1,363,304</b>	<b>556,268</b>	<b>203,017</b>	<b>-10,038</b>	<b>1,566,321</b>	<b>546,230</b>

NOTE: Amounts reflected above are budget projections of use of funds within the Water and Waste Disposal Program Account. The justification of increases and decreases is based on the projected use of funds. Individual columns may not add due to rounding.

Project Statement Footnotes

- a/ Negative subsidy rate of 0.82 percent FY 2008, FY 2009, and FY 2010. Therefore, corresponding budget authority is not required to support the loan levels.
- b/ Provided by the Emergency Supplemental Appropriations for Hurricanes Disasters Assistance Act of 2005, P.L. 108-324, signed October 13, 2004, for the purpose of serving communities affected by hurricanes and tropical storms in calendar year 2003 or 2004.
- c/ Provided by the Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and the Pandemic Influenza Act, 2006, P.L. 109-148, signed December 30, 2005, for the purpose of serving communities affected by hurricanes that occurred during the FY 2005 calendar year.
- d/ This program was transferred to the Rural Utilities Service, High Energy Cost Grant Account in accordance with the Consolidated Appropriations Act, 2008 and the Omnibus Appropriations Act, 2009.
- e/ The amounts are rescinded pursuant to Section 752 of Division A, Title VII, of P.L. 110-161.
- f/ Includes in FY 2008 mandatory funding provided by section 6029 of the Food, Conservation, and Energy Act of 2008, Public Law 110-246, dated June 18, 2008, to relieve the backlog of water and waste disposal loans and grants. The Act provides \$120,000,000 from the funds of the Commodity Credit Corporation in FY 2008, to remain available until expended.
- g/ Transfer of unobligated balances in the amount of \$1 million from the funds provided by the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, P.L. 110-28, signed May 25, 2007, for areas in Kansas hit by the tornadoes on May 6, 2007, to water and waste disposal grants.
- h/ Transfers from the Rural Development Disaster Assistance Fund provided by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009, P.L. 110-329 in the amount of \$25 million.
- i/ Provided by the American Recovery and Reinvestment Act of 2009 , P.L. 111-5, signed February 17, 2009, for the purpose of making supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization. The funds are available through the fiscal year ending September 30, 2010.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$164,775,621 in direct water and waste disposal loans (\$857,386,183 available in 2009).

Funding for the FY 2010 loan level was estimated using the FY 2009 Omnibus appropriations bill and conference report. Because funds are flexible within this account, the FY 2009 expected loan level was lowered after passage of the Omnibus. It is notable that the subsidy rate decreased from 14.62 percent to 7.54 percent, which means that even with an increased loan level of \$164.776 million, the subsidy cost is significantly less for FY 2010, only \$77.071 million, a decrease of \$48.279 from the FY 2009 Budget.

- (2) An increase of \$68,764,840 in rural water and waste disposal grants (\$297,463,100 available in 2009).

Grants are increased in order to serve more communities with low incomes and other factors, such as persistent poverty and high unemployment. They reduce the cost of service to what families in these communities can afford to repay. Without an adequate amount of grants, most of which are combined with loans, many communities would not be able to resolve health hazards by acquiring facilities that will provide clean water and safe waste disposal. Outmigration, job losses, and difficult economic conditions in rural areas have increased the cost of the services needed by these communities.

- (3) A decrease of \$24,000 in solid waste management grants (\$3,465,000 available in 2009).

For the solid waste management grants, the budget maintains the FY 2008 enacted level and the flexibility to transfer funding among programs, in the Rural Water and Waste Disposal Program Account. This flexibility allows funds to be directed to meet local priorities.

- (4) A decrease of \$13,000,000 for emergency and imminent community water assistance grants (\$13,000,000 available in FY 2009).

For the emergency and imminent community water assistance grants, the budget maintains flexibility to transfer funding among programs, in the Water and Waste Disposal Program Account. This flexibility allows funds to be directed to meet local priorities.

- (5) A decrease of \$48,278,860 in the loan subsidy for the direct water and waste disposal loans (\$125,349,860 available in 2009).

The requested subsidy amount is necessary to support the estimated loan obligations associated with the requested FY 2010 loan levels for the direct water and waste disposal loan program. The change is due to the subsidy rate declines from 14.62 percent to 7.54 percent due to the projected interest rates for the FY 2010 President's Budget economic assumptions.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Rural Water and Waste Disposal Loan Program - Direct

	2008	2009	2010
Alabama	\$23,883,864	\$24,132,000	\$27,253,000
Alaska	348,000	7,062,000	8,477,000
Arizona	3,583,000	13,328,000	15,369,000
Arkansas	32,423,900	17,280,000	19,716,000
California	30,769,000	25,610,000	28,879,000
Colorado	11,315,000	11,212,000	13,041,000
Connecticut	9,122,000	7,304,000	8,742,000
Delaware	18,895,000	5,806,000	7,094,000
Florida	27,909,000	22,282,000	25,218,000
Georgia	23,935,800	31,170,000	34,995,000
Hawaii	--	6,099,000	7,417,000
Idaho	24,835,000	9,010,000	10,619,000
Illinois	28,420,400	20,798,000	23,586,000
Indiana	28,698,000	21,333,000	24,174,000
Iowa	37,276,871	14,332,000	16,473,000
Kansas	27,648,410	10,865,000	12,659,000
Kentucky	29,212,000	24,872,000	28,067,000
Louisiana	24,369,500	16,763,000	19,147,000
Maine	14,647,000	11,286,000	13,122,000
Maryland	18,836,000	9,766,000	11,450,000
Massachusetts	10,288,960	7,420,000	8,870,000
Michigan	81,246,000	30,044,000	33,756,000
Minnesota	42,875,000	18,092,000	20,609,000
Mississippi	30,505,255	22,101,000	25,019,000
Missouri	22,515,800	21,624,000	24,494,000
Montana	10,767,697	8,756,000	10,339,000
Nebraska	14,368,000	8,891,000	10,488,000
Nevada	5,785,000	6,359,000	7,703,000
New Hampshire	20,201,000	8,184,000	9,710,000
New Jersey	16,013,000	7,643,000	9,115,000
New Mexico	6,495,486	10,578,000	12,343,000
New York	39,919,800	24,185,000	27,311,000
North Carolina	93,975,000	34,091,000	38,208,000
North Dakota	13,690,000	6,645,000	8,017,000
Ohio	27,853,000	29,917,000	33,616,000
Oklahoma	31,610,320	15,863,000	18,157,000
Oregon	11,575,000	12,492,000	14,449,000
Pennsylvania	55,148,300	28,250,000	31,783,000
Rhode Island	623,000	4,723,000	5,903,000
South Carolina	23,968,640	22,313,000	25,252,000
South Dakota	20,457,500	7,605,000	9,073,000
Tennessee	44,293,000	27,298,000	30,736,000
Texas	71,177,500	34,091,000	38,208,000
Utah	6,801,000	7,124,000	8,544,000
Vermont	10,202,000	7,771,000	9,256,000
Virginia	24,746,000	21,476,000	24,331,000
Washington	26,814,852	14,590,000	16,757,000
West Virginia	41,807,706	14,955,000	17,158,000
Wisconsin	31,363,000	19,464,000	22,118,000
Wyoming	3,385,000	6,031,000	7,342,000
Puerto Rico	14,011,520	11,540,000	13,402,000
Virgin Islands		830,000	1,621,000
W. Pacific Areas		830,000	1,621,000
Undistributed	--	82,406,520	91,355,000
Total Avail./Est.	<u>\$1,270,611,081</u>	<u>\$894,492,520</u>	<u>\$1,022,162,000</u>

Direct Water and Waste Loans - Stimulus

	2008	2009	2010
Total Avail./Est.	<u>--</u>	<u>\$2,733,515,732 1/</u>	<u>--</u>

1/ Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Rural Water and Waste Disposal Loans  
2008 Disasters

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>    --</u>	<u>\$49,589,603 <sup>1/</sup></u>	<u>    --</u>

<sup>1/</sup> Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Rural Water and Waste Disposal Loans - Guaranteed

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alabama	--	\$1,531,000	\$1,531,000
Alaska	--	933,000	933,000
Arizona	--	1,150,000	1,150,000
Arkansas	--	1,292,000	1,292,000
California	\$475,000	1,582,000	1,582,000
Colorado	--	1,077,000	1,077,000
Connecticut	--	941,000	941,000
Delaware	--	889,000	889,000
Florida	750,000	1,462,000	1,462,000
Georgia	--	1,777,000	1,777,000
Hawaii	--	900,000	900,000
Idaho	750,000	1,001,000	1,001,000
Illinois	541,000	1,414,000	1,414,000
Indiana	--	1,433,000	1,433,000
Iowa	70,000	1,188,000	1,188,000
Kansas	4,500,000	1,067,000	1,067,000
Kentucky	--	1,557,000	1,557,000
Louisiana	100,000	1,271,000	1,271,000
Maine	--	1,082,000	1,082,000
Maryland	--	1,028,000	1,028,000
Massachusetts	--	945,000	945,000
Michigan	--	1,730,000	1,730,000
Minnesota	1,200,000	1,320,000	1,320,000
Mississippi	1,656,000	1,460,000	1,460,000
Missouri	100,000	1,443,000	1,443,000
Montana	--	993,000	993,000
Nebraska	--	998,000	998,000
Nevada	--	908,000	908,000
New Hampshire	--	973,000	973,000
New Jersey	--	953,000	953,000
New Mexico	1,000,000	1,055,000	1,055,000
New York	--	1,533,000	1,533,000
North Carolina	--	1,880,000	1,880,000
North Dakota	--	918,000	918,000
Ohio	5,400,000	1,733,000	1,733,000
Oklahoma	--	1,242,000	1,242,000
Oregon	--	1,124,000	1,124,000
Pennsylvania	--	1,675,000	1,675,000
Rhode Island	--	851,000	851,000
South Carolina	--	1,467,000	1,467,000
South Dakota	--	953,000	953,000
Tennessee	--	1,642,000	1,642,000
Texas	110,000	1,880,000	1,880,000
Utah	--	936,000	936,000
Vermont	--	959,000	959,000
Virginia	--	1,438,000	1,438,000
Washington	1,750,000	1,197,000	1,197,000
West Virginia	--	1,207,000	1,207,000
Wisconsin	--	1,367,000	1,367,000
Wyoming	--	897,000	897,000
Puerto Rico	--	1,088,000	1,088,000
Virgin Island	--	830,000	830,000
W. Pacific Areas	--	830,000	830,000
Undistributed	--	10,000,000	10,000,000
Total Avail./Est.	<u>\$18,402,000</u>	<u>\$75,000,000</u>	<u>\$75,000,000</u>

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Rural Water and Waste Disposal Grants

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alabama	\$10,985,700	\$8,134,000	7,802,000
Alaska	11,297,932	2,390,000	2,058,000
Arizona	5,873,784	4,487,000	4,155,000
Arkansas	15,027,346	5,831,000	5,498,000
California	13,218,400	8,632,000	8,299,000
Colorado	3,960,000	3,779,000	3,477,000
Connecticut	3,932,390	2,472,000	2,140,000
Delaware	3,960,000	1,970,000	1,638,000
Florida	12,176,380	7,481,000	7,149,000
Georgia	15,657,000	10,501,000	10,168,000
Hawaii	--	2,072,000	1,740,000
Idaho	7,781,000	3,043,000	2,711,000
Illinois	13,636,408	7,014,000	6,681,000
Indiana	10,763,150	7,194,000	6,861,000
Iowa	12,120,999	4,840,000	4,507,000
Kansas	11,178,536	3,674,000	3,341,000
Kentucky	13,513,375	8,383,000	8,050,000
Louisiana	8,521,439	5,635,000	5,302,000
Maine	16,377,000	3,816,000	3,483,000
Maryland	11,408,418	3,305,000	2,972,000
Massachusetts	3,324,120	2,511,000	2,179,000
Michigan	16,332,000	10,079,000	9,746,000
Minnesota	12,405,500	6,103,000	5,770,000
Mississippi	9,959,675	7,451,000	7,118,000
Missouri	11,046,233	7,291,000	6,959,000
Montana	9,578,230	2,966,000	2,634,000
Nebraska	6,331,800	3,011,000	2,678,000
Nevada	3,611,686	2,156,000	1,823,000
New Hampshire	8,205,000	2,773,000	2,440,000
New Jersey	3,519,000	2,585,000	2,253,000
New Mexico	22,783,271	3,567,000	3,235,000
New York	10,377,945	8,152,000	7,820,000
North Carolina	14,355,500	11,482,000	11,149,000
North Dakota	6,565,320	2,251,000	1,919,000
Ohio	11,942,146	10,079,000	9,747,000
Oklahoma	29,266,170	5,354,000	5,022,000
Oregon	7,613,844	4,221,000	3,890,000
Pennsylvania	13,817,200	9,518,000	9,186,000
Rhode Island	1,194,400	1,608,000	1,277,000
South Carolina	9,402,440	7,523,000	7,190,000
South Dakota	5,221,028	2,578,000	2,245,000
Tennessee	12,101,100	9,199,000	8,866,000
Texas	24,178,316	11,482,000	11,149,000
Utah	2,362,600	2,417,000	2,085,000
Vermont	8,641,200	2,634,000	2,302,000
Virginia	10,244,200	7,242,000	6,910,000
Washington	7,008,300	4,926,000	4,594,000
West Virginia	19,498,100	5,029,000	4,697,000
Wisconsin	13,504,455	6,565,000	6,233,000
Wyoming	1,968,000	2,046,000	1,714,000
Puerto Rico	5,368,520	3,888,000	3,555,000
Virgin Islands	--	830,000	498,000
W. Pacific Areas	--	830,000	498,000
Undistributed	--	207,148,256	206,815,000
Total Avail./Est.	<u>\$523,116,556</u>	<u>\$482,148,256</u>	<u>\$464,228,000</u>

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Rural Water and Waste Disposal Grants  
2003/2004 Hurricanes for Natural Disaster

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>          --</u>	<u>      \$40,556 1/</u>	<u>          --</u>

Rural Water and Waste Disposal Grants  
2005 Hurricanes for Natural Disaster

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>          --</u>	<u>      \$11,937,587 1/</u>	<u>          --</u>

Rural Water and Waste Disposal Grants  
2008 Disasters

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>          --</u>	<u>      \$17,000,000 1/</u>	<u>          --</u>

Rural Water and Waste Individually-Owned Water Well System Grants

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tennessee	<u>      \$50,000</u>	<u>          --</u>	<u>          --</u>
Total Avail./Est.	<u>      \$50,000</u>	<u>      \$993,000 1/</u>	<u>      \$993,000 1/</u>

Rural Water and Wastewater Revolving Fund Grants

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Oklahoma	<u>      \$496,500</u>	<u>          --</u>	<u>          --</u>
Total Avail./Est.	<u>      \$496,500</u>	<u>      \$497,000 1/</u>	<u>      \$497,000 1/</u>

1/ Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Rural Water and Waste Grants - Stimulus

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>          --</u>	<u>\$924,680,000 1/</u>	<u>          --</u>

Circuit Rider - Technical Assistance Grants for Rural Water Systems Stimulus

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>          --</u>	<u>\$14,280,000 1/</u>	<u>          --</u>

1/ Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Solid Waste Management Grants

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alaska	\$515,000	--	--
Arizona	471,000	--	--
Arkansas	68,000	--	--
California	192,600	--	--
Idaho	50,000	--	--
Illinois	40,000	--	--
Kentucky	75,000	--	--
Louisiana	95,000	--	--
Maine	203,000	--	--
Michigan	145,245	--	--
Nevada	96,000	--	--
New Hampshire	210,000	--	--
New Mexico	60,000	--	--
North Carolina	95,000	--	--
Ohio	165,000	--	--
Oklahoma	80,000	--	--
Pennsylvania	399,900	--	--
Texas	110,000	--	--
Utah	100,000	--	--
Vermont	120,000	--	--
West Virginia	150,000	--	--
Total Avail./Est.	<u>\$3,440,745</u>	<u>\$3,465,000</u> <sup>1/</sup>	<u>\$3,441,000</u> <sup>1/</sup>

<sup>1/</sup> Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Emergency and Imminent Community Water Assistance Grants

	<u>2008</u>	<u>2009</u>	<u>2010</u>
California	\$150,000	--	--
Idaho	650,000	--	--
Illinois	334,400	--	--
Kentucky	500,000	--	--
Missouri	150,000	--	--
Montana	500,000	--	--
Nebraska	1,730,000	--	--
New Mexico	500,000	--	--
New York	240,000	--	--
Oklahoma	464,000	--	--
Tennessee	1,107,700	--	--
Washington	506,000	--	--
Total Avail./Est.	<u>\$6,832,100</u>	<u>\$13,000,000</u> <sup>1/</sup>	<u>--</u>

Emergency and Imminent Community Water Assistance Grants  
for Natural Disaster

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>--</u>	<u>\$189,987</u> <sup>1/</sup>	<u>--</u>

Emergency and Imminent Community Water Assistance Grants  
2005 Hurricanes for Natural Disaster:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>--</u>	<u>\$4,953,300</u> <sup>1/</sup>	<u>--</u>

<sup>1/</sup> Cannot be distributed by geographic area in advance.

## RURAL UTILITIES SERVICE

## RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Classification by Objects  
2008 Actual and Estimated 2009 and 2010

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Other Objects:			
25 Other purchases of goods and services from government accounts.....	\$0	\$42,150,000	\$0
41 Grants, subsidies, and contributions.....	<u>666,366,843</u>	<u>2,011,849,492</u>	<u>546,230,000</u>
Total direct obligations.....	<u><u>666,366,843</u></u>	<u><u>2,053,999,492</u></u>	<u><u>546,230,000</u></u>

## RURAL UTILITIES SERVICE

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

Rural Electrification and Telecommunications Loans Program Account (including transfer of funds)

The principal amount of direct and guaranteed loans as authorized by section 305 of the Rural Electrification Act of 1936 (7 U.S.C. 935) shall be made as follows: 5 percent rural electrification loans, \$100,000,000; loans made pursuant to section 306 of that Act, rural electric, \$6,500,000,000; 5 percent rural telecommunications loans, \$145,000,000; cost of money rural telecommunications loans, \$250,000,000; and for loans made pursuant to section 306 of that Act, rural telecommunications loans, \$295,000,000.

- 1 [For the cost, as defined in section 502 of the Congressional Budget Act of 1974, including the cost of modifying loans, of direct and guaranteed loans authorized by sections 305 and 306 of the Rural Electrification Act of 1936 (7 U.S.C. 935 and 936), as follows: the cost of telecommunications loans, \$525,000: Provided, That notwithstanding section 305(d)(2) of the Rural Electrification Act of 1936, borrower interest rates may exceed 7 percent per year.]

- 2 In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [~~\$39,245,000~~]\$39,959,000, which shall be [~~transferred to and merged with~~]paid to the appropriation for "Rural Development, Salaries and Expenses".

The first change eliminates the language for the cost of the electrification and telecommunication loan programs because the requested programs have a negative subsidy rate; therefore, no appropriations are required.

The second change reflects language simplifying the transfer and consolidation of funds from the individually appropriated administrative expense account to the Rural Development, Salaries and Expense account.

## RURAL UTILITIES SERVICE

Analysis of Change in AppropriationRURAL ELECTRIFICATION AND TELECOMMUNICATIONS ACCOUNT

(On basis of loan level, subsidy, and grants)

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Administrative Expenses</u>
Appropriations Act, 2009.....	\$7,290,000,000	\$525,000	\$39,245,000
Budget Estimate, 2010.....	7,290,000,000	0	39,959,000
Increase or Decrease in Appropriations.....	<u>0</u>	<u>-525,000</u>	<u>714,000</u>

PROJECT STATEMENT

(On basis of supportable loan levels and appropriated subsidies and grants)

(In thousands of dollars)

Item of Change	2008 Actual		2009 Budget		Increase or Decrease		2010 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
Electric Loans:								
Direct, 5% a/.....	\$99,300	\$119	\$100,000	\$0	\$0	\$0	\$100,000	\$0
Direct, Treasury Rate.....	0	0	0	0	0	0	0	0
Direct, Municipal.....	0	0	0	0	0	0	0	0
Direct, FFB b/.....	6,500,000	0	6,500,000	0	0	0	6,500,000	0
Direct, FFB, loan modifications - 2005								
Hurricane Supplemental f/.....	0	0	0	0	0	0	0	0
Direct, FFB, loan modifications - 2008								
Hurricane Supplemental g/.....	0	0	0	0	0	0	0	0
Electric Underwriting Loans.....	500,000	0	0	0	0	0	0	0
Total Electric.....	7,099,300	119	6,600,000	0	0	0	6,600,000	0
Telecommunications Loans:								
Direct, 5% c/.....	143,985	115	145,000	0	0	0	145,000	0
Direct, Treasury Rate.....	374,238	2,508	250,000	525	0	-525	250,000	0
Direct, FFB d/.....	156,743	972	295,000	0	0	0	295,000	0
Total Telecommunications.....	674,966	3,595	690,000	525	0	-525	690,000	0
Total loans and subsidies.....	7,774,266	3,714	7,290,000	525	0	-525 (1)	7,290,000	0
Total administrative expenses e/.....	0	38,353	0	39,245	0	714 (2)	0	39,959
Unobligated balance available, start of year.....	0	-7,015	0	0	0	0	0	0
Unobligated balance expiring.....	10,204	0	0	0	0	0	0	0
Unobligated balance available, end of year.....	0	7,015	0	0	0	0	0	0
Rescission h/.....	5,530	296	0	0	0	0	0	0
Total Appropriation.....	7,790,000	42,363	7,290,000	39,770	0	189	7,290,000	39,959

NOTE: Individual columns may not add due to rounding.

Staff-years are reflected in the Salaries and Expenses Project Statement.

**PROJECT STATEMENT**  
 (On basis of obligations under available funds)  
 (In thousands of dollars)

Item of Change	2008 Actual		2009 Budget		Increase or Decrease		2010 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
<b>Electric Loans:</b>								
Direct, 5% a/.....	\$99,300	\$119	\$100,000	\$0	\$0	\$0	\$100,000	\$0
Direct, Treasury Rate.....	0	0	0	0	0	0	0	0
Direct, Municipal.....	0	0	0	0	0	0	0	0
Direct, FFB b/.....	6,500,000	0	6,500,000	0	0	0	6,500,000	0
Direct, FFB, loan modifications - 2005								
Hurricane Supplemental f/.....	0	0	7,015	7,015	-7,015	-7,015	0	0
Direct, FFB, loan modifications - 2008								
Hurricane Supplemental g/.....	0	0	970	970	-970	-970	0	0
Electric Underwriting Loans.....	500,000	0	0	0	0	0	0	0
<b>Total Electric.....</b>	<b>7,099,300</b>	<b>119</b>	<b>6,607,985</b>	<b>7,985</b>	<b>-7,985</b>	<b>-7,985</b>	<b>6,600,000</b>	<b>0</b>
<b>Telecommunications Loans:</b>								
Direct, 5% c/.....	143,985	115	145,000	0	0	0	145,000	0
Direct, Treasury Rate.....	374,238	2,508	250,000	525	0	-525	250,000	0
Direct, FFB d/.....	156,743	972	295,000	0	0	0	295,000	0
<b>Total Telecommunications.....</b>	<b>674,966</b>	<b>3,595</b>	<b>690,000</b>	<b>525</b>	<b>0</b>	<b>-525</b>	<b>690,000</b>	<b>0</b>
<b>Total loans and subsidies.....</b>	<b>7,774,266</b>	<b>3,714</b>	<b>7,297,985</b>	<b>8,510</b>	<b>-7,985</b>	<b>-8,510</b>	<b>7,290,000</b>	<b>0</b>
<b>Total administrative expenses e/.....</b>	<b>0</b>	<b>38,353</b>	<b>0</b>	<b>39,245</b>	<b>0</b>	<b>714</b>	<b>0</b>	<b>39,959</b>
<b>Total administrative expenses - 2008</b>								
Disasters g/.....	0	0	0	30	0	-30	0	0
Unobligated balance available, start of year.....	0	-7,015	-7,015	-7,015	7,015	7,015	0	0
Unobligated balance expiring.....	10,204	0	0	0	0	0	0	0
Transfer of unobligated balance.....	0	0	-970	-1,000	970	1,000	0	0
Unobligated balance available, end of year.....	0	7,015	0	0	0	0	0	0
Rescission h/.....	5,530	296	0	0	0	0	0	0
<b>Total Appropriation.....</b>	<b>7,790,000</b>	<b>42,363</b>	<b>7,290,000</b>	<b>39,770</b>	<b>0</b>	<b>189</b>	<b>7,290,000</b>	<b>39,959</b>

NOTE: Individual columns may not add due to rounding.

Staff-years are reflected in the Salaries and Expenses Project Statement.

- a/ Negative subsidy rates of 2.38% and 27.73%, respectively, were calculated for FY 2009 and FY 2010. Therefore, corresponding budget authority is not required to support the program levels.
- b/ Negative subsidy rates of 0.70%, 2.28%, and 0.47% were calculated for FY 2008, FY 2009, and FY 2010, respectively. Therefore, corresponding budget authority is not required to support the program levels.
- c/ Negative subsidy rates of 1.76%, and 18.59%, respectively, were calculated for FY 2009 and FY 2010. Therefore, corresponding budget authority is not required to support the program levels.
- d/ Negative subsidy rates of 0.94% and 0.65%, respectively, were calculated for FY 2009 and FY 2010. Therefore, corresponding budget authority is not required to support the program levels.
- e/ In FY 2008 and FY 2009, funding of \$38,352,639 and \$39,245,000, respectively, were appropriated and transferred to the Rural Development Salaries and Expenses account. In FY 2010, funding of \$39,959,000 is requested and will be paid to the Rural Development Salaries and Expenses account.
- f/ Provided by the Department of Defense, Emergency Supplemental Appropriations to address Hurricanes in the Gulf of Mexico and Pandemic Influenza Act, 2006, P.L. 109-148, signed December 30, 2005, to respond to damage caused by hurricanes that occurred during the 2005 calendar years.
- g/ Provided by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009, Division B - Disaster Relief and Recovery Supplemental Appropriations Act, 2008, P.L. 110-329, dated September 30, 2008, for President declared major disaster, occurring during 2008.
- h/ The FY 2008 amounts are rescinded pursuant to Section 752 of Division A, Title VII, of P.L. 110-161.

JUSTIFICATION OF INCREASE AND DECREASE

- (1) A decrease of \$525,000 in loan subsidy for electric and telecommunication programs (\$525,000 available in 2009).

The new subsidy rates for requested programs are negative; therefore, no appropriations are required.

- (2) An increase of \$714,000 in administrative expenses (\$39,245,000 available in 2009).

Justifications for administrative expenses in the amount of \$39,959,000 and the associated staff-years are reflected in the Rural Development Salaries and Expenses Project Statement.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Electric Loans - Direct

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Iowa	\$1,648,000	--	--
Kansas	15,663,000	--	--
Minnesota	2,972,000	--	--
Missouri	8,000,000	--	--
New Mexico	28,654,000	--	--
North Dakota	15,000,000	--	--
South Dakota	7,625,000	--	--
Virginia	19,738,000	--	--
Total Avail./Est.	<u>\$99,300,000</u>	<u>\$100,000,000</u> <sup>1/</sup>	<u>\$100,000,000</u> <sup>1/</sup>

<sup>1/</sup> Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Electric Loans - FFB

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alabama	\$238,604,000	--	--
Arizona	122,159,000	--	--
Arkansas	196,950,000	--	--
California	7,900,000	--	--
Colorado	267,204,000	--	--
Florida	98,750,000	--	--
Georgia	913,946,000	--	--
Illinois	18,379,000	--	--
Indiana	211,000,000	--	--
Iowa	32,663,000	--	--
Kansas	143,862,000	--	--
Kentucky	1,067,484,000	--	--
Maine	4,764,000	--	--
Michigan	142,163,000	--	--
Minnesota	138,041,000	--	--
Mississippi	7,324,000	--	--
Missouri	238,730,000	--	--
Montana	15,716,000	--	--
Nebraska	22,680,000	--	--
New Mexico	44,999,000	--	--
New York	10,063,000	--	--
North Carolina	285,000,000	--	--
North Dakota	552,531,000	--	--
Ohio	120,396,000	--	--
Oklahoma	87,214,000	--	--
Oregon	18,749,000	--	--
Pennsylvania	17,000,000	--	--
South Carolina	106,801,000	--	--
South Dakota	67,065,000	--	--
Tennessee	67,000,000	--	--
Texas	921,672,000	--	--
Vermont	3,135,000	--	--
Virginia	105,108,000	--	--
Wisconsin	204,948,000	--	--
Total Avail./Est.	<u>\$6,500,000,000</u>	<u>\$6,500,000,000 1/</u>	<u>\$6,500,000,000 1/</u>

Guaranteed Underwriting Loans

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Virginia	\$500,000,000	--	--
Total Avail./Est.	<u>\$500,000,000</u>	<u>--</u>	<u>--</u>

Electric Loans 2005 Hurricanes Modifications for Natural Disaster

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>--</u>	<u>\$7,015,083 1/</u>	<u>--</u>

Electric Loans 2008 Hurricanes Modifications for Natural Disaster

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>--</u>	<u>\$970,000 1/</u>	<u>--</u>

1/ Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Telephone Loans - Direct 5% and Treasury Rate

	<u>2008</u>	<u>2009</u>	<u>2010</u>
California	\$16,900,000	--	--
Colorado	29,576,000	--	--
Georgia	20,495,000	--	--
Indiana	90,181,000	--	--
Iowa	13,045,000	--	--
Kansas	17,139,000	--	--
Kentucky	19,200,000	--	--
Minnesota	22,200,000	--	--
Nebraska	48,727,000	--	--
New Mexico	28,438,000	--	--
Oregon	23,275,000	--	--
South Dakota	43,197,000	--	--
Tennessee	48,611,000	--	--
Texas	19,427,000	--	--
Utah	45,131,000	--	--
Wisconsin	32,681,000	--	--
Total Avail./Est.	<u>\$518,223,000</u>	<u>\$395,000,000</u> <sup>1/</sup>	<u>\$395,000,000</u> <sup>1/</sup>

Telephone Loans FFB

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alabama	\$23,988,000	--	--
Minnesota	7,934,000	--	--
North Dakota	17,901,000	--	--
South Dakota	78,246,000	--	--
Texas	794,000	--	--
Utah	27,880,000	--	--
Total Avail./Est.	<u>\$156,743,000</u>	<u>\$295,000,000</u> <sup>1/</sup>	<u>\$295,000,000</u> <sup>1/</sup>

<sup>1/</sup> Cannot be distributed by geographic area in advance.

## RURAL UTILITIES SERVICE

## RURAL ELECTRIFICATION AND TELECOMMUNICATIONS PROGRAM

Classification by Objects  
2008 Actual and Estimated 2009 and 2010

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Other Objects:			
25 Other purchases of goods and services from government accounts.....	\$38,352,639	\$39,275,000	\$39,959,000
41 Grants, subsidies, and contributions.....	<u>3,713,549</u>	<u>8,510,000</u>	<u>0</u>
Total direct obligations.....	<u>42,066,188</u>	<u>47,785,000</u>	<u>39,959,000</u>

## RURAL UTILITIES SERVICE

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

Distance Learning, Telemedicine and Broadband Program [(including rescission of funds)]

For the principal amount of broadband telecommunication loans, [~~\$400,487,000~~]\$531,699,000.

- 1 For grants for telemedicine and distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., [~~\$34,755,000~~]\$29,790,000, to remain available until expended: *Provided*, That the Secretary may use funds under this heading for grants authorized by 379(g) of the Consolidated Farm and Rural Development Act[: *Provided further*, That \$4,965,000 shall be made available to convert analog to digital operation those noncommercial educational television broadcast stations that serve rural areas and are qualified for Community Service Grants by the Corporation for Public Broadcasting under section 396(k) of the Communications Act of 1934, including associated translators and repeaters, regardless of the location of their main transmitter, studio-to-transmitter links, and equipment to allow local control over digital content and programming through the use of high-definition broadcast, multi-casting and datacasting technologies].

- 2 For the cost of broadband loans, as authorized by section 601 of the Rural Electrification Act, [~~\$15,619,000~~]\$38,495,000, to remain available until expended[: *Provided*, That the cost of direct loans shall be as defined in section 502 Congressional budget Act of 1974: *Provided further*, That of the unobligated balances available for the cost of the broadband loans, \$6,404,000 are rescinded].

In addition, \$13,406,000, to remain available until expended, for a grant program to finance broadband transmission in rural areas eligible for Distance Learning and Telemedicine Program benefits authorized by 7 U.S.C. 950aaa.

First change eliminates \$4,965,000 in funding to convert analog to digital operation to allow local control over digital content and programming through the use of high definition broadcast, multi-casting and data-casting technologies as the conversion will be finalized by June 30, 2009. Funding is not needed for this purpose in FY 2010.

Second change eliminates the language for a rescission of unobligated balances available for cost of the broadband loans in the amount of \$6,404,000 in 2010. The budget does not propose such rescission in FY 2010.

## RURAL UTILITIES SERVICE

Analysis of Change in AppropriationDISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM ACCOUNT

(On basis of loan level, subsidy, and grants)

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Grants</u>
Appropriations Act, 2009.....	\$400,487,179	\$15,619,000	\$48,161,000
Budget Estimates, 2010.....	531,698,895	38,495,000	43,196,000
Increase or Decrease in Appropriations.....	<u>131,211,716</u>	<u>22,876,000</u>	<u>-4,965,000</u>

PROJECT STATEMENT

(On basis of supportable loan levels and appropriated subsidies and grants)

(In thousands of dollars)

Item of Change	2008 Actual		2009 Budget		Increase or Decrease		2010 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
Distance learning and telemedicine:								
Direct Loans.....	\$13,093	\$280	\$0	\$0	\$0	\$0	\$0	\$0
Grants.....	30,149	30,149	29,790	29,790	0	0	29,790	29,790
Public broadcasting systems grants.....	4,965	4,965	4,965	4,965	-4,965 (1)	-4,965	0	0
Broadband telecommunication:								
Direct, Treasury rate loans.....	438,475	9,427	400,487	15,619	131,212 (2)	22,876 (3)	531,699	38,495
Grants.....	15,684	15,684	13,406	13,406	0	0	13,406	13,406
Total Available or Estimate.....	502,366	60,505	448,648	63,780	126,247	17,911	574,895	81,691
Transfer to Working Capital Fund.....	53,300	1,146						
Recovery of prior year obligations.....	-12,240	-2,436	0	0	0	0	0	0
Unobligated balance available, start of year.....	-527,185	-15,167	-158,483	-6,181	158,483	6,181	0	0
Unobligated balance expiring.....	3,224	69	0	0	0	0	0	0
Unobligated balance available, end of year.....	326,595	10,448	0	0	0	0	0	0
Rescission a/.....	2,440	385	0	0	0	0	0	0
Rescission b/.....	0	0	158,483	6,181	-158,483	-6,181	0	0
Total Appropriation.....	348,500	54,950	448,648	63,780	126,247	17,911	574,895	81,691

NOTE: Individual columns may not add due to rounding.

Staff-years are reflected in the Salaries and Expenses Project Statement.

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

b/ The amounts are rescinded pursuant to P.L. 111-8.

**PROJECT STATEMENT**  
(On basis of obligations under available funds)  
(In thousands of dollars)

Item of Change	2008 Actual		2009 Budget		Increase or Decrease		2010 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
Distance learning and telemedicine:								
Direct loans.....	\$13,093	\$280	\$21,914	\$539	-\$21,914	-\$539	\$0	\$0
Grants.....	30,149	30,149	32,827	32,827	-3,037	-3,037	29,790	29,790
Public broadcasting systems grants.....	4,965	4,965	5,025	5,025	-5,025	-5,025	0	0
Broadband telecommunication:								
Direct, Treasury rate loans.....	438,475	9,427	406,231	15,843	125,468	22,651	531,699	38,495
Direct, Treasury rate loans - ARRA c/.....	0	0	1,000,000	39,000	5,160,221	407,000	6,160,221	446,000
Grants.....	15,684	15,684	13,813	13,813	-407	-407	13,406	13,406
Grants - ARRA c/.....	0	0	500,000	500,000	940,000	940,000	1,440,000	1,440,000
Total Available or Estimate.....	502,366	60,505	1,979,810	607,047	6,195,306	1,360,643	8,175,116	1,967,691
Total administrative expenses - ARRA c/.....	0	0	0	75,000	0	-75,000	0	0
Transfer to Working Capital Fund.....	53,300	1,146	0	0	0	0	0	0
Recovery of prior year obligations.....	-12,240	-2,436	0	0	0	0	0	0
Unobligated balance available, start of year.....	-527,185	-15,167	-189,645	-10,448	-7,410,576	-1,875,552	-7,600,221	-1,886,000
Unobligated balance expiring.....	3,224	69	0	0	0	0	0	0
Unobligated balance available, end of year.....	326,595	10,448	12,875,897	1,886,000	-12,875,897	-1,886,000	0	0
ARRA Appropriation c/.....	0	0	-14,375,897	-2,500,000	14,375,897	2,500,000	0	0
Rescission a/.....	2,440	385	0	0	0	0	0	0
Rescission b/.....	0	0	158,483	6,181	-158,483	-6,181	0	0
<b>Total Appropriation, Discretionary</b>	<b>348,500</b>	<b>54,950</b>	<b>448,648</b>	<b>63,780</b>	<b>126,247</b>	<b>17,911</b>	<b>574,895</b>	<b>81,691</b>

NOTE: Individual columns may not add due to rounding.

Staff-years are reflected in the Salaries and Expenses Project Statement.

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

b/ The amounts are rescinded pursuant to P.L. 111-8.

c/ Provided by the American Recovery and Reinvestment Act of 2009, P.L. 111-5, signed February 17, 2009, for the purpose of making supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization. The funds are available through the fiscal year ending September 30, 2010.

JUSTIFICATION OF INCREASE AND DECREASE

- (1) A decrease of \$4,965,000 in public broadcast system grants (\$4,965,000 available in 2009).

The requested decrease eliminates funding provided in FY 2009 for digital TV conversion in rural areas. Digital TV conversion is scheduled to be completed in June, 2009, and no funding is needed for this purpose in FY 2010.

- (2) An increase of \$131,211,717 in direct broadband treasury rate loan level (\$400,487,179 available in 2009).

Providing broadband services in underserved rural communities will provide direct stimulus to the Nation's economy, produce long-lasting socio-economic benefits, and mitigate the effects of global industry downturns in other market segments. Crucial to the U.S. position in the global economy is a strong, seamless broadband network capable of delivering robust services on multiple technology platforms. Making broadband services available in rural communities ensures that the country uses to the fullest extent, all of its available resources in both rural and urban America. Rural America is no longer a predominantly agricultural economy and broadband networks will provide the commerce avenues necessary for continued economic growth, as well as provide the platforms for improved education and health care. Job creation will depend on the ability of businesses and manufacturers to locate anywhere with the assurance that broadband services are available.

- (3) An increase of \$22,876,000 in loan subsidy for direct broadband telecommunication treasury rate (\$15,619,000 available in 2009).

The requested subsidy amount is necessary to support the estimated loan obligations associated with the requested FY 2010 loan level for the broadband direct Treasury rate loan program. The increase in subsidy reflects annual technical assumption changes as well as an increased loan level.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Distance Learning and Telemedicine Loans

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alaska	\$9,000,000	--	--
Iowa	1,195,429	--	--
Maine	800,000	--	--
New Hampshire	797,421	--	--
Ohio	800,000	--	--
Pennsylvania	500,000	--	--
Total Avail./Est.	<u>\$13,092,850</u>	<u>\$21,914,000</u> <u>1/</u>	<u>--</u>

1/ Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Distance Learning and Telemedicine Grants

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alabama	\$1,293,117	--	--
Alaska	2,866,925	--	--
Arizona	590,652	--	--
Arkansas	601,672	--	--
California	931,366	--	--
Colorado	55,155	--	--
Florida	245,304	--	--
Georgia	1,087,451	--	--
Hawaii	450,477	--	--
Idaho	172,125	--	--
Illinois	242,416	--	--
Indiana	196,317	--	--
Iowa	298,856	--	--
Kansas	1,147,776	--	--
Kentucky	810,130	--	--
Maine	2,305,834	--	--
Michigan	613,726	--	--
Minnesota	442,784	--	--
Mississippi	534,068	--	--
Missouri	504,591	--	--
Montana	590,468	--	--
Nebraska	2,311,969	--	--
New Hampshire	411,624	--	--
New Mexico	435,778	--	--
New York	466,133	--	--
Ohio	846,299	--	--
Oklahoma	1,580,795	--	--
Oregon	434,528	--	--
Pennsylvania	1,393,987	--	--
South Carolina	312,863	--	--
South Dakota	1,225,752	--	--
Tennessee	2,240,345	--	--
Texas	884,672	--	--
Vermont	183,229	--	--
Virginia	272,942	--	--
Washington	366,884	--	--
Wisconsin	327,000	--	--
Wyoming	472,953	--	--
Total Avail./Est.	<u>\$30,148,963</u>	<u>\$32,827,009 1/</u>	<u>\$29,790,000 1/</u>

Public Broadcasting Systems Grants

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Arkansas	\$599,628	--	--
California	389,000	--	--
Georgia	165,500	--	--
Kansas	143,915	--	--
Michigan	1,383,231	--	--
Minnesota	276,500	--	--
Missouri	174,952	--	--
Nebraska	258,925	--	--
North Dakota	330,849	--	--
Oklahoma	645,425	--	--
Oregon	181,895	--	--
Pennsylvania	115,980	--	--
South Dakota	60,685	--	--
Utah	205,515	--	--
Washington	33,000	--	--
Total Avail./Est.	<u>\$4,965,000</u>	<u>\$5,024,929 1/</u>	<u>--</u>

Distance Learning and Telemedicine Grants - Stimulus

	<u>2008</u>	<u>2009</u>	<u>2010</u>
	--	\$500,000,000 1/	\$1,440,000,000 1/

1/ Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

Direct Broadband Telecommunications Loans - Treasury Rate FY 2007/2008

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alabama	\$49,218,000	--	--
Colorado	267,298,000	--	--
Iowa	12,082,000	--	--
North Carolina	15,543,000	--	--
Ohio	11,970,000	--	--
Oklahoma	49,792,000	--	--
Texas	13,703,000	--	--
Vermont	2,229,000	--	--
Wisconsin	5,187,000	--	--
Wyoming	11,453,000	--	--
Total Avail./Est.	<u>\$438,475,000</u>	<u>--</u>	<u>--</u>

Direct Broadband Telecommunications Loans - Treasury Rate

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>--</u>	<u>\$406,231,179 1/</u>	<u>\$531,698,895 1/</u>

Direct Broadband Telecommunications Loans - Treasury Rate - Stimulus

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Avail./Est.	<u>--</u>	<u>\$1,000,000,000 1/</u>	<u>\$6,160,221,000 1/</u>

Broadband Telecommunications Grants

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alaska	\$1,000,000	--	--
Idaho	213,053	--	--
Kentucky	195,467	--	--
Louisiana	1,298,175	--	--
Michigan	223,862	--	--
Nevada	1,889,904	--	--
New Jersey	514,500	--	--
Oklahoma	544,164	--	--
Oregon	1,713,772	--	--
Tennessee	246,448	--	--
Texas	2,419,789	--	--
Vermont	578,150	--	--
Virginia	2,925,107	--	--
Washington	671,008	--	--
West Virginia	628,200	--	--
Wyoming	622,447	--	--
Total Avail./Est.	<u>\$15,684,046</u>	<u>\$13,813,145 1/</u>	<u>\$13,406,000 1/</u>

1/ Cannot be distributed by geographic area in advance.

## RURAL UTILITIES SERVICE

## DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

Classification by Objects  
2008 Actual and Estimated 2009 and 2010

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Other Objects:			
25 Other purchases of goods and services from government accounts.....	\$0	\$75,000,000	\$0
41 Grants, subsidies, and contributions.....	<u>60,505,408</u>	<u>607,047,191</u>	<u>1,967,691,000</u>
Total direct obligations.....	<u><u>60,505,408</u></u>	<u><u>682,047,191</u></u>	<u><u>1,967,691,000</u></u>

## RURAL UTILITIES SERVICE

HIGH ENERGY COST GRANTSPROJECT STATEMENT

(On basis of appropriation transfer)

(In thousands of dollars)

Item of Change	2008 Actual	2009 Budget	Increase or Decrease	2010 Estimated
High energy cost grants a/.....	\$21,260	\$17,500	-\$17,500	\$0
Total Available or Estimate.....	21,260	17,500	-\$17,500	0
Transfer from Rural Water and Waste Disposal Program.....	-19,860	-17,500	17,500	0
Unobligated balance available, start of year.....	-20,907	0	0	0
Unobligated balance available, end of year.....	19,507	0	0	0
Total Appropriation.....	0	0	0	0

Staff years are reflected in the Salaries and Expenses Project Statement.

a/ In FY 2008, and FY 2009, \$19,860,000 and \$17,500,000, respectively, was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In FY 2010 no funds are proposed for this program.

PROJECT STATEMENT

(On basis of available funds)

(In thousands of dollars)

Item of Change	2008 Actual	2009 Budget	Increase or Decrease	2010 Estimated
High energy cost grants a/.....	\$21,260	\$37,007	-\$37,007	\$0
Total Available or Estimate.....	21,260	37,007	-37,007	0
Transfer from Rural Water and Waste Disposal Program.....	-19,860	-17,500	17,500	0
Unobligated balance available, start of year.....	-20,907	-19,507	19,507	0
Unobligated balance available, end of year.....	19,507	0	0	0
Total Appropriation.....	0	0	0	0

Staff years are reflected in the Salaries and Expenses Project Statement.

a/ In FY 2008, and FY 2009, \$19,860,000 and \$17,500,000, respectively, was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In FY 2010 no funds are proposed for this program.

JUSTIFICATION OF DECREASE

A decrease on \$17,500,000 in high energy cost grants (\$17,500,000 available in 2009).

The high energy costs grant program traditionally carries over the previous years appropriation into the next fiscal year. We anticipate the FY 2009 funding will be carried over and available in FY 2010 for obligation.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2008 Actual and Estimated 2009 and 2010

High Energy Cost Grants

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Alabama	\$792,000	--	--
Alaska	13,887,831	--	--
Hawaii	1,391,185	--	--
Kentucky	999,996	--	--
New Mexico	3,000,000	--	--
Washington	153,744	--	--
W. Pacific Areas	1,035,065	--	--
Total Avail./Est.	<u>\$21,259,821</u>	<u>\$37,007,531</u> <u>1/</u>	<u>--</u>

1/ Cannot be distributed by geographic area in advance.

## RURAL UTILITIES SERVICE

## HIGH ENERGY COST GRANTS

Classification by Objects  
2008 Actual and Estimated 2009 and 2010

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Other Objects:			
41 Grants, subsidies, and contributions.....	<u>\$21,259,821</u>	<u>\$37,007,000</u>	<u>\$0</u>
Total direct obligations.....	<u>21,259,821</u>	<u>37,007,000</u>	<u>0</u>

## RURAL DEVELOPMENT UTILITIES PROGRAMS

### SUMMARY OF RECOVERY ACT FUNDING

<u>Item of Change</u>	(in thousands)					
	<u>2009</u>		<u>2010</u>		<u>2011</u>	
	PL	BA	PL	BA	PL	BA
Broadband Loan and Grants	\$1,500,000	\$539,000	\$7,600,221	\$1,886,000	N/A	N/A
Water and Waste Loan	\$2,733,516	\$399,640	TBD	TBD	N/A	N/A
Water and Waste Grants	\$938,960	\$938,960	TBD	TBD	N/A	N/A
Total Available for Program	\$5,172,476	\$1,877,600	TBD	TBD	N/A	N/A
Salaries and Expenses	\$116,400	\$116,400	TBD	TBD	N/A	N/A
Total Available	\$5,213,876	\$1,919,000	TBD	TBD	N/A	N/A

#### Program Implementation Activities:

##### Broadband Loan and Grant Program

###### Goals

- Fund projects that will support economic development/job creation beyond the immediate construction/operations of the broadband facilities (initial priority to areas where business demand for service can already be demonstrated over areas where demand can be created).
- Ensure that broadband service is provided to rural areas lacking access, targeting un-served.

Objectives: Loans and grants will be used to fund the design and construction of broadband systems and facilities in rural areas.

###### Delivery Schedule:

- Weekly meetings being held and coordinated by White House.
  - Working closely with Commerce, FCC, and the White House to coordinate efforts to rollout programs.
- Initial Public Meeting held March 10, 2009.
- Published a joint request for information and comment and notice of further public meetings to gather information for program formulation.
  - Public Meetings held March 16 - 19, 23 - 24.
  - Written comments due April 13, 2009
- Comment assessment and review by April 24, 2009 (estimated).
- Procure contractor for implementation, administration and oversight assistance by May 15, 2009
- Rural Development anticipates publishing a Notice of Funds Availability (NOFA) in June for first round funding with anticipated awards by the end of FY 2009.
- Additional NOFAs to follow.

Performance Measures	2009 Target	2010 Target	2011 Target
<b>ARRA Broadband Loans and Grants</b>			
a. Performance Measure	TBD	TBD	N/A
b. Program Dollars (in thousands)	\$1,500,000	\$7,600,221	N/A

#### Water and Waste Disposal Program

##### Goals

- 2.6 million customers receiving new or improved service.
- Reduce by 7%, rural people's exposure to water related health and safety hazards.
- 64,600 jobs created or saved (based on multiplier)

Objectives: Loans and grants to rural water and waste systems will be used to construct, improve or rehabilitate rural water and waste disposal systems. Grant funding will also be used to provide grants to nonprofit organizations for technical assistance for rural water and waste systems.

##### Delivery Schedule:

##### Project

- April 2009 – ARRA fund obligation for shovel ready projects.
- April 2009 – Notice of Funds Availability (NOFA) published by Rural Development for all Rural Development programs implementing ARRA.
- May 2009 – Allocation of funds to State Offices and National Circuit Rider Contract.
- May – September 2009 – State allocations are monitored and teleconferences and assistance visits provided to ensure proper utilization of funds.
- June 2009 – Complete obligation of \$1.3 Billion of ARRA funding.
- May 2009 to August 2010 – Complete marketing of ARRA funding through outreach.
- June 2009 to September 2010 - The Agency will manage funding to ensure the September 30, 2010 deadline for obligation is met. Funding will periodically be redistributed.

- December 2009 – Complete cumulative obligation of \$2 Billion of ARRA funding for Water and Waste Disposal Program.
- September 30, 2010 – Complete cumulative obligation of \$3.8 Billion of ARRA funding for Water and Waste Disposal Program.

Performance Measures	2009 Target	2010 Target	2011 Target
<b>ARRA Funding Water and Waste Disposal Programs</b>			
a. Number of program borrowers' subscribers receiving new or improved service	850,000	1,750,000	N/A
b. Reduced percentage of rural residents' exposure to water borne illness	2%	5%	N/A
c. Number of Jobs Created or Saved	21,500	43,100	N/A



## RURAL DEVELOPMENT UTILITIES PROGRAMS

### STATUS OF PROGRAMS

#### **Rural Electrification and Telecommunications Loans Programs**

**Current Activities:** The Rural Development Utilities Programs provide electric and telecommunications financing through loan and loan guarantee programs. The rural electric direct and loan guarantee programs provide financing for the operation of electric generation, transmission, and distribution facilities. The telecommunications loan program provides direct loans for construction, expansion, and operation of telecommunications facilities.

Specific areas being addressed currently include:

1. Financing projects to improve electric service in rural areas. Providing reliable, affordable electricity is essential to the economic well-being and quality of life for all of the Nation's rural residents. The electric programs provide leadership and capital to upgrade, expand, maintain, and replace America's vast rural electric infrastructure.
2. Financing projects to improve telecommunication service in rural areas. The program priorities are to ensure that rural communities have access to advanced telecommunications services such as high-speed Internet services and advanced communications services such as distance learning and telemedicine. Program outreach efforts are focused on identifying rural areas that do not have access to these services, which are essential for economic development and improved health and education services.

**Selected Examples of Recent Progress:** Recent accomplishments under this appropriation item are cited below by program:

#### **Electric Programs:**

The electric programs makes loans and loan guarantees to finance the construction of electric generation, transmission and distribution facilities, including system improvements and replacements required to furnish and improve electric service in rural areas, and for demand side management, energy conservation programs, and on-grid/off-grid renewable energy systems. Loans are made to corporations, States, territories, subdivisions and agencies such as municipalities, utility districts, cooperatives, nonprofits, limited-dividends, or mutual associations that provide retail electric service needs to rural areas or power supply needs of distribution borrowers in rural areas. The electric programs services nearly 700 active electric borrowers in 46 States, plus the active territories of the Marshall Islands, Puerto Rico, and American Samoa.

In FY 2008, the electric programs approved 190 loans and loan guarantees totaling almost \$7.1 billion. Of this amount, 172 distribution loans were made totaling over \$3.5 billion and 18 generation and transmission loans were made totaling almost \$3.6 billion. Some of the loans and loan guarantees that were approved follow:

- \$99.3 million for 12 loans in the direct hardship electric loan program.
- \$509.8 million for environmental improvements to existing generation plants.

The almost \$7.1 billion in financing supported projects in 2,264 non-metropolitan counties, including 406 counties classified as persistent poverty counties and 815 counties classified as outmigration counties. Financing contributed to the creation of over 163,300 jobs in rural areas. Over eight million borrowers' subscribers were served with new or improved electric services.

Funding more renewable energy projects is a goal for USDA. USDA gives priority to completed loan applications that are requesting funds for renewable energy projects.

**PART Assessments**

The electric programs have a rating of "adequate." The electric programs continuously gather, analyze and evaluate a vast amount of data and statistics received from approved loan applications and other sources to determine if the electric programs are meeting or improving its position in meeting aggressive targets and goals.

**Telecommunications Program:**

The telecommunications program makes direct loans for construction, expansion, and operation of telecommunications lines and facilities or systems. Rural Development continues to fund the deployment of advanced telecommunications facilities in rural America. The program makes new or improved services available to borrowers' subscribers, including rural residents and businesses. Performance measures directly measure the impact of the programs on rural communities.

In FY 2008, the telecommunications program approved almost \$675 million in infrastructure program loans. This funding will allow rural telecommunications providers to deploy new or improved service to more than 182,174 rural subscribers. Eighty-five percent of loans funded in FY 2008 were for fiber-to-the-home broadband infrastructure. More than 105 telephone exchanges will be upgraded to fiber-to-the-home infrastructure as a result of financing obligated in FY 2008.

**PART Assessments**

In FY 2004, the telecommunications loan program received a rating of "adequate." The telecommunications program continues to evaluate internal data sources and information received from borrowers to determine if the PART measures and targets are appropriate. Performance measures include the number of borrowers' subscribers who receive new or improved service as a result of the financing provided. One weakness noted by OMB is the absence of independent reviews of program results. This issue will be addressed under a telecommunications program process re-engineering project in FY 2009.

**Distance Learning, Telemedicine and Broadband Program:**

Current Activities: The distance learning, telemedicine and broadband program provides loans and grants for the deployment of equipment utilized in providing distance learning and telemedicine services to rural schools, educational institutions and health care providers, in addition to financing advanced telecommunications networks capable of delivering broadband service to rural residents and businesses.

Specific areas being addressed currently include:

1. Financing projects to provide rural access to adequate medical and educational services. The program focuses on Medically Underserved Areas identified by the Department of Health and Human Services, and on encouraging growth in the number of rural schools which offer distance learning classes to rural residents.
2. Financing projects to provide rural access to high-speed internet services. Priority is given to providing financing for rural communities that do not have access to broadband services. These services are essential for the economic and social development of rural communities.

Selected Examples of Recent Progress: Recent accomplishments under this appropriation item are cited below by program:

**Distance Learning and Telemedicine Program:**

In FY 2008, the distance learning and telemedicine program approved \$43.2 million in distance learning and telemedicine loans and grants which will benefit 695 rural counties. For example, Realizing Education and Community Health (REACH) Montana, a consortium of healthcare providers, has created a telecommunications network linking area hospitals to each other through live, interactive video technology. With the REACH network, Montana residents have benefitted from community health education programs, distance education for medical professionals, and a variety of clinical services. Grants from the Rural Development telemedicine program played an instrumental role in the development of the network. The REACH network can connect to 15 of their local critical access hospital sites and other sites around the world through the Internet. By 2006, REACH began placing tele-clinical video carts in all of its sites, bringing video health services to the clinical settings courtesy of another USDA grant. These highly-mobile, space-saving, video carts have facilitated communications among medical personnel, patients, and physicians. On April 7, 2008, while stationed in Baghdad, Sergeant Christopher Phinney witnessed the birth of his first child with the help of the video carts. Sergeant Phinney spent the entire day by his wife's side, via video conference.

**PART Assessments**

A PART assessment was submitted to OMB in FY 2007 in which the distance learning and telemedicine program developed new performance measures with ambitious targets. As a result, the OMB' RND rating improved to "adequate". The performance measures developed include the number of rural K-12 schools offering distance learning classes and the number of counties designated as Medically Underserved Areas by the Department of Health and Human Services which are provided telemedicine services under loan or grant funding. One weakness noted by OMB is the absence of independent reviews of program results. This issue will be addressed under a telecommunications program process re-engineering project in FY 2009.

**Broadband Program:**

In FY 2008, the broadband program approved more than \$454 million in broadband program loans and grants. Loans financed in FY 2008, the broadband loan program's rural telecommunications providers will be able to deploy new or improved broadband service to more than 593,167 rural subscribers representing approximately 826 rural communities. Broadband infrastructure provides economic and social benefits to rural communities. The Havasupai Reservation is remotely located near the southwest corner of the Grand Canyon National Park. Mail and food for the reservation is brought into the canyon by mule train, several times a week and usually by helicopter once a week. In 2007, a community center funded by a Broadband Community Connect grant opened for business. The Supai Canyon had a flash flood on August 17, 2008. Immediately after the flood, the telephone system became unstable. Communication between the tribe and the outside world relied heavily on the broadband. Most of the tribe members were evacuated out of Supai. The tribe had only a handful of employees in the village to manage the situation. Documents needed to be drafted off-reservation and emailed to the Tribal Council office. The tribe posted the flood documents on its website.

**PART Assessments**

An initial PART of the broadband loan program was completed in FY 2006. The program was rated "ineffective" primarily due to the inability of the program to meet its annual performance goals. A reassessment was submitted to OMB in FY 2007 in which the broadband program developed new performance measures with ambitious targets, resulting in an improvement in the OMB rating from "results not demonstrated" to "adequate". These performance measures include the percentage of rural residents subscribing to broadband services, the number of borrowers' subscribers receiving new or improved services, and the percentage of borrowers meeting their subscriber forecasts. One weakness noted by OMB is the absence of independent reviews of program results. This issue will be addressed under a telecommunications program process re-engineering project in FY 2009.

### **Water and Environmental Programs**

The water and environmental programs has a leading role in providing rural communities with modern, affordable water and waste disposal services. The water program directs technical and financial program resources to rural communities with the greatest need. These communities may be poverty-stricken as a result of out-migration, natural disasters or economic stress. However, rural communities can sustain economic development and improve the quality of life for their residents with dependable water and waste services and infrastructure.

Specific areas being addressed currently include:

- Building leveraging partnerships to expand resources going to rural areas,
- Directing resources to the neediest projects and communities,
- Working with local communities and other borrowers to ensure funds are invested wisely,
- Focusing on maintaining sustainable water systems in rural communities,
- Improving the loan to grant mix so that more loan dollars are used by systems that can afford maximum debt capacity, and
- Limiting grant funds to the most financially needy systems.

Selected Examples of Recent Progress: Recent accomplishments under this appropriation item are cited below by program:

In FY 2008, Rural Development invested \$1.6 billion in direct and guaranteed loans and grants to help rural communities develop 1,160 water and waste disposal facilities. These facilities provided new or improved water and waste disposal services to 4,361,872 borrowers' customers. Funding activities included:

- \$73.3 million assisted 119 projects in disadvantaged communities
- \$356 million in Farm Bill loan and grant funding to provide 232 water and waste improvement projects
- \$6.83 million funded 24 projects in communities qualifying for emergency assistance
- \$35.7 million funded 46 grants to technical assistance providers
- 593,721 technical assistance calls were completed by Circuit Riders
- \$20.53 million funded 10 projects in Empowerment Zones/Enterprise Communities and Rural Economic Area Partnership areas
- \$465,905 in Colonias Grants made to 127 individuals and families for home improvements
- \$18.4 million in guaranteed loans
- 36 projects administered for partner organizations
- \$50,000 for Individually-Owned Water Well Systems Grants
- \$496,500 for Water and Wastewater Revolving Fund Grants
- \$1.5 million for 52 Predevelopment Planning Grants to assist in preparing applications for water programs funds

On August 15, 2008, just 85 days after the enactment of the 2008 Farm Bill, Rural Development invested over \$356 million of Farm Bill funding in 232 projects. The funding translated into a program level representing 73 percent loans and 27 percent grants. Another \$189 million in 2008 annual appropriations funded additional projects, which were announced on August 15. The extraordinary effort will ensure that communities across rural America will have access to clean drinking water, as well as sewer and solid waste systems.

The water program continues to use and refine assessment tools implemented after the FY 2003 PART. The Rural Development National and State offices regularly monitor the national and individual state performance goals to evaluate program delivery and services to customers. In FY 2008, the water program exceeded goals for three of its four annual measures:

1. Loan to grant mix—74 percent loans and 26 percent grants
2. Referrals to commercial credit—40.9 percent of the dollar amount of loans closed, and
3. Number of borrowers' customers receiving new or improved water or waste disposal service—4,361,872.

The results demonstrate that Rural Development is able to target funds to more communities and projects where the financial investments result in a greater number of borrowers' customers being served. Leveraged funds for project development fell just short of meeting the national goal of 30 percent. The Rural Development National and State offices continue to coordinate their strategies to strengthen relationships with partner agencies and organizations.

#### **PART Assessments**

The water program received an "effective" rating from OMB after submitting a reassessment in FY 2005. Six performance indicators were implemented from the reassessment, four as annual measures and two as long-term measures. The annual measures for customers served, loan and grant ratio, leveraged funds, and referrals to commercial credit were discussed in the previous section.

One long-term performance indicator focuses strategically on reducing exposure to water related health and safety hazards. The goal, from 2007 to 2010, is to impact 25 percent of the rural population.

The second long-term performance indicator focuses on maintaining sustainable rural water systems. The water program has developed indicators to assess the financial performance of its water and wastewater borrowers. The water program will track borrowers' Debt Service Coverage (DSC) Ratio and Current Ratio to gauge the sustainability of facilities. The program's goal is to have 90 percent of borrowers meet or exceed industry standard financial ratios for DSC and Current Ratio by FY 2014. The sustainability benchmarks are a DSC ratio of 1.10 percent or a Current Ratio of 1.50 percent, based on industry standards.



## RURAL DEVELOPMENT UTILITIES PROGRAMS

### Summary of Budget and Performance Statement of Agency Goals and Objectives

Rural Development's Utilities Programs has three programs that contribute to one strategic goal and two strategic objectives.

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<b>Agency Goal:</b> Improve the quality of life in Rural America	<b>Objective 1:</b> Enhance the ability of rural businesses to succeed by providing access to modern telecommunications	<u>Telecommunications Programs</u> Direct Telecommunications Loans Treasury Telecommunications Loans FFB Telecommunications Loans Distance Learning and Telemedicine Loans Distance Learning and Telemedicine Grants Broadband Internet Loans and Grants ARRA Broadband Loans and Grants	Provide access to modern telecommunications
	<b>Objective 2:</b> Develop community infrastructure	<u>Electric Programs</u> Direct (Hardship) Electric Loans Municipal Rate Electric Loans Treasury Rate Electric Loans FFB Electric Guaranteed Loans Guaranteed Electric Loans  <u>Water and Environmental Programs</u> Direct Water and Waste Disposal Loans Guaranteed Water and Waste Disposal Loans Water and Waste Disposal Grants Solid Waste Management Grants Emergency & Imminent Community Water Assistance Grants ARRA Water and Waste Loans and Grants	Develop community infrastructure

#### Selected Accomplishments Expected at the FY 2010 Proposed Resource Level:

- Telecommunications Program – The telecommunications program will: (i) make direct loans for construction, expansion, and operation of traditional telecommunications lines and facilities; (ii) provide loans and grants for the deployment of equipment utilized in providing distance learning and telemedicine services to rural schools, educational institutions and health care providers; and (iii) finance advanced telecommunications networks capable of delivering broadband services to rural residences and businesses. The telecommunications program expects to provide financing of broadband infrastructure to almost 370,000 rural subscribers through the broadband loan program and the traditional telecommunications loan program.
- Electric Programs – The electric programs will make loans and loan guarantees to finance the construction of electric generation, transmission and distribution facilities, including system

improvements and replacements required to furnish and improve electric service in rural areas, and for demand side management, energy conservation programs, and on-grid/off-grid renewable energy systems. The electric programs expect to see 2.5 percent of distribution and transmission lines upgraded and a 4.5 percent increase in the number of consumers receiving new or upgraded service (about 7,125,000 subscribers).

- Water and Environmental Programs – The water and environmental programs will leverage partnerships to expand resources going to rural areas, direct resources to the neediest projects and communities, work with local communities and other borrowers to ensure funds are invested wisely, focus on maintaining sustainable water systems in rural communities, and limit grant funds to the most financially needy. The water and environmental programs expect to fund water facilities which will enable 1,457,000 subscribers to receive new or improved service, and improve the programs' loan/grant ratio to 70/30.

## RURAL DEVELOPMENT UTILITIES PROGRAMS

### Summary of Budget and Performance Key Performance Outcomes and Measures

**Goal:**

Key Outcome: Improve the quality of life in Rural America by Developing Community Infrastructure

Key Performance Measures:

- Measure #1: Number of telecommunication programs' borrowers' subscribers receiving new or improved service.
- Measure #2: Number of electric programs' borrowers' consumers receiving new or upgraded electric service.
- Measure #3: Number of water programs' borrowers' subscribers (or customers) receiving new and/or improved water and/or improved waste disposal service.

Key Performance Targets:

Performance Measure #1	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Target	2010 Target
<b>Telecommunications (includes non-ARRA Broadband)</b>						
a. Number of program borrowers' subscribers receiving new or improved service	232,249	297,027	356,440	775,342 <sup>i</sup>	370,000	351,500
b. Program Dollars (in thousands)	\$1,256,476	\$1,027,879	\$642,988	\$1,129,125	\$1,110,044	\$1,235,105
<b>ARRA Broadband Loans and Grants</b>						
a. Performance Measure to be determined					TBD <sup>ii</sup>	TBD
b. Program Dollars (in thousands)					\$1,500,000	\$7,600,221

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Target	2010 Target
<b>Distance Learning</b>						
a. Number of counties served by entities receiving distance learning and telemedicine funding	458	653	392	586	400	380
b. Program Dollars (in thousands)	\$86,477	\$65,419	\$59,400	\$43,242	\$54,741	\$29,790
<b>Performance Measure #2</b>						
<b>Hardship, Municipal Rate and Treasury Rate Loans</b>						
a. Number of program borrowers' subscribers receiving new or improved service	2,098,989	2,420,212	2,016,239	196,896	125,000	125,000
b. Program Dollars (in thousands)	\$1,219,115	\$1,189,764	\$1,189,764	\$99,300	\$100,000	\$100,000
<b>FFB Electric Loans</b>						
a. Number of program borrowers' subscribers receiving new or improved service	261,488	5,763,437	3,810,212	7,905,741	7,000,000	7,000,000
b. Program Dollars (in thousands)	\$2,100,000	\$2,700,000	\$2,700,000	\$6,500,000	\$6,500,000	\$6,500,000

Performance Measure #3	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Target	2010 Target
<b>Water and Environmental Programs</b>						
a. Number of program borrowers' subscribers receiving new improved service from Agency's funded water facilities.	1,325,000	1,637,554 <sup>iii</sup>	1,332,063	4,361,872 <sup>iv</sup>	1,418,000	1,457,000
b. Program Dollars (in thousands)	\$1,500,000	\$1,484,144	\$1,579,948	\$1,822,949	\$1,469,596	\$1,566,322
<b>ARRA Water and Environmental Programs</b>						
a. Number of program borrowers' subscribers receiving new or improved service					850,000	1,750,000
b. Program Dollars (in thousands)					\$3,672,475	TBD

i One broadband loan for \$267 million accounted for 447,113 subscribers, which was an anomaly in FY 2008.

ii ARRA funding will support a new program for rural broadband deployment that is currently under development. Therefore, subscriber count is to be determined.

iii Updated since FY 2007 Explanatory Note submission.

iv The water and environmental programs invested over \$356 million of 2008 Farm Bill funding in 176 projects. Another \$189 million in 2008 annual appropriations was utilized to fund additional projects. The number of customers served decreases in 2009 because the program funding was expected to remain flat or less than the actual amounts reported in FY 2005 through 2007.

UTILITIES PROGRAMS				
Full Cost by Strategic Goal				
Strategic Objective 3.1: Enhance the Ability of Rural Business to Succeed by Providing Access to Modern Telecommunication.				
PROGRAM	PROGRAM ITEMS	2008 AMOUNT (\$000)	2009 AMOUNT (\$000)	2010 AMOUNT (\$000)
<b>Direct Telecommunications Loans, Treasury Telecommunications Loans, and FFB Telecommunications Loans</b>				
	Program Level	\$674,966	\$690,000	\$690,000
	Budget Authority	3,594	525	0
	S&E	8,439	9,221	9,389
	Total Costs	12,033	9,746	9,389
	FTEs	76	81	81
	Performance measure:			
	Number of Customers			
	Target:	182,174	180,000	171,000
	Cost per Unit	0.07	0.05	0.05
<b>Treasury Distance Learning Loans, Distance Learning and Telemedicine Grants</b>				
	Program Level	\$43,242	\$54,741	\$29,790
	Budget Authority	30,429	33,366	29,790
	S&E	1,875	2,048	2,086
	Total Costs	32,304	35,414	31,876
	FTEs	17	18	18
	Performance measure:			
	Counties served			
	Target:	586	400	380
	Cost per Unit	55.13	88.54	83.88
<b>Broadband Telecommunication Loans and Grants, and Public Broadcasting System Grants</b>				
	Program Level	\$459,124	\$425,069	\$545,105
	Budget Authority	30,076	34,681	51,901
	S&E	7,398	8,085	8,231
	Total Costs	37,474	42,766	60,132
	FTEs	66	70	70
	Performance measure:			
	Number of Customers			
	Target:	593,167	190,000	180,500
	Cost per Unit	0.06	0.23	0.33
<b>Distand Broadband Telecommunications Loans - Treas Rate - Stimulus, and Broadband Telecommunications Grants - Stimulus</b>				
	Program Level	\$0	\$1,500,000	\$7,600,221
	Budget Authority	0	539,000	1,886,000
	S&E	0	75,000	0
	Total Costs	0	614,000	1,886,000
	FTEs	0	0	0
	Performance measure: New/ Upgraded Subscribers			
	Target:	0	TBD	TBD
	Cost per Unit	0	0	0

Full Cost by Strategic Goal				
Strategic Objective 3.1: Enhance the Ability of Rural Business to Succeed by Providing Access to Modern Telecommunication.				
PROGRAM	PROGRAM ITEMS	2008 AMOUNT (\$000)	2009 AMOUNT (\$000)	2010 AMOUNT (\$000)
<b>Total for Strategic Objective 3.1</b>				
	Program Level	\$1,177,332	\$2,669,810	\$8,865,116
	Budget Authority	64,099	607,572	1,967,691
	S&E	17,712	94,354	19,706
	Total Costs	81,811	701,926	1,987,397
	FTEs	159	169	169
	Performance measure:			
	Target:	N/A	N/A	N/A
	Cost per Unit	N/A	N/A	N/A
Strategic Objective 3.2: Develop Community Infrastructures.				
Direct Electric Loans, Treasury Electric Loans, Municipal Electric Loans, FFB Electric Loans, Guaranteed Electric Loans and Electric Underwriting Loans for Bonds and Notes				
	Program Level	\$7,099,300	\$6,600,000	\$6,600,000
	Budget Authority	119	0	0
	S&E	19,300	21,094	21,478
	Total Costs	19,419	21,094	21,478
	FTEs	171	185	185
	Performance measure:			
	Subscribers served			
	Target:	8,102,637	7,125,000	7,125,000
	Cost per Unit	0.00	0.00	0.00
Direct Water & Waste Disposal Loans, Guaranteed Water & Waste Disposal Loans, Water & Disposal Grants, Individually-Owned Water Well System Grants, Grants for Water and Wastewater Revolving Funds, Solid Waste Management Grants, and Emergency & Imminent Community Water Asst. Grants.				
	Program Level	\$1,822,949	\$1,469,596	\$1,566,321
	Budget Authority	666,367	630,878	546,230
	S&E	57,610	21,558	64,104
	Total Costs	723,977	652,436	610,334
	FTEs	514	157	551
	Performance measure: # of subscribers receiving new and/or improved water and/or waste disposal service			
	Target:	4,361,872	1,418,000	1,457,000
	Cost per Unit	0.17	0.46	0.42
<b>High Energy Cost Grants</b>				
	Program Level	\$21,260	\$37,008	\$0
	Budget Authority	21,260	37,008	0
	S&E	0	0	0
	Total Costs	21,260	37,008	0
	FTEs	0	0	0
	Performance measure: New/ Upgraded Subscribers			
	Target:	0	0	0
	Cost per Unit	0	0	0

Full Cost by Strategic Goal				
Strategic Objective 3.2: Develop Community Infrastructures.				
PROGRAM	PROGRAM ITEMS	2008 AMOUNT (\$000)	2009 AMOUNT (\$000)	2010 AMOUNT (\$000)
<b>Direct Water and Waste Disposal Loan 2008 Disasters Emer. Supp., Water and Waste Disp. Grants May 6, 2007 Emer. Supp., Water and Waste Disp. Grants 2008 Disasters Emergency Supplemental, Water and Waste Disp. Grants 2003/2004 Hurricanes Emer. Supp., Water and Waste Disp. Grants 2005 Hurricanes EMER. Suppl., Emer. and Imminent Comm. Water Asst. Grants - Emer. Supp., Emer. and Imminent Comm. Water Asst. Grants - 2005 Hurricanes</b>				
	Program Level	\$0	\$84,712	\$0
	Budget Authority	0	42,372	0
	S&E	0	0	0
	Total Costs	0	42,372	0
	FTEs	0	0	0
	Performance measure: New/ Upgraded Subscribers			
	Target:	N/A	N/A	N/A
	Cost per Unit	N/A	N/A	N/A
<b>Direct Water and Waste Disposal Loans - Stimulus, Water and Waste Disposal Grants - Stimulus, Circuit Rider - Tech. Assist. Grants for Rural Water Systems - Stimulus</b>				
	Program Level	\$0	\$3,672,476	\$0
	Budget Authority	0	1,338,600	0
	S&E	0	41,400	0
	Total Costs	0	1,380,000	0
	FTEs	0	394	0
	Performance measure: New/ Upgraded Subscribers			
	Target:	N/A	850,000	1,750,000
	Cost per Unit	N/A	N/A	N/A
<b>FFB Electric Loan 2005 Hurricane Modifications Emergency Supplemental and FFB Electric Loans 2008 Disasters Modifications Emergency Supplemental</b>				
	Program Level	\$0	\$7,985	\$0
	Budget Authority	0	7,985	0
	S&E	0	0	0
	Total Costs	0	7,985	0
	FTEs	0	0	0
	Performance measure: New/ Upgraded Subscribers			
	Target:	N/A	N/A	N/A
	Cost per Unit	N/A	N/A	N/A
<b>Total for Strategic Objective 3.2</b>				
	Program Level	\$8,943,509	\$11,871,777	\$8,166,321
	Budget Authority	687,746	2,056,843	546,230
	S&E	76,910	84,052	85,582
	Total Costs	764,656	2,140,895	631,812
	FTEs	685	736	736
	Performance measure:			
	Target:	N/A	N/A	N/A
	Cost per Unit	N/A	N/A	N/A

Full Cost by Strategic Goal				
PROGRAM	PROGRAM ITEMS	2008 AMOUNT (\$000)	2009 AMOUNT (\$000)	2010 AMOUNT (\$000)
Total for Strategic Objectives 3.1 and 3.2				
	Program Level	\$10,120,841	\$14,541,587	\$17,031,437
	Budget Authority	751,845	2,664,415	2,513,921
	S&E	94,622	178,406	105,288
	Total Costs	846,467	2,842,821	2,619,209
	FTEs	844	905	905
	Performance measure:			
	Target:	N/A	N/A	N/A
	Cost per Unit	N/A	N/A	N/A

\* S&E and FTE figures for each program are estimates. Actual staff time by program is not available at this time.

\*\* FY 08 targets are based on appropriation.

