

2012 Explanatory Notes  
Rural Utilities Service

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## RURAL UTILITIES SERVICE

### Purpose Statement

Rural Utilities Service (RUS) programs enhance the quality of life and improve economic opportunity in rural communities by providing financing for 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

The RUS delivers electric and telecommunications programs authorized by the Rural Electrification Act of 1936, as amended, 7 U.S.C. 901 et seq., (RE Act).

### Electric Programs

The Electric programs offer direct loans, guaranteed loans, and bond and note guarantees. The primary differences among the various electric loan programs are the statutory authority, qualifying criteria and the interest rate. The High Energy Cost Grant Program, which is appropriated under the Water and Waste Program Account, is also administered through the Electric programs.

Direct loans under section 4 of the RE Act may be used to finance improvements to electric distribution, transmission, and generation systems, including demand side management, energy efficiency and conservation programs, and renewable energy systems to serve rural areas. The new direct loan authority under the 2008 Farm Bill is intended to displace reliance on section 306 loan guarantees through the Treasury Department's Federal Financing Bank (FFB). Interest rates on these new loans will be set equal to the current cost of money to the Treasury for loans of similar maturity, plus 1/8 of 1 percent. Regulations and administrative procedures are being put in place to implement the new program in FY 2013.

Hardship rate direct loans under section 305 of the RE Act at a fixed rate of 5 percent are available to finance electric system improvements for qualified borrowers that meet thresholds for retail rate disparity and for customer per capita and household incomes, or that have suffered a severe, unavoidable hardship, such as a natural disaster. Supplemental financing is not required.

Guaranteed loans are provided under authority of section 306 of the RE Act and may be used for financing of electric distribution, transmission, generation and headquarters facilities. The FFB has been the primary source of guaranteed loans. FFB loan guarantees will remain available to all electric borrowers as provided under annual appropriations. FFB interest rates are fixed to the prevailing cost of money to the Treasury, plus an administrative fee of one-eighth of 1 percent. USDA guaranteed private loans issued through CFC, Co Bank or other lenders carry an interest rate negotiated between the lender and the borrower. Funding for this program through FFB is requested for FY2012 as the Agency continues the transition the new direct loan program for FY 2013.

High Energy Cost Grants under section 19 of the RE Act are available for energy generation, transmission, and distribution facilities, including energy efficiency and conservation programs and renewable energy systems serving rural communities with average home costs exceeding 275 percent of the national average. In addition, RUS may make grants to the Denali Commission to carry out eligible projects in small remote villages in Alaska.

### 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.

All loans are based on extensive feasibility studies that determine a borrower's ability to repay the loan. RD staffs monitor loan repayments that are secured through covenants in loan contracts, and mortgage documents with Rural Development. The government holds a first lien position 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", which was reauthorized in the Food Conservation and Energy Act of 2006 (2008 Farm Bill). 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. RD is currently updating regulations in response to the changes made in the 2008 Farm Bill.

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. The 2012 budget provides funding for grants only.

### 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

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, 2010, there were 5,660 permanent full-time employees, including 1,580 in the headquarters and 4,080 in the 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 and 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:

All the agency's resources have been dedicated to the full implementation of funding provided in the Recovery Act. The agency continues to develop an interim final rule to improve the ongoing broadband program.

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. The final audit was dated 3/31/09.

GAO Reports

GAO Audit Report No. 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. (Closed).

GAO Audit Report No. 360666 – Entrance: Impact of Coastal Barrier Resources Act (Departmental Audit – Rural Development has the lead). (Closed).

GAO Audit Report No. 360754 – Entrance: Freshwater Programs (Departmental Audit – Utilities Programs has the lead). (Closed).

GAO Audit Report No. 543159 – Exit: Funding of Public Broadcasting. Program staff had no issues with the comments in the report. (Closed).

## RURAL UTILITIES SERVICE

The estimates include appropriation language for this item as follows (new language underscored):

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, 306E, and 310B and described in sections 306C(a)(2), 306D, 306E, and 381E(d)(2) of the Consolidated Farm and Rural Development Act, \$488,978,000, 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, Federally-recognized Native American Tribes authorized by 306C(a)(1), and the Department of Hawaiian Home Lands (of the State of Hawaii): *Provided further*, That funding provided for section 306D of the Consolidated Farm and Rural Development Act may be provided to a consortium formed pursuant to section 325 of Public Law 105-83: *Provided further*, That not more than 2 percent of the funding provided for section 306D of the Consolidated Farm and Rural Development Act may be used by the State of Alaska and/or by a consortium formed pursuant to section 325 of Public Law 105-83 for training and technical assistance programs: *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 \$6,000,000 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 of the amount appropriated under this heading, the amount equal to the amount of Rural Water and Waste Disposal Program Account funds allocated by the Secretary for Rural Economic Area Partnership Zones for the fiscal year 2011, shall be available through June 30, 2012, for 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 the Consolidated Farm and Rural Development Act: *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, 306E, and 310B and described in sections 306C(a)(2), 306D, 306E, and 381E(d)(2) of such Act be transferred to 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.

## 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>
Annualized Continuing Resolution, 2011.....	\$973,263,403	\$77,071,000	\$474,159,000
Budget Estimate, 2012.....	782,179,331	73,978,000	415,000,000
Change in Appropriation.....	<u>-191,084,072</u>	<u>-3,093,000</u>	<u>-59,159,000</u>

PROJECT STATEMENT

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

Item of Change	2010 Actual		2011 Estimated		Increase or Decrease		2012 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.....	\$951,292	\$71,727	\$898,263	\$77,071	-\$128,033 (1)	-\$3,283 (5)	\$770,230	\$73,788
Direct loans - ARRA d/.....	1,274,013	96,061	0	0	0	0	0	0
Direct loans 2008 disasters em. supp. e/.....	3,625	273	0	0	0	0	0	0
Guaranteed loans a/.....	10,721	0	75,000	0	-63,050 (2)	190 (6)	11,950	190
Grants.....	549,071	549,071	364,728	364,728	-53,218 (3)	-53,218	311,510	311,510
Grants - ARRA d/.....	544,434	544,434	0	0	0	0	0	0
Grants - 2008 disasters em. supp. e/.....	6,781	6,781	0	0	0	0	0	0
Technical assistance grants for rural waste systems.....	19,500	19,500	19,500	19,500	-500 (3)	-500	19,000	19,000
Circuit rider - technical assistance grants for rural water systems.....	14,336	14,336	15,000	15,000	-1,000 (3)	-1,000	14,000	14,000
Circuit rider - technical assistance grants for rural water systems - ARRA d/.....	10,180	10,180	0	0	0	0	0	0
WWD grants, Alaskan villages.....	66,606	66,606	24,500	24,500	-5,000 (3)	-5,000	19,500	19,500
WWD grants, native American tribes.....	16,509	16,509	16,000	16,000	0	0	16,000	16,000
Water and waste disposal grants, colonias.....	25,069	25,069	24,500	24,500	0	0	24,500	24,500
Water well system grants.....	993	993	993	993	0	0	993	993
Water and wastewater revolving funds.....	497	497	497	497	0	0	497	497
Solid waste management grants.....	3,405	3,405	3,441	3,441	559 (4)	559	4,000	4,000
Emergency and imminent community water assistance grants.....	2,648	2,648	0	0	0	0	0	0
WWD grants, Hawaiian homelands.....	0	0	5,000	5,000	0	0	5,000	5,000
High energy costs grants b/.....	0	0	0	0	0	0	0	0
Total Available or Estimate.....	3,499,680	1,428,091	1,447,422	551,230	-250,243	-62,252	1,197,180	488,978
Transfer to high energy cost grants b/.....	17,500	17,500	17,500	17,500	-17,500	-17,500	0	0
Recovery of prior year obligations.....	-320,651	-109,603	0	0	0	0	0	0
Unobligated balance available, start of year.....	-2,041,309	-894,614	0	0	0	0	0	0
Unobligated balance expiring.....	64,279	0	0	0	0	0	0	0
Unobligated balance available, end of year.....	369,322	127,356	0	0	0	0	0	0
Unobligated balance rescinded e/.....	0	0	0	0	0	0	0	0
Total Appropriation.....	1,588,821	568,730	1,464,922	568,730	-267,743	-79,752	1,197,180	488,978

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	2010 Actual		2011 Estimated		Increase or Decrease		2012 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.....	\$951,292	\$71,727	\$1,002,573	\$86,021	-\$232,343	-\$12,233	\$770,230	\$73,788
Direct loans - ARRA d./.....	1,274,013	96,061	0	0	0	0	0	0
Direct loans 2008 disasters em supp. e./.....	3,625	273	0	0	0	0	0	0
Guaranteed loans g./.....	10,721	0	75,000	0	-63,050	190	11,950	190
Grants.....	549,071	549,071	412,499	412,499	-100,989	-100,989	311,510	311,510
Grants - ARRA d./.....	544,434	544,434	0	0	0	0	0	0
Grants - 2008 disasters em. supp. e./.....	6,781	6,781	0	0	0	0	0	0
Technical assistance grants for rural waste systems.....	19,500	19,500	19,593	19,593	-593	-593	19,000	19,000
Circuit rider - technical assistance grants for rural water systems.....	14,336	14,336	16,071	16,071	-2,071	-2,071	14,000	14,000
Circuit rider - technical assistance grants for rural water systems - ARRA d./.....	10,180	10,180	0	0	0	0	0	0
WWD grants, Alaskan villages.....	66,606	66,606	61,345	61,345	-41,845	-41,845	19,500	19,500
WWD grants, native American tribes.....	16,509	16,509	16,914	16,914	-914	-914	16,000	16,000
Water and waste disposal grants, colonias.....	25,069	25,069	32,569	32,569	-8,069	-8,069	24,500	24,500
Water well system grants.....	993	993	2,176	2,176	-1,183	-1,183	993	993
Water and wastewater revolving funds.....	497	497	510	510	-13	-13	497	497
Solid waste management grants.....	3,405	3,405	3,441	3,441	559	559	4,000	4,000
Emergency and imminent community water assistance grants.....	2,648	2,648	0	0	0	0	0	0
WWD grants, Hawaiian homelands.....	0	0	5,000	5,000	0	0	5,000	5,000
High energy costs grants b./.....	0	0	0	0	0	0	0	0
<b>Total Available or Estimate.....</b>	<b>3,499,680</b>	<b>1,428,091</b>	<b>1,647,691</b>	<b>656,139</b>	<b>-450,512</b>	<b>-167,161</b>	<b>1,197,180</b>	<b>488,978</b>
Transfer to high energy cost grants b./.....	17,500	17,500	17,500	17,500	-17,500	-17,500	0	0
Recovery of prior year obligations.....	-320,651	-109,603	0	0	0	0	0	0
Unobligated balance available, start of year.....	-2,041,309	-894,614	-222,716	-127,356	222,716	127,356	0	0
Unobligated balance expiring.....	64,279	0	0	0	0	0	0	0
Unobligated balance available, end of year.....	369,322	127,356	0	0	0	0	0	0
Unobligated balance rescinded e./.....	0	0	22,447	22,447	-22,447	-22,447	0	0
<b>Total Appropriation.....</b>	<b>1,588,821</b>	<b>568,730</b>	<b>1,464,922</b>	<b>568,730</b>	<b>-267,743</b>	<b>-79,752</b>	<b>1,197,180</b>	<b>488,978</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 was calculated for FY 2010 and a negative subsidy rate of 0.85 percent was calculated for FY 2011. Therefore, corresponding budget authority is not required to support the loan levels of FY 2010 and FY 2011.
- b/ This program was transferred to the Rural Utilities Service, High Energy Cost Grant Account in accordance with the Omnibus Appropriations Act, 2009 and the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2010.
- c/ 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.
- d/ Provided by the American Recovery and Reinvestment Act (ARRA) 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.
- e/ Natural disaster unobligated available as of August 10, 2010, rescinded in accordance with the Education Jobs and Medicaid Assistance Act, P.L. 111-226, signed on August 10, 2010. In addition, \$2.416M of unobligated water and waste disposal regular grants was rescinded to reach the \$122M rescission in P.L. 111-226.

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$128,033,000 in direct water and waste disposal loans (\$898,263,000 available in 2011).

This program provides loan funds for water and waste projects serving the most financially needy communities. The financial assistance provides results in reasonable user costs for rural residence, rural businesses, and other rural users. During FY 2011, a loan level of \$898,263,000 in the Direct Water and Waste Disposal program affords us the opportunity to make 533 loans and assist approximately 2,556,268 rural residents will be provided the opportunity to receive decent, safe, and sanitary water and waste water services.

With the requested loan level of \$770,230,000 the program will be able to fund 457 loans and provide 2,191,772 rural residents with decent, safe and sanitary water and waste service. The program level will create approximately 11,700 jobs.

These loans are targeted to communities with the most urgent needs for basic water improvements and wastewater infrastructure. Because of the relatively low interest rates on loans, more projects are feasible with less grant funds required and the overall program should be able to operate at a higher loan to grant ratio.

- (2) A decrease of \$63,050,000 in guaranteed water and waste disposal loans (\$75,000,000 available in 2011).

This program provides a loan guarantee to banks and lenders for the construction or improvement of water and waste projects serving the financially needy communities in rural areas. The financial assistance provides results in reasonable user costs for rural residence, rural businesses, and other rural users. During FY 2011, a loan level of \$75,000,000 in the Guaranteed Direct Water and Waste Disposal program affords us the opportunity to make 50 loans and assist approximately 239,800 rural residents will be provided the opportunity to receive decent, safe, and sanitary water and waste water services.

With the requested loan level of \$11,950,000 the program will be able to fund 8 loans and provide 38,368 rural residents with decent, safe and sanitary water and waste service. The program level will create approximately 183 jobs.

These loans are targeted to communities with the most urgent needs for basic water improvements and wastewater infrastructure. This decrease is needed as hard choices had to be made with limited funds available.

While the guaranteed water and wastewater loan program has had a planning loan level of \$75 million for over 15 years, it had never obligated up to that level. The reason the \$75 million has not been fully utilized to the maximum extent possible in the past is due to the IRS treating the guaranteed loan and tax exempt bonds as a double benefit, so we can only guarantee taxable bonds. The program has always had a negative subsidy rate, so no subsidy was needed to provide an authorized loan level of \$75 million. The subsidy rate is positive for the first time in the 2012 budget. Because of the cost to provide a loan level, the 2012 budget requests a loan level that should cover the expected demand for loan funds in 2012. The expected demand was determined by averaging the obligated loan level for the last 5 years. While this is a decrease from the authorized planning loan level from prior years, we consider this program as fully funded for 2012.

- (3) A decrease of \$59,718,000 in rural water and waste disposal grants (\$470,718,000 available in 2011).

This program provides grant funds for water and waste projects serving the most financially needy communities. The financial assistance provides results in reasonable user costs for rural residence, rural businesses, and other rural users. During FY 2011, a program level of \$470,718,000 in the Direct Water and Waste Disposal program affords us the opportunity to make 404 grants and assist approximately 1,159,893 rural residents will be provided the opportunity to receive decent, safe, and sanitary water and waste water services.

With the requested loan level of \$411,000,000 the program will be able to fund 330 grants and provide 1,025,890 rural residents with decent, safe and sanitary water and waste service. The program level will create approximately 6,288 jobs.

These grants are targeted to communities with the most urgent needs for basic water improvements and wastewater infrastructure. Because of the relatively low interest rates on loans, more projects are feasible with less grant funds required and the overall program should be able to operate at a higher loan to grant ratio.

This level is sufficient to meet the performance goals of the program and ensures that funding is adequate to maintain assistance for the water and wastewater infrastructure in rural America.

- (4) An increase of \$559,000 in solid waste management grants (\$3,441,000 available in 2011).

This program provides grant funds to private, non-profit organizations and public bodies to provide technical assistance and/or training to rural small communities (under 10,000 in populations) to reduce the solid waste stream through reduction, recycling, and reuse. During FY 2011, a grant level of \$3,441,000 in the solid waste management grant program affords us the opportunity to make 35 grants which will allow 40 Technical Assistance Providers to assist rural small communities with managing their solid waste disposal needs.

With the requested grant level of \$4,000,000 the program will be able to fund 40 grants and allow 45 Technical Assistance Providers to assist rural small communities with managing their solid waste disposal needs.

These grants are to public and private nonprofit organizations for providing technical assistance and training to associations to reduce or eliminate pollution of water resources and improve planning and management of solid waste facilities. This assistance is available in rural areas and towns with a population not in excess of 10,000.

This level is sufficient to meet the performance goals of the program and ensures that funding is adequate to maintain assistance for the water and wastewater infrastructure in rural America.

- (5) A decrease of \$3,283,000 in the loan subsidy for the direct water and waste disposal loans (\$77,071,000 available in 2011).

The requested subsidy amount is necessary to support the estimated loan obligations associated with the requested FY 2012 loan levels for the direct water and waste disposal loan program. The change is due to the subsidy rate increases from 8.58 percent to 9.58 percent due to the projected interest rates for the FY 2012 President's Budget economic assumptions.

- (6) An increase of \$190,000 in the loan subsidy for the guaranteed water and waste disposal loans (\$0 available in 2011).

The requested subsidy amount is necessary to support the estimated loan obligations associated with the requested FY 2012 loan levels for the guaranteed water and waste disposal loan program. The change is due to the subsidy rate increases from -.85 percent to 1.59 percent due to the projected interest rates for the FY 2012 President's Budget economic assumptions.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Rural Water and Waste Disposal Loan Program - Direct

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$6,139,450	--	--
Alaska	--	--	--
Arizona	1,775,000	--	--
Arkansas	11,995,500	--	--
California	38,722,000	--	--
Colorado	19,225,000	--	--
Connecticut	4,819,000	--	--
Delaware	20,413,000	--	--
Florida	21,223,000	--	--
Georgia	8,151,000	--	--
Hawaii	3,286,100	--	--
Idaho	27,283,000	--	--
Illinois	30,853,250	--	--
Indiana	53,099,500	--	--
Iowa	29,479,000	--	--
Kansas	15,939,000	--	--
Kentucky	28,840,000	--	--
Louisiana	14,417,000	--	--
Maine	6,081,000	--	--
Maryland	8,994,910	--	--
Massachusetts	7,196,245	--	--
Michigan	41,975,000	--	--
Minnesota	12,749,000	--	--
Mississippi	16,867,106	--	--
Missouri	30,174,000	--	--
Montana	9,175,000	--	--
Nebraska	2,228,000	--	--
Nevada	1,305,000	--	--
New Hampshire	15,661,000	--	--
New Jersey	9,407,700	--	--
New Mexico	20,535,382	--	--
New York	22,208,000	--	--
North Carolina	79,183,000	--	--
North Dakota	6,056,100	--	--
Ohio	24,082,000	--	--
Oklahoma	17,173,285	--	--
Oregon	15,321,000	--	--
Pennsylvania	32,785,300	--	--
Rhode Island	1,615,000	--	--
South Carolina	27,817,000	--	--
South Dakota	14,303,000	--	--
Tennessee	19,412,000	--	--
Texas	36,942,000	--	--
Utah	3,407,000	--	--
Vermont	3,847,000	--	--
Virginia	39,489,580	--	--
Washington	37,251,000	--	--
West Virginia	27,096,200	--	--
Wisconsin	14,424,700	--	--
Wyoming	300,000	--	--
Puerto Rico	10,570,000	--	--
Virgin Islands	--	--	--
W. Pacific Areas	--	--	--
Undistributed	--	--	--
Total Avail./Est.	<u>\$951,292,308</u>	<u>\$1,002,572,677 <sup>1/</sup></u>	<u>\$770,229,645 <sup>1/</sup></u>

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

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Rural Water and Waste Disposal Loan Program - Recovery Act

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$2,703,000	--	--
Arizona	5,116,000	--	--
Arkansas	34,249,000	--	--
California	105,052,000	--	--
Colorado	7,838,000	--	--
Connecticut	3,481,000	--	--
Delaware	22,457,000	--	--
Florida	26,918,000	--	--
Georgia	13,736,000	--	--
Idaho	15,160,000	--	--
Illinois	22,669,000	--	--
Indiana	17,092,000	--	--
Iowa	14,632,500	--	--
Kansas	20,572,400	--	--
Kentucky	39,577,000	--	--
Louisiana	9,081,000	--	--
Maine	6,424,874	--	--
Maryland	34,139,500	--	--
Massachusetts	32,616,540	--	--
Michigan	79,131,000	--	--
Minnesota	27,452,000	--	--
Mississippi	9,355,000	--	--
Missouri	26,049,300	--	--
Montana	7,903,000	--	--
Nebraska	9,423,000	--	--
Nevada	7,732,000	--	--
New Hampshire	8,882,000	--	--
New Jersey	13,699,000	--	--
New Mexico	1,230,000	--	--
New York	35,049,000	--	--
North Carolina	86,598,000	--	--
North Dakota	14,716,750	--	--
Ohio	17,175,000	--	--
Oklahoma	20,776,800	--	--
Oregon	17,634,000	--	--
Pennsylvania	139,895,900	--	--
South Carolina	62,308,700	--	--
South Dakota	10,775,000	--	--
Tennessee	23,529,000	--	--
Texas	48,304,500	--	--
Utah	4,613,000	--	--
Vermont	1,214,000	--	--
Virginia	68,847,000	--	--
Washington	46,029,064	--	--
West Virginia	11,671,000	--	--
Wisconsin	30,038,000	--	--
Wyoming	1,072,000	--	--
Puerto Rico	9,395,000	--	--
Total Avail./Est.	<u>1,274,012,828</u>	<u>--</u>	<u>--</u>

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Rural Water and Waste Disposal Loans  
2008 Disasters

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Maine	\$1,980,000	--	--
Oklahoma	375,000	--	--
West Virginia	<u>1,270,000</u>	<u>--</u>	<u>--</u>
Total Avail./Est.	<u>\$3,625,000</u>	<u>--</u>	<u>--</u>

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Rural Water and Waste Disposal Loan Program - Guaranteed

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	1,260,630	--	--
Alaska	--	--	--
Arizona	--	--	--
Arkansas	--	--	--
California	--	--	--
Colorado	--	--	--
Connecticut	--	--	--
Delaware	--	--	--
Florida	200,000	--	--
Georgia	--	--	--
Hawaii	--	--	--
Idaho	1,285,000	--	--
Illinois	--	--	--
Indiana	--	--	--
Iowa	5,300,000	--	--
Kansas	2,200,000	--	--
Kentucky	--	--	--
Louisiana	--	--	--
Maine	--	--	--
Maryland	--	--	--
Massachusetts	--	--	--
Michigan	--	--	--
Minnesota	--	--	--
Mississippi	--	--	--
Missouri	--	--	--
Montana	--	--	--
Nebraska	--	--	--
Nevada	--	--	--
New Hampshire	--	--	--
New Jersey	--	--	--
New Mexico	84,000	--	--
New York	--	--	--
North Carolina	--	--	--
North Dakota	--	--	--
Ohio	--	--	--
Oklahoma	391,000	--	--
Oregon	--	--	--
Pennsylvania	--	--	--
Rhode Island	--	--	--
South Carolina	--	--	--
South Dakota	--	--	--
Tennessee	--	--	--
Texas	--	--	--
Utah	--	--	--
Vermont	--	--	--
Virginia	--	--	--
Washington	--	--	--
West Virginia	--	--	--
Wisconsin	--	--	--
Wyoming	--	--	--
Puerto Rico	--	--	--
Virgin Island	--	--	--
W. Pacific Areas	--	--	--
Undistributed	--	--	--
Total Avail./Est.	<u>\$10,720,630</u>	<u>\$75,000,000</u> <sup>1/</sup>	<u>\$11,949,686</u> <sup>1/</sup>

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

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Rural Water and Waste Disposal Grants

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$4,140,000	--	--
Alaska	70,122,484	--	--
Arizona	18,148,633	--	--
Arkansas	15,839,000	--	--
California	19,629,000	--	--
Colorado	4,172,000	--	--
Connecticut	5,444,990	--	--
Delaware	6,382,755	--	--
Florida	10,998,880	--	--
Georgia	11,616,198	--	--
Hawaii	733,269	--	--
Idaho	5,932,400	--	--
Illinois	7,699,063	--	--
Indiana	9,225,450	--	--
Iowa	8,118,900	--	--
Kansas	9,967,000	--	--
Kentucky	12,203,714	--	--
Louisiana	20,844,700	--	--
Maine	6,002,700	--	--
Maryland	14,740,301	--	--
Massachusetts	4,235,050	--	--
Michigan	14,678,000	--	--
Minnesota	9,220,000	--	--
Mississippi	15,064,080	--	--
Missouri	18,699,681	--	--
Montana	15,658,200	--	--
Nebraska	5,277,900	--	--
Nevada	1,847,823	--	--
New Hampshire	3,628,000	--	--
New Jersey	6,420,750	--	--
New Mexico	30,663,941	--	--
New York	11,146,250	--	--
North Carolina	35,859,859	--	--
North Dakota	6,287,179	--	--
Ohio	21,233,037	--	--
Oklahoma	31,037,973	--	--
Oregon	5,241,640	--	--
Pennsylvania	15,832,300	--	--
Rhode Island	1,526,335	--	--
South Carolina	29,653,600	--	--
South Dakota	16,479,000	--	--
Tennessee	10,974,091	--	--
Texas	23,274,623	--	--
Utah	5,684,913	--	--
Vermont	6,295,700	--	--
Virginia	26,817,000	--	--
Washington	15,415,400	--	--
West Virginia	26,463,209	--	--
Wisconsin	10,923,108	--	--
Wyoming	--	--	--
Puerto Rico	3,591,000	--	--
Virgin Islands	--	--	--
W. Pacific Areas	--	--	--
Undistributed	--	--	--
Total Avail./Est.	<u>\$691,091,079</u>	<u>\$569,848,000</u> <sup>1/</sup>	<u>\$409,510,000</u> <sup>1/</sup>

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

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Rural Water and Waste Disposal Grants - Recovery Act

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$3,512,000	--	--
Alaska	1,999,500	--	--
Arizona	3,627,063	--	--
Arkansas	48,311,000	--	--
California	12,047,500	--	--
Colorado	6,464,700	--	--
Connecticut	2,739,600	--	--
Delaware	2,999,847	--	--
Florida	11,388,560	--	--
Georgia	18,431,200	--	--
Idaho	7,046,000	--	--
Illinois	6,772,000	--	--
Indiana	9,381,500	--	--
Iowa	14,778,900	--	--
Kansas	5,537,000	--	--
Kentucky	17,846,800	--	--
Louisiana	3,634,818	--	--
Maine	11,521,126	--	--
Maryland	9,148,000	--	--
Massachusetts	42,507,980	--	--
Michigan	20,654,000	--	--
Minnesota	10,773,000	--	--
Mississippi	8,997,436	--	--
Missouri	12,988,040	--	--
Montana	7,320,000	--	--
Nebraska	3,695,600	--	--
Nevada	3,126,580	--	--
New Hampshire	11,042,000	--	--
New Jersey	3,377,247	--	--
New Mexico	2,701,244	--	--
New York	18,286,925	--	--
North Carolina	35,888,750	--	--
North Dakota	2,156,000	--	--
Ohio	16,012,000	--	--
Oklahoma	7,353,700	--	--
Oregon	5,388,450	--	--
Pennsylvania	19,831,100	--	--
South Carolina	22,886,900	--	--
South Dakota	4,692,000	--	--
Tennessee	11,375,300	--	--
Texas	18,080,000	--	--
Utah	4,421,436	--	--
Vermont	3,463,000	--	--
Virginia	11,157,000	--	--
Washington	6,046,000	--	--
West Virginia	16,196,700	--	--
Wisconsin	12,758,200	--	--
Wyoming	340,000	--	--
Puerto Rico	3,730,000	--	--
Total Avail./Est.	<u>\$544,433,702</u>	<u>--</u>	<u>--</u>

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Circuit Rider Technical Assistance Grants for Rural Water Systems - Recovery Act

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Oklahoma	<u>\$10,179,666</u>	<u>--</u>	<u>--</u>
Total Avail./Est.	<u>\$10,179,666</u>	<u>--</u>	<u>--</u>

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Rural Water and Waste Disposal Grants  
2008 Disasters

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Maine	\$2,739,000	--	--
West Virginia	3,137,400	--	--
Wisconsin	904,645	--	--
Total Avail./Est.	<u>\$6,781,045</u>	<u>--</u>	<u>--</u>

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Rural Water and Waste Individually-Owned Water Well System Grants

	<u>2010</u>	<u>2011</u>	<u>2012</u>
California	\$85,000	--	--
Georgia	80,000	--	--
Michigan	250,000	--	--
Minnesota	50,000	--	--
Missouri	300,000	--	--
Pennsylvania	113,000	--	--
Texas	115,000	--	--
Total Avail./Est.	<u>\$993,000</u>	<u>\$2,175,648</u> <sup>1/</sup>	<u>\$993,000</u> <sup>1/</sup>

Rural Water and Wastewater Revolving Fund Grants

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Arkansas	\$248,500	--	--
Oklahoma	248,500	--	--
Total Avail./Est.	<u>\$497,000</u>	<u>\$510,383</u> <sup>1/</sup>	<u>\$497,000</u> <sup>1/</sup>

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

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Solid Waste Management Grants

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alaska	\$752,349	--	--
Arizona	205,522	--	--
California	229,557	--	--
Colorado	108,723	--	--
Kansas	89,759	--	--
Maine	271,478	--	--
Massachusetts	345,710	--	--
Michigan	87,197	--	--
Mississippi	64,866	--	--
Missouri	263,228	--	--
Montana	56,514	--	--
New Hampshire	173,779	--	--
New York	216,082	--	--
North Carolina	103,608	--	--
Ohio	66,009	--	--
Oklahoma	77,824	--	--
Utah	93,370	--	--
Vermont	157,751	--	--
West Virginia	41,994	--	--
Total Avail./Est.	<u>\$3,405,320</u>	<u>\$3,441,000</u> <sup>1/</sup>	<u>\$4,000,000</u> <sup>1/</sup>

Emergency and Imminent Community Water Assistance Grants

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$135,000	--	--
Illinois	493,000	--	--
Missouri	1,089,085	--	--
Nebraska	264,000	--	--
Oklahoma	76,500	--	--
Tennessee	500,000	--	--
West Virginia	90,900	--	--
Total Avail./Est.	<u>\$2,648,485</u>	<u>--</u>	<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  
2010 Actual and Estimated 2011 and 2012

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Other Objects:			
41 Grants, subsidies, and contributions.....	<u>\$1,428,090,630</u>	<u>\$656,138,815</u>	<u>\$488,978,000</u>
Total direct obligations.....	<u><u>1,428,090,630</u></u>	<u><u>656,138,815</u></u>	<u><u>488,978,000</u></u>

## RURAL UTILITIES SERVICE

The estimates include appropriation language for this item as follows (new language underscored):

Rural Electrification and Telecommunications Loans Program Account

The principal amount of direct and guaranteed loans as authorized by sections 305 and 306 of the Rural Electrification Act of 1936 (7 U.S.C. 935 and 936) shall be made as follows: 5 percent rural electrification loans, \$100,000,000; loans made pursuant to section 306 of that Act, rural electric, \$6,000,000,000; 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; *Provided*, That not less than \$4,000,000,000 shall be for construction, acquisition or improvement of renewable energy plants or for construction, acquisition or improvement of fossil fueled electric generating plants (whether new or existing) that utilize carbon sequestration systems; *Provided further*, That funding may be made available for fossil fuel electric generating peaking units (new or existing) to the extent that the peaking unit operates in conjunction with an electric generating plant that produces electricity from solar, wind, or other intermittent sources of energy; *Provided further*, That not more than \$2,000,000,000 shall be available for environmental improvements to fossil fuel electric generating plants that would reduce emissions of air pollution including greenhouse gases.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, \$39,959,000, which shall be paid to the appropriation for "Rural Development, Salaries and Expenses."

## 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>
Annualized Continuing Resolution, 2011.....	\$7,290,000,000	\$0	\$39,959,000
Budget Estimate, 2012.....	<u>6,790,000,000</u>	<u>0</u>	<u>39,959,000</u>
Change in Appropriation.....	<u><u>-500,000,000</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

PROJECT STATEMENT

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

Item of Change	2010 Actual		2011 Estimated		Increase or Decrease		2012 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
Electric Loans:								
Direct, 5% g/.....	\$100,000	\$0	\$100,000	\$0	\$0	\$0	\$100,000	\$0
Direct, Treasury Rate .....	0	0	0	0	0	0	0	0
Direct, FFB b/.....	6,500,000	0	6,500,000	0	-500,000 (1)	0	6,000,000	0
Electric Underwriting Loans g/ .....	500,000	0	0	0	0	0	0	0
Total Electric.....	7,100,000	0	6,600,000	0	-500,000	0	6,100,000	0
Telecommunications Loans:								
Direct, 5% g/.....	145,000	0	145,000	0	0	0	145,000	0
Direct, Treasury Rate f/.....	250,000	0	250,000	0	0	0	250,000	0
Direct, FFB d/.....	295,000	0	295,000	0	0	0	295,000	0
Total Telecommunications.....	690,000	0	690,000	0	0	0	690,000	0
Total loans and subsidies.....	7,790,000	0	7,290,000	0	-500,000	0	6,790,000	0
Total administrative expenses e/.....	0	\$39,959	0	\$39,959	0	\$0	0	\$39,959
Unobligated balance available, start of year.....	0	8,015	0	0	0	0	0	0
Unobligated balance available, end of year.....	0	-8,015	0	0	0	0	0	0
Total Appropriation.....	7,790,000	39,959	7,290,000	39,959	-500,000	0	6,790,000	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	2010 Actual		2011 Estimated		Increase or Decrease		2012 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
<b>Electric Loans:</b>								
Direct, 5% g/.....	\$100,000	\$0	\$100,000	\$0	\$0	\$0	\$100,000	\$0
Direct, Treasury Rate.....	0	0	0	0	0	0	0	0
Direct, FFB b/.....	6,500,000	0	6,500,000	0	-500,000	0	6,000,000	0
Electric Underwriting Loansg/.....	500,000	0	0	0	0	0	0	0
<b>Total Electric.....</b>	<b>7,100,000</b>	<b>0</b>	<b>6,600,000</b>	<b>0</b>	<b>-500,000</b>	<b>0</b>	<b>6,100,000</b>	<b>0</b>
<b>Telecommunications Loans:</b>								
Direct, 5% c/.....	145,000	0	145,000	0	0	0	145,000	0
Direct, Treasury Rate f/.....	250,000	0	250,000	0	0	0	250,000	0
Direct, FFB d/.....	295,000	0	295,000	0	0	0	295,000	0
<b>Total Telecommunications.....</b>	<b>690,000</b>	<b>0</b>	<b>690,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>690,000</b>	<b>0</b>
<b>Total loans and subsidies.....</b>	<b>7,790,000</b>	<b>0</b>	<b>7,290,000</b>	<b>0</b>	<b>-500,000</b>	<b>0</b>	<b>6,790,000</b>	<b>0</b>
Total administrative expenses e/.....	0	39,959	0	39,959	0	0	0	39,959
Unobligated balance available, start of year.....	0	8,015	0	8,015	0	-8,015	0	0
Unobligated balance available, end of year.....	0	-8,015	0	0	0	0	0	0
Unobligated balance rescinded h/.....	0	0	0	-8,015	0	8,015	0	0
<b>Total Appropriation.....</b>	<b>7,790,000</b>	<b>39,959</b>	<b>7,290,000</b>	<b>39,959</b>	<b>-500,000</b>	<b>-8,015</b>	<b>6,790,000</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 27.73%, 7.38%, and 14.40% respectively, were calculated for FY 2010, FY 2011 and FY 2012. Therefore, corresponding budget authority is not required to support the program levels.
- b/ Negative subsidy rates of 0.47%, 4.43%, and 4.00% respectively, were calculated for FY 2010, FY 2011 and FY 2012. Therefore, corresponding budget authority is not required to support the program levels.
- c/ Negative subsidy rates of 18.59%, 7.37%, and 13.78% respectively, were calculated for FY 2010, FY 2011 and FY 2012. Therefore, corresponding budget authority is not required to support the program levels.
- d/ Negative subsidy rates of 0.65%, 4.65%, and 3.64% respectively, were calculated for FY 2010, FY 2011 and FY 2012. Therefore, corresponding budget authority is not required to support the program levels.
- e/ In FY 2010, funding of \$39,959,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In FY 2011 and FY 2012, funding of \$39,959,000 for each year is requested and will be paid to the Rural Development Salaries and Expenses account.
- f/ Negative subsidy rates of 0.43%, 0.32%, and 1.19% respectively, were calculated for FY 2010, FY 2011, and FY 2012. Therefore, budget authority is not required to support program levels.
- g/ Negative subsidy rate of 1.85% was calculated for FY 2010. Therefore, budget authority is not required to support the program level.
- h/ Natural disaster unobligated available as of August 10, 2010, rescinded in accordance with the Education Jobs and Medicaid Assistance Act, P.L. 111-226, signed August 10, 2010.

JUSTIFICATION OF DECREASE

- (1) A decrease of \$500,000,000 for FFB electric loans (\$6,500,000,000 available in 2011).

This program provides loan guarantees to finance the construction of electric distribution, transmission, and generation facilities, including system improvements and replacement required to furnish and improve electric service in rural areas, as well as demand side management, energy conservation programs, and on-grid and off-grid renewable energy. The financial assistance helps electric borrowers provide reliable, affordable electric service for rural homes and businesses.

During FY 2011, an FFB electric loan level of \$6,500,000,000 affords us the opportunity to assist approximately 6,125,000 rural residents with new and improved electric service. The reduced availability of loan guarantees will lower investment in construction and improvements of rural electric distribution, transmission, and generation facilities. The support of renewable energy, energy efficiency and energy conservation programs will also be limited. The decreased program level in FY 2012 would support new and improved electric service to approximately 5,625,000 rural residents.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Telecommunications Loans - Direct 5% and Treasury Rate

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$22,418,000	--	--
Alaska	13,150,000	--	--
Arkansas	28,297,000	--	--
Idaho	11,243,000	--	--
Illinois	11,426,000	--	--
Iowa	17,184,000	--	--
Kansas	10,215,000	--	--
Minnesota	5,000,000	--	--
Missouri	2,273,000	--	--
Montana	9,000,000	--	--
Nebraska	101,562,000	--	--
New Mexico	54,401,000	--	--
North Dakota	8,972,000	--	--
Oregon	12,277,000	--	--
South Dakota	37,870,000	--	--
Wisconsin	29,726,000	--	--
Wyoming	19,986,000	--	--
Total Avail./Est.	<u>395,000,000</u>	<u>\$395,000,000</u> 1/	<u>\$395,000,000</u> 1/

Telecommunications Loans - FFB

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$26,027,000	--	--
Arkansas	2,910,000	--	--
Iowa	5,317,000	--	--
Minnesota	85,552,000	--	--
Missouri	328,000	--	--
Montana	74,337,000	--	--
Nebraska	10,775,000	--	--
North Dakota	23,350,000	--	--
Wisconsin	46,419,000	--	--
Wyoming	19,985,000	--	--
Total Avail./Est.	<u>\$295,000,000</u>	<u>\$295,000,000</u> 1/	<u>\$295,000,000</u> 1/

1/ Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Electric Loans - FFB

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$75,942,000	--	--
Alaska	10,600,000	--	--
Arizona	131,203,000	--	--
Arkansas	806,056,000	--	--
Colorado	417,265,000	--	--
Florida	142,758,000	--	--
Georgia	527,095,000	--	--
Hawaii	109,968,000	--	--
Illinois	20,000,000	--	--
Indiana	40,700,000	--	--
Iowa	81,973,000	--	--
Kansas	28,021,000	--	--
Kentucky	178,313,000	--	--
Louisiana	55,050,000	--	--
Michigan	88,000,000	--	--
Minnesota	205,748,000	--	--
Mississippi	329,081,000	--	--
Missouri	641,022,000	--	--
Montana	16,419,000	--	--
New Mexico	135,120,000	--	--
New York	6,170,000	--	--
North Carolina	241,000,000	--	--
North Dakota	648,759,000	--	--
Ohio	153,550,000	--	--
Oklahoma	56,911,000	--	--
Oregon	10,000,000	--	--
South Carolina	70,724,000	--	--
South Dakota	44,820,000	--	--
Tennessee	54,900,000	--	--
Texas	545,395,000	--	--
Virginia	550,411,000	--	--
Washington	17,377,000	--	--
Wisconsin	33,000,000	--	--
Wyoming	26,649,000	--	--
Total Avail./Est.	<u>\$6,500,000,000</u>	<u>\$6,500,000,000</u> <sup>1/</sup>	<u>\$6,000,000,000</u> <sup>1/</sup>

Guaranteed Underwriting Loans

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Virginia	<u>\$500,000,000</u>	--	--
Total Avail./Est.	<u>\$500,000,000</u>	--	--

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

## RURAL UTILITIES SERVICE

## RURAL ELECTRIFICATION AND TELECOMMUNICATIONS PROGRAM

Classification by Objects  
2010 Actual and Estimated 2011 and 2012

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Other Objects:			
25 Other purchases of goods and services from government accounts.....	<u>\$39,959,000</u>	<u>\$39,959,000</u>	<u>\$39,959,000</u>
Total direct obligations.....	<u><u>39,959,000</u></u>	<u><u>39,959,000</u></u>	<u><u>39,959,000</u></u>

RURAL UTILITIES SERVICE

The estimates include appropriation language for this item as follows (new language underscored):

Distance Learning, Telemedicine and Broadband Program

For grants for telemedicine and distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., \$30,000,000, to remain available until expended.

In addition, \$17,976,000, 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.

## 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>
Annualized Continuing Resolution, 2011.....	\$518,996,416	\$28,960,000	\$55,731,000
Budget Estimate, 2012.....	0	0	47,976,000
Change in Appropriation.....	<u>-518,996,416</u>	<u>-28,960,000</u>	<u>-7,755,000</u>

**PROJECT STATEMENT**

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

Item of Change	2010 Actual		2011 Estimated		Increase or Decrease		2012 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
Distance learning and telemedicine:								
Direct loans.....	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants.....	0	0	30,255	30,255	-255 (1)	-255	30,000	30,000
Health care services grants.....	0	0	3,000	3,000	-3,000 (2)	-3,000	0	0
Public broadcasting systems grants.....	4,627	4,627	4,500	4,500	-4,500 (3)	-4,500	0	0
Broadband telecommunication:								
Direct, Treasury rate loans.....	74,297	5,379	518,996	28,960	-518,996 (4)	-28,960 (5)	0	0
Direct, Treasury rate loans - ARRA a/.....	1,191,844	86,290	0	0	0	0	0	0
Grants.....	0	0	17,976	17,976	0	0	17,976	17,976
Grants - ARRA a/.....	2,337,246	2,337,246	0	0	0	0	0	0
Total Available or Estimate.....	3,608,014	2,433,542	574,727	84,691	-526,751	-36,715	47,976	47,976
Recovery of prior year obligations.....	-5,215	-5,215	0	0	0	0	0	0
Unobligated balance available, start of year.....	-3,857,243	-2,449,075	0	0	0	0	0	0
Unobligated balance expiring.....	10,426	1,464	0	0	0	0	0	0
Unobligated balance available, end of year.....	699,749	103,975	0	0	0	0	0	0
Total Appropriation, Discretionary	455,731	84,691	574,727	84,691	-526,751	-36,715	47,976	47,976
Mandatory:								
Broadband telecommunication:								
Direct, treasury rate loans.....	0	0	0	0	0	0	0	0
Recovery of prior year obligations.....	-626	-45	0	0	0	0	0	0
Unobligated balance available, start of year.....	0	0	0	0	0	0	0	0
Unobligated balance, end of year.....	626	45	0	0	0	0	0	0
Total Appropriation, Mandatory.....	0	0	0	0	0	0	0	0
Total Appropriation.....	455,731	84,691	574,727	84,691	-526,751	-36,715	47,976	47,976

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	2010 Actual		2011 Estimated		Increase or Decrease		2012 Estimated	
	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA	Program Level	Subsidy/BA
Distance learning and telemedicine:								
Direct loans.....	\$0	\$0	\$2,039	\$30	-\$2,039	-\$30	\$0	\$0
Grants.....	0	0	66,516	66,516	-36,516	-36,516	30,000	30,000
Health care services grants.....	0	0	6,000	6,000	-6,000	-6,000	0	0
Public broadcasting systems grants.....	4,627	4,627	4,500	4,500	-4,500	-4,500	0	0
Broadband telecommunication:								
Direct, Treasury rate loans.....	74,297	5,379	1,221,295	68,148	-1,221,295	-68,148	0	0
Direct, Treasury rate loans - ARRA a/.....	1,191,845	86,290	0	0	0	0	0	0
Grants.....	0	0	43,472	43,472	-25,496	-25,496	17,976	17,976
Grants - ARRA a/.....	2,337,246	2,337,246	0	0	0	0	0	0
Total Available or Estimate.....	3,608,014	2,433,542	1,343,822	188,666	-1,295,846	-140,690	47,976	47,976
Recovery of prior year obligations.....	-5,215	-5,215	0	0	0	0	0	0
Unobligated balance available, start of year.....	-3,837,243	-2,449,075	-769,908	-104,020	769,908	104,020	0	0
Unobligated balance expiring.....	10,426	1,464	0	0	0	0	0	0
Unobligated balance available, end of year.....	699,749	103,975	0	0	0	0	0	0
Total Appropriation, Discretionary	455,731	84,691	573,914	84,646	-525,938	-36,670	47,976	47,976
Mandatory:								
Broadband telecommunication:								
Direct, treasury rate loans.....	0	0	813	45	-813	-45	0	0
Recovery of prior year obligations.....	-626	-45	0	0	626	45	0	0
Unobligated balance available, start of year.....	0	0	-813	-45	813	45	0	0
Unobligated balance, end of year.....	626	45	0	0	0	0	0	0
Total Appropriation, Mandatory.....	0	0	0	0	0	0	0	0
Total Appropriation.....	455,731	84,691	573,914	84,646	-525,938	-36,670	47,976	47,976

NOTE: Individual columns may not add due to rounding.

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

a/ 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 DECREASES

- (1) A decrease of \$255,000 for distance learning and telemedicine grants (\$30,255,000 available in 2011).

This program provides grant funds for distance learning projects serving the most financially needy communities. The financial assistance is designed specifically to meet the educational and health care needs of rural America and provide advanced telecommunications technologies provide enhanced learning and health care opportunities for rural residents. During FY 2011, a grant level of \$30,255,000 in the Distance Learning and Telemedicine grants program affords us the opportunity to assist approximately 380 rural counties with telemedicine or distance learning facilities. With the requested grant level of \$30,000,000 the program will be able to fund approximately 100 grants providing rural residents advanced telecommunications technologies.

These grants are targeted to entities providing education and medical care via telecommunications including corporations or partnerships, Indian tribes or tribal organizations, state or local units of government, consortia, and private for-profit or not-for profit corporations. Individuals are not eligible.

- (2) A decrease of \$3,000,000 for health care services grants (\$3,000,000 available in 2011).

This program provides grant funds for developing health care services, health education programs, and public health-related facilities in the Delta Region. During FY 2011, a grant level of \$3,000,000 in the Health Care Services grants program was available. Since this program is just being implemented in FY 2011, USDA does not have an estimate of results at this time.

These grants are targeted to consortia of regional institutions of higher education, academic health and research institutes, and economic development entities located in the Delta Region that have experience in addressing the health care issues in the region. Due to budget priorities, no funding is provided for this program in FY 2012.

- (3) A decrease of \$4,500,000 for public broadcast system grants (\$4,500,000 available in 2011).

This program provides grant funds for assisting public television stations serving substantial rural populations in transitioning to digital broadcast television transmission. During FY 2011, a grant level of \$4,500,000 in this grant program affords us the opportunity to assist approximately 10 entities.

These grants are targeted to public television stations which serve rural areas. A public television station is a non-commercial educational television broadcast station that is qualified for Community Service Grants by the Corporation of Public Broadcasting under section 396(k) of the Communications Act of 1934. Due to budget priorities, no funding is provided for this program in FY 2012.

- (4) A decrease of \$518,996,000 for direct broadband telecommunication treasury rate loan level (\$518,996,000 available in 2011).

This program provides loans for funding, on a technology neutral basis, for the costs of construction, improvement, and acquisition of facilities and equipment to provide broadband service to eligible rural communities. In FY 2011, a program level of \$518,996,000 in the Direct Broadband Telecommunications Treasury Rate loan program will be available for the deployment of broadband infrastructure to approximately 180,000 rural residents, businesses and community institutions. An Interim Final Rule for this program is expected to be published in Third Quarter FY 2011.

These loans are targeted to cooperative, nonprofit, limited dividend or mutual associations, limited liability companies, Indian tribes and tribal organizations and commercial organizations. The FY 2012 budget expects that approximately \$1.2 billion will be carried over from prior years.

- (5) A decrease of \$28,960,000 in loan subsidy for direct broadband telecommunication treasury rate (\$28,960,000 available in 2011).

The FY 2012 budget does not include funding for this program as carryover is expected to be available.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Distance Learning Loans

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Avail./Est.	<u>    --</u>	<u>\$2,039,484 1/</u>	<u>    --</u>

Distance Learning Grants

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Avail./Est.	<u>    --</u>	<u>\$66,515,537 1/</u>	<u>\$30,000,000 1/</u>

1/ Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Public Broadcasting Systems Grants

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Arizona	\$177,508	--	--
California	550,275	--	--
Idaho	142,025	--	--
Illinois	749,000	--	--
Kentucky	677,920	--	--
Missouri	276,508	--	--
New Mexico	39,000	--	--
New York	347,105	--	--
North Dakota	382,725	--	--
Tennessee	918,704	--	--
West Virginia	366,000	--	--
Total Avail./Est.	<u>\$4,626,770</u>	<u>\$4,500,000</u> <sup>1/</sup>	<u>--</u>

Consolidated Farm and Rural Development Act, Section 379 G  
Health Care Services Grant

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Avail./Est.	<u>--</u>	<u>\$6,000,000</u> <sup>1/</sup>	<u>--</u>

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

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Direct Broadband Telecommunications Loans - Treasury Rate

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Indiana	\$73,186,888	--	--
Kansas	769,228	--	--
Missouri	24,001	--	--
New Mexico	316,605	--	--
Total Avail./Est.	<u>\$74,296,722</u>	<u>\$1,221,295,615</u> <u>1/</u>	<u>--</u>

Broadband Telecommunications Grants

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Avail./Est.	<u>--</u>	<u>\$43,471,684</u> <u>1/</u>	<u>\$17,976,000</u> <u>1/</u>

1/ Cannot be distributed by geographic area in advance.

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Direct Broadband Telecommunications Loans - Treasury Rate  
Recovery Act

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alaska	\$48,520,293	--	--
Arizona	12,477,706	--	--
California	8,655,020	--	--
Colorado	13,416,835	--	--
Florida	13,060,710	--	--
Georgia	28,260,899	--	--
Hawaii	106,503	--	--
Idaho	8,231,299	--	--
Illinois	10,871,370	--	--
Indiana	9,005,935	--	--
Iowa	33,868,596	--	--
Kansas	63,770,288	--	--
Kentucky	117,912,076	--	--
Louisiana	24,818,039	--	--
Maryland	2,898,298	--	--
Michigan	45,487,241	--	--
Minnesota	109,410,265	--	--
Mississippi	421,578	--	--
Missouri	64,550,350	--	--
Montana	39,576,754	--	--
Nebraska	3,396,895	--	--
Nevada	5,331,639	--	--
New Mexico	29,789,483	--	--
New York	12,136,598	--	--
North Carolina	46,283,511	--	--
North Dakota	31,745,208	--	--
Ohio	13,055,390	--	--
Oklahoma	73,074,137	--	--
Oregon	6,715,154	--	--
South Carolina	5,662,501	--	--
South Dakota	9,047,287	--	--
Tennessee	66,464,723	--	--
Texas	117,906,145	--	--
Utah	620,724	--	--
Vermont	36,834,074	--	--
Virginia	17,030,859	--	--
Washington	12,574,886	--	--
West Virginia	10,969,942	--	--
Wisconsin	26,285,366	--	--
W. Pacific Areas	10,000,000	--	--
National Office	1,600,000	--	--
Total Avail./Est.	<u>\$1,191,844,577</u>	<u>--</u>	<u>--</u>

RURAL UTILITIES SERVICE  
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
2010 Actual and Estimated 2011 and 2012

Broadband Telecommunications Grants - Recovery Act

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alabama	\$22,993,829	--	--
Alaska	74,005,042	--	--
Arizona	25,304,205	--	--
Arkansas	166,497,028	--	--
California	15,811,787	--	--
Colorado	46,898,551	--	--
Florida	36,231,328	--	--
Georgia	53,193,342	--	--
Idaho	11,130,856	--	--
Illinois	11,278,385	--	--
Indiana	13,421,034	--	--
Iowa	61,847,195	--	--
Kansas	69,363,768	--	--
Kentucky	144,906,749	--	--
Louisiana	21,775,195	--	--
Maine	7,395,344	--	--
Maryland	67,472,189	--	--
Michigan	77,146,827	--	--
Minnesota	84,168,945	--	--
Mississippi	8,375,625	--	--
Missouri	130,650,931	--	--
Montana	69,944,634	--	--
Nebraska	7,888,472	--	--
Nevada	12,982,715	--	--
New Hampshire	985,000	--	--
New Mexico	59,926,737	--	--
New York	42,229,806	--	--
North Carolina	103,152,079	--	--
North Dakota	45,927,454	--	--
Ohio	17,386,317	--	--
Oklahoma	109,993,302	--	--
Oregon	13,521,570	--	--
South Carolina	17,167,287	--	--
South Dakota	17,984,479	--	--
Tennessee	103,020,130	--	--
Texas	123,611,115	--	--
Utah	11,249,314	--	--
Vermont	85,556,736	--	--
Virginia	75,061,047	--	--
Washington	49,759,549	--	--
West Virginia	32,100,698	--	--
Wisconsin	105,294,952	--	--
W. Pacific Areas	81,034,763	--	--
National Office	1,600,000	--	--
Total Avail./Est.	<u>\$2,337,246,311</u>	<u>--</u>	<u>--</u>

## RURAL UTILITIES SERVICE

## DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

Classification by Objects  
2010 Actual and Estimated 2011 and 2012

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Other Objects:			
41 Grants, subsidies, and contributions.....	<u>\$2,433,541,711</u>	<u>\$188,710,835</u>	<u>\$47,976,000</u>
Total direct obligations.....	<u>2,433,541,711</u>	<u>188,710,835</u>	<u>47,976,000</u>

RURAL UTILITIES SERVICE

HIGH ENERGY COST GRANTS

PROJECT STATEMENT

(On basis of appropriation transfer)  
(In thousands of dollars)

Item of Change	2010 Actual	2011 Estimated	Increase or Decrease	2012 Estimated
High energy cost grants a/.....	\$17,954	\$17,500	-\$17,500	\$0
Total Available or Estimate.....	17,954	17,500	-\$17,500	0
Transfer from Rural Water and Waste Disposal Program.....	-17,500	-17,500	17,500	0
Unobligated balance available, start of year.....	-17,633	0	0	0
Unobligated balance available, end of year.....	17,179	0	0	0
Total Appropriation.....	0	0	0	0

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

a/ In FY 2010 and FY 2011, \$17,500,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In FY 2012 no funds are proposed for this program.

PROJECT STATEMENT

(On basis of available funds)  
(In thousands of dollars)

Item of Change	2010 Actual	2011 Estimated	Increase or Decrease	2012 Estimated
High energy cost grants a/.....	\$17,954	\$34,679	-\$34,679	\$0
Total Available or Estimate.....	17,954	34,679	-34,679	0
Transfer from Rural Water and Waste Disposal Program.....	-17,500	-17,500	17,500	0
Unobligated balance available, start of year.....	-17,633	-17,179	17,179	0
Unobligated balance available, end of year.....	17,179	0	0	0
Total Appropriation.....	0	0	0	0

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

a/ In FY 2010 and FY 2011, \$17,500,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In FY 2012 no funds are proposed for this program.

JUSTIFICATION OF DECREASE

Hard choices with the limited funding being available in the FY 2012 budget has resulted in no funding being requested for this program during FY 2012.

RURAL UTILITIES SERVICE  
 GEOGRAPHIC BREAKDOWN OF OBLIGATIONS  
 2010 Actual and Estimated 2011 and 2012

High Energy Cost Grants

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Alaska	\$13,220,576	--	--
California	750,000	--	--
Maine	98,810	--	--
Massachusetts	750,000	--	--
W. Pacific Areas	<u>3,135,000</u>	--	--
Total Avail./Est.	<u>\$17,954,386</u>	<u>\$34,679,000</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  
2010 Actual and Estimated 2011 and 2012

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Other Objects:			
41 Grants, subsidies, and contributions.....	<u>\$17,954,386</u>	<u>\$34,679,000</u>	<u>\$0</u>
Total direct obligations.....	<u>17,954,386</u>	<u>34,679,000</u>	<u>0</u>

**RURAL UTILITES SERVICE**

**SUMMARY OF RECOVERY ACT FUNDING**

(in thousands)

Program/Project/Activity	FY 2009		FY 2010	
	PL Actual	BA Actual	PL Available	BA Available
Water and Waste Loan	\$991,645	\$144,978	\$1,274,013	\$96,061
Water and Waste Grants	585,803	585,803	544,434	544,434
Technical Assistance Grants	0	0	5,000*	5,000*
Circuit Rider Contract Grants	4,100	4,100	10,180	10,180
Broadband Loans	0	0	1,191,845	86,290
Broadband Grants	0	0	2,337,246	2,337,246
Total Available for Program	\$1,581,548	\$734,881	\$5,362,718	\$3,079,211
Salaries and Expenses	\$31,369	\$31,369	\$31,369	\$31,369
Total Available	\$1,612,917	\$766,250	\$5,394,087	\$3,110,580

\*In early 2010 the Water and Waste Disposal loan and grants funds were reprogrammed which allowed \$5,000,000 to be moved into this program.

**Project Statement – Recovery Act**

(On basis of available funds)

(in thousands)

	FY 2009			FY 2010		
	PL Available	BA Available	Staff Years	PL Available	BA Available	Staff Years
Rural Water & Waste Disposal Direct Loan Program	\$991,645	\$144,978	229	\$1,274,013	\$96,061	
Rural Water & Waste Disposal Grants Program	585,803	585,802	135	544,434	544,434	
Technical Assistance Grants for Rural Waste Systems	0	0	0	5,000	5,000	
Rural Circuit Rider Contract Grants	4,100	4,100	0	10,180	10,180	
Distance Learning, Telemedicine & Broadband Loan Program	0	0	0	1,191,845	86,290	
Distance Learning, Telemedicine & Broadband Grants Program	0	0	0	\$2,337,246	\$2,337,246	
Unobligated balance	0	0	0	0	0	
Total Available for Program	\$1,581,548	\$734,880		\$5,362,718	\$3,079,211	
Total Available	\$1,581,548	\$734,880	283	\$5,362,718	\$3,079,211	640

Program Implementation Activities:

Broadband Loan and Grant Program

Goals:

- Fund projects that support economic development/job creation beyond the immediate construction/operations of the broadband facilities. Give 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 unserved and underserved.

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

Delivery Schedule:

- Weekly meetings held and coordinated by White House staff.
- Work closely with Commerce, FCC, and White House to coordinate efforts to rollout programs.
- First round of funding announced through a Notice of Funds Availability published in July 2009. Application window closed August 24, 2009. More than 2,200 applications received.
- Initial awards were announced on December 17, 2009. Additional awards were announced on January 25, 2010. A total of 325 awards were obligated.
- A second round of funding announced in January 2010.
- All obligations completed by September 30, 2010

Water and Waste Disposal Program

Goals:

- 2.6 million customers receiving new or improved service.
- Reduce by 7 percent, 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:

- April 2009 – ARRA fund obligations 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 - All available funds were obligated by September 30, 2010.

Performance Measures:	Performance Data	
	2009 Actual	2010 Actual
<b>Broadband Loan and Grant</b>		
Number of recipients' subscribers and recipients' anchor institution subscribers receiving new or improved broadband access	0	847,239
<b>Water and Waste Disposal</b>		
Number of program borrower's subscribers receiving new or improved service	769,559	949,656
Reduced percentage of rural resident's exposure to water borne illness	2.70%	3.59%
Number of jobs created or saved	30,736	35,400

#### 2010 Accomplishments:

##### Broadband Loan and Grant

RUS invested nearly all of the budget authority provided by Congress by the September 30, 2010, deadline. FY 2010 obligations were \$3.53 billion, representing \$2.42 billion in budget authority. Administrative costs composed the remainder of the \$2.5 billion approved by Congress. In total, 320 awards were obligated, consisting of 285 Last Mile projects, 12 Middle Mile projects, four Satellite awards, and 19 Technical Assistance grants.

##### Water and Waste Disposal

In addition to the responsibilities for FY 2010 appropriated funds, the water program was given significant responsibilities related to the American Recovery and Reinvestment Act of 2009 (ARRA). The water program was tasked with delivering more than \$3.2 billion in loans and grants over 18 months to improve water and waste infrastructure in rural America. Over two years, the water program funded 854 projects totaling \$3,395,895,000 (\$2,265,658,000 in loan and \$1,130,237,000 in grant) in WEP ARRA projects. An estimated 66,000 direct jobs are anticipated to be created or saved. The water program leveraged with other funding partners who contributed an additional 1,001,595,650 towards these ARRA projects. The investments produced a reduction of 6.3 percent in rural populations' potential for water borne illness. Over 1.7 millions rural residents will be receiving new or improved access to water or waste service.

##### Specific accomplishments for FY 2010 included:

- \$1.81 billion in WWD direct ARRA loans and grants to develop 443 facilities.
- \$10,179,666 for additional ARRA circuit riders.
- \$5,000,000 for ARRA Technical Assistance and Training.
- 42,050 technical assistance calls were completed by ARRA Circuit Riders.
- Investing 11.49 percent of project funding in persistent poverty counties and exceeding the goal of 10 percent for the ARRA funding period.

#### 2011 Planned Activities:

##### Broadband Loan and Grant

RUS staff will manage loan and grant oversight, monitoring, and reporting compliance. Projects awarded must be substantially complete in two years and completed in three years.

## Water and Waste Disposal

While the water program successfully invested in ARRA projects, challenges remain to ensure the projects are constructed and completed. The water program will assist communities and monitor projects through the following activities in FY 2011:

- Using construction management to move ARRA projects towards construction and completion well before September 30, 2015; a contractor is providing services, and contractors will visit 43 states during the year.
- Continuing to report on recipients' use of funds and progress.
- Conducting outreach to rural borrowers on best practices for sustainable water and waste systems.
- Leveraging with private and public partners to complete the projects and offer technical assistance when required.

## RURAL UTILITIES SERVICE

### STATUS OF PROGRAMS

#### Rural Electrification and Telecommunications Loans Programs:

Current Activities: The Rural Utilities Service provides electric and telecommunications financing through direct loans 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 provides 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 make direct loans and loan guarantees to finance electric generation, transmission, and distribution facilities, including system improvements and replacements required for electric service in rural areas, and for demand side management, energy efficiency and 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, tribal utilities, 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 667 active electric borrowers in 46 States, plus the active territories of the Marshall Islands, Puerto Rico, and American Samoa.

In FY 2010, the electric programs approved 174 direct loans and loan guarantees totaling \$7.1 billion. USDA approved 156 FFB distribution loans totaling over \$3.45 billion, 13 power supply (generation and transmission) FFB loans totaling about \$3.15 billion, and 4 direct hardship distribution loans totaling \$100 million. In addition, USDA approved one non-profit lender bond and note guarantee of \$0.5 billion for relending for eligible electric and telephone purposes. Rural electric infrastructure investments approved included:

- \$3,011 million in distribution system improvements;
- \$589.4 million in transmission system improvements;
- \$152.6 million for advanced metering equipment (smart grid) installations;
- \$313.3 million for renewable energy projects;
- \$675.2 million for environmental improvements to existing generation plants;
- \$1,263 million for other generating plant improvements and additions; and
- \$595.8 million for other power supply system improvements.

This \$7.1 billion in financing supported projects providing new or improved electric service to over 9.4 million retail customers in rural America and contributed to the creation or maintenance of over 163,300 jobs. This USDA investment advances the Administration's grid modernization commitment with funding for over 33,600 miles of new and/or improved transmission and distribution improvements.

In FY 2010, the electric programs continued to increase funding for renewable energy projects in support of USDA goals. USDA gives priority in processing completed loan applications that are requesting funds for renewable energy projects. In FY 2011 to FY 2012, the electric programs will continue its efforts to support borrower investment in renewable electricity generation and energy efficiency programs.

**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 2010, the telecommunications program approved \$690 million in infrastructure program loans. This funding will allow rural telecommunications providers to deploy new or improved service to more than 136,694 rural subscribers. For the last two years, 90 percent of the loans financed have been for fiber-to-the-home projects to provide fiber-optic service to rural homes and businesses.

**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:**

The Distance Learning and Telemedicine Program did not obligate any funds in FY 2010. Awards for funding appropriated in FY 2010 will be made in FY 2011.

**Broadband Program:**

The 2008 Farm Bill required changes to the Rural Broadband Access loan and loan guarantee program which was authorized under the 2002 Farm Bill. New regulations are currently under development. The efficient implementation of the Recovery Act program has taken priority. All applications received in FY 2009 and 2010 were held pending publication of the new regulations. Broadband access is crucial to rural communities. The ongoing Rural Broadband Access loan program provides funding for infrastructure in communities of 20,000 population or less. For example, Air Advantage serves the thumb area of Michigan, a predominantly agricultural area surrounded by the manufacturing hubs for the auto industry. Air Advantage has received three Broadband loans since 2003 to provide wireless broadband services in several rural communities.

**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 2010, Rural Development invested \$3.32 billion in direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities. Our goal to provide service to 1,457,000 borrowers/customers was exceeded for FY 2010 by serving 3,993,000 borrowers/customers. Of the \$3.32 billion invested, \$1.8 billion was ARRA funding, which allowed us to serve an additional 949,656 customers. Examples of loans and grants approved included :

- \$1.5 billion in WWD direct loans and grants made to develop 643 facilities
- \$1.81 billion in WWD direct ARRA loans and grants made to develop 443 facilities
- \$109.88 million assisted 139 projects in disadvantaged communities
- \$13.04 million funded 15 projects in communities qualifying for emergency assistance
- \$52.4 million funded 50 grants to technical assistance providers
- 111,229 technical assistance calls completed by Drinking Water and Wastewater Circuit Riders
- \$10.7 million in guaranteed loans
- 39 projects administered for partner organizations
- \$993,000 for Individually-Owned Water Well Systems Grants
- \$497,000 for Water and Wastewater Revolving Fund Grants
- \$4.9 million for 73 Predevelopment Planning Grants to assist in preparing applications for WEP funds

- \$10.4 million in 2008 Disaster loan and grant funding to provide 8 water and waste projects

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 2010, the water program met or exceeded goals for two of its four annual measures:

1. Referrals to commercial credit—59.81 percent of the dollar amount of loans closed, and
2. Number of borrowers' customers receiving new or improved water or waste disposal service—3,993,000.

The loan to grant mix was set at 70/30, the program ratio actually achieves was 63 percent loans and 37 percent grants. The program is designed to maximize and leverage the budget authority as it also balances the needs and affordability of the systems, and adjust more grant to accommodate higher needs and affordability. The Rural Development National and State offices continue to coordinate their strategies to strengthen relationships with partner agencies and organizations.

## RURAL UTILITIES PROGRAMS

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

#### Rural Utilities Programs

**Mission:** USDA Rural Utilities Service (RUS) enhances the quality of life and improves economic opportunity in rural communities by providing the basic infrastructure of modern life. Electricity, telecommunications, water and waste systems are essential services for individuals and businesses alike that assist communities with creating wealth, supporting self-sustaining and repopulating communities, and thriving economically.

**Telecommunications Program:** The telecommunications infrastructure program continues to provide the primary telecommunications infrastructure necessary for rural communities. Current funding levels are adequate to meet anticipated demand for system upgrades and expansion, and each funding opportunity mandates that the system be capable of providing broadband communication capacity. Broadband access through our Broadband programs is also critically important to rural America. Broadband gives rural communities access to global markets, enhances educational and health care services, and encourages economic diversification.

**Electric Program:** Since the creation of the rural electrification program in 1935, it has been one of the most successful Federal economic development initiatives. Rural electricity demand is projected to grow in the years ahead, driven by the rising electricity usage and the continuing economic diversification of rural America. The burgeoning renewable energy industry in rural America has also contributed to electricity demand growth and need for system expansion. These trends have created a demand for financing within the Electric Programs to support expansion and modernization of electric generation, transmission and distribution infrastructure to meet growth. This increased borrower need for capital is in addition to their continuing need for investment and in environmental control systems and upgrades to meet new air, water, and waste standards for electric utilities and for replacement of aging facilities and equipment.

**Water and Environmental Programs:** Adequate water and wastewater treatment capacity are significant for supporting quality of life issues, environmental sustainability, and economic development. Safe drinking water and sanitary waste disposal systems are vital not only to public health but also to the economic vitality of rural America. Tighter environmental standards and the importance of accommodating business growth in a rapidly diversifying rural economy contribute to program demand.

RUS has one strategic goal and two strategic objectives that contribute to one of the Secretary's Strategic Goals and one High Priority Performance Goals (HPPGs).

USDA Strategic Goal	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<b>USDA Priority Goal 1:</b> USDA will assist rural communities to create prosperity so they are self sustaining,	<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	<b>Telecommunications Program</b> Direct Telecommunications Loans Treasury Telecommunications Loans FFB Telecommunications Loans Distance Learning and Telemedicine Grants Broadband Loans and Grants	<b>Key Outcome 1:</b> Provide access to modern telecommunications

repopulating and economically thriving.		<b>Objective 2:</b> Develop community infrastructure	<u>Electric Program</u> Direct (Hardship) Electric Loans Direct 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	<b>Key Outcome 2:</b> Modernize and improve community infrastructure
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Key Outcome 1: Provide access to modern telecommunications

HPPG Measure: Increase the prosperity of rural communities by concentrating and strategically investing in eight to ten regions (seven regions were selected in September 2010), resulting in the creation of strong local and regional economies, with a particular emphasis on food systems, renewable energy, broadband-based economies and rural recreation.

The Telecommunications Program: In order to meet the goal of increasing economic opportunity in rural America, RUS annually finances new construction and upgrades to telecommunications infrastructure. Access to high-speed Internet services and other quality telecommunications services increases educational opportunities, improved availability of health care, job creation, retention and growth of businesses and other economic growth and is crucial to the development of regional economies. The Telecommunications program has developed specific annual short-term performance measures which demonstrate progress towards the creation of strong rural broadband-based economies. The program tracks the number of borrowers' subscribers that have received new or improved service and determines the number of jobs created or saved by broadband-related enterprises. The program improves processes and meets challenges by maintaining detailed records of annual lending activity and applying the information collected towards expansion of services.

The Distance Learning and Broadband Program: The distance learning and telemedicine program provides loans and grants for distance learning and telemedicine initiatives in rural areas. Utilizing advanced telecommunications services, these programs provide the Administration with a powerful tool in building strong rural economies and increasing educational and health care services in rural communities across the U.S. The distance learning and telemedicine program provides financing for videoconferencing and other telecommunications systems and equipment to enable rural communities, schools and businesses, allowing them to provide distance education classes, remote job training, remote medical services, telemedicine, and other services that improve rural residents' access to educational and medical services. Matching funds from loan and grant participants provide leveraging of the Federal funding with private financial resources.

Long-term Performance Measures:

Measure: Percentage of rural households with broadband access.<sup>1</sup>

Year	Target
2012	90%
2013	92%
2014	93%
2015	94%

Measure: Percentage of borrowers' subscribers receiving new or improved service.

Year	Target
2012	5.70%
2013	5.70%
2014	5.70%
2015	5.70%

<sup>1</sup> This measure was created and estimated before the development of the NTIA's National Broadband Map, which will be published in February. These forecasts were based on FCC data which was not as complete or accurate as the Map will be and the Map will probably demonstrate MUCH LESS rural access now than was previously reported by the FCC. Telecom reserves the right to reevaluate this measure and the forecasts once the Map data is available.

Selected Past Accomplishments toward Achievement of the Key Outcome:

Since 2001, RUS has provided more than \$8.4 billion in financing for improving telecommunications in rural America. All telecommunications facilities financed by RUS must be broadband capable. The development of the Internet-based economy provides unique opportunities for rural America. Broadband infrastructure greatly helps to mitigate the limitations on business development in rural areas caused by geographical distance and a limited customer base. RUS has provided capital to finance access to broadband service for rural communities. This access is critical to enable rural businesses to participate in the developing global economy.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

- 127,700 borrowers' subscribers will receive new or improved telecommunication services.

Efficiency Measures:

- Total salaries and expenses (\$) / (Average loan portfolio balance outstanding (\$) + Total average grants (\$))
- Total number of FTE used / (Average loan portfolio balance outstanding (\$) + Total average grants (\$))
- Total subsidy budget authority / (Average loan portfolio balance outstanding (\$))

Key Outcome 2: Develop community infrastructure.

HPPG Measure: Increase the prosperity of rural communities by concentrating and strategically investing in eight to ten regions (seven regions were selected in September 2010), resulting in the creation of strong local and regional economies, with a particular emphasis on food systems, renewable energy, broadband-based economies and rural recreation.

The Electric Program makes loans and loan guarantees to provide and improve electric service in rural areas by financing electric generation, transmission, and distribution facilities including generation renewable energy sources and the implementation of energy efficiency and conservation measures. The

program's goal of improving the quality of life of rural residents is accomplished by promoting and providing access to capital and credit for the development and delivery of modern, affordable and reliable electric utility services. The program tracks the number of borrowers' consumers that receive new or improved electric services and estimates the number of jobs created or saved by electric and renewable energy related investments.

Long-term Performance Measures:

Measure: Number of electric programs' borrowers' consumers receiving new or upgraded electric service by meeting annual target.

Year	Target
2012	Continued increase
2013	Continued increase
2014	Continued increase
2015	Continued increase

Selected Past Accomplishments toward Achievement of the Key Outcome:

Since 2005, the electric loan programs have approved over \$34.4 billion in financing for rural electric systems. In 2010 the program approved 174 loans totaling \$7.1 billion. The funds were used by rural utilities to construct new or improved electric distribution, transmission and generation facilities to provide electric service in rural areas, supporting economic development and modernizing community infrastructure. The investment of the electric loan funds creates and maintains jobs in rural communities. Interest in financing renewable energy and energy efficiency programs through the electric programs is growing. In 2010 the program approved over \$313.3 million in loan guarantees for new renewable electric generation projects. The electric programs have adopted a progressive management approach by enhancing use of automated systems to support loan and grant management and innovating new products and procedures to support renewable energy initiatives. The program continues its commitment to, maintaining a workplace that values employees, and provides high-quality service to its customers.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

- 5,625,000 rural electric customers receiving new or upgraded service.

The Water and Environmental Programs have been addressing several areas to target resources to rural areas:

- Building leveraging partnerships to expand resources going to rural areas. Working groups have included regional planning commissions, regional councils of developments, and other State agencies to explore funding opportunities for projects in rural communities and 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.

Long-term Performance Measures (Utilities Programs):

Measure: Percentage of the rural population we have not reached in the past will have been served by water facility projects that correct or eliminate water-related health and safety hazards such as waterborne illnesses, carcinogens, and potential security risks. The goal over a 5-year period from 2011 to 2015 is to average 5 percent annually.

Year	Target
2012	28%
2013	33%
2014	38%
2015	43%

Measure: Percentage of all water programs' borrowers that will maintain sustainable water and wastewater systems in their rural communities.

Year	Target
2012	90%
2013	90%
2014	90%
2015	90%

Efficiency Measures:

- Total salaries and expenses (\$) / (Average loan portfolio balance outstanding (\$) + Total average grants (\$))
- Total number of FTE used / (Average loan portfolio balance outstanding (\$) + Total average grants (\$))
- Total subsidy budget authority / (Average loan portfolio balance outstanding (\$) + Total average grants (\$))
- Loan/Grant Ratio: An efficiency measure used to improve the loan-to-grant mix so that more loan dollars are used by systems that can afford maximum debt capacity and grant funds will be used by needy systems.

Selected Past Accomplishments toward Achievement of the Key Outcome:

In FY 2010, the programs had a budget at the program level of \$1.6 billion. Special priority emphasis has been placed on funding projects through the American Recovery and Reinvestment Act (ARRA) with an additional \$1.8 billion of investments being provided by the Act for water and waste disposal facilities. The FY 2010 regular funding, in combination with the FY 2010 ARRA program obligations have served 4,910,812 million borrowers' customers, exceeding the annual target of 1.4 million customers served.

Overall obligations for the water and waste loan and grant program for FY 2010 were 63 percent loan and 37 percent grant for regular funding and 70 percent loan, 30 percent grant for ARRA obligations. The 2011 obligations are expected to meet the goal of 70 percent loan and 30 percent grant (the annual efficiency measure goal for FY 2011).

As a result of RD's investment in water and waste facilities, communities are able to save or create jobs; leverage funds with the private sector, local agencies, and State agencies; attract Federal funds from other agencies; and enlarge the economic and property tax base. Through September 2010, USDA had leveraged \$941 million from other sources with over \$3.3 billion of water program loan and grant funds. (This figure includes ARRA funding)

In early FY 2007, a task force analyzed and developed the criteria to be used in determining the sustainability of the facilities. The task force determined that the debt service ratio (DSR) and current ratio (CR) would be used to indicate the feasibility and the sustainability of facilities. The sustainability criteria are based on industry standards of a DSC ratio of 1.10 percent or more and a CR of 1.50 percent or more.

Selected Accomplishments Expected at the FY 2012 Proposed Resource Level:

- Provide new or improved water and/or waste disposal service to 1.2 million borrowers' customers with \$1.4 billion of program funds.

- Produce a loan to grant ratio of 70/30 so that more dollars are used by systems that can afford maximum debt capacity.
- Limit grant funds to the most financially needy systems.
- Increase leveraged funds to 30 percent of total project costs from non-agency sources for USDA funded projects.

## RURAL UTILITIES PROGRAMS

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

**Goal:** USDA will assist rural communities to create prosperity so they are self sustaining, repopulating and economically thriving.

**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	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
<b>Telecommunications (including Broadband)</b>						
a. Number of borrowers' subscribers receiving new or improved telecommunication services	356,440	775,341 <sup>i</sup>	187,399	136,694	300,000	127,700
b. Program Dollars (in thousands)	\$642,988	\$1,134,090	\$714,514	\$764,296	\$1,122,000	\$707,976
<b>ARRA Broadband Loans and Grants</b>						
a. Performance Measure to be determined			0	847,239	NA	NA
b. Program Dollars (in thousands)			\$0	\$3,529,090	NA	NA
i - One broadband loan for \$267 million accounted for 447,113 subscribers which was an anomaly in FY 2008						

	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target	2012 Target
<b>Distance Learning and Telemedicine</b>						
a. Number of counties served by entities receiving distance learning and telemedicine funding	392	586	400	0	380	380
b. Program Dollars (in thousands)	\$59,400	\$43,242	\$52,554	\$0	\$30,255	\$30,000
<b>Performance Measure #2</b>						
<b>Hardship, Municipal Rate and Treasury Rate Loans</b>						
a. Number of borrowers' consumers receiving new or improved electric service	2,016,239	196,896	99,293	183,796	125,000	125,000
b. Program Dollars (in thousands)	\$1,189,764	\$99,300	\$98,477	\$100,000	\$100,000	\$100,000
<b>FFB Electric Loans</b>						
a. Number of borrowers' consumers receiving new or improved electric facilities	3,810,212	7,905,741	9,660,124	9,237,036	6,000,000	5,500,000
b. Program Dollars (in thousands)	\$2,700,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,500,000	\$6,000,000

<b>Performance Measure #3</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Target</b>	<b>2012 Target</b>
<b>Water and Environmental Programs</b>						
a. Number of program borrowers' subscribers receiving new improved service from Agency's funded water facilities.	1,332,063	4,361,872	3,388,089	3,961,166	1,394,000	1,214,000
b. Program Dollars (in thousands)	\$1,579,948	\$1,822,949	\$430,861	\$1,671,053	\$1,464,922	\$1,197,179
<b>ARRA Water and Environmental Programs</b>						
a. Number of program borrowers' subscribers receiving new or improved service			769,559	949,646	NA	NA
b. Program Dollars (in thousands)			\$1,581,548	\$1,828,627	NA	NA

## HPPG Measures:

<b>Performance Measure/Program</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Actual</b>	<b>2010 Actual</b>	<b>2011 Target</b>	<b>2012 Target</b>
<b>Performance Measure #1</b>						
a. Number of program borrowers' subscribers receiving new or improved telecommunications service	356,440	775,341	187,399	136,694	300,000	127,700
b. Dollars	\$642,988	\$1,134,090	\$714,514	\$764,296	\$1,227,000	\$707,976
<b>Performance Measure #2</b>						
a. Number of program borrowers' consumers receiving new or improved electric service	5,826,451	8,102,637	9,759,417	9,420,832	6,125,000	5,625,000
b. Dollars	\$3,889,764	\$6,599,300	\$6,598,477	\$6,600,000	\$6,600,000	\$6,100,000
<b>Performance Measure #3</b>						
a. Number of program borrowers' subscribers receiving new improved service from Agency's funded water facilities.	1,332,063	4,361,872	3,388,089	3,961,166	1,394,000	1,214,000
b. Dollars	\$1,579,948	\$1,822,949	\$430,861	\$1,671,053	\$1,464,922	\$1,197,179

<b>UTILITIES PROGRAMS</b>				
<b>Full Cost by Department Strategic Goal</b>				
<b>Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating and Economically Thriving.</b>				
<b>PROGRAM</b>	<b>PROGRAM ITEMS</b>	<b>2010 AMOUNT (\$000)</b>	<b>2011 AMOUNT (\$000)</b>	<b>2012 AMOUNT (\$000)</b>
<b>Direct Telecommunications Loans, Treasury Telecommunications Loans, and FFB Telecommunications Loans</b>				
	Program Level	\$690,000	\$690,000	\$690,000
	Budget Authority	0	0	0
	Administrative Costs (Direct)	2,679	2,679	3,699
	Administrative Costs (Indirect)	6,888	6,888	6,870
	Total Costs	9,567	9,567	10,569
	FTEs	81	81	81
	Performance measure:			
	Number of borrowers' subscribers receiving new/improved service			
	Target:	136,694	120,000	120,000
	Cost per Measure (unit cost)	0.07	0.08	0.09
<b>Treasury Distance Learning Loans, Distance Learning and Telemedicine Grants</b>				
	Program Level	\$0	\$30,255	\$30,000
	Budget Authority	0	30,255	30,000
	Administrative Costs (Direct)	595	595	822
	Administrative Costs (Indirect)	1,530	1,530	1,526
	Total Costs	2,125	32,380	32,348
	FTEs	18	18	18
	Performance measure:			
	Counties served			
	Target:	0	380	380
	Cost per Measure (unit cost)	0	85.21	85.13
<b>Con Farm &amp; RD Act, Sec 379G Health Care Services Grant</b>				
	Program Level	\$0	\$3,000	\$0
	Budget Authority	0	3,000	0
	Administrative Costs (Direct)	0	0	0
	Administrative Costs (Indirect)	0	0	0
	Total Costs	0	3,000	0
	FTEs	0	0	0
	Performance measure:			
	Target:	0	TBD	0
	Cost per Measure (unit cost)	0	0	0
<b>Broadband Telecommunication Loans and Grants, and Public Broadcasting System Grants</b>				
	Program Level	\$78,924	\$541,472	\$17,976
	Budget Authority	10,006	51,436	17,976
	Administrative Costs (Direct)	2,348	2,348	3,243
	Administrative Costs (Indirect)	6,039	6,039	6,023
	Total Costs	18,393	59,823	27,242
	FTEs	71	71	71
	Performance measure:			
	Number of borrowers' subscribers receiving new/improved service			
	Target:	0	180,000	7,700
	Cost per Measure (unit cost)	0	0.33	3.54

PROGRAM	PROGRAM ITEMS	2010 AMOUNT (\$000)	2011 AMOUNT (\$000)	2012 AMOUNT (\$000)
<b>Direct Broadband Telecommunications Loans - Treas Rate - Stimulus, and Broadband Telecommunications Grants - Stimulus</b>				
	Program Level	\$3,529,091	\$0	\$0
	Budget Authority	2,423,536	0	0
	Administrative Costs (Direct)	0	0	0
	Administrative Costs (Indirect)	0	0	0
	Total Costs	2,423,536	0	0
	FTEs	0	0	0
	Performance measure: New/ Upgraded Subscribers			
	Target:	847,239	0	0
	Cost per Measure (unit cost)	0	0	0
<b>Direct Electric Loans, Treasury Electric Loans, Municipal Electric Loans, FFB Electric Loans, Guaranteed Electric Loans and Electric Underwriting Loans for Bonds and Notes</b>				
	Program Level	\$7,100,000	\$6,600,000	\$6,100,000
	Budget Authority	0	0	0
	Administrative Costs (Direct)	6,128	6,128	8,462
	Administrative Costs (Indirect)	15,758	15,758	15,716
	Total Costs	21,886	21,886	24,178
	FTEs	185	185	185
	Performance measure: Subscribers served			
	Target:	9,420,832	6,125,000	5,625,000
	Cost per Measure (unit cost)	0.00	0.00	0.00
<b>Direct Water &amp; Waste Disposal Loans, Guaranteed Water &amp; Waste Disposal Loans, Water &amp; Disposal Grants, Individually-Owned Water Well System Grants, Grants for Water and Wastewater Revolving Funds, Solid Waste Management Grants, and Emergency &amp; Imminent Community Water Asst. Grants.</b>				
	Program Level	\$1,660,647	\$1,447,422	\$1,197,179
	Budget Authority	770,362	551,230	488,978
	Administrative Costs (Direct)	18,290	18,290	25,258
	Administrative Costs (Indirect)	47,032	47,032	46,907
	Total Costs	835,684	616,552	561,143
	FTEs	551	551	551
	Performance measure: # of subscribers receiving new and/or improved water and/or waste disposal service			
	Target:	3,961,166	1,394,000	1,214,000
	Cost per Measure (unit cost)	0.21	0.44	0.46
<b>High Energy Cost Grants</b>				
	Program Level	\$17,954	\$17,500	\$0
	Budget Authority	17,954	17,500	0
	Administrative Costs (Direct)	0	0	0
	Administrative Costs (Indirect)	0	0	0
	Total Costs	17,954	17,500	0
	FTEs	0	0	0
	Performance measure: New/ Upgraded Subscribers			
	Target:	0	0	0
	Cost per Measure (unit cost)	0	0	0

PROGRAM	PROGRAM ITEMS	2010 AMOUNT (\$000)	2011 AMOUNT (\$000)	2012 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	\$10,406	\$0	\$0
	Budget Authority	7,054	0	0
	Administrative Costs (Direct)	0	0	0
	Administrative Costs (Indirect)	0	0	0
	Total Costs	7,054	0	0
	FTEs	0	0	0
	Performance measure: New/ Upgraded Subscribers			
	Target:	N/A	N/A	N/A
	Cost per Measure (unit cost)	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	\$1,828,627	\$0	\$0
	Budget Authority	650,675	0	0
	Administrative Costs (Direct)	0	0	0
	Administrative Costs (Indirect)	0	0	0
	Total Costs	650,675	0	0
	FTEs	0	0	0
	Performance measure: New/ Upgraded Subscribers			
	Target:	949,646	N/A	N/A
	Cost per Measure (unit cost)	N/A	N/A	N/A
<b>Total for Secretary's Priorities</b>				
	Program Level	\$14,915,649	\$9,329,649	\$8,035,155
	Budget Authority	3,879,587	653,421	536,954
	Administrative Costs (Direct)	30,040	30,040	41,484
	Administrative Costs (Indirect)	77,247	77,247	77,042
	Total Costs	3,986,874	760,708	655,480
	FTEs	906	906	906
	Performance measure:			
	Target:	N/A	N/A	N/A
	Cost per Measure (unit cost)	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 10 targets are based on appropriation.

Totals may not balance due to rounding.