

2017 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.

Authorization and Program Descriptions

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) and related legislation. RUS also delivers water and wastewater programs authorized by Section 306 of the Consolidated Farm and Rural Development Act (CONACT), 7 U.S.C. 1926 et seq.

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 (7 U.S.C. 904) may be used to finance electric distribution, transmission, and generation systems, and for demand side management, energy efficiency and conservation programs, and renewable energy systems to serve rural areas.

Hardship rate direct loans 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 has suffered a severe, unavoidable hardship, such as a natural disaster. No private financing is required. Hardship rates loans at a fixed rate of 5 percent are also offered under section 305 of the RE Act (7 U.S.C. 935).

Municipal rate direct loans are authorized by section 305 of the RE Act (7 U.S.C. 935) to eligible distribution borrowers for electric system improvements. Interest rates are set quarterly based on municipal bond market rates for similar maturities and determined at time of each loan advance. Private financing of 30 percent is required for most loans.

Guaranteed loans are provided under section 306 of the RE Act (7 U.S.C. 936) for financing of electric distribution, transmission and generation systems (including renewable energy), headquarters facilities, and for energy efficiency, conservation and demand side management programs. No private financing is required. The Federal Financing Bank (FFB) is the primary source of guaranteed loans. 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 National Rural Utilities Cooperative Financing Corporation, Co Bank or other private lenders carry an interest rate negotiated between the lender and the borrower. Section 6101 of the 2014 Farm Bill authorizes borrowers to request and the Secretary to charge an upfront fee to cover the costs of a loan guarantee for loans for electrification baseload generation (7 U.S.C. 905).

Bond and note guarantees for cooperative lenders are available under section 313A of the RE Act (7 U.S.C. 940c-1). USDA may guarantee payments on certain bonds or notes issued by qualified cooperative or other non-profit lenders. The note proceeds must be used for financing of eligible rural electrification or telephone purposes (excluding electric generation), and must be of investment grade. Notes have been obtained through the FFB. The interest rate is equal to the Treasury rate for notes of similar maturities plus an annual fee of 30 basis points on any unpaid principal balance. Section 6102 of the 2014 Farm Bill reauthorized this program through 2018.

Loans for electric generation from renewable energy resources are authorized by section 317 of the RE Act (7 U.S.C. 940g), as amended by the 2008 Farm Bill. Loans are available for facilities that generate electricity from solar, wind, hydropower, biomass, or geothermal source for resale to rural and nonrural residents. The interest rate

is set to be equal to the average tax-exempt municipal bond rate of similar maturities. Loans for electric generation from renewable energy resources are authorized by section 317 of the RE Act (7 U.S.C. 940g), as amended by the 2008 Farm Bill. Loans are available for facilities that generate electricity from solar, wind, hydropower, biomass, or geothermal source for resale to rural and nonrural residents. The interest rate is set to be equal to the average tax-exempt municipal bond rate of similar maturities. Loans for renewable generation projects serving eligible rural areas are also available under section 306 FFB loan guarantees.

Rural energy savings program is a new program established by the 2014 Farm Bill (Public Law. 113–79, title VI, §6205, Feb. 7, 2014, 128 Stat. 857) as an amendment to the 2002 Farm Bill (7 U.S.C. 8107a). The program offers zero-interest loans to eligible borrowers for relending to qualified consumers to implement durable cost-effective energy efficiency measures. The program is in addition to other RUS and Rural Development (RD) loan programs.

High energy cost grants under section 19 of the RE Act (7 U.S.C. 918a) 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 energy costs exceeding 275 percent of the national average. Program funds are also used for RUS grants to the Denali Commission to carry out eligible projects in small remote villages in Alaska and to eligible State entities to establish revolving funds for bulk fuel purchases for certain communities where fuel deliveries by surface transportation is not available year round.

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 RD. 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 direct loan and loan guarantee program, “Access to Broadband Telecommunications Services in Rural Areas”, which was reauthorized and modified in the 2008 Farm Bill and the 2014 Farm Bill. This program provides 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. The 2008 Farm Bill required changes to the loan program; revised regulations were published in the *Federal Register* on February 6, 2013. The 2014 Farm Bill made several changes to the program and revised interim regulations were published in the *Federal Register* on July 30, 2015.

Distance learning and telemedicine 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 Internet 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.

Water and Waste Disposal Loans and Grants:

Direct water and waste disposal loans - Section 306 CONACT and 7 U.S.C. 1926. Direct loans may be made to develop water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and in cities and towns with a population of 10,000 or less. Priority is given to communities with populations of 5,000 or less.

Guaranteed water and waste disposal loans - Section 306 CONACT and 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 and 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 306C CONACT and 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. They are also available to Native American tribes with the funds specifically intended to be used for eligible projects benefiting members of federally recognized Native American tribes. Grants may be made in conjunction with loans and up to 100 percent of the eligible project cost.

Water and waste system grants for Alaskan Villages, including technical assistance program - Section 306D CONACT and 7 U.S.C. 1926. Section 306D grants fund water and waste disposal systems in rural Alaskan Villages. Funds must be used for development and construction of water and wastewater systems to correct dire health and sanitation conditions in those villages.

Special evaluation assistance for rural communities and households program grants - Section 306 CONACT and 7 U.S.C. 1926. Predevelopment planning grants are available for feasibility studies, design assistance, and technical assistance to financially distressed communities in rural areas with populations of 2,500 or fewer inhabitants for water and waste disposal projects.

Grants for the construction, refurbishment and servicing of low or moderate income individual household water well systems (HWWS) - Section 306E CONACT and 7 U.S.C. 1926. The HWWS Program provides funds to non-profit organizations to assist them in establishing loan programs from which homeowners may borrow money to construct or repair household water well systems.

Solid waste management grants - Section 310B CONACT and 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.

Technical assistance and training grants - Section 306 CONACT and 7 U.S.C. 1926. Grants are available to private non-profit organizations to provide technical assistance and training to communities and utility systems on issues relating to delivery of water and waste disposal service. For water and waste disposal facilities, eligible non-profit organizations help identify and evaluate solutions, improve the operation and maintenance of existing facilities and prepare loan and grant applications.

Geographic dispersion of offices and employees:

Rural Development programs are administered by the three programs representing RD: Housing and Community Facilities, Utilities, Business and Cooperative Development. RD headquarters is located in Washington, D.C. As of September 30, 2015, there were 4,811 permanent full-time employees, including 1,491 in the headquarters and 3,320 in the field offices.

OIG Reports – In Progress

- #09703-0001-22 RUS's Controls Over American Recovery and Reinvestment Act of 2009 (ARRA) water and waste disposal loan and grant expenditures and program measures. The Office of Inspector General (OIG) is beginning the next phase of the audit to review bidding, construction, and/or disbursement of funds for projects that have progressed to the construction and completion phases. RUS has implemented the remaining recommendations and, on November 19, 2015, submitted a request to OIG for closure of the audit.
- #09703-002-32-TE Broadband Initiatives Program (ARRA) pre and post-award controls. OIG has not yet submitted a formal draft to RUS.
- #09703-0002-22 OIG initiated this review to determine if a water and sewer company appropriately used USDA funds related to its most recent projects, to include its adherence to regulations pertaining to expenditures, contracts, and conflicts of interest. RUS has reached management decision on four of the seven recommendations. RUS has implemented the remaining recommendations and, on November 19, 2015, submitted a request to OIG for closure of the audit.

GAO Reports - Completed

- #GAO-12-937 12/14/12 Broadband Programs are Ongoing, and Agencies' Efforts Would Benefit from Improved Data Quality. The Government Accountability Office (GAO) reviewed the Broadband Initiatives Program (BIP) under ARRA, focusing on the progress of 10 broadband projects and their effect on expanding access to and adoption of broadband. GAO found that data limitations make it difficult to fully measure the effect of BIP on expanding access to broadband and made recommendations to improve the data, which RUS was already in the process of implementing. GAO also noted some of the challenges facing awardees in completing projects.
- # GAO-13-279SP Jan 2013 GAO Annual Report on Duplication in Federal Programs. This is a follow-up to GAO Report No. GAO-13-111. In January 2013, RUS responded to a GAO regarding GAO's 2013 Annual Report on Rural Water Infrastructure.
- #GAO-13-136 4-16-2013 Wind Energy: Additional actions could help insure effective use of Federal financial support. GAO examined Federal wind-related initiatives across Federal agencies using surveys and follow up interviews. GAO recommended "That to the extent possible within their statutory authority Department of Energy (DOE) and USDA formally assess and document whether the Federal financial support of their initiatives is needed for applicants' wind projects to be built." RD in its consolidated response noted that disclosure of other funds used to support the project is included in application review and approval, but that USDA is constrained by statute in its consideration of need for funding.

GAO Reports – In Progress

#GAO-12-938R

The Distribution of Federal Economic Development Grants to Communities with High Rates of Poverty and Unemployment. GAO's objectives are to determine the amount of funding provided by Federal programs for economic development and describe the mechanisms for targeting these funds to communities. WEP responded to opening questions regarding Federal Economic Development Grants to Poverty Communities on March 29, 2012. GAO released a final report on September 14, 2012. No actions were recommended for RUS.

#Unnumbered

Review of Federal Financial Assistance for Electric Powerplants – Study for Congress across multiple agencies collecting information on Federal loans, grants and other financial assistance for electric generation plants. RUS electric program provided information on selected generation loans from 2004-2012 in response to a GAO data request. No additional information is available.

RURAL UTILITIES SERVICE

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

Rural Water and Waste Disposal Program Account (including transfers of funds)

- 1 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, [~~\$522,365,000~~] \$461,593,000, to remain available until expended, of which not to exceed [~~\$1,000,000~~] \$500,000 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~~] \$500,000 shall be available for the rural utilities program described in section 306E of such Act : *Provided*, That not to exceed [~~\$10,000,000~~] \$5,000,000 of the amount appropriated under this heading shall be for grants authorized by 306A(i)(2) of the Consolidated Farm and Rural Development Act in addition to funding authorized by 306A(i)(1) of such Act: *Provided further*, That [~~\$64,000,000~~] \$42,544,000 of the amount appropriated under this heading shall be for loans and grants including water and waste disposal systems grants authorized by 306C(a)(2)(B) and 306D of the Consolidated Farm and Rural Development Act, and Federally Recognized Native American Tribes authorized by 306C(a)(1): *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 for training and technical assistance programs and not more than 2 percent of the funding provided for section 306D of the Consolidated Farm and Rural Development Act may be used by a consortium formed pursuant to section 325 of Public Law 105-83 for training and technical assistance programs
- 2 and may be paid to “Rural Development, Salaries and Expenses”: *Provided further*, That not to exceed [~~\$20,000,000~~] \$13,930,000 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
- 3 determination of extreme need, of which not more than [~~\$6,500,000~~] \$4,179,000 shall be made available for a grant to a qualified nonprofit 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,
- 4 operation, and management of water and waste water systems, and of which not [less]more than [~~\$800,000~~] \$557,000 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 [~~\$16,397,000~~] \$13,000,000 of the amount appropriated under this heading shall be for contracting with qualified national organizations for a circuit rider program to provide technical assistance for rural water systems: *Provided further*, That not to exceed [~~\$4,000,000~~] \$1,000,000 shall be for solid waste management grants:
- 5 [*Provided further*, That \$10,000,000 of the amount appropriated under this heading shall be transferred to, and merged with, the Rural Utilities Service, High energy Cost Grants Account to provide grants authorized under section 19 of the Rural Electrification Act of 1936 (7 U.S.C. 918a): *Provided further*, That any prior year balances for high-energy cost grants authorized by section 19 of the Rural Electrification Act of 1936 (7 U.S.C. 918a) shall be transferred to and merged with the Rural Utilities Service, High Energy Cost Grants Account:] *Provided further*, That sections 381E-H and 381N of the Consolidated Farm and Rural Development Act are not applicable to the funds made available under this heading.

The first change eliminates the language for water and waste guaranteed loans as no funding is proposed for the program in 2017.

The second change adds language to clarify the administrative expenses transfers to the Rural Development, Salaries and Expense account.

The third change adds the words “not more than.”

The fourth change removes the word “less” and adds the word “more.”

The fifth change eliminates the language for high energy cost grants which is not proposed for funding in 2017.

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants
Budget Estimate, 2017.....	\$803,802,000	\$34,885,000	\$426,708,000
2016 Enacted.....	1,250,000,000	31,595,000	480,770,000
Change in Appropriation.....	-446,198,000	3,290,000	-54,062,000

Summary of Increases and Decreases
(Dollars in thousands)

Program	2014 Actual	2015 Change	2016 Change	2017 Change	2017 Estimate
Discretionary Appropriations:					
Direct rural water and waste disposal loans.....	-	-	+\$31,320	+\$3,565	\$34,885
Guaranteed rural water and waste disposal loans.....	\$355	-\$60	-20	-275	-
Rural water and waste disposal grants.....	334,523	+1,627	+17,230	-13,346	340,034
Technical assistance grants for rural waste systems.....	19,000	-	+1,000	-6,070	13,930
Circuit rider - technical assistance grants for rural water systems..	15,000	+919	+478	-3,397	13,000
WWD grants, Alaskan villages.....	23,000	-	-7,000	-6,000	10,000
WWD grants, native American tribes.....	19,500	-3,500	+8,000	-10,440	13,560
Water and waste disposal grants, Colonias.....	23,000	+3,500	-2,500	-5,016	18,984
WWD grants, Hawaiian Homelands.....	1,000	-	-1,000	-	-
Water well system grants.....	993	-	-	-493	500
Water and wastewater revolving funds.....	1,000	-	-	-500	500
Solid waste management grants.....	4,000	-	-	-3,000	1,000
Emergency community water assistance grants.....	11,000	-	-	-800	10,200
Emergency community water assistance grants, appropriated.....	-	-	+10,000	-5,000	5,000
Subtotal, Discretionary.....	452,371	+2,486	+57,508	-50,772	461,593
Mandatory Appropriations:					
Rural water and waste disposal grants.....	150,000	-150,000	-	-	-
Total Appropriations.....	602,371	-147,514	+57,508	-50,772	461,593

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Project Statement
Adjusted Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	2014 Actual			2015 Actual			2016 Enacted			Inc. or Dec.			2017 Estimate				
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs											
Discretionary Appropriations:																	
Direct rural water and waste disposal loans.....	\$1,200,000	-	348	\$1,200,000	-	344	\$1,200,000	\$31,320	393	-\$396,198	(1)	+\$3,565	(5)	-	\$803,802	\$34,885	393
Direct rural water and waste disposal loans PL 83-566.....	40,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guaranteed rural water and waste disposal loans.....	50,000	\$355	-	50,000	\$295	-	50,000	275	-	50,000	(2)	-275	(5)	-	-	-	-
Rural water and waste disposal grants.....	334,523	334,523	88	336,150	336,150	87	333,380	333,380	100	-13,346	(3)	-13,346	-	340,034	340,034	100	
Technical assistance grants for rural waste systems.....	19,000	19,000	-	19,000	19,000	-	20,000	20,000	-	-6,070	(3)	-6,070	-	13,930	13,930	-	
Circuit rider - technical assistance grants for rural water systems.....	15,000	15,000	-	15,919	15,919	-	16,397	16,397	-	-3,397	(3)	-3,397	-	13,000	13,000	-	
WWD grants, Alaskan villages.....	23,000	23,000	-	23,000	23,000	-	16,000	16,000	-	-6,000	(3)	-6,000	-	10,000	10,000	-	
WWD grants, native American tribes.....	19,500	19,500	-	16,000	16,000	-	24,000	24,000	-	-10,440	(3)	-10,440	-	13,560	13,560	-	
Water and waste disposal grants, Colombia.....	23,000	23,000	-	26,500	26,500	-	24,000	24,000	-	-5,016	(3)	-5,016	-	18,984	18,984	-	
WWD grants, Hawaiian Homelands.....	1,000	1,000	-	1,000	1,000	-	-	-	-	-	-	-	-	-	-	-	
Water well system grants.....	993	993	-	993	993	-	993	993	-	-493	(3)	-493	-	500	500	-	
Water and wastewater revolving funds.....	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-	-500	(3)	-500	-	500	500	-	
Solid waste management grants.....	4,000	4,000	-	4,000	4,000	-	4,000	4,000	-	-3,000	(4)	-3,000	-	1,000	1,000	-	
Emergency community water assistance grants.....	11,000	11,000	-	11,000	11,000	-	11,000	11,000	-	-800	(3)	-800	-	10,200	10,200	-	
Emergency community water assistance grants, appropriated.....	-	-	-	-	-	-	-	-	-	-5,000	(3)	-5,000	-	5,000	5,000	-	
Subtotal, Discretionary.....	1,742,016	452,371	436	1,704,562	454,857	431	1,730,770	512,365	493	-500,260	-	-50,772	-	1,230,510	461,593	493	
Mandatory Appropriations:																	
Rural water and waste disposal grants.....	150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal, Mandatory.....	150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Adjusted Approp.....	1,892,016	602,371	436	1,704,562	454,857	431	1,730,770	512,365	493	-500,260	-	-50,772	-	1,230,510	461,593	493	
Rescissions, Transfers, and Seq. (Net).....	-140,000	-140,000	-	10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-
Total Appropriation.....	1,752,016	462,371	436	1,714,562	464,857	431	1,730,770	512,365	493	-500,260	-	-50,772	-	1,230,510	461,593	493	
Transfers In:																	
Commodity Credit Corporation.....	150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out:																	
High energy cost grants.....	-10,000	-10,000	-	-10,000	-10,000	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	304,202	130,237	-	501,057	108,084	-	591,996	92,376	-	+130,105	-	+12,089	-	722,101	104,465	-	
Recoveries, Other (Net).....	52,929	52,929	-	379,087	63,293	-	373,867	51,398	-	-150,530	-	+501	-	223,338	51,899	-	
Total Available.....	2,249,147	785,537	436	2,584,706	626,234	431	2,696,633	656,139	493	-520,685	-	-38,182	-	2,175,948	617,957	493	
Lapsing Balances.....	-375,635	-	-	-93,008	-	-	-	-	-	-	-	-	-	-	-	-	-
Unobligated balances rescinded.....	-	-	-	-	-	-	-13,000	-13,000	-	+12,773	-	+12,773	-	-227	-227	-	
Bal. Available, EOY.....	-364,499	-108,084	-	-837,263	-92,376	-	-800,178	-104,465	-	+171,861	-	+26,308	-	-628,317	-78,156	-	
Total Obligations.....	1,509,014	677,453	436	1,654,435	533,858	431	1,883,456	538,674	493	-336,052	-	899	-	1,547,404	539,573	493	

a/ Negative subsidy rates of .87% was calculated for 2014 and .61% was calculated for 2015. Therefore, corresponding budget authority is not required to support the program levels.
b/ This program was transferred to the Rural Utilities Service, High Energy Cost Grant Account in accordance with the Consolidated Appropriations Act, 2014, P.L. 113-76, the Consolidated and Further Continuing Appropriations Act, 2015, P.L. 113-235, and the Consolidated Appropriations Act, 2016, P.L. 114-113.
c/ Unobligated balances in the amount of \$13,000,000 was rescinded in accordance to section 738 of Title VI of the Consolidated Appropriations Act, 2016, PL 114-113.
d/ A rescission of unobligated balances in the amount of \$227,400.37 is proposed for this account in 2017.

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Project Statement
Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	2014 Actual		2015 Actual		2016 Enacted		Inc. or Dec.		2017 Estimate									
	Program Level	Budget Authority																
Discretionary Obligations:																		
Direct rural water and waste disposal loans.....	\$824,365	-	348	\$1,105,989	-	344	\$1,364,483	\$35,613	393	-\$327,616	(1)	+\$9,387	(5)	-	\$1,036,866	\$45,000	393	
Guaranteed rural water and waste disposal loans.....	7,249	\$51	-	14,674	\$87	-	16,000	88	-	+42	(2)	-	(5)	-	16,042	77	-	
Rural water and waste disposal grants.....	406,305	406,305	88	413,111	413,111	87	361,162	361,162	100	+14,514	(3)	+14,514	-	375,676	375,676	100	-	
Technical assistance grants for rural waste systems.....	19,065	19,065	-	19,214	19,214	-	20,047	20,047	-	-6,117	(3)	-6,117	-	13,930	13,930	-	-	
Circuit rider - technical assistance grants for rural water systems.....	17,495	17,495	-	15,918	15,918	-	16,795	16,795	-	-3,244	(3)	-3,244	-	13,551	13,551	-	-	
WWD grants, Alaskan villages.....	21,493	21,493	-	23,627	23,627	-	25,574	25,574	-	+1,278	(3)	+1,278	-	26,852	26,852	-	-	
WWD grants, native American tribes.....	13,476	13,476	-	26,558	26,558	-	25,078	25,078	-	-11,182	(3)	-11,182	-	13,896	13,896	-	-	
Water and waste disposal grants, colonias.....	28,837	28,837	-	26,608	26,608	-	26,503	26,503	-	+1,888	(3)	+1,888	-	28,391	28,391	-	-	
WWD grants, Hawaiian homelands.....	1,019	1,019	-	1,285	1,285	-	1,192	1,192	-	+5,000	-	+5,000	-	5,000	5,000	-	-	
Water well system grants.....	1,000	1,000	-	1,000	1,000	-	1,000	1,000	-	-692	(3)	-692	-	500	500	-	-	
Water and wastewater revolving funds.....	4,000	4,000	-	4,000	4,000	-	4,284	4,284	-	-500	(3)	-500	-	500	500	-	-	
Solid waste management grants.....	14,711	14,711	-	2,451	2,451	-	11,338	11,338	-	-3,284	(4)	-3,284	-	1,000	1,000	-	-	
Emergency community water assistance grants.....			-			-			-	-1,138	(3)	-1,138	-	10,200	10,200	-	-	
Emergency community water assistance grants, appropriated.....			-			-			-	-5,000	(3)	-5,000	-	5,000	5,000	-	-	
Subtotal, Discretionary.....	1,359,014	527,453	436	1,654,435	533,858	431	1,883,456	538,674	493	-336,052	-	899	-	1,547,404	539,573	493	-	
Mandatory Obligations:																		
Rural water and waste disposal grants.....	150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal, Mandatory.....	150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Obligations.....	1,509,014	677,453	436	1,654,435	533,858	431	1,883,456	538,674	493	-336,052	-	899	-	1,547,404	539,573	493	-	
Lapsing Balances.....	375,635	-	-	93,008	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unobligated balances rescinded.....			-			-												
Bal. Available, EOY.....	364,498	108,084	-	837,263	92,376	-	800,178	104,465	-	-171,861	-	-26,308	-	628,317	78,156	-	-	
Total Available.....	2,249,147	785,537	436	2,584,706	626,234	431	2,696,633	656,139	493	-520,685	-	-38,182	-	2,175,948	617,957	493	-	
Transfers In.....	-150,000	-150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Out.....	10,000	10,000	-	10,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	-304,202	-130,237	-	-501,057	-108,084	-	-591,996	-92,376	-	-130,105	-	-12,089	-	-722,101	-104,465	-	-	
Other Adjustments (Net).....	-52,929	-52,929	-	-379,087	-63,293	-	-373,867	-51,398	-	+150,530	-	-501	-	-223,338	-51,899	-	-	
Total Appropriation.....	1,752,016	462,371	436	1,714,562	464,857	431	1,730,770	512,365	493	-500,260	-	-50,772	-	1,230,510	461,593	493	-	

a/ Negative subsidy rates of .87% was calculated for 2015. Therefore, corresponding budget authority is not required to support the program levels.

b/ This program was transferred to the Rural Utilities Service, High Energy Cost Grant Account in accordance with the Consolidated Appropriations Act, 2014, P.L. 113-76, the Consolidated and Further Continuing Appropriations Act, 2015, P.L. 113-235, and the Consolidated Appropriations Act, 2016, P.L. 114-113.

c/ Unobligated balances in the amount of \$13,000,000 was rescinded in accordance to section 738 of Title VI of the Consolidated Appropriations Act, 2016, PL 114-113.

d/ A rescission of unobligated balances in the amount of \$227,400.37 is proposed for this account in 2017.

Justification of Increases and Decreases

- (1) A decrease of \$396,198,000 in funding for direct water and waste disposal loans (\$1,200,000,000 available in 2016).

Base funding provides loan funds for water and waste projects servicing the most financially needy communities. Water and waste disposal loans result in reasonable user costs for rural residences, rural businesses, and other rural users. Continuing the base funding is crucial to ensure the continued success of the program in delivering clean water and sanitary conditions. Adequate water and wastewater treatment capacity are significant for supporting quality of life issues, environmental sustainability, and economic development.

Continuation of the program is critical because:

- The program provides residents in rural America with decent, safe, and sanitary water and waste service.
- The mission to maintain sanitary water and waste disposal services in rural America typically receives very little funding or support when left up to the general public.

Base funding supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving and also supports Rural Development's (RD) Strategic Goal of improving the quality of life in rural America by developing community infrastructure.

The majority of projects require a loan and grant component to the funding package to enable communities to provide quality service and reasonable rates. The reduced loan amount will be matched with grant funds to allow for an overall loan to grant ratio of 70/30 and for the agency to continue focusing on underserved and economically challenged communities.

Funding in 2016 is being targeted to the smaller rural, underserved communities that are severe poverty and can afford less loan amounts. This will enable more loans but to a smaller population served. The agency will also leverage data and existing partnerships to increase loan activities to ensure that a 70/30 loan to grant ratio is achieved. Funding in 2017 is expected to support 498 loans that will assist approximately 847,000 rural residents in obtaining decent, safe, and sanitary water and wastewater services.

- (2) A decrease of \$50,000,000 for guaranteed water and waste disposal loans (\$50,000,000 available in 2016).

In 2015, for the guaranteed water and waste disposal loan program, WEP funded 8 loans that assisted approximately 113,619 rural residents in obtaining decent, safe, and sanitary water and wastewater services. Because of minimal demand and expected carryover funding, no new funding is proposed in 2017.

<u>FY</u>	<u>Number of loans made</u>	<u>Total Guaranteed Loans Obligation</u>
2011	9	31,923,200
2012	5	6,659,910
2013	6	18,010,350
2014	5	7,248,840
2015	8	14,673,500

Funding in 2016 for the guaranteed water and waste disposal loan program will support 21 loans to assist approximately 34,000 rural residents in obtaining decent, safe and sanitary water and wastewater services. The anticipated carryover amount from 2016 into 2017 for the guaranteed water and waste disposal loan program could support about 137 loans and assist approximately 221,242 rural residents. The Water and Environmental Program is working on plans to streamline the guaranteed water and waste loan program.

Since guaranteed funding has been traditionally under-utilized, USDA has requested authority to temporarily make rural communities with populations up to 20,000 persons to be eligible for the guaranteed water and waste disposal loan program and will be used with the carryover funding available in 2017. Increasing the population

limit for 2017 would allow the agency to determine the demand for such financing and the viability of an expanded guaranteed program.

(3) A decrease of \$46,062,000 in funding for water and waste disposal grants (\$46,770,000 available in 2016).

This funding supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving and also supports RD's Strategic Goal of improving the quality of life in rural America by developing community infrastructure.

The decrease is a result of reduced funding for several of the congressional set asides. The agency made tough decisions when looking at funding in order to focus more on the construction of new and improved infrastructure under the traditional loan and grant program. In addition, the agency requested zero funds for the Department of Hawaiian Homelands as it is anticipated that this programs will have prior year carryover funds from 2016 into 2017.

Continuation of the program is critical because:

- The program provides residents in rural America with decent, safe and sanitary water and waste service.
- The mission to maintain sanitary water and waste disposal services in rural America typically receives very little funding or support when left up to the general public.

Base funds for water and waste disposal grants provides grant funds in conjunction with loans for water and waste projects serving the most financially needy communities. In addition, Congressional set asides provide grant funds for targeted groups to develop and construct water and waste systems in disadvantaged communities. Water and waste grants help in providing reasonable user rates and costs for rural residences, rural businesses, and other rural users. Besides health and environmental concerns, the economic vitality of rural America will be negatively impacted. Adequate water and wastewater treatment capacity are significant for supporting quality of life issues, environmental sustainability, and economic development.

Funding in 2017 is expected to support 515 grants in the water and waste disposal grant program to assist approximately 853,000 rural residents in obtaining decent, safe, and sanitary water and waste water services.

The emergency community water assistance grant (ECWAG) program provides grants to public bodies and private nonprofit corporations serving rural areas to alleviate a significant decline in quantity or quality of water available from the water supplies of rural residents. USDA is authorized in Section 306A(i)(2) of the Consolidated Farm and Rural Development Act (ConAct), P.L. 111-10, to set aside not less than 3 percent and not more than 5 percent of the funding for the water and waste disposal grant program to fund the ECWAG program. ECWAG grants are limited to \$500,000 for water source issues and \$150,000 for emergency repairs. Although the ECWAG funding authorized through the ConAct exceeded demand in prior years, in 2014 USDA experienced increased demand resulting from the severe drought conditions and other natural disasters (such as the freeze conditions in the northern States). In addition, RD/RUS implemented streamlined processes to improve delivery to communities facing emergency situations, further increasing participation in the program.

At this time, we anticipate continued demand for emergency grant funds, particularly in drought impacted areas as well as areas affected by flooding. In 2017, funding of \$5 million in appropriated grant funding would support an additional 22 projects, in addition to the amount set aside based on a percentage of funding for the water and waste disposal grant program. As authorized, the agency will set aside funds of 3 percent to 5 percent for the ECWAG program, which is \$10.2 million in 2017.

(4) A decrease of \$3,000,000 in funding for solid waste management grants (\$4,000,000 available in 2016).

This program supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving and also supports RD's Strategic Goal of improving the quality of life in rural America by developing community infrastructure. While this program has historically been funded at \$4 million in prior years, the agency made the hard decision to request less funding for this program in order to focus more on funding construction of new and improved infrastructure.

As a result of this program communities receive assistance from eligible organizations to reduce or eliminate pollution of water resources, improve planning and management of solid waste disposal facilities in rural areas, and enhance operator skills in operations and maintenance.

Funding in 2016 will support 35 grants that will help communities address water pollution issues and develop solid waste management strategies. Funding for 2017 will support 10 grants to eligible organizations. The agency does not anticipate any carryover funds in 2017.

- (5) An increase of \$3,565,000 for water and waste disposal loan subsidy (\$31,595,000 available in 2016).

The increase in subsidy budget authority is related primarily to the increase in the direct subsidy rate. The subsidy amount is necessary to support the estimated loan obligations associated with the requested 2017 loan levels for the programs.

RURAL UTILITIES SERVICE
Direct Water and Waste Disposal Loans
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Alabama.....	\$18,798	\$8,167	-	-
Alaska.....	-	339	-	-
Arizona.....	9,700	2,005	-	-
Arkansas.....	16,539	20,548	-	-
California.....	10,628	15,298	-	-
Colorado.....	1,253	4,479	-	-
Connecticut.....	11,915	14,786	-	-
Delaware.....	7,481	1,515	-	-
Florida.....	9,784	3,178	-	-
Georgia.....	10,365	23,443	-	-
Hawaii.....	1,037	-	-	-
Idaho.....	3,742	38,827	-	-
Illinois.....	25,104	33,583	-	-
Indiana.....	38,120	3,517	-	-
Iowa.....	12,175	8,671	-	-
Kansas.....	32,494	16,803	-	-
Kentucky.....	49,307	58,853	-	-
Louisiana.....	18,239	38,185	-	-
Maine.....	21,645	13,325	-	-
Maryland.....	16,761	17,237	-	-
Massachusetts.....	11,343	9,440	-	-
Michigan.....	49,466	56,656	-	-
Minnesota.....	28,384	23,690	-	-
Mississippi.....	10,224	23,348	-	-
Missouri.....	20,519	46,142	-	-
Montana.....	11,862	22,707	-	-
Nebraska.....	4,315	7,952	-	-
Nevada.....	-	10,341	-	-
New Hampshire.....	3,650	7,707	-	-
New Jersey.....	8,550	10,466	-	-
New Mexico.....	5,496	7,249	-	-
New York.....	46,855	27,166	-	-
North Carolina.....	28,743	24,584	-	-
North Dakota.....	8,198	9,747	-	-
Ohio.....	15,956	27,900	-	-
Oklahoma.....	14,923	18,537	-	-
Oregon.....	17,784	29,963	-	-
Pennsylvania.....	28,934	57,262	-	-
Rhode Island.....	8,135	4,760	-	-
South Carolina.....	55,498	49,236	-	-
South Dakota.....	11,661	13,238	-	-
Tennessee.....	14,508	22,414	-	-
Texas.....	7,788	132,825	-	-
Utah.....	6,258	4,672	-	-
Vermont.....	3,951	9,309	-	-
Virginia.....	7,858	24,034	-	-
Washington.....	15,590	16,174	-	-
West Virginia.....	23,366	48,470	-	-
Wisconsin.....	26,454	25,435	-	-
Wyoming.....	1,295	93	-	-
Puerto Rico.....	11,714	11,714	-	-
Undistributed.....	-	-	\$1,364,483 <u>a/</u>	\$1,036,866 <u>a/</u>
Obligations.....	824,365	1,105,989	1,364,483	1,036,866

a/ Totals cannot be distributed at this time.

RURAL UTILITIES SERVICE
Guaranteed Water and Waste Disposal Loans
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual Amount	2015 Actual Amount	2016 Enacted Amount	2017 Estimate Amount
Illinois.....	-	\$8,440	-	-
Iowa.....	-	4,880	-	-
Mississippi.....	-	328	-	-
Montana.....	\$2,500	-	-	-
North Carolina.....	1,760	-	-	-
North Dakota.....	500	-	-	-
Oklahoma.....	-	1,026	-	-
Tennessee.....	2,489	-	-	-
Undistributed.....	-	-	\$16,000 <u>a/</u>	\$16,042 <u>a/</u>
Obligations.....	7,249	14,674	16,000	16,042

a/ Totals cannot be distributed at this time.

RURAL UTILITIES SERVICE
Water and Waste Disposal Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Alabama.....	\$11,166	\$14,896	-	-
Alaska.....	1,448	1,204	-	-
Arizona.....	-	3,602	-	-
Arkansas.....	8,848	9,401	-	-
California.....	2,243	7,263	-	-
Colorado.....	2,809	2,883	-	-
Connecticut.....	7,987	4,093	-	-
Delaware.....	3,977	2,607	-	-
Florida.....	4,462	3,679	-	-
Georgia.....	5,377	7,414	-	-
Hawaii.....	6,292	-	-	-
Idaho.....	2,923	15,750	-	-
Illinois.....	9,392	12,079	-	-
Indiana.....	31,411	12,308	-	-
Iowa.....	10,235	7,205	-	-
Kansas.....	20,815	8,064	-	-
Kentucky.....	11,290	13,095	-	-
Louisiana.....	6,632	8,889	-	-
Maine.....	7,161	7,267	-	-
Maryland.....	14,014	6,811	-	-
Massachusetts.....	4,875	3,374	-	-
Michigan.....	16,340	15,727	-	-
Minnesota.....	14,349	12,067	-	-
Mississippi.....	5,319	11,656	-	-
Missouri.....	10,596	14,230	-	-
Montana.....	11,274	5,766	-	-
Nebraska.....	4,548	2,626	-	-
Nevada.....	48	11,717	-	-
New Hampshire.....	1,765	5,715	-	-
New Jersey.....	2,981	2,900	-	-
New Mexico.....	4,153	5,073	-	-
New York.....	26,696	11,567	-	-
North Carolina.....	17,233	16,365	-	-
North Dakota.....	8,138	3,827	-	-
Ohio.....	8,253	11,903	-	-
Oklahoma.....	792	6,073	-	-
Oregon.....	6,475	7,521	-	-
Pennsylvania.....	15,312	16,865	-	-
Rhode Island.....	6,144	1,780	-	-
South Carolina.....	11,257	12,691	-	-
South Dakota.....	5,446	6,226	-	-
Tennessee.....	6,100	11,716	-	-
Texas.....	3,886	15,170	-	-
Utah.....	8,694	4,574	-	-
Vermont.....	4,593	6,067	-	-
Virginia.....	3,939	11,483	-	-
Washington.....	4,547	5,774	-	-
West Virginia.....	6,947	10,736	-	-
Wisconsin.....	8,243	9,364	-	-
Wyoming.....	5,612	819	-	-
Puerto Rico.....	3,270	3,209	-	-
Other Countries.....	-	25	-	-
Undistributed.....	-	-	\$361,162 ^{a/}	\$375,676 ^{a/}
Obligations.....	406,305	413,111	361,162	375,676

^{a/} Totals cannot be distributed at this time.

RURAL UTILITIES SERVICE
 Technical Assistance Grants for Rural Water Systems
Geographic Breakdown of Obligations
 (Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Alaska.....	\$750	\$818	-	-
Arizona.....	500	680	-	-
Arkansas.....	175	175	-	-
California.....	110	100	-	-
Colorado.....	-	213	-	-
Kentucky.....	95	91	-	-
Maine.....	-	102	-	-
Maryland.....	6,500	6,414	-	-
Nevada.....	300	220	-	-
New York.....	195	100	-	-
Oklahoma.....	9,700	9,900	-	-
South Dakota.....	90	-	-	-
Tennessee.....	-	100	-	-
West Virginia.....	650	200	-	-
Puerto Rico.....	-	100	-	-
Undistributed.....	-	-	\$20,047 <i>a/</i>	\$13,930 <i>a/</i>
Obligations.....	19,065	19,214	20,047	13,930

Circuit Rider - Technical Assistance Grants for Rural Waste Systems
Geographic Breakdown of Obligations
 (Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Oklahoma.....	\$17,495	\$15,918	-	-
Undistributed.....	-	-	\$16,836 <i>a/</i>	\$13,400 <i>a/</i>
Obligations.....	17,495	15,918	16,795	13,551

Water and Waste Disposal Grants - Alaskan Villages
Geographic Breakdown of Obligations
 (Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Alaska.....	\$21,456	\$23,598	\$25,574	\$26,852
District of Columbia.....	37	29	-	-
Obligations.....	21,493	23,627	25,574	26,852

Water and Waste Disposal Grants - Native American Grants
Geographic Breakdown of Obligations
 (Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
California.....	-	\$4,884	-	-
Michigan.....	\$300	-	-	-
Minnesota.....	5,131	2,182	-	-
Mississippi.....	3,985	-	-	-
Montana.....	-	2,435	-	-
Nevada.....	-	5,340	-	-
New Mexico.....	1,000	3,114	-	-
North Dakota.....	771	-	-	-
South Dakota.....	2,289	3,022	-	-
Wisconsin.....	-	5,581	-	-
Undistributed.....	-	-	\$25,078 <i>a/</i>	\$13,896 <i>a/</i>
Obligations.....	13,476	26,558	25,078	13,896

Water and Waste Disposal Grants - Colonias
Geographic Breakdown of Obligations
 (Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Arizona.....	\$5,499	\$3,495	-	-
California.....	7,486	-	-	-
New Mexico.....	14,401	8,860	-	-
Texas.....	1,450	14,253	-	-
Undistributed.....	-	-	\$26,503 <i>a/</i>	\$28,391 <i>a/</i>
Obligations.....	28,837	26,608	26,503	28,391

a/ Totals cannot be distributed at this time.

RURAL UTILITIES SERVICE
Hawaiian Homelands
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Undistributed.....	-	-	-	\$5,000 <u>a/</u>
Obligations.....	-	-	-	5,000

Rural Water and Waste Individually-Owned Water Well System Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
California.....	-	\$730	-	-
Colorado.....	\$354	-	-	-
Georgia.....	175	175	-	-
Illinois.....	50	50	-	-
Minnesota.....	-	50	-	-
North Carolina.....	140	140	-	-
Ohio.....	-	139	-	-
Virginia.....	300	-	-	-
Undistributed.....	-	-	\$1,192 <u>a/</u>	\$500 <u>a/</u>
Obligations.....	1,019	1,285	1,192	500

Rural Water and Wastewater Revolving Fund Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Arkansas.....	\$250	\$250	-	-
California.....	250	250	-	-
Oklahoma.....	500	500	-	-
Undistributed.....	-	-	\$1,000 <u>a/</u>	\$500 <u>a/</u>
Obligations.....	1,000	1,000	1,000	500

a/ Totals cannot be distributed at this time.

RURAL UTILITIES SERVICE
Solid Waste Management Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Alaska.....	\$828	\$732	-	-
Arizona.....	175	154	-	-
Arkansas.....	-	60	-	-
California.....	296	-	-	-
Colorado.....	136	143	-	-
Georgia.....	74	-	-	-
Idaho.....	123	-	-	-
Iowa.....	77	138	-	-
Kansas.....	53	-	-	-
Kentucky.....	-	70	-	-
Maine.....	225	175	-	-
Maryland.....	853	880	-	-
Massachusetts.....	88	160	-	-
Michigan.....	96	95	-	-
Missouri.....	-	30	-	-
Nebraska.....	-	99	-	-
New Hampshire.....	301	256	-	-
New Mexico.....	-	40	-	-
New York.....	260	-	-	-
North Carolina.....	117	120	-	-
Ohio.....	27	91	-	-
Oklahoma.....	86	88	-	-
Texas.....	-	90	-	-
Utah.....	-	89	-	-
Vermont.....	50	239	-	-
Wisconsin.....	137	-	-	-
Virgin Islands.....	-	251	-	-
Undistributed.....	-	-	\$4,284 a/	\$1,000 a/
Obligations.....	4,000	4,000	4,284	1,000

Emergency and Imminent Community Water Assistance Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Arizona.....	-	\$150	-	-
Arkansas.....	-	96	-	-
California.....	\$9,731	-	-	-
Delaware.....	-	340	-	-
Hawaii.....	-	36	-	-
Idaho.....	100	75	-	-
Illinois.....	100	-	-	-
Indiana.....	694	-	-	-
Iowa.....	70	-	-	-
Maryland.....	-	175	-	-
Minnesota.....	60	49	-	-
Nebraska.....	270	266	-	-
New Hampshire.....	150	-	-	-
New Jersey.....	1,500	-	-	-
New York.....	-	50	-	-
North Carolina.....	-	150	-	-
Oklahoma.....	243	199	-	-
Tennessee.....	950	-	-	-
Texas.....	195	-	-	-
Vermont.....	251	138	-	-
West Virginia.....	-	500	-	-
Wisconsin.....	498	228	-	-
Undistributed.....	-	-	\$11,338 a/	\$10,200 a/
Obligations.....	14,711	2,451	11,338	10,200

Emergency and Imminent Community Water Assistance Grants - Appropriated
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Undistributed.....	-	-	\$10,000 a/	\$5,000 a/
Obligations.....	-	-	10,000	5,000

a/ Totals cannot be distributed at this time.

RURAL UTILITIES SERVICE
Farm Bill-Water and Waste Disposal Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Alabama.....	\$2,641	-	-	-
Arizona.....	2,143	-	-	-
California.....	1,944	-	-	-
Connecticut.....	4,793	-	-	-
Florida.....	1,767	-	-	-
Georgia.....	1,047	-	-	-
Idaho.....	2,643	-	-	-
Illinois.....	1,433	-	-	-
Iowa.....	1,599	-	-	-
Kansas.....	3,656	-	-	-
Kentucky.....	15,695	-	-	-
Maine.....	11,675	-	-	-
Maryland.....	5,226	-	-	-
Massachusetts.....	4,461	-	-	-
Michigan.....	2,884	-	-	-
Minnesota.....	18,312	-	-	-
Mississippi.....	1,415	-	-	-
Montana.....	3,436	-	-	-
New Hampshire.....	410	-	-	-
New York.....	6,477	-	-	-
North Carolina.....	3,779	-	-	-
North Dakota.....	3,268	-	-	-
Ohio.....	2,912	-	-	-
Oklahoma.....	5,816	-	-	-
Oregon.....	2,813	-	-	-
Pennsylvania.....	7,395	-	-	-
Rhode Island.....	440	-	-	-
South Carolina.....	18,574	-	-	-
Tennessee.....	2,784	-	-	-
Texas.....	241	-	-	-
Utah.....	125	-	-	-
Vermont.....	701	-	-	-
West Virginia.....	4,662	-	-	-
Wisconsin.....	626	-	-	-
Puerto Rico.....	2,208	-	-	-
Obligations.....	150,000	-	-	-

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2014	2015	2016	2017
	Actual	Actual	Enacted	Estimate
41.0 Grants, subsidies, and contributions.....	\$677,453	\$533,858	\$538,674	\$539,573
99.9 Total, new obligations.....	677,453	533,858	538,674	539,573

RURAL UTILITIES SERVICE

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

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

- 1 The principal amount of direct and guaranteed loans as authorized by sections 305 [and], 306, and 317 of the Rural Electrification Act of 1936 (7 U.S.C. 935, [and] 936, and 940g) shall be made as follows: loans made
- 2 pursuant to [section] sections 305, 306, and 317, notwithstanding 317 (c) [of that Act], rural electric, [\$5,500,000,000] \$6,500,000,000; [guaranteed underwriting loans pursuant to section 313A, \$750,000,000; 5 percent rural telecommunications loans,] cost of money rural telecommunications loans, \$345,056,000; and for loans made pursuant to section 306 of that Act, rural telecommunications loans, [\$690,000,000]\$345,000,000:
- 3 Provided, That [up to \$2,000,000,000 shall] amounts under this heading may be used [for] to finance the construction, acquisition, or improvement of electric infrastructure including renewable energy, electric transmission, distribution, smart grid technology, energy efficiency, grid resiliency, and security enhancements,
- 4 and [fossil-fueled] electric generating plants (whether new or existing) that utilize carbon sequestration systems; to finance fossil-fueled electric generating peaking units (new or existing) used in conjunction with an electric generating plant that produces electricity from solar, wind, or other intermittent sources of energy; to finance environmental improvements to fossil-fuel electric generating plants that would reduce emission of air pollution including greenhouse gases; and to finance other pollution mitigation by rural electric service providers and other rural generation, transmission, or distribution investments is consistent with any applicable state-level clean power plan.

- For the cost of direct loans as authorized by section 305 of the Rural Electrification Act of 1936 (7 U.S.C. 935), including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, cost of
- 5 money rural telecommunications loans, [\$104,000] \$14,071,000, of which \$11,000,000 is for the cost of loan modifications.

- In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs,
- 6 [\$34,707,000] \$36,451,000, which shall be [transferred to and merged with] paid to the appropriation for "Rural Development, Salaries and Expenses".

The first change expands eligibility for renewable generation loans by adding language to permit RUS to utilize existing statutory authority to finance renewable energy generation except utilizing the existing FFB loan guarantee program in lieu of a separate municipal rate loan program. This will allow RUS to consider and fund financially feasible requests for renewable generation loans that serve rural and non-rural customers that might not be fully eligible under section 306 alone but would be eligible under section 317. The budget is requesting funds for this section.

The second change deletes language concerning the guaranteed underwriting and the 5 percent rural telecommunications programs for which no funding is requested for 2017.

The third change revises the language requiring a priority for specific funding for Federal Financing Bank (FFB) loans. RUS is proposing to use appropriation language for 2017 to expand use of FFB funds for renewable generation in rural areas for all customers and for other infrastructure investment supporting various renewable and clean energy goals.

The fourth change revises the language as RUS anticipates an increased need for additional investments in renewable energy and for other infrastructure to enable rural areas to transition quickly to comply with State implementation of the EPA Clean Power Plan rules to reduce greenhouse gas emissions. These changes support Administration goals for renewable generation, infrastructure investment, and greenhouse gas reduction and supports USDA goals to increase investment in renewable generation in rural areas.

The fifth change adds language for direct Treasury rate – loan modifications as there is requested appropriation for 2017.

The sixth change adds language simplifying the transfer and consolidation of funds from the individually appropriated program accounts to the Rural Development, Salaries and Expense account.

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

Lead-Off Tabular Statement

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Administrative Expenses</u>
Budget Estimate, 2017.....	\$7,190,056,000	\$14,071,000	\$36,451,000
2016 Enacted.....	7,001,637,000	8,104,000	34,707,000
Change in Appropriation.....	<u>+188,419,000</u>	<u>+5,967,000</u>	<u>+1,744,000</u>

Summary of Increases and Decreases
(Dollars in thousands)

<u>Program</u>	<u>2014 Actual</u>	<u>2015 Change</u>	<u>2016 Change</u>	<u>2017 Change</u>	<u>2017 Estimate</u>
Discretionary Appropriations:					
Telecommunications Direct, Treasury Rate.....	-	-	+\$104	+\$2,967	\$3,071
Direct Treasury Rate - Modification.....	-	-	-	+11,000	11,000
Rural Energy Savings Program.....	-	-	+8,000	-8,000	-
Administrative Expenses.....	\$34,478	-	+229	+1,744	36,451
Total.....	<u>34,478</u>	<u>-</u>	<u>+8,333</u>	<u>+7,711</u>	<u>#REF!</u>

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

Project Statement
Adjusted Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	2014 Actual			2015 Actual			2016 Enacted			Inc. or Dec.			2017 Estimate				
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs		
Discretionary Appropriations:																	
Electric Direct, FFB.....	a/	\$5,000,000	-	146	\$5,000,000	-	143	\$5,500,000	-	165	+\$1,000,000	(1)	-	+2	\$6,500,000	-	167
Electric Underwriting Loans.....	b/	500,000	-	-	500,000	-	-	750,000	(2)	-	-750,000	(2)	-	-	-	-	-
Rural Energy Savings Program.....	c/	-	-	-	-	-	-	59,970	\$8,000	-	-59,970	(3)	-	-	-\$8,000	(5)	-
Telecommunications Direct, 5%.....	d/	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunications Direct, Treasury Rate.....	e/	270,000	-	65	345,000	-	64	346,667	104	73	-1,610	(4)	-	+2,967	(5)	+6	345,056
Direct Treasury Rate - Modification.....	f/	-	-	-	-	-	-	-	-	-	-	-	-	+11,000	(5)	-	11,000
Telecommunications Direct, FFB.....	g/	400,000	-	-	345,000	-	-	345,000	-	-	-	(4)	-	-	-	-	345,000
Administrative Expenses.....		-	-\$34,478	-	-	-\$34,478	-	-	34,707	-	-	-	+1,744	-	-	-	36,451
Subtotal.....		6,190,000	34,478	211	6,190,000	34,478	207	7,001,637	42,811	238	+188,419		+7,711	+8	7,190,056	50,522	246
Total Available.....		6,190,000	34,478	211	6,190,000	34,478	207	7,001,637	42,811	238	+188,419		+7,711	+8	7,190,056	50,522	246
Lapsing Balances.....		-3,236,039	-	-	-2,546,335	-	-	-185,000	-	-	+185,000		-	-	-	-	-
Total Obligations.....		2,953,961	34,478	211	3,643,665	34,478	207	6,816,637	42,811	238	+373,419		+7,711	+8	7,190,056	50,522	246

a/ Negative subsidy rates of 3.31% was calculated for 2014, 5.64% was calculated for 2015, 4.97% was calculated for 2016, and 2.53% was calculated for 2017. Therefore, corresponding budget authority is not required to support the program levels.

b/ Negative subsidy rates of 4.32% was calculated for 2014, 3.97% was calculated for 2015, 4.05% was calculated for 2016, and 4.15% was calculated for 2017. Therefore, corresponding budget authority is not required to support the program levels.

c/ Includes funding provided by section 6407 (7 U.S.C. 8107a) of the Farm Security and Rural Investment Act of 2002, as amended through H.R. 2029, dated December 18, 2015.

d/ A negative subsidy rate of 23.30% was calculated for 2014. Therefore, corresponding budget authority is not required to support the program levels.

e/ Negative subsidy rates of 1.19% was calculated for 2014 and 1.17% was calculated for 2015. Therefore, corresponding budget authority is not required to support the program levels.

f/ Negative subsidy rates of 2.99% was calculated for 2014, 3.49% was calculated for 2015, 2.74% was calculated for 2016, and 4.92% was calculated for 2017. Therefore, corresponding budget authority is not required to support the program levels.

g/ In 2014 funding of \$34,478,000 and in 2015 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2016, \$34,707,000 was appropriated and transferred, and in 2017, \$36,451,000 is requested and will be paid to the Rural Development Salaries and Expenses account.

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

Program	2014 Actual						2015 Actual						2016 Enacted						2017 Estimate						
	Program Level		Budget Authority		SYs		Program Level		Budget Authority		SYs		Program Level		Budget Authority		SYs		Program Level		Budget Authority		SYs		
Discretionary Obligations:																									
Electric Direct, FFB.....	a/	\$2,239,968	-	146	\$2,898,112	-	143	\$5,500,000	-	165	+\$1,000,000	(1)	-	+2	\$6,500,000	-	167								
Electric Underwriting Loans.....	b/	500,000	-	-	500,000	-	-	750,000	-	-	-750,000	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-
Rural Energy Savings Program.....	c/	-	-	-	-	-	-	59,970	\$8,000	-	-59,970	(3)	-\$8,000	(5)	-	-	-	-	-	-	-	-	-	-	-
Telecommunications Direct, Treasury Rate.....	d/	165,317	-	65	122,043	-	64	346,667	104	73	-1,610	(4)	+2,967	(5)	+6	345,056	\$3,071	79							
Direct Treasury Rate - Modification.....		-	-	-	-	-	-	-	-	-	-	-	+11,000	(5)	-	-	11,000	-							
Telecommunications Direct, FFB.....	e/	48,676	-	-	123,510	-	-	160,000	-	-	+185,000	(4)	-	-	-	345,000	-	-							
Administrative Expenses.....	f/	-	\$34,478	-	-	\$34,478	-	-	34,707	-	-	-	+1,744	-	-	36,451	-	-							
Subtotal.....		2,953,961	34,478	211	3,643,665	34,478	207	6,816,637	42,811	238	+373,419		+7,711	+8	7,190,056	50,522	246								
Total Obligations.....		2,953,961	34,478	211	3,643,665	34,478	207	6,816,637	42,811	238	+373,419		+7,711	+8	7,190,056	50,522	246								
Lapsing Balances.....		3,236,039	-	-	2,546,335	-	-	185,000	-	-	-185,000		-	-	-	-	-	-							
Total Available.....		6,190,000	34,478	211	6,190,000	34,478	207	7,001,637	42,811	238	+188,419		+7,711	+8	7,190,056	50,522	246								
Total Appropriation.....		6,190,000	34,478	211	6,190,000	34,478	207	7,001,637	42,811	238	+188,419		+7,711	+8	7,190,056	50,522	246								

a/ Negative subsidy rates of 3.31% was calculated for 2014, 5.64% was calculated for 2015, 4.97% was calculated for 2016, and 2.53% was calculated for 2017. Therefore, corresponding budget authority is not required to support the program levels.

b/ Negative subsidy rates of 4.32% was calculated for 2014, 3.97% was calculated for 2015, 4.05% was calculated for 2016, and 4.15% was calculated for 2017. Therefore, corresponding budget authority is not required to support the program levels.

c/ Includes funding provided by section 6407 (7 U.S.C. 8107a) of the Farm Security and Rural Investment Act of 2002, as amended through H.R. 2029, dated December 18, 2015. Funds to remain available until expended.

d/ Negative subsidy rates of 1.19% was calculated for 2014 and 1.17% was calculated for 2015. Therefore, corresponding budget authority is not required to support the program levels.

e/ Negative subsidy rates of 2.99% was calculated for 2014, 3.49% was calculated for 2015, 2.74% was calculated for 2016, and 4.92% was calculated for 2017. Therefore, corresponding budget authority is not required to support the program levels.

f/ In 2014 funding of \$34,478,000 and in 2015 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2016, \$34,707,000 was appropriated and transferred, and in 2017, \$36,451,000 is requested and will be paid to the Rural Development Salaries and Expenses account.

Justification of Increases and Decreases

- (1) An increase of \$1,000,000,000 for electric Federal Financing Bank loans (\$5,500,000,000 available in 2016).

Base funds for electric Federal Financing Bank (FFB) loan guarantees provided under section 306 of the Rural Electrification Act support improvements and additions to rural electric distribution, transmission, and generating facilities (including renewable energy systems, fossil generating plants with carbon sequestration systems, and investments in environmental improvements to reduce emissions of pollutants), and the implementation demand side management, energy efficiency and conservation programs. The long-term, low interest rate financing helps non-profit electric borrowers provide reliable, affordable electric service for rural homes and businesses. With \$5.5 billion in base funding in 2016, the program will benefit a projected 5.1 million rural consumers.

Continuation of the program is critical to the continued success of the rural electrification program. FFB loan guarantees will be the sole source of USDA financing in 2017 for the more than 630 electric systems serving rural customers in 46 States.

The request of \$6.5 billion for 2017 is projected to provide improved electric facilities benefitting 6 million rural consumers and to continue to advance the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving. This also supports Rural Development's (RD) Strategic Goal of improving the quality of life in rural America by developing community infrastructure. The rural electrification loan programs have exceeded their overall performance targets in each of the last four fiscal years. The funding also will support the efforts of implementing the Clean Power Plan as the States develop implementation plans under the EPA's new greenhouse gas reduction rules.

USDA is proposing appropriations language for 2017 to expand and clarify use of section 306 FFB loans for renewable generation in rural areas for all customers and for other infrastructure investment supporting various renewable and clean energy goals consistent with the purposes of the Rural Electrification Act. RUS anticipates an increased need for additional investments in renewable energy and other infrastructure to enable rural areas to transition quickly to comply with anticipated EPA Clean Power Plan rules to reduce greenhouse gas emissions. This program expansion supports Administration goals for renewable generation, infrastructure investment, and greenhouse gas reduction and supports USDA goals to increase investment in renewable generation in rural area

Funding at a 2017 program level of \$6.5 billion will be adequate to cover existing and anticipated loan requests. This level of funding will benefit 6 million customers.

- (2) A decrease of \$750,000,000 in funding for guaranteed electric underwriting for bonds and notes (\$750,000,000 available in 2016).

Base funds for bond and note guarantees for private, non-profit cooperative lenders are authorized under section 313A of the Rural Electrification Act as extended under Section 6103 of the 2014 Farm Bill, Public Law 113-79. The bond or note proceeds must be used for eligible rural electrification or telephone purposes (excluding electric generation). The non-profit lender must maintain investment grade ratings as a condition of the loan guarantee. All guarantees issued under this authority have been restricted to loans made by FFB at an interest rate equal to the Treasury rate for notes of similar maturities plus an annual fee of 30 basis points on any unpaid principal balance. The fee is deposited to the Rural Economic Development subaccount and is available to fund the rural economic development loan and grant programs. The 2016 Appropriations Act provided \$750 million for this program.

The reduction in funding requested for the guaranteed underwriting program in 2017 is more than offset by the proposed increase the overall availability of financing for rural electrification purposes for eligible electric and telephone borrowers under the section 306 Federal Financing Bank loan guarantees from RUS. This change will not affect overall capital available for rural electrification and telecommunication investments. In recent years, eligible electric and telephone systems have not fully used available RUS loan funds.

- (3) A decrease of \$59,970,000 in funding for the rural energy savings program loans (\$59,970,000 available in 2016).

The 2014 Farm Bill created the Rural Energy Savings Program (RESP) to “help rural families and small businesses achieve cost savings by providing loans to qualified consumers to implement durable cost-effective energy efficiency measures” (sec. 6287, 7 U.S.C. 8107a). The new program provides subsidized low interest or zero interest loans to local utilities or other entities to then relend funds at very low interest rates directly to rural consumers for installation of energy efficiency measures. The program also supports the development of measurement and verification systems to help rural entities manage their energy savings loan programs.

Congress first provided funding for the program in 2016 at \$8 million available until expended, which provided a loan level of almost \$60 million. Program eligibility and application requirements have not yet been established, but are expected to closely track those of the Energy Efficiency and Conservation Loan Program (EECLP). USDA will begin offering loans under this program in 2016. The program funding will expand the availability of low-cost financing tools for energy saving measures to help rural families and businesses. For 2017, the reduction in funding of \$8 million for RESP loans will be offset by the continued availability of EECLP loans.

- (4) A decrease of \$1,610,000 in funding in telecommunications loans (\$691,667,000 available in 2016).

Telecommunications loans finance the improvement or extension of telecommunications service in rural areas. All telecommunications facilities financed must be broadband capable. This program supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving. This program also supports RD’s Strategic Goal of improving the quality of life in rural America by enhancing the ability of rural businesses to succeed by providing access to modern telecommunications, improved healthcare, and educational opportunities.

Both Treasury rate and FFB loans are available with different advantageous. Borrowers have demonstrated strong interest in both Treasury and FFB programs. Borrowers may select the Treasury rate program when they do not have the financial expertise and resources to follow the interest rate market. They often want the security of a fixed interest rate for the loan term. Other borrowers want the flexibility of the FFB Program. In today’s interest rate environment, FFB rates (short-term, even with the fee) are substantially lower than the Treasury direct program rates. Borrowers are requesting FFB financing to keep their borrowing costs as low as possible. FFB financing also includes important features like the ability to refinance borrowers’ existing debt with outside lenders. In some cases, the loan application may not be financially feasible without refinancing of debt. The FFB loan program provides flexibility for rural service providers and is an essential tool for capital investment in broadband infrastructure.

Continuation of the program is critical because:

- 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.

Base funds for telecommunications loans will continue to provide residents in rural America with access to modern telecommunications. Continuing the base funding is crucial to ensure the continued success of the program.

The 2016 and 2017 funding can support each year about 20 loans and assist about 100,000 rural households and businesses in rural America to obtain modern broadband capable telecommunications services.

- (5) An increase of \$5,967,000 for electric and telecommunication direct loan subsidy and modification costs (\$8,104,000 available in 2016).

The increase in subsidy budget authority is related primarily to the increase in the direct subsidy rate and offset by the elimination of the Rural Energy Savings Program. The subsidy amount is necessary to support the estimated loan obligations associated with the requested 2017 loan levels for the programs.

The increase includes \$11 million is provided for the cost of modifications. This funding will be used to reduce interest rates for current borrowers in exchange for new investments that will improve broadband speeds in rural areas, particularly for the last mile, fiber to the home projects. Borrowers are hesitant to make costly new investments, in light of the pending Federal Communications Commission rules aimed at modernizing the Universal Service Fund (USF). In general, RUS borrowers have seen or expect to see a decrease in their USF revenue, and they are hesitant to make costly new investments absent greater certainty from the USF. While there is little RUS can do to provide certainty on future FCC payments, they could reduce costs for their borrowers by refinancing their high interest debt. Current borrower rates are as high as 9 percent, while current Treasury rates are closer to 4 percent.

RURAL UTILITIES SERVICE
Rural Electric Federal Financing Bank Loans
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual Amount	2015 Actual Amount	2016 Enacted Amount	2017 Estimate Amount
Alabama.....	-	\$115,884	-	-
Arkansas.....	\$72,270	147,590	-	-
California.....	8,000	-	-	-
Colorado.....	10,346	10,849	-	-
Delaware.....	36,000	-	-	-
Florida.....	110,000	244,401	-	-
Georgia.....	434,752	270,130	-	-
Idaho.....	-	13,572	-	-
Illinois.....	27,305	25,000	-	-
Indiana.....	20,056	71,500	-	-
Iowa.....	11,500	132,173	-	-
Kansas.....	17,900	32,158	-	-
Kentucky.....	114,940	332,449	-	-
Louisiana.....	200,698	-	-	-
Maine.....	593	-	-	-
Michigan.....	7,000	84,000	-	-
Minnesota.....	62,998	328,677	-	-
Mississippi.....	54,269	76,076	-	-
Missouri.....	37,209	286,386	-	-
Montana.....	24,856	20,000	-	-
Nebraska.....	-	7,919	-	-
New Mexico.....	14,117	53,428	-	-
North Carolina.....	181,000	141,860	-	-
North Dakota.....	115,514	116,147	-	-
Ohio.....	27,096	34,500	-	-
Oklahoma.....	101,781	40,397	-	-
Oregon.....	-	47,076	-	-
South Carolina.....	93,926	115,704	-	-
South Dakota.....	219,458	7,741	-	-
Tennessee.....	10,000	30,000	-	-
Texas.....	63,159	-	-	-
Vermont.....	-	53,141	-	-
Virginia.....	154,315	4,238	-	-
Washington.....	-	23,616	-	-
Wisconsin.....	4,800	31,500	-	-
Wyoming.....	4,110	-	-	-
Undistributed.....	-	-	\$5,500,000 <u>a/</u>	\$6,500,000 <u>a/</u>
Obligations.....	2,239,968	2,898,112	5,500,000	6,500,000
Lapsing Balances.....	2,760,032	2,101,888	-	-
Total, Available.....	5,000,000	5,000,000	5,500,000	6,500,000

a/ Totals cannot be distributed at this time.

RURAL UTILITIES SERVICE
Rural Electric Underwriter Loans for Notes and Bonds
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	<u>2014 Actual</u> Amount	<u>2015 Actual</u> Amount	<u>2016 Enacted</u> Amount	<u>2017 Estimate</u> Amount
Colorado.....	\$250,000	\$250,000	-	-
Virginia.....	250,000	250,000	-	-
Undistributed.....	-	-	\$750,000 <u>a/</u>	-
Obligations.....	500,000	500,000	750,000	-
Lapsing Balances.....	-	-	-	-
Total, Available.....	500,000	500,000	750,000	-

Rural Energy Savings Program
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	<u>2014 Actual</u> Amount	<u>2015 Actual</u> Amount	<u>2016 Enacted</u> Amount	<u>2017 Estimate</u> Amount
Undistributed.....	-	-	\$59,970 <u>a/</u>	-
Total, Available.....	-	-	59,970	-

Rural Telecommunication Federal Financing Bank Loans
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	<u>2014 Actual</u> Amount	<u>2015 Actual</u> Amount	<u>2016 Enacted</u> Amount	<u>2017 Estimate</u> Amount
Arkansas.....	-	\$12,633	-	-
Georgia.....	\$16,498	-	-	-
Iowa.....	-	8,073	-	-
Minnesota.....	-	24,896	-	-
Montana.....	-	29,951	-	-
Nebraska.....	-	2,109	-	-
North Dakota.....	-	24,617	-	-
South Carolina.....	-	12,380	-	-
Utah.....	7,695	-	-	-
Virginia.....	-	1,238	-	-
Washington.....	24,483	-	-	-
Wisconsin.....	-	7,613	-	-
Undistributed.....	-	-	\$160,000 <u>a/</u>	\$345,000 <u>a/</u>
Obligations.....	48,676	123,510	160,000	345,000
Lapsing Balances.....	351,324	221,490	185,000	-
Total, Available.....	400,000	345,000	345,000	345,000

a/ Totals cannot be distributed at this time.

RURAL UTILITIES SERVICE
Rural Telecommunications Direct Treasury Rate Loans
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Enacted</u>	<u>2017 Estimate</u>
	Amount	Amount	Amount	Amount
Arkansas.....	\$24,015	\$12,634	-	-
Iowa.....	14,690	32,845	-	-
Kentucky.....	9,595	-	-	-
Michigan.....	8,510	-	-	-
Mississippi.....	8,425	-	-	-
Nebraska.....	-	2,110	-	-
New Mexico.....	-	5,397	-	-
North Dakota.....	4,668	34,939	-	-
Oklahoma.....	5,064	20,668	-	-
South Carolina.....	23,898	-	-	-
Tennessee.....	29,753	-	-	-
Texas.....	36,699	13,450	-	-
Undistributed.....	-	-	\$346,667 ^{a/}	\$345,056 ^{a/}
Obligations.....	165,317	122,043	346,667	345,056
Lapsing Balances.....	104,683	222,957	-	-
Total, Available.....	270,000	345,000	346,667	345,056

RURAL UTILITIES SERVICE
Direct Rural Electric 5 Percent Loans
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	<u>2014 Actual</u>	<u>2015 Actual</u>	<u>2016 Enacted</u>	<u>2017 Estimate</u>
	Amount	Amount	Amount	Amount
Obligations.....	-	-	-	-
Lapsing Balances.....	\$20,000	-	-	-
Total, Available.....	20,000	-	-	-

^{a/} Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	Actual	Actual	Enacted	Estimate
25.0 Administrative Expenses.....	\$34,478	\$34,478	\$34,707	\$36,451
41.0 Grants, subsidies, and contributions.....	-	-	8,104	14,071
99.9 Total, new obligations.....	34,478	34,478	42,811	50,522

RURAL UTILITIES SERVICE

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

Distance Learning, Telemedicine and Broadband Program:

- 1 [For the principal amount of broadband telecommunication loans, \$20,576,000.]

For grants for telemedicine distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., [~~\$22,000,000~~] \$34,950,000, to remain available until expended[: *Provided*, That \$3,000,000 shall be made available for grants authorized by 379G of the Consolidated Farm and Rural Development Act: *Provided further*, That funding provided under this heading for grants under 379G of the Consolidated Farm and Rural Development Act may only be provided to entities that meet all the eligibility criteria for a consortium as established by this section].
- 3 [For the cost of broadband loans, as authorized by section 601 of the Rural Electrification Act, \$4,500,000, to remain available until expended: *Provided*, That the cost of direct loans shall be as defined in section 502 of the Congressional Budget Act of 1974.]

In addition, [~~\$10,372,000~~] \$39,492,000, 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.

The first change deletes language for broadband telecommunications loans as there is no requested appropriation in 2017.

The second change deletes language for grants under 379G of the Farm and Rural Development Act as these grants will not be available in 2017.

The third change deletes language for broadband telecommunications budget authority as there is no requested appropriation in 2017.

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

Lead-Off Tabular Statement

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Grants</u>
Budget Estimate, 2017.....	-	-	\$74,442,000
2016 Enacted.....	\$19,737,000	\$4,500,000	32,372,000
Change in Appropriation.....	<u>-19,737,000</u>	<u>-4,500,000</u>	<u>+42,070,000</u>

Summary of Increases and Decreases
(Dollars in thousands)

<u>Program</u>	<u>2014 Actual</u>	<u>2015 Change</u>	<u>2016 Change</u>	<u>2017 Change</u>	<u>2017 Estimate</u>
Discretionary Appropriations:					
Distance learning and telemedicine (DLT) grants.....	\$19,323	-\$323	-	+\$15,950	\$34,950
DLT Delta healthcare services grants.....	3,000	-	-	-3,000	-
DLT public broadcasting systems grants.....	2,000	-2,000	-	-	-
Broadband direct treasury rate loans.....	4,500	-	-	-4,500	-
Broadband grants.....	10,372	-	-	+29,120	39,492
Total.....	<u>39,195</u>	<u>-2,323</u>	<u>-</u>	<u>37,570</u>	<u>74,442</u>

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

Project Statement

Adjusted Appropriation Detail and Staff Years (SYs)
(Dollars in thousands)

Program	2014 Actual			2015 Actual			2016 Enacted			Inc. or Dec.			2017 Estimate		
	Program Level	Budget Authority	SYs												
Discretionary Appropriations:															
Distance learning and telemedicine (DLT) grants.....	\$19,323	\$19,323	14	\$19,000	\$19,000	14	\$19,000	\$19,000	16	+\$15,950 (1)	+\$15,950	+20	\$34,950	\$34,950	36
DLT Delta healthcare services grants.....	3,000	3,000	-	3,000	3,000	-	3,000	3,000	-	-3,000 (2)	-3,000	-	-	-	-
DLT public broadcasting systems grants.....	2,000	2,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Broadband direct treasury rate loans.....	34,430	4,500	39	24,077	4,500	38	19,737	4,500	44	-19,737 (3)	-4,500 (5)	-	-	-	44
Broadband grants.....	10,372	10,372	18	10,372	10,372	20	10,372	10,372	20	+29,120 (4)	+29,120	-	39,492	39,492	20
Total Appropriation.....	69,125	39,195	71	56,449	36,872	72	52,109	36,872	80	+22,333	+37,570	+20	74,442	74,442	100
Bal. Available, SOY.....	47,683	38,696	-	39,749	13,793	-	57,611	22,172	-	-48,742	-13,756	-	8,869	8,417	-
Recoveries, Other (Net).....	24,577	7,522	-	6,932	6,932	-	1,776	1,776	-	-54	-65	-	1,722	1,711	-
Total Available.....	141,385	85,413	71	103,130	57,597	72	111,496	60,820	80	-26,463	+23,749	+20	85,033	84,570	100
Unobligated balances rescinded..... a/	-	-	-	-	-	-	-	-	-	-566	-566	-	-566	-566	-
Bal. Available, EOY.....	-69,765	-13,793	-	-67,705	-22,172	-	-8,832	-8,417	-	+2,673	+2,720	-	-6,159	-5,696	-
Total Obligations.....	71,620	71,620	71	35,425	35,425	72	102,663	52,404	80	-24,356	+25,903	+20	78,307	78,307	100

a/ A rescission of unobligated balances in the amount of \$566,385.95 is proposed for this account in 2017.

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

Project Statement

Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	2014 Actual			2015 Actual			2016 Enacted			Inc. or Dec.			2017 Estimate			
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs										
Discretionary Obligations:																
Distance learning and telemedicine (DLT) grants.....	\$49,268	\$49,268	14	\$23,456	\$23,456	14	\$22,152	\$22,152	16	+\$13,014	(1)	+\$13,014	+20	\$35,166	\$35,166	36
DLT Delta healthcare services grants.....	3,232	3,232	-	944	944	-	4,495	4,495	-	-909	(2)	-909	-	3,586	3,586	-
DLT public broadcasting systems grants.....	5,434	5,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Broadband direct treasury rate loans.....	-	-	39	-	-	38	65,103	14,844	44	-65,103	(3)	-14,844	(5)	-	-	44
Broadband grants.....	13,686	13,686	18	11,025	11,025	20	10,913	10,913	20	+28,642	(4)	+28,642	-	39,555	39,555	20
Subtotal.....	71,620	71,620	71	35,425	35,425	72	102,663	52,404	80	-24,356		+25,903	+20	78,307	78,307	100
Total Obligations.....	71,620	71,620	71	35,425	35,425	72	102,663	52,404	80	-24,356		+25,903	+20	78,307	78,307	100
Unobligated balances rescinded.....	-	-	-	-	-	-	-	-	-	+566		+566	-	566	566	-
Bal. Available, EOY.....	69,765	13,793	-	67,705	22,172	-	8,832	8,417	-	-2,673		-2,720	-	6,159	5,696	-
Total Available.....	141,385	85,413	71	103,130	57,597	72	111,496	60,820	80	-26,463		+23,750	+20	85,033	84,570	100
Bal. Available, SOY.....	-47,683	-38,696	-	-39,749	-13,793	-	-57,611	-22,172	-	+48,742		+13,756	-	-8,869	-8,417	-
Recoveries, Other (Net).....	-24,577	-7,522	-	-6,932	-6,932	-	-1,776	-1,776	-	+54		+65	-	-1,722	-1,711	-
Total Appropriation.....	69,125	39,195	71	56,449	36,872	72	52,109	36,872	80	+22,333		+37,570	+20	74,442	74,442	100

a/ A rescission of unobligated balances in the amount of \$566,385.95 is proposed for this account in 2017.

Justification of Increases and Decreases

- (1) An increase of \$15,950,000 in funding for distance learning and telemedicine grants (\$19,000,000 available in 2016).

Base funds for distance learning and telemedicine grants will continue to support the educational and health care needs of rural America by funding advanced telecommunications technologies to provide enhanced learning and health care opportunities for rural residents.

Continuation of the program is critical because telemedicine and distance learning are critical services in rural America, where education performance lags and many residents live in medically underserved counties.

Base funding supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving and also supports Rural Development's (RD) Strategic Goal of improving the quality of life in rural America by enhancing the ability of rural businesses to succeed by providing access to modern telecommunications.

Funding will be used to support approximately 80 grants in 2016 and 147 grants in 2017 that will provide funding for critical telemedicine and distance learning services. The funding will assist rural Americans by improving health and learning needs with telemedicine and distance learning services that are already available in urban areas. Telemedicine can help hospitals meet operational and financial challenges by helping to drive volume, improve quality and save on staffing costs. Even small rural hospitals can expand to provide highly specialized health services and expertise without the tremendous costs of incentivizing and relocating specialty physicians. The funding directly supports USDA and RD goals for rural America by providing access to modern telecommunications.

- (2) A decrease of \$3,000,000 for Delta healthcare grants (\$3,000,000 available in 2016).

This program provides grant funds for developing health care services, health care cooperatives, health education programs, and public health-related facilities in the Delta Region. This program supports RD's Strategic Goal of improving the quality of life in rural America by enhancing the ability of rural businesses to succeed by providing access to enhanced healthcare. These grants are targeted to a consortia of regional institutions of higher education, academic health and research institutes, and economic development entities in the region that have experience in addressing the health care issues. The 2017 budget is not requesting funding for this program as these grants will be funded with other RD grant programs. Funding for this program is also provided by the Department of Health and Human Services.

- (3) A decrease of \$19,737,000 in funding for direct broadband telecommunications treasury rate loans program level (\$19,737,000 available in 2016).

The budget does not include funding for direct broadband telecommunication treasury rate loans in 2017. Instead, the budget shifts resources to the broadband grant program and the Distance Learning and Telemedicine grant program. In 2017, RUS will focus its resources on the Broadband Opportunity Council (BOC) recommendation for a regulation rewrite of our traditional telecommunications loan program to expand eligibility to allow applicants that would have been eligible for the broadband program to be eligible for this program. This should be completed in 2017.

Funds for direct broadband treasury rate loans will continue to provide loans in 2015 and 2016 for the costs of construction, improvement, and acquisition of facilities and equipment to provide broadband service to eligible rural communities. These loans are available to cooperative, nonprofit, limited dividend or mutual associations, limited liability companies, Indian tribes and tribal organizations, and commercial organizations.

This program supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving and also supports RD's Strategic Goal of improving the quality of life in rural America by enhancing the ability of rural businesses to succeed by providing access to modern telecommunications.

Base funds for the broadband treasury rate loan program will continue to provide residents in rural America with essential high-speed internet services and is crucial to ensure the continued success of the program.

The funding in 2016 will provide for approximately 3 loans for the deployment of broadband infrastructure. No carryover funds will be available for 2017.

- (4) An increase of \$29,120,000 in funding for broadband grants (\$10,372,000 available in 2016).

Base funds for broadband grants will continue to support rural communities where broadband service is least likely to be available, but where it can make a tremendous difference in the quality of life for citizens.

Continuation of the program is critical because:

- Projects funded by these grants will be used in areas that will never have access if grant funds are not available.
- Targeting unserved communities that lack traditional investment opportunities with grant funds is the only way to ensure these economically challenged rural communities are served.

Base funding supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving and also supports RD's Strategic Goal of improving the quality of life in rural America by enhancing the ability of rural businesses to succeed by providing access to modern telecommunications.

Funding will support approximately 7 broadband grants in 2016 and 19 broadband grants in 2017, providing broadband access in unserved rural communities.

- (5) A decrease of \$4,500,000 for broadband telecommunications treasury rate loan subsidy (\$4,500,000 available in 2016).

The decrease of \$4,500,000 in subsidy is due to the budget eliminating funding for this program in 2017.

RURAL UTILITIES SERVICE
Distance Learning and Telemedicine Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual Amount	2015 Actual Amount	2016 Enacted Amount	2017 Estimate Amount
Alabama.....	\$854	\$1,267	-	-
Alaska.....	2,530	2,338	-	-
Arizona.....	637	-	-	-
Arkansas.....	500	478	-	-
California.....	1,502	463	-	-
Colorado.....	965	259	-	-
Florida.....	-	347	-	-
Georgia.....	497	903	-	-
Hawaii.....	1,166	-	-	-
Idaho.....	1,458	482	-	-
Illinois.....	814	154	-	-
Iowa.....	790	-	-	-
Kansas.....	1,274	142	-	-
Kentucky.....	260	563	-	-
Maine.....	2,693	2,688	-	-
Maryland.....	841	100	-	-
Michigan.....	625	977	-	-
Minnesota.....	1,852	-	-	-
Mississippi.....	1,725	727	-	-
Missouri.....	1,768	675	-	-
Montana.....	363	361	-	-
Nebraska.....	2,108	-	-	-
Nevada.....	50	378	-	-
New Hampshire.....	1,115	919	-	-
New Mexico.....	809	439	-	-
New York.....	4,130	482	-	-
North Carolina.....	1,471	-	-	-
North Dakota.....	196	773	-	-
Ohio.....	622	249	-	-
Oklahoma.....	3,938	820	-	-
Oregon.....	631	203	-	-
Pennsylvania.....	915	-	-	-
South Carolina.....	1,183	1,615	-	-
South Dakota.....	295	1,097	-	-
Tennessee.....	718	628	-	-
Texas.....	1,300	-	-	-
Utah.....	469	339	-	-
Vermont.....	499	-	-	-
Virginia.....	753	-	-	-
Washington.....	2,375	377	-	-
West Virginia.....	1,770	-	-	-
Wisconsin.....	806	1,720	-	-
Other Countries.....	-	493	-	-
Undistributed.....	-	-	\$22,152 <u>a/</u>	\$35,166 <u>a/</u>
Obligations.....	49,268	23,456	22,152	35,166

a/ Total cannot be distributed at this time.

RURAL UTILITIES SERVICE
Delta Healthcare Services Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual Amount	2015 Actual Amount	2016 Enacted Amount	2017 Estimate Amount
Arkansas.....	\$636	-	-	-
Illinois.....	488	-	-	-
Kentucky.....	368	-	-	-
Louisiana.....	264	-	-	-
Mississippi.....	\$1,476	\$944	-	-
Undistributed.....	-	-	\$4,495 ^{a/}	\$3,586 ^{a/}
Obligations.....	3,232	944	4,495	3,586

Public Broadcasting Systems Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual Amount	2015 Actual Amount	2016 Enacted Amount	2017 Estimate Amount
Alaska.....	\$719	-	-	-
Idaho.....	60	-	-	-
Kentucky.....	657	-	-	-
New Mexico.....	178	-	-	-
South Dakota.....	85	-	-	-
West Virginia.....	1,500	-	-	-
Puerto Rico.....	1,486	-	-	-
Virgin Islands.....	750	-	-	-
Undistributed.....	-	-	-	-
Obligations.....	5,434	-	-	-

^{a/} Total cannot be distributed at this time.

RURAL UTILITIES SERVICE
Direct Broadband Treasury Rate Loans
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	<u>2014 Actual</u> Amount	<u>2015 Actual</u> Amount	<u>2016 Enacted</u> Amount	<u>2017 Estimate</u> Amount
Undistributed.....	-	-	\$65,103 <u>a/</u>	-
Obligations.....	-	-	65,103	-

Broadband Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	<u>2014 Actual</u> Amount	<u>2015 Actual</u> Amount	<u>2016 Enacted</u> Amount	<u>2017 Estimate</u> Amount
Alabama.....	-	\$1,419	-	-
Illinois.....	\$702	-	-	-
Indiana.....	715	-	-	-
Louisiana.....	2,521	-	-	-
Minnesota.....	-	6,000	-	-
North Dakota.....	4,506	-	-	-
Oklahoma.....	470	1,472	-	-
Tennessee.....	1,771	-	-	-
Virginia.....	3,000	2,135	-	-
Undistributed.....	-	-	\$10,913 <u>a/</u>	\$39,555 <u>a/</u>
Obligations.....	13,686	11,025	10,913	39,555

a/ Total cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	<u>2014</u> Actual	<u>2015</u> Actual	<u>2016</u> Enacted	<u>2017</u> Estimate
41.0 Grants, subsidies, and contributions.....	\$71,620	\$35,425	\$52,404	\$78,307
99.9 Total, new obligations.....	71,620	35,425	52,404	78,307

RURAL UTILITIES SERVICE

HIGH ENERGY COST GRANTS

Project Statement
Adjusted Appropriations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	2014 Actual	2015 Actual	2016 Enacted	Inc. or Dec.	2017 Estimate
	Amount	Amount	Amount	Amount	Amount
Discretionary Appropriations:					
High Energy Cost grants.....	-	-	-	-	-
Rescissions, Transfers, and Seq. (Net)..... a/	-\$10,000	-\$10,000	-\$10,000	+\$10,000	-
Total Appropriation.....	-10,000	-10,000	-10,000	+10,000	-
Transfers In:					
Rural Water and Waste Disposal Program.....	10,000	10,000	10,000	-10,000 (1)	-
Total.....	10,000	10,000	10,000	-10,000	-
Bal. Available, SOY.....	16,497	17,494	19,010	-6,794	\$12,216
Recovery of prior year obligations.....	869	-	700	-93	607
Total Available.....	27,366	27,494	29,710	-16,887	12,823
Bal. Available, EOY.....	-17,494	-19,010	-12,216	+8,353	-3,863
Total Obligations.....	9,872	8,484	17,494	-8,534	8,960

a/ In 2014, 2015, and 2016, \$10,000,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In 2017 no funds are proposed for this program.

RURAL UTILITIES SERVICE

HIGH ENERGY COST GRANTS

Project Statement
 Obligations Detail and Staff Years (SYs)
 (Dollars in thousands)

Program	2014 Actual	2015 Actual	2016 Enacted	Inc. or Dec.	2017 Estimate
	Amount	Amount	Amount	Amount	Amount
Discretionary Obligations:					
High Energy Cost grants..... a/	\$9,872	\$8,484	\$17,494	-\$8,534 (1)	\$8,960
Total Obligations.....	9,872	8,484	17,494	-8,534	8,960
Recovery of prior year obligations.....					
Bal. Available, EOY	17,494	19,010	12,216	-8,353	3,863
Total Available.....	26,497	27,494	29,010	-16,794	12,216
Transfers In.....					
Bal. Available, SOY	-10,000	-10,000	-10,000	+10,000	-
Total Appropriation.....	-16,497	-17,494	-19,010	+6,794	-12,216
	-	-	-	-	-

a/ In 2014, 2015, and 2016, \$10,000,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In 2017 no funds are proposed for this program.

Justification of Increases and Decreases

- (1) A decrease of \$10,000,000 in high energy cost grants (\$10,000,000 available in 2016).

Base funds for the high energy cost grant program provide financial assistance for energy generation, transmission, and distribution facilities including energy efficiency improvements and renewable energy systems for rural communities with extremely high energy costs. Eligible communities have average home energy costs that are over 275 percent of the national average. In 2016 the program will continue to use funding of \$10 million and \$19 million in carryover of prior year funds to complete awards of previously selected projects now undergoing required environmental reviews and to make additional competitive grant awards. Selected utility scale projects often must complete National Environmental Protection Agency reviews that can extend for more than a single fiscal year.

No new funding is being requested for this program in 2017. Many of the communities served by these grants may be able to qualify for assistance under other related RUS and Rural Development programs

RURAL UTILITIES SERVICE
High Energy Cost Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
	Amount	Amount	Amount	Amount
Alaska.....	\$5,189	\$4,475	-	-
Georgia.....	663	-	-	-
Idaho.....	3,000	-	-	-
Maine.....	-	674	-	-
Massachusetts.....	-	2,146	-	-
New Mexico.....	1,020	-	-	-
Other Countries.....	-	1,189	-	-
Undistributed.....	-	-	\$17,494 a/	\$8,960 a/
Obligations.....	9,872	8,484	17,494	8,960
Bal. Available, SOY.....	-16,497	-17,494	-19,010	-12,216
Transfers In.....	-10,000	-10,000	-10,000	-
Recoveries.....	-869	-	-700	-607
Bal. Available, EOY.....	17,494	19,010	12,216	3,863
Total, Available.....	-	-	-	-

a/ Total cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
41.0 Grants, subsidies, and contributions.....	\$9,872	\$8,484	\$17,494	\$8,960
99.9 Total, new obligations.....	9,872	8,484	17,494	8,960

RURAL UTILITIES SERVICE

Status of Programs

The Rural Utilities Service (RUS) provides financing for reliable and affordable water, water and waste treatment facilities, electric generation, transmission, and distribution facilities and telecommunications services that can help rural areas expand economic opportunities and improve the quality of life for rural residents.

Rural Electrification and Telecommunications Loans Programs

Current Activities:

The RUS provides electric and telecommunications financing through direct loans and loan guarantee programs. The rural electric direct loan and loan guarantee programs provide financing for electric generation, transmission, and distribution facilities. The telecommunications loan program provides direct loan and loan guarantees for construction, expansion, and upgrades of telecommunications facilities.

Specific areas being addressed currently include:

1. Financing projects to improve electric service in rural areas. Providing reliable, affordable electricity is essential to the economic well-being and quality of life for all of the Nation's rural residents. The electric programs provide leadership and capital to upgrade, expand, maintain, and replace America's vast rural electric infrastructure.
2. Financing projects to improve telecommunications 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. Access to high-speed Internet and other quality telecommunications services is essential for a healthy and growing rural economy. The infrastructure increases educational opportunities, improves availability of healthcare, job creation and retention, and enhances continued economic growth. Program outreach efforts are focused on identifying rural areas that do not have access to these 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, and limited-dividend or mutual associations that provide retail electric service needs to rural areas or power supply needs of distribution borrowers in rural areas. At the end of 2015 the Electric Program served 623 active electric borrowers in 46 States, the Virgin Islands, American Samoa, and the Republic of the Marshall Islands. Of these borrowers, 549 were rural electric cooperatives.

In 2015, the electric programs provided a total of almost \$3.4 billion for rural infrastructure. RUS approved 105 direct Federal Financing Bank (FFB) electric loans and loan guarantees to local utilities totaling \$2.9 billion in obligations. RUS approved 91 FFB loan guarantees for distribution borrowers totaling \$1.9 billion and 16 power supply (generation and transmission) FFB loan guarantees totaling \$1.0 billion. In addition, USDA approved \$500 million in bond and note guarantees to two non-profit lenders for relending for eligible electric and telephone purposes. Rural electric infrastructure loans approved in 2015 provided over \$1.6 billion for new or improved distribution system facilities, over \$484 million for transmission facilities, over \$71.1 million for renewable generation facilities, and over \$25 million for headquarters facilities. RUS approved eight loans supporting solar

photovoltaic renewable generation projects in Arkansas, Iowa, North Carolina, and Oklahoma with a combined total capacity of over 48.6 megawatts. In addition RUS approved a system loan to a generation and transmission cooperative which included \$7.5 million for a renewable energy project. This clean landfill gas energy project will add one megawatt of generation capacity to an existing facility.

In 2015, electric program loans financed over \$134 million in smart grid investments, bringing the total USDA investment in smart grid technology for rural communities since 2010 to over \$1.14 billion. In 2015, RUS approved one new loan under the Energy Efficiency and Conservation Loan Program. This loan to the Vermont Energy Investment Corporation will enable this state-wide energy efficiency utility to assist rural systems in the state of Vermont to make loans to help their customers make energy saving improvements to their homes and businesses.

Of the nearly \$ 3.4 billion in funding that was provided by the electric program in 2015, about \$2.9 billion will provide new or improved electric service to over 5.5 million retail customers in rural America. USDA's investments in 2015 continue to advance the Administration's grid modernization commitment with funding for over 15,000 miles of new and/or improved transmission and distribution facilities.

In 2015 the electric programs obligated about 58 percent of the total \$5 billion in FFB loan guarantees made available through appropriations. The reduced level of Federal borrowing by rural electric systems continues to reflect a prudent response to industry conditions of lower demand growth due to the slowdown in the economy and the high levels of uncertainty over implementation of the new Clean Power Plan and other new and proposed environmental regulations. Since 2009 RUS has approved over \$31.8 billion in new loans to electric distribution and power supply borrowers and an additional \$2.9 billion to non-profit lenders for rural electric and telephone infrastructure investments. The 2015 loans support ongoing capital investments in rural infrastructure. In 2015 there was some indication of renewed RUS borrowing to take advantage of very low interest rates for new loans.

Telecommunications Program:

Rural areas tend to lag behind urban and suburban areas in broadband deployment. Rural areas can have conditions that increase the cost of broadband deployment. For example mountains, rivers, and remote areas can have challenging terrain which increases construction costs considerably. Additionally the relatively low population densities and incomes can mean fewer potential subscribers making it difficult to recoup deployment costs. These conditions make it less likely that a private service provider will build out or maintain a broadband network.

Access to affordable broadband is a vital service that is necessary for economic development, education, healthcare, energy and the environment, government performance, civic engagement and public safety. Schools can also engage in distance learning. Medical providers can use remote medical diagnostics and monitoring. Farmers can efficiently manage their crops by using advances in agricultural technology. Public safety officers can deploy personnel and resources more effectively. Governments can interact with citizens with greater ease and public utilities can offer consumers the unprecedented ability to control usage, increase efficiencies and preserve resources and spending.

With the ongoing changes at the FCC concerning the Universal Service Fund (USF) and Intercarrier Compensation (ICC) revenue changes, rural telecom carriers must decide on the timing of making new investments in plant to ensure that their customers are receiving the proper level of broadband service. Old copper facilities need to be replaced with fiber facilities and existing 2G and 3G wireless services need to be updated to 4G and Long-Term Evolution (LTE) service. Although RUS has experienced a downturn in the number of applications submitted, the need to update facilities is now causing the rural carriers to consider new loans or face the possibility of losing subscribers. The majority of the loans financed have been for Fiber-To-The-Home (FTTH) projects to provide fiber-optic service to rural homes and businesses.

Telecommunications Infrastructure Loan Program

The telecommunications program makes direct loans and guaranteed loans for construction, expansion, and improvements of telecommunications lines and facilities or systems. The program makes new or improved services available to borrowers' subscribers, including rural residents and businesses.

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

Telecommunications Infrastructure Loan Program

During 2015, RUS approved 17 infrastructure loans for rural telecommunication. The 2015 total amount obligated is \$245,553,000, a 16 percent increase from the previous fiscal year. These projects, upon completion, will deliver new or improved broadband service to over 95,056 businesses and households.

Triangle Communications (Triangle) of Havre, Montana received a program loan for nearly \$48 million for network upgrades. Triangle has been digging up to 1,917 miles of trenches throughout rural Montana, blazing new trails by planting fiber optic cable that lead directly into homes, ranches, businesses, clinics, schools and other establishments along the way. Beneath the beautiful and majestic Montana countryside is now an interconnected electronic underground burrowed into the land, carrying streams of data that inform, convey and deliver every kind of service and communications necessary to conduct peoples' everyday transactions with the world outside of Blaine County. RUS expects the demand for program loan funds to continue to increase based on current conditions. Continued funding for broadband infrastructure remains a vital source of capital to sustain existing rural areas infrastructure and upgrades for high-capacity bandwidth needed to maintain the pace of investment in health, education, public safety, and economic growth.

Distance Learning, Telemedicine (DLT)

The DLT program provides grants for the deployment of equipment utilized in providing distance learning and telemedicine services to rural schools, educational institutions and health care providers. The DLT program assists rural schools and learning centers in gaining access to improved educational resources, and assists rural hospitals and health care centers in gaining access to improved medical resources. Projects funded under the program 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 Internet and its benefits to students and young entrepreneurs.

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

Distance Learning and Telemedicine Program:

During 2015, the program received 191 grant applications and 75 grants were obligated for a total of about \$23.4 million. More than two-thirds of the grants are for Tribal Trust Area recipients.

In 2015, Eastern Aleutian Tribes, Inc., a Tribal Trust Area, received a grant in the amount of \$279,106. The funds will be used to purchase video conferencing equipment and state of the art CPR mannequins capable of recording and quantifying performance to increase lifesaving proficiency. Eastern Aleutian Tribes, which is a tribal organization, has partnered with Alaska's Loren Marshall Foundation, Washington state's UW School of Medicine Resuscitation Academy, and Minnesota's Comprehensive Advanced Life Support (CALs) Program to provide this telemedicine training in three Alaskan and five Native Alaskan communities in the Aleutians East Borough. The project will increase access to CPR training as well as CALs, which includes trauma, cardiac, stroke, pediatrics, obstetrics, neonatal, airway compromise, and sepsis through the use of video conferencing and distance training.

The Norton Healthcare Foundation (Norton Healthcare) is a not-for-profit health care provider that offers support to procure equipment, programs, education, and research to its affiliated hospitals in and around Louisville, Kentucky. With nearly \$500,000 in recent RUS grant funding the medical specialists in Louisville, Kentucky will be able to provide remote consultation to medical staff and patients at several community-based hospitals located in rural parts of Indiana and Kentucky

Kalispell Regional Medical Center received a recent \$363,326 Distance Learning and Telemedicine (DLT) grant from RUS to connect Critical Access Hospitals (CAH), such as Marias Medical Coordinator, to its specialized resources. To facilitate this link, the grant funded videoconferencing infrastructure, including InTouch RP-Lites, or “robots,” which have been deployed to outlying locations. Kalispell Regional has already added four of the anticipated seven CAHs to their existing Teleneurology network, and trained 118 specialists and support staff. With the virtual capacity to consult with doctors from their local clinics, at least 14 patients have been able to remain with their home provider.

Community-Oriented Connectivity Broadband Grant Program

The community connect grant program provides grants to extend broadband service to the most rural and economically challenged communities.

Specific areas being addressed currently include communities and areas that are completely unserved by broadband. One major goal of the program is to provide all critical community facilities in a service area with free access to broadband internet for two years.

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

Community Connect Grant Program:

In 2015 The Community Connect program received 68 applications and approved 5 projects totaling \$11 million in grants. The Community Connect program funds broadband in rural communities that currently lack high-speed internet service and 80 percent of these grants went to Tribal Trust Area recipients.

A recent Community Connect grant was awarded to provide funding to build a community center with computers which functions as an Internet Library for local residents and government in Cooperton, Oklahoma, which is also in a Tribal Trust Area.

Broadband Program

The Broadband program finances advanced telecommunications networks capable of delivering broadband service to rural residents and businesses. Broadband access is crucial to rural communities and this loan program provides funding for infrastructure in communities with populations of 20,000 or less. With the enactment of the Agricultural Act of 2014 (Farm Bill), changes were required to the existing program regulation. This was implemented during a revision to 7 CFR Part 1738.

1. Financing is extended to 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:

Broadband Program:

At the end of July 2015, RUS published the new regulation and opened up the first application window based on new requirements. The application window closed on September 30, 2015, and 15 applications were submitted for approximately \$118 million. RUS is currently reviewing the applications.

Based on the number of applications received during the 60 day application window, demand for the program appears to be strong. RUS is also hearing from many potential applicants that they are working on submitting an application during the next application window.

Water and Environmental Programs (WEP)

Current Activities:

WEP has a leading role in providing rural communities with modern, affordable water and waste disposal (WWD) 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:

1. Directing resources to the neediest projects and communities;
2. Limiting grant funds to the most financially needy systems;
3. Focusing on maintaining sustainable water systems in rural communities;
4. Making efficient use of the funding through strict underwriting that result in appropriate loan and grant balancing to achieve as affordable rates as possible; and
5. Building partnerships to expand resources going to rural areas.

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

In 2015, RUS invested \$1.5 billion in direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities. Through investments in water and waste disposal infrastructure, RUS delivered new and improved services to 2,380,303 rural residents, exceeding the goal for 2015. Examples of loans and grants approved include:

- \$1.5 billion in WWD direct loans and grants made to develop 612 projects, which included:
 - \$1.497 billion in direct loan and grants to develop 604 projects; and
 - \$14.6 million in guaranteed loans to develop eight projects.
 - \$277.7 million of the above \$1.5 billion was for 210 projects in persistent poverty counties in 36 States and Micronesia.
- \$87.2 million assisted 229 projects in disadvantaged communities:
 - \$23.6 million for Alaskan natives and villages
 - \$26 million for Colonias
 - \$26.6 million for Native Americans
 - \$1.2 million for predevelopment planning grants to assist in preparing applications for WEP funds
 - \$3.5 million for 131 special evaluation assistance for rural communities and household program
 - \$4.4 million for rural economic area partnership (REAP) zones
 - \$1.3 million for individually-owned water well systems grants
 - \$1 million for water and wastewater revolving fund grant
- \$15.1 million for 52 projects in communities qualifying for emergency assistance,
- \$19.2 million for 49 grants to technical assistance providers, and
- 7 projects administered for partner organizations.

The water programs continued to make efficient use of budget authority (BA) and loan levels appropriated to the program. The program obligated 100 percent of the BA appropriated for the loan and grant program. Obligations included \$76.2 million in grants set-aside in the appropriations bill for Native American, Colonias, and Rural Alaskan Villages. The program is designed to maximize and leverage the BA as it also balances the needs and affordability of the systems, and adjusts more grants to accommodate higher needs and affordability. The RD

national and State offices continue to coordinate their strategies to strengthen relationships with partner agencies and organizations.

The RD national and State offices regularly monitor the national and individual State performance to evaluate program delivery and services to customers. In 2015, the water program continued to demonstrate that more than 90 percent of systems met the sustainability ratio (current ratio of 1.5 percent and debt service ratio of 1.1 percent) as shown below:

- Sustainable Systems 2015– 94.27 percent of systems evaluated met current and debt service ratios.

This is an increase since 2014, showing a positive trend in the sustainability of the program’s customers.

The program also maintained a less than one percent delinquency rate for its portfolio of nearly 16,200 loans totaling \$12.5 billion. At the end of 2015 the overall delinquency rate was 0.42 percent with only 68 delinquent loans and only 26 of those loans delinquent longer than one year.

The program continues to improve processes to improve program delivery and services to our customers.

- In 2015, the agency modified its approach to field training and program delivery to continue to provide the level of customer service, quality underwriting and thorough servicing needed to deliver the current and potentially increased loan program. The new approach included increased engineering, environmental, loan origination and servicing staff, managed at the National Office level, and serving as trainers and jump teams. Jump teams were deployed to States on an as needed basis to expand outreach efforts, increase the speed of underwriting and provide hands-on training and coaching to field staff. We had great success in the states of Texas and Georgia during 2015.
- In 2015, the final rule for the Rural Alaskan Village Grants streamlining effort was published. The changes will speed loan and grant approval times and ensure that dire sanitary conditions in the Alaskan Villages are addressed more quickly.

RURAL UTILITIES SERVICE

Summary of Budget and Performance
Statement of Department Goals and Objectives

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, and 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.

RUS contributes to one Strategic Objective within one of the Department’s Strategic Goals.

USDA Strategic Goal 1: *Assist Rural Communities to Create Prosperity So They Are Self-Sustaining, Repopulating, and Economically Thriving*

USDA Strategic Objective 1.1: *Enhance Rural Prosperity, including leveraging markets to increase Government’s investment in rural America.*

Agency Strategic Goal	Agency Objective	Programs that Contribute	Key Outcomes
<p><u>Goal 1:</u> Assist rural communities to create prosperity so they are self-sustaining, re-populating and economically thriving</p>	<p><u>Objective 1.1:</u> Enhance rural prosperity, including leveraging capital markets to increase Government’s investment in rural America</p>	<p><u>Telecommunications Program</u> Direct Telecommunications Loans Treasury Telecommunications Loans FFB Telecommunications Loans Distance Learning and Telemedicine Grants</p> <p><u>Electric Program</u> Direct (Hardship) Electric Loans Direct Electric Loans FFB Electric Loans Direct Electric Loans</p> <p><u>Water and Environmental Programs</u> Direct Water and Waste Disposal Loans Water and Waste Disposal Grants Solid Waste Management Grants Emergency & Imminent Community Water Assistance Grants</p>	<p><u>1:</u> Provide access to modern telecommunications</p> <p><u>2:</u> Modernize and improve community infrastructure</p>

Key Performance Measure

Number of borrowers/subscribers receiving new or improved telecommunication services.										
Annual Performance Goals, Indicators, and Trends	Actual				Target	Actual	Result	Estimate/Target	Target	
	2011	2012	2013	2014	2015			2016	2017	
	Number (thousands)	181	64	119	84	145	95	Unmet	120	100
<u>Allowable Data Range for Met</u> - Annual targets for this measure are based on historic activity and adjusted according to the program level received each fiscal year. The allowable data range for this measure to be considered met is +/- 5-percent.										
<u>Assessment of Performance Data</u>										
<u>Data Source</u> – Data Collection System										
<u>Completeness of Data</u> - The data on the number of subscribers to be served for each loan approved come from the applicant’s loan application. The data depend on the borrower drawing down loan funds and constructing the system as portrayed in the applicant’s loan design. Loan funds may be used only for the approved purposes for which the loan was made. Variance may result if a borrower does not draw down all loan funds or request approval for a change of purpose from the original loan. This could result in a different number of subscribers from the number specified in the plan.										
<u>Reliability of Data</u> - All applications undergo an extensive review to determine eligibility. Program staff compares application estimates to certified reports that submitted on an annual basis. Additionally, all approved applications must show feasibility from a financial and technical standpoint. Applicants also are required to perform market surveys of their proposed service areas.										
<u>Quality of Data</u> – Data is self reported by the applicant. To compensate for this, program staff compares data to certified reports that are submitted and field staff performs on-site inspection to verify data.										

Analysis of Results

Selected Past Accomplishments Toward the Achievement of the Key Outcome 2015:

Since 2009, RUS has provided more than \$2.84 billion in financing for improving telecommunications in rural America. In 2015, the program approved 17 telecommunications loans and 58 grants for broadband infrastructure. 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. RUS streamlined its work process which began to positively impact loan processing time.

Selected Accomplishments Expected at the 2017 Proposed Resource Level/Challenges for the Future:

- 100,000 borrowers’ subscribers are estimated to receive new or improved telecommunication services. 380 rural counties will receive access to distance learning or telemedicine services.
- Loan processing time is expected to be cut by more than half.

Key Performance Measure

Number of borrowers’ consumers receiving new or improved electric facilities.										
Annual Performance Goals, Indicators, and Trends	Actual				Target	Actual	Result	Estimate/Target	Target	
	2011	2012	2013	2014	2015			2016	2017	
	Population (millions)	7.1	8.3	8.7	4.6	4.6	5.5	Met	5.1	6.0
<u>Allowable Data Range for Met</u> - Annual targets for this measure are based on historical activity and are adjusted according to the program level received each fiscal year. The allowable data range for this measure to										

be considered met will be +/- 20 percent.
Assessment of Performance Data
Data Source – Loan application, borrower annual operating reports.
Completeness of Data – The data include projections of the number of customers to be served by the facilities/improvements supported by the loan. Actual number of customers, such as new connections, may be more or less than the number projected in the individual loan applications.
Reliability of Data - The data include projections of the number of customers to be served by the facilities/improvements supported by the loan. Actual number of customers, such as new connections, may be more or less than the number projected in the individual loan applications. Differences, if any, are likely small. We do not retroactively change annual performance results as the measure is based on the loans approved and the total customers served as identified in the loan application. The Agency does not believe any additional compensations are required for this measure and the underlying data.
Quality of Data – Performance goal data on the number of borrowers receiving new or upgraded electric service are derived from information in loan applications and annual reports. All applications are reviewed for compliance with the eligibility requirements for the relevant electric loan, or loan guarantee. All approved applications must demonstrate financial feasibility and adequate loan security. Loan funds may be used only for the approved purposes for which the loan was made. Borrower loan applications and annual submissions are reviewed by field representatives and Headquarters staff for completeness and accuracy and are subject to audit by program accounting staff.

Analysis of Results

Selected Past Accomplishments Toward the Achievement of the Key Outcome 2015:

- 5.5 million rural electric customers receiving new or upgraded service.
- Continued investment in rural electric infrastructure, including Smart Grid technology, renewable electric generation and borrower energy efficiency programs.

Selected Accomplishments Expected at the 2017 Proposed Resource Level/Challenges for the Future:

- 6 million rural electric customers benefitting from new or improved electric facilities.
- Continued investment in rural electric infrastructure including renewable electricity and energy efficiency improvements and increased capital availability to enable borrowers’ implementation of compliance measures suppling State clean power plans.

Key Performance Measure

Population receiving new or improved services from agency-funded water and wastewater facilities or projects.									
Annual Performance Goals, Indicators, and Trends	Actual				Target	Actual	Result	Estimate/Target	Target
	2011	2012	2013	2014	2015		2016	2017	
Population (millions)	2.9	2.5	1.8	2.2	2.2	2.4	Exceeded	2.2	1.7
Allowable Data Range for Met - Annual targets for this measure are based on historical activity and are adjusted according to the program level received each fiscal year. The allowable data range for this measure to be considered met will be +/- 5-percent.									
Assessment of Performance Data									
Data Source – Loan and grant applications, Commercial Programs Application Process (CPAP), and census information.									
Completeness of Data – The data is obtained from the approved loan and grant applications and from information inputted into CPAP. It is also verified in the most recent census information. In addition, CPAP has an automated check system when the population appears to be out of range for the system and requires the state office to validate before the project can be marked ready to obligate.									
Reliability of Data - Based on information in CPAP, the population receiving new or improved water or wastewater service can be extrapolated from the data warehouse. The WEP national office and USDA field									

offices use data from CPAP, the data warehouse, and Department accounting systems to review or evaluate the financial, operational, and managerial programs of the utilities serving rural customers.

Quality of Data – The data includes the population being served by the project and is validated by the approved application and checked against the most recent census data. The Agency does not believe any additional compensations are required for this measure and the underlying data.

Analysis of Results

Selected Past Accomplishments Toward the Achievement of the Key Outcome 2015:

In 2015, RUS invested \$1.7 billion in water and waste direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities. Through investments in water and waste disposal infrastructure, RUS delivered new and improved services to 2,380,303 rural residents, exceeding the goal for 2015. Examples of loans and grants approved include:

- \$1.5 billion in WWD direct loans and grants made to develop 612 projects, which included:
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 - \$3.5 million for 131 special evaluation assistance for rural communities and household program
 - \$4.4 million for rural economic area partnership (REAP) zones
 - \$1.3 million for individually-owned water well systems grants
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- \$15.1 million for 52 projects in communities qualifying for emergency assistance,
- \$19.2 million for 49 grants to technical assistance providers, and
- 7 projects administered for partner organizations.

The water programs continued to make efficient use of budget authority (BA) and loan levels appropriated to the program. The program obligated 100 percent of the BA appropriated for the loan and grant program. Obligations included \$76.8 million in grants set-aside in the appropriations bill for Native American, Colonias, and Rural Alaskan Villages. The program is designed to maximize and leverage the funding available as it also balances the needs and affordability of the systems, and adjusts more grants to accommodate higher needs and affordability. The RD national and State offices continue to coordinate their strategies to strengthen relationships with partner agencies and organizations.

The RD national and State offices regularly monitor the national and individual State performance to evaluate program delivery and services to customers. In 2015, the water program continued to demonstrate that more than 90 percent of systems met the sustainability ratio (current ratio of 1.5 percent and debt service ratio of 1.1 percent) as shown below:

- Sustainable Systems 2015– 94.27 percent of systems evaluated met current and debt service ratios.

This is an increase since 2014, showing a positive trend in the sustainability of the program’s customers.

The program also maintained a less than one percent delinquency rate for its portfolio of nearly 16,200,000 loans totaling \$12.5 billion. At the end of 2015 the overall delinquency rate was 0.42 percent with only 68 delinquent loans and only 26 of those loans delinquent longer than one year.

The program continues to improve processes to improve program delivery and services to our customers.

- In 2015, the agency modified its approach to field training and program delivery to continue to provide the level of customer service, quality underwriting and thorough servicing needed to deliver the current and potentially increased loan program. The new approach included increased engineering, environmental, loan origination and servicing staff, managed at the National Office level, and serving as trainers and jump teams. Jump teams were deployed to States on an as needed basis to expand outreach efforts, increase the speed of underwriting and provide hands-on training and coaching to field staff. We had great success in the states of Texas and Georgia during 2015.

In 2015, the final rule for the Rural Alaskan Village Grants streamlining effort was published. The changes will speed loan and grant approval times and ensure that dire sanitary conditions in the Alaskan Villages are addressed more quickly.

Selected Accomplishments Expected at the 2017 Proposed Resource Level/Challenges for the Future:

- Provide new or improved water and/or waste disposal service to 1.7 million rural residents with \$1.23 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 20 percent of total project costs from non-agency sources for USDA funded projects.

Additional Performance Information

Changed Key Performance Measures

In 2011, WEP re-evaluated the indicator used to measure the beneficiaries of new or improved services from agency-funded water and wastewater systems. The indicator was “borrowers’ customers” (or “subscribers”), which is derived from equivalent dwelling units (EDUs) reported in the Commercial Programs Application Program (CPAP) system. WEP had also considered “users” as an outcome for borrowers customers. Users are reported in CPAP and fed into the data warehouse that makes EDUs readily accessible. Neither EDUs nor users provided a human dimension to beneficiaries receiving new or improved services. Consequently, WEP proposed to replace borrowers’ customers with “population served.” This change in the performance measure was put into practice for 2012 and has been used since.

Population gives a better sense of the beneficiaries. Population is more community-focused. It represents individuals who live in rural areas and work in the businesses that Rural Development’s mission is to help. “Population served” brings an external focus of direct importance to the public or beneficiaries unlike EDUs or users, which bring an internal focus of direct importance to water and wastewater systems. Data is readily available from WEP’s management information system and data warehouse to determine performance for this alternative.

RURAL UTILITIES SERVICE
 Strategic Goal Funding Matrix
 (Dollars in thousands)

Program	<u>2014</u> Actual	<u>2015</u> Actual	<u>2016</u> Enacted	Increase or Decrease	<u>2017</u> Estimate
Department Strategic Goal 1: Assist Rural Communities to Create Prosperity so they are self-sustaining and economically thriving					
Department Objective 1: Enhance Rural Prosperity, including leveraging capital markets to increase government's investment in rural America					
Rural Utilities Service:					
Program Loan Level.....	\$4,544,467	\$5,342,008	\$8,794,516	-\$299,508	\$8,495,008
Budget Authority.....	758,944	577,767	567,341	-17,235	550,106
Staff Years.....	718	709	811	28	839
Total Cost, Strategic Goal 1.....	758,944	577,767	567,341	-17,235	550,106
Staff Years, Strategic Goal.....	718	709	811	28	839

RURAL UTILITIES SERVICE
Full Cost by Department Strategic Goal
(Dollars in thousands)

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving

Rural Utilities Service Programs	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
<u>Direct Water and Waste Disposal Loans</u>				
Program Level.....	824,365	1,105,989	1,200,000	803,802
Budget Authority.....	-	-	31,320	34,885
Administrative costs (direct).....	34,315	35,908	37,425	38,568
Indirect costs.....	16,148	15,389	16,039	16,529
Total Costs.....	50,463	51,297	84,784	89,982
FTEs.....	348	345	393	393
Performance Measure:				
Population receiving new or improved services from agency-funded water and wastewater facilities or projects	1,190,757	1,179,839	1,247,900	847,000
Cost per measure (unit cost).....	0.04	0.04	0.07	0.11
<u>Guaranteed Water and Waste Disposal Loans</u>				
Program Level.....	7,249	14,674	50,000	-
Budget Authority.....	51	87	275	-
Administrative costs (direct).....	-	-	-	-
Indirect costs.....	-	-	-	-
Total Costs.....	51	87	275	-
FTEs.....	-	-	-	-
Performance Measure:				
Population receiving new or improved services from agency-funded water and wastewater facilities or projects	23,862	113,619	34,000	-
Cost per measure (unit cost).....	0	-	-	-
<u>Water and Waste Disposal Grants</u>				
Program Level.....	677,401	147,412	480,770	426,708
Budget Authority.....	677,401	533,772	480,770	426,708
Administrative costs (direct).....	8,690	9,093	9,477	9,767
Indirect costs.....	4,089	3,897	4,062	4,186
Total Costs.....	690,180	546,762	494,309	440,661
FTEs.....	88	88	100	100
Performance Measure:				
Population receiving new or improved services from agency-funded water and wastewater facilities or projects	974,256	1,086,845	918,100	853,000
Cost per measure (unit cost).....	0.71	0.50	0.54	0.52

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving

	2014	2015	2016	2017
Rural Utilities Service Programs	Actual	Actual	Enacted	Estimate
<u>Electric Loans and Rural Energy Savings Program</u>				
Program Level.....	2,739,968	3,398,112	6,309,970	6,500,000
Budget Authority.....	-	-	8,000	-
Administrative costs (direct).....	14,337	15,003	15,637	16,114
Indirect costs.....	6,747	6,430	6,701	6,906
Total Costs.....	21,084	21,433	30,338	23,020
FTEs.....	146	143	165	167
Performance Measure:				
Number of borrowers' consumers receiving new or improved electric facilities	4,406,745	5,520,016	5,100,000	6,000,000
Cost per measure (unit cost).....	0.005	0.004	0.006	0.004
<u>Direct, Treasury and FFB Telecommunications Loans</u>				
Program Level.....	213,993	245,553	691,667	690,056
Budget Authority.....	-	-	104	14,071
Administrative costs (direct).....	6,353	6,648	6,929	7,141
Indirect costs.....	2,990	2,849	2,970	3,061
Total Costs.....	9,343	9,497	10,003	24,273
FTEs.....	65	64	73	79
Performance Measure:				
Number of borrowers/subscribers receiving new or improved telecommunication services	83,602	95,056	100,000	100,000
Cost per measure (unit cost).....	0.11	0.10	0.10	0.24
<u>Treasury Distance Learning Loans, and Distance Learning and Telemedicine Grants</u>				
Program Level.....	49,268	23,456	22,000	34,950
Budget Authority.....	49,268	23,456	22,000	34,950
Administrative costs (direct).....	1,362	1,426	1,486	1,531
Indirect costs.....	641	611	637	656
Total Costs.....	51,271	25,493	24,123	37,137
FTEs.....	14	14	16	36
Performance Measure:				
Counties Served.....	1,221	486	380	380
Cost per measure (unit cost).....	41.99	52.45	63.48	97.73
<u>Health Care Services Grants</u>				
Program Level.....	3,232	944	-	-
Budget Authority.....	3,232	944	-	-
Total Costs.....	6,464	1,888	-	-

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving

Rural Utilities Service Programs	2014 Actual	2015 Actual	2016 Enacted	2017 Estimate
<u>Broadband Loans</u>				
Program Level.....	-	-	19,737	-
Budget Authority.....	-	-	4,500	-
Administrative costs (direct).....	3,798	3,974	4,142	4,269
Indirect costs.....	1,787	1,703	1,775	1,829
Total Costs.....	5,585	5,677	10,417	6,098
FTEs.....	39	38	44	44
Performance Measure:				
Number of borrowers/subscribers receiving new or improved telecommunication services	-	-	20,000	-
Cost per measure (unit cost).....	-	-	0.52	-
<u>Broadband Grants</u>				
Program Level.....	13,686	11,025	10,372	39,492
Budget Authority.....	13,686	11,025	10,372	39,492
Administrative costs (direct).....	1,737	1,817	1,894	1,952
Indirect costs.....	817	779	812	836
Total Costs.....	16,240	13,621	13,078	42,280
FTEs.....	18	17	20	20
<u>High Energy Cost Grants</u>				
Program Level.....	9,872	8,484	-	-
Budget Authority.....	9,872	8,484	10,000	-
Total Costs.....	19,744	16,969	10,000	-
<u>Total, Rural Utilities Service Programs</u>				
Program Level.....	4,539,033	4,955,649	8,784,516	8,495,008
Budget Authority.....	753,511	577,768	567,341	550,106
Administrative costs (direct).....	70,592	73,869	76,990	79,342
Indirect costs.....	33,219	31,658	32,996	34,003
Total Costs, All Strategic Goals.....	857,322	683,295	677,327	663,451
Total FTEs, All Strategic Goals.....	718	709	811	839