

2014 Explanatory Notes
Rural Development

Contents

	<u>Page</u>
Statement of Available Funds and Staff Years	26-1
Permanent Positions by Grade and Staff Year Summary	26-4
Motor Vehicle Fleet Data	26-5
Rural Development Salary and Expenses:	
Appropriations Language.....	26-6
Lead Off Tabular Statement Summary of Increases and Decreases	26-7
Project Statement.....	26-8
Justifications of Increases and Decreases	26-10
Geographic Breakdown of Obligations and Staff Years.....	26-14
Classification by Objects.....	26-15

RURAL DEVELOPMENT

Available Funds and Staff Years

(Dollars in thousands)

Item	2011 Actual		2012 Actual		2013 Estimated		2014 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Rural Community Facility Program Account a/.....	\$41,462	--	\$29,291	--	\$29,470	--	\$17,000	--
Rural Housing Insurance Fund Program Account: Subsidy d/.....	102,206	--	80,191	--	80,682	--	32,616	--
Rural Housing Assistance Grants e/.....	40,400	--	33,136	--	33,339	--	25,000	--
Farm Labor Program f/.....	19,746	--	--	--	--	--	--	--
Rental Assistance Program	955,635	--	904,653	--	910,189	--	1,015,050	--
Multi-Family Housing Revitalization Program g/.....	30,000	--	13,000	--	13,080	--	32,575	--
Mutual and Self-help Housing Grants h/.....	37,000	--	30,000	--	30,184	--	10,000	--
Rural Water and Waste Disposal Program Account b/.....	529,002	--	513,000	--	516,140	--	304,000	--
Rural Electrification and Telecommunications								
Program Account: Subsidy y/.....	700	--	594	--	598	--	--	--
Rural Telephone Bank Program Account: Subsidy	--	--	--	--	--	--	--	--
Distance Learning, Telemedicine, and Broadband Program i/.....	68,226	--	37,372	--	37,601	--	43,590	--
Guaranteed Local Television Program Account.....	--	--	--	--	--	--	--	--
High Energy Cost Grants j/.....	--	--	--	--	--	--	--	--
Rural Business Program Account c/.....	85,451	--	74,809	--	75,267	--	51,777	--
Rural Development Loan Fund Program Account: Subsidy.....	7,400	--	6,000	--	6,037	--	4,082	--
Rural Economic Development Loans								
Program Account: Subsidy k/.....	[5,924]	--	[4,293]	--	[4,098]	--	[2,795]	--
Rural Economic Development Grants Rescission.....	-207,000	--	-155,000	--	-155,000	--	-155,000	--
Rural Microentrepreneur Assistance Program	--	--	--	--	--	--	1,405	--
Rural Energy for America Program.....	5,000	--	3,400	--	3,421	--	19,741	--
Rural Cooperative Development Grants l/.....	30,254	--	25,050	--	25,203	--	17,250	--
Rural Empowerment Zone/Enterprise Community Grants m/.....	--	--	--	--	--	--	--	--
Rural Business and Cooperative Grants	--	--	--	--	--	--	55,000	--
Rescission.....	-3,905	--	--	--	--	--	--	--
Subtotal, Ongoing Programs.....	1,741,577	--	1,595,496	--	1,606,211	--	1,474,086	--
Farm Bill Authorities:								
Rural Microentrepreneur Assistance Program t/.....	4,000	--	3,000	--	--	--	--	--
Biorefinery Assistance Program u/.....	--	--	--	--	--	--	--	--
Energy Assistance Payments v/.....	85,000	--	105,000	--	--	--	--	--
Rural Energy for America Program w/.....	70,000	--	70,000	--	--	--	--	--
Rural Cooperative Development Grants n/.....	--	--	--	--	--	--	--	--
Subtotal, Farm Bill Authorities.....	159,000	--	178,000	--	0	--	0	--
Salaries and Expenses o/.....	688,305	5,849	653,889	5,193	657,891	5,000	661,548	5,000
Total, Salaries and Expenses & Program Resources.....	2,588,882	5,849	2,427,385	5,193	2,264,102	5,000	2,135,634	5,000

Obligations under other USDA Appropriations:

Reimbursements from:

Farm Service Agency.....	10,000	--	8,829	--	9,000	--	9,000	--
Natural Resources & Conservation Service.....	3,000	--	2,669	--	3,000	--	3,000	--
Office of the Chief Information Officer.....	1,000	--	45	--	500	--	500	--
Foreign Agriculture Services.....	100	--	1	--	50	--	50	--
Miscellaneous Reimbursements.....	2,000	--	1,053	--	1,400	--	1,400	--

Total, Other USDA appropriations.....	16,101	--	12,597	--	13,950	--	13,950	--
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Total, Agriculture Appropriations.....	2,445,983	5,849	2,261,982	5,193	2,278,052	5,000	2,149,584	5,000
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Rural Economic Development Loans p/.....	5,924	--	4,239	--	4,098	--	2,795	--
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Rural Economic Development Grants p/.....	10,000	--	10,000	--	10,000	--	10,000	--
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Other Federal Funds:

Appalachian Regional Commission Program q/.....	22,721	--	15,226	--	--	--	--	--
Delta Regional Authority Grants r/.....	21	--	--	--	--	--	--	--
NADBank s/.....	--	--	--	--	--	--	--	--
Economic Development Administration.....	--	--	--	--	--	--	--	--
Federal Emergency Management Agency.....	--	--	--	--	--	--	--	--
Department of Commerce.....	1	--	--	--	--	--	--	--

Subtotal, Other Federal Funds.....	22,743	--	15,226	--	0	--	0	--
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Total, Rural Development.....	2,484,650	5,849	2,291,447	5,193	2,292,150	5,000	2,162,379	5,000
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- a/ Excludes \$15,129,711.73 of unobligated balances and \$6,271,870.34 in recoveries of prior year obligations which were available in FY 2011.
 Excludes \$13,582,612.31 of unobligated balances and \$9,598,000 in recoveries of prior year obligations which were available in FY 2012.
 Excludes \$507,889.43 in unobligated balances of natural disaster funds rescinded in FY 2012.
 Excludes \$10,509,215.73 of unobligated balances and \$13,204,475.81 in estimated recoveries available in FY 2013.
 Excludes \$13,204,475.81 of estimated unobligated balances available in FY 2014.
- b/ Excludes \$104,908,814.70 of unobligated balances and \$66,695,000 in recoveries of prior year obligations which were available in FY 2011.
 Excludes \$88,324,333.14 unobligated balances available and \$63,567,018.61 in recoveries of prior year obligations which were available in FY 2012.
 Excludes \$20,031,000 in unobligated balances of natural disaster funds rescinded in FY 2011.
 Excludes \$318,911 in unobligated balances of natural disaster funds rescinded in FY 2012.
 Excludes \$87,271,154.45 unobligated balances and \$54,585,000 in estimated recoveries which were available in FY 2013.
 Excludes \$59,052,281.90 in estimated unobligated balances which were available in FY 2014.
- c/ Excludes \$18,031,899.61 of unobligated balances and \$4,702,200.75 in recoveries of prior year obligations which were available in FY 2011.
 Includes \$250,000 for GP 738 - Kansas Farm Bureau Foundation. Excludes \$7,165,751.68 in unobligated balances of natural disaster funds rescinded in FY 2011.
 Excludes \$5,469,795.41 of unobligated balances available and \$19,841,000 in recoveries of prior year obligations which were available in FY 2012.
 Excludes \$461,574 in unobligated balances of natural disaster funds rescinded in FY 2012.
 Excludes \$10,386,432.62 of unobligated balances and \$11,695,000 in estimated recoveries which were available in FY 2013.
 Excludes \$13,788,986.08 of estimated unobligated balances which were available in FY 2014.
- d/ Excludes \$327,350.52 of unobligated balances and \$77,626.15 in recoveries of prior year obligations which were available in FY 2011.
 Excludes \$1,290,617.42 of unobligated balances available in FY 2012 and \$4,344,130.38 in transferred unobligated balances from the Farm Labor Housing Program Account in FY 2012. Excludes \$426,708.98 in unobligated balances of natural disaster funds rescinded in FY 2012.
 Excludes \$6,960,000 in recoveries of prior year obligations which were available in FY 2012. Excludes \$9,954,000 in estimated recoveries which were available in FY 2013. Also, excludes \$11,680,498.32 of estimated unobligated balances which were available in FY 2014.
- e/ Excludes \$3,684,301.07 of unobligated balances and \$1,541,000 in recoveries of prior year obligations which were available in FY 2011.
 Excludes \$3,704,334.38 of unobligated balances and \$1,796,973.60 in recoveries of prior year obligations which were available in FY 2012.
 Excludes \$201,804.69 in unobligated balances of natural disaster funds rescinded in FY 2012.
 Excludes \$3,389,415.88 of unobligated balances and \$899,000 in estimated recoveries which were available in FY 2013.
 Excludes \$3,499,154.50 of estimated unobligated balances which were available in FY 2014.

- f/ Excludes \$12,332,631.68 of unobligated balances and \$3,524,026.90 in recoveries of prior year obligations which were available in FY 2011. Excludes \$4,344,000 of unobligated balances which were available in FY 2012.
- g/ Excludes \$119,001,595.89 of unobligated balances and \$3,946,692.36 in recoveries of prior year obligations which were available in FY 2011. Excludes \$26,646,064.39 of unobligated balances and \$5,642,000 in recoveries of prior year obligations which were available in FY 2012. Excludes \$22,823,134.31 of unobligated balances and \$2,940,876.12 in estimated recoveries which were available in FY 2013. Excludes \$2,940,876.12 of estimated unobligated balances which were available in FY 2014.
- h/ Excludes \$14,524,663.25 of unobligated balances and \$1,004,563.75 in recoveries of prior year obligations which were available in FY 2011. Excludes \$18,137,208.15 of unobligated balances and \$2,148,000 in recoveries of prior year obligations which were available in FY 2012. Excludes \$12,365,507.05 of unobligated balances and \$12,590,875.68 in estimated recoveries which were available in FY 2013. Excludes \$12,590,875.68 of estimated unobligated balances which were available in FY 2014.
- i/ Excludes \$25,179,323.88 of unobligated balances in 2012 and \$9,715,989.44 in recoveries of prior year obligations available in FY 2012. Excludes \$45,350,708.14 of unobligated balances available in FY 2013. Excludes \$45,324,837.54 of estimated unobligated balances available in FY 2014.
- j/ Excludes \$21,704,885.17 of unobligated balances which were available in FY 2012. Excludes \$19,390,536.83 of unobligated balances available in FY 2013. Excludes \$9,558.14 of estimated unobligated balances available in FY 2014.
- k/ Excludes \$4,174,567.54 of unobligated balances and \$1,159,295.74 in recoveries of prior year obligations which were available in FY 2011. Excludes \$5,990,262.63 of unobligated balances and \$628,570.41 in recoveries of prior year obligations which available in FY 2012. Excludes \$5,619,091.37 of unobligated balances and \$3,360,169.90 in estimated recoveries of prior year obligations which were available in FY 2013. Excludes \$3,360,169.90 of estimated unobligated balances available in FY 2014.
- l/ Excludes \$20,837,201.88 in unobligated balances and \$1,726,812.27 in recoveries of prior year obligations which were available in FY 2011. Excludes \$40,034,110.15 of unobligated balances and \$1,546,000 in recoveries of prior year obligations which were available in FY 2012. Excludes \$16,417,000 of unobligated balances and \$17,735,000 in estimated recoveries of prior year obligations which were available in FY 2013. Excludes \$17,735,000 of estimated unobligated balances available in FY 2014.
- m/ Excludes \$33,456.33 in unobligated balances available in FY 2011, FY 2012, and FY 2013.
- n/ Excludes \$819,426.44 in unobligated balances and \$267,541.75 (or \$266,541.57) in recoveries of prior year obligations which were available in FY 2012. Excludes \$282,994.01 in unobligated balances and \$476,656.93 in estimated recoveries of prior year obligations which were available in FY 2013. Excludes \$476,656.93 in estimated unobligated balances available in FY 2014.
- o/ Excludes \$230,000.00 for Congressional Liaison Activities in FY 2011.
- p/ Section 313 of the Rural Electrification Act provides the authority to make grants with the earnings generated from the interest differential on voluntary cushion of credit payments made by RUS borrowers.
- q/ Excludes \$7,402,847 unobligated balances which were available in FY 2011. Excludes \$17,340,522.03 of unobligated balances available in FY 2012.
- r/ Excludes \$20,568.48 of unobligated balances available in FY 2011.
- s/ Excludes \$351,233.39 of unobligated balances which were available in FY 2011, FY 2012, and FY 2013.
- t/ Excludes \$3,345,592 of unobligated balances and \$225,820 in recoveries of prior year obligations which were available in FY 2011. Excludes \$903,376.25 of unobligated balances which were available in FY 2012. Excludes \$4.51 of estimated unobligated balances available in FY 2013. Excludes \$111,572.46 in estimated recoveries which were available in FY 2014.
- u/ Excludes \$273,996,850 of unobligated balances which were available in FY 2011. Excludes \$185,277,625 of unobligated balances which were available in FY 2012.
- v/ Excludes \$124,497,419.31 of unobligated balances which were available in FY 2011. Excludes \$73,371,946.68 of unobligated balances which were available in FY 2012. Excludes \$40,693,875 of estimated unobligated balances which were available in FY 2013.
- w/ Excludes \$3,386,429.70 of unobligated balances and \$2,983,124.37 in recoveries of prior year obligation which were available in FY 2011. Excludes \$3,155,423.98 of unobligated balances which were available in FY 2012. Excludes \$24,356.64 of estimated unobligated balances which were available in FY 2013.

RURAL DEVELOPMENT

Permanent Positions by Grade and Staff Year Summary

Grade	2011 Actual			2012 Actual			2013 Estimate			2014 Estimate		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive												
Service	18	0	18	20	0	20	20	0	20	20	0	20
SL-00	3	0	3	3	0	3	3	0	3	3	0	3
GS-15	105	46	151	98	46	144	98	41	139	98	41	139
GS-14	124	32	156	117	0	117	117	0	117	117	0	117
GS-13	425	520	945	375	369	744	384	331	715	384	331	715
GS-12	218	1,363	1,581	201	1,283	1,484	206	1,152	1,358	206	1,152	1,358
GS-11	132	628	760	115	461	576	118	414	532	118	414	532
GS-10	5	0	5	4	0	4	4	0	4	4	0	4
GS-9	73	497	570	87	451	538	90	405	495	90	405	495
GS-8	85	30	115	75	26	101	77	23	100	77	23	100
GS-7	417	888	1,305	355	804	1,159	369	722	1,091	369	722	1,091
GS-6	46	203	249	41	169	210	42	151	193	42	151	193
GS-5	36	146	182	40	133	173	41	119	160	41	119	160
GS-4	20	26	46	23	33	56	24	30	54	24	30	54
GS-3	3	3	6	4	4	8	4	5	9	4	5	9
GS-2	2	2	4	3	2	5	3	3	6	3	3	6
Other Graded Positions.....	0	0	0	0	0	0	0	0	0	0	0	0
Ungraded Positions.....	4	0	4	4	0	4	4	0	4	4	0	4
Total Permanent												
Positions.....	1,716	4,384	6,100	1,565	3,781	5,346	1,604	3,396	5,000	1,604	3,396	5,000
Unfilled Positions												
end-of-year.....	97	154	251	70	83	153	0	0	0	0	0	0
Total, Permanent												
Full-Time Employment												
end-of-year.....	1,576	3,992	5,568	1,439	3,424	4,863	1,604	3,396	5,000	1,604	3,396	5,000
Staff Year												
Estimate.....	1,619	4,230	5,849	1,495	3,698	5,193	1,604	3,396	5,000	1,604	3,396	5,000

RURAL DEVELOPMENT

MOTOR VEHICLE FLEET DATA

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

Size, Composition, and Cost of agency motor vehicle fleet as of September 30, 2011 are as follows:

Fiscal Year	Number of Vehicles by Type							Total Number of Vehicles	Annual Operating Cost (\$ in thous)
	Sedans and Station Wagons	Light Trucks, SUVs and Vans		Medium Vehicles	Ambulances	Buses	Heavy Duty		
		4X2	4X4						
FY 2011	744	141	117	2	0	0	0	1,004	4,707,120
Change from 2011**	-10	-3	0	0	0	0	0	-13	-301,180
FY 2012	734	138	117	2	0	0	0	991	4,405,940
Change from 2012**	-76	-51	2	0	0	0	0	-125	-405,290
FY 2013	658	87	119	2	0	0	0	866	4,000,650
Change from 2013**	0	0	0	0	0	0	0	0	0
FY 2014	658	87	119	2	0	0	0	866	4,000,650

** The passenger motor vehicles of Rural Development are used almost exclusively by Rural Development state field office staff (about 3,396) in order to provide program delivery to essential facilities, services such as water and sewer systems, housing, health clinics, emergency service facilities and electric and telephone service. In the course of their daily work these personnel often need to travel to communities, individual farm, commercial firms, and State agricultural offices, which are only accessible by car.

RURAL DEVELOPMENT

The estimates include appropriation language for this item as follows:

Rural Development Salaries and Expenses (including transfers of funds)

For necessary expenses for carrying out the administration and implementation of programs in the Rural Development mission area, including activities with institutions concerning the development and operation of agricultural cooperatives; and for cooperative agreements; \$204,695,000: Provided, That \$32,000,000 shall be for the Comprehensive Loan Accounting System: Provided further, That notwithstanding any other provision of law, funds appropriated under this heading may be used for advertising and promotional activities that support the Rural Development mission area: Provided further, That any balances available from prior years for the Rural Utilities Service, Rural Housing Service, and the Rural Business-Cooperative Service salaries and expenses accounts shall be transferred to and merged with this appropriation.

RURAL DEVELOPMENT

LEAD-OFF TABULAR STATEMENT

Salaries and Expenses

2013 Estimate	\$657,891,000
Budget Estimate, 2014.....	661,548,000
Change in Appropriation.....	<u>3,657,000</u>

RURAL DEVELOPMENT

Summary of Increases and Decreases

(Dollars in thousands)

<u>Item of Change</u>	<u>2011 Actual</u>	<u>2012 Change</u>	<u>2013 Change</u>	<u>2014 Change</u>	<u>2014 Estimate</u>
Salaries and Expenses.....	\$688,305	-\$34,416	+\$4,002	+\$3,657	\$661,548
Total Appropriation or Change.....	<u>\$688,305</u>	<u>-\$34,416</u>	<u>+\$4,002</u>	<u>+\$3,657</u>	<u>\$661,548</u>

RURAL DEVELOPMENT

SALARIES AND EXPENSES

Project Statement

Adjusted Appropriations Detail and Staff Years (SY)
(Dollars in Thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc or Dec</u>		<u>2014 Request</u>	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Discretionary Appropriations:										
Salary and Expenses	191,987	1,861	182,023	1,446	183,137	1,392	21,558	155	204,695	1,547
Total Appropriation	191,987	1,861	182,023	1,446	183,137	1,392	21,558	155	204,695	1,547
Transfers In:										
Transfer for Congressional Relations	271	-	230	-	-	-	-	-	-	-
Rural Electrification & Telecommunications Loans Program Account	38,374	308	36,382	289	36,605	278	-1,911	-16	34,694	262
Rural Housing Insurance Fund Program Account	454,383	3,640	430,800	3,421	433,436	3,294	-15,744	-137	417,692	3,157
Rural Development Loan Fund Program Account	4,941	40	4,684	37	4,713	36	-246	-2	4,467	34
Subtotal	497,969	3,988	472,096	3,747	474,754	3,608	-17,901	-155	456,853	3,453
Rescission a/	-1,379	-	-	-	-	-	-	-	-	-
Total Available	688,577	5,849	654,119	5,193	657,891	5,000	3,657	0	661,548	5,000
Lapsing Balances	-22	-	-1	-	-	-	-	-	-	-
Bal. Available, EOY	-3,774	-	-1,206	-	-	-	-	-	-	-
Total Obligations	684,781	5,849	652,912	5,193	657,891	5,000	3,657	0	661,548	5,000

a/ The amount is rescinded pursuant to Division B, Title I, Section 1119 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, P.L. 112-10.

RURAL DEVELOPMENT
SALARIES AND EXPENSES

Project Statement
Obligations Detail and Staff Years (SY)
(Dollars in Thousands)

Program	<u>2011 Actual</u>		<u>2012 Actual</u>		<u>2013 Estimate</u>		<u>Inc or Dec</u>		<u>2014 Request</u>	
	Amount	Staff	Amount	Staff	Amount	Staff	Amount	Staff	Amount	Staff
Discretionary Obligations:										
Salary and Expenses	189,186	1,861	180,816	1,446	183,137	1,392	21,558	155	204,695	1,547
Subtotal	189,186	1,861	180,816	1,446	183,137	1,392	21,558	155	204,695	1,547
Transfers In:										
Transfer for Congressional Relations	271	-	230	-	-	-	-	-	-	-
Rural Electrification & Telecommunications Loans Program Account	38,297	308	36,382	289	36,605	278	-1,911	-16	34,694	262
Rural Housing Insurance Fund Program Account	453,474	3,640	430,800	3,421	433,436	3,294	-15,744	-137	417,692	3,157
Rural Development Loan Fund Program Account	4,931	40	4,684	37	4,713	36	-246	-2	4,467	34
Subtotal	496,973	3,988	472,096	3,747	474,754	3,608	-17,901	-155	456,853	3,453
Rescission a/	-1,379	-	-	-	-	-	-	-	-	-
Total Obligations	684,780	5,849	652,912	5,193	657,891	5,000	3,657	-	661,548	5,000
Unobligated balance transferred from Balance Available, EOY	3,774	-	1,206	-	0	-	0	-	-	-
Unobligated balance expiring	22	-	1	-	-	-	-	-	-	-
Total Available	688,576	5,849	654,119	5,193	657,891	5,000	3,657	0	661,548	5,000

a/ The amount is rescinded pursuant to Division B, Title I, Section 1119 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, P.L. 112-10.

RURAL DEVELOPMENT
SALARIES AND EXPENSES

Justification of Increases and Decreases

(1) An increase of \$3.657, 000 for Rural Development (\$657,891,000 and 5,000 staff years available in 2013).

Base Funding: Due to constraints in budgets in recent years, the RD Salaries and Expenses (S&E) budget has experienced significant reductions in administrative funding. The reductions have been primarily focused on cutting costs wherever possible to ensure the mission area stays within the level of available funding for administrative expenses. Because of cost savings actions taken during fiscal years 2012 and 2013, RD is now ready to take a more proactive approach to shaping its future and determining how it will deliver RD programs. As of the end of fiscal year 2011, the RD portfolio was \$162 billion. By the end of 2012, the portfolio increased by \$14 billion, to a total of \$176 billion. With base funding, RD will be able to support a portfolio of \$184 billion in 2013. Because of the emphasis the mission area has put on maintaining the integrity of the portfolio, the mission area is experiencing low delinquency rates in the majority of its programs. An example of this is in the Single Family Housing guaranteed program which in 2012 had a delinquency rate, net of foreclosures, of 10.2 percent compared to the FHA rate of 11.38 percent.

Recent reductions in S&E funding required a VERA/VSIP in fiscal years 2012 and 2013 resulting in the retirement of roughly 13 percent of RD's workforce. Throughout all of fiscal year 2012 and a portion of fiscal year 2013, the mission area instituted a hard hiring freeze and continued to experience attrition at a rate of less than 3%. The mission area is now operating at about 5,000 staff years, down from the previous level of over 6,000 before the VERA/VSIP. Beginning in 2013, and continuing through 2014, RD plans to fill only positions that meet the strategic objectives of the Department and the Mission Area. To determine which positions are strategic imperatives, the Mission Area recently underwent a rigorous exercise to determine new staff year allocations in the States and its mission area.

The requested amount for administrative funding for RD in 2014 will allow the mission area to support estimated portfolio of approximately \$210 billion at the end of 2014 and to deliver the requested program level totaling \$34.4 billion in 2014. This request reflects a balance of fiscal resources between direct Federal investments, Federal guarantees of private sector loans, and human resources to ensure that current investments are properly serviced. This budget level will ensure that new direct investments are responsibly made, with an emphasis on geographic areas and demographic groups that remain unserved or underserved, across Rural America.

The funding change is requested for the following items:

a. An increase of \$4,323,000 for pay (which includes \$216,000 for the annualization of the fiscal year 2013 pay raise and \$4,107,000 for the fiscal year 2014 pay raise).

This increase will enable RD to maintain staffing levels at the 2013 level, which is critical to achieving the objectives of the mission area. Approximately 73% of RD's S&E budget is in support of personnel compensation. In 2014, the mission area will still emphasize portfolio maintenance to the extent possible to protect the government investment that has already occurred and the new investments that will occur with the additional loan level requested in the 2014 budget. The pay cost increase will prevent a reduction in general support, especially in the Information Technology (IT) development area, which would hamper RD's commitment to protecting its portfolio and providing adequate service using a modernized IT system.

b. A decrease of \$666,000 for reduced general services.

The requested decrease of \$666,000 results from savings from a reduction in the base for general support. General support funds ensure that RD can continue providing quality customer service and the required servicing of the estimated \$210 billion portfolio and support for delivering the requested \$34.4 billion program level in 2014.

RD's base funding is now comprised of about 73% salaries and benefits and 27% general support that is allocated to each agency administrator and State director and covers non-salary administrative expenses (rent, travel, telecommunications, training, supplies, equipment, etc.). Non-GSA leases, utilities and communication expenses for State and field offices provide the necessary support to deliver our field-based operations. Travel for the agencies allows program staff to deliver the origination and portfolio management requirements throughout the Nation. Essentially all of these funding categories work in tandem with one another interdependently to deliver and service RD investments to Rural America.

For RD to continue to deliver community and economic development programs in an era of scarce resources, and for RD to maintain its strong portfolio, the mission area will focus resources on employing our workforce in geographic areas and programs that result in the greatest impact, provide our workforce the tools they need to be successful, partners with the private sector to shift some of our workload, and modernize loan servicing operations.

The 2014 budget supports the continued development of the Comprehensive Loan Program (CLP). Within base funding, the 2014 budget request includes \$32 million to support CLP. The CLP investment will provide strong benefits to all RD stakeholders and program beneficiaries, including:

- New appropriated loan programs will be online sooner and changes to existing programs can be more quickly adopted;
- Data integrity will improve and systems reliability will be enhanced;
- There will be increased visibility into portfolio and program performance through enhanced data, analytics, and standards;
- Systems will be intuitively designed with universal standards that are easier for employees and customers to understand, including more robust tools such as on-line help, automated data entry, and drop down menus;
- Financial reports will be easier to generate; and
- Customers will have better access and support throughout the loan and grant cycle.

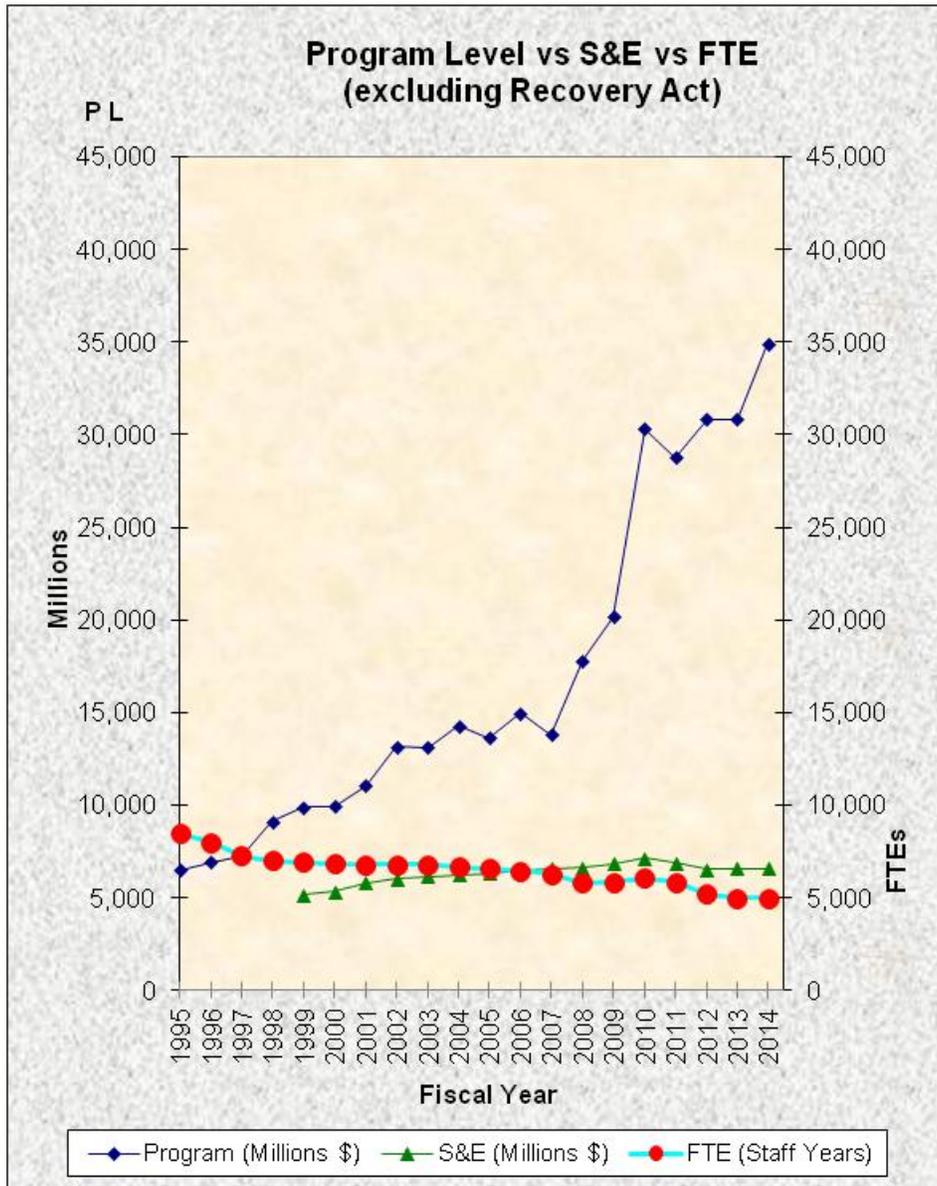
The CLP initiative is designed to build capabilities that will help ensure system availability and meet future mandates with the systems in RD's large loan and grant portfolio and to avoid escalating systems costs related to delivering the mission areas program. As the current financial systems continue to age, program delivery and servicing requirements related to the existing portfolio increase the cost to the agency to maintain the antiquated IT systems. The CLP will ensure their continued reliability. The existing systems and code are obsolete which causes longer time frames for adjustments and increased budget needs to meet statutory requirements, such as implementing a new loan program in a timely fashion.

Through the CLP initiative, cost avoidance will be realized by modernizing the current RD technology. Modernized technology will help offset potential increases in other costs such as International Technology Services (ITS), National Information Technology Center (NITC), and others. Remaining on current legacy systems would increase annual maintenance costs, as well as put some of the systems out of compliance due to unsupported technology, and compromise the integrity of the portfolio.

The table on the following page shows the breakdown and costs associated with CLP for 2012, 2013, and the funding requested in 2014.

ACTIVITY	ACTIVITY TOTALS	FISCAL YEAR TOTALS
FY 2012		
AMAS Retirement	\$161,400.00	
Commercial Loan Servicing System (CLSS) Modernization	604,489.06	
Guaranteed Loan System (GLS) Modernization	274,881.47	
Next Generation Origination Solution	24,742.90	
Supporting Applications Modernization	53,810.42	
Service Oriented Architecture and Integration	421,542.48	
FY 2012 TOTAL		\$1,540,866.33
FY 2013		
CLP PMO Support	\$1,621,594.89	
AMAS Retirement	343,350.00	
Commercial Loan Servicing System (CLSS) Modernization	1,575,000.00	
Guaranteed Loan System (GLS) Modernization	2,669,648.10	
Next Generation Origination Solution	4,799,550.00	
Program Loan Accounting System (PLAS) Retirement	2,310,000.00	
Supporting Applications Modernization	4,157,685.00	
Security Modernization	787,500.00	
Web Portal	842,541.00	
Service Oriented Architecture and Integration	1,614,690.00	
Enterprise Reporting	808,500.00	
FY 2013 TOTAL		\$21,530,058.99
FY 2014		
CLP IVV Support	\$1,298,015.74	
AMAS Retirement	4,492,950.00	
Commercial Loan Servicing System (CLSS) Modernization	4,811,438.10	
Guaranteed Loan System (GLS) Modernization	525,000.00	
Next Generation Origination Solution	4,147,500.00	
Geospatial Information Systems (GIS)	2,100,000.00	
Program Loan Accounting System (PLAS) Retirement	3,383,950.50	
Supporting Applications Modernization	4,672,500.00	
Security Modernization	420,000.00	
Web Portal	787,500.00	
Service Oriented Architecture and Integration	2,625,000.00	
Enterprise Reporting	1,643,250.00	
FY 2014 TOTAL		\$32,251,067.40

In summary, the combined effect of the redeployment of staff and the investment in CLP will provide the resources that are necessary and required for RD to deliver its programs and services to its ever-growing portfolio in a responsible manner. To this point, RD has managed and focused the use of its available resources effectively as demonstrated through the performance of its portfolio. This is further described in the following chart which compares the changes to the levels of program, S&E and staffing levels over the past several years.



RURAL DEVELOPMENT

Geographic Breakdown of Obligations and Staff Years (SY)
(Dollars in thousands)

State/Territory	2011 Actual		2012 Actual		2013 Estimate		2014 Estimate	
	Amount	SY	Amount	SY	Amount	SY	Amount	SY
Alabama.....	\$9,298	101	\$8,212	85	8,264	79	8,310	79
Alaska.....	3,676	34	3,411	32	3,472	28	3,492	28
Arizona.....	6,073	62	5,429	51	5,463	47	5,493	47
Arkansas.....	11,372	121	9,558	94	9,616	82	9,669	82
California.....	13,278	126	13,173	122	13,255	112	13,329	112
Colorado.....	5,766	59	5,657	56	5,694	52	5,725	52
Connecticut.....	1,252	15	1,388	15	1,396	15	1,404	15
Delaware.....	3,840	34	3,470	31	3,493	28	3,513	28
District of Columbia.....	279,939	1,619	281,032	1,495	283,856	1,604	285,426	1,604
Florida.....	11,013	121	10,148	100	10,207	88	10,264	88
Georgia.....	12,225	126	10,958	106	11,023	101	11,085	101
Hawaii.....	3,858	34	3,453	34	3,479	31	3,499	31
Idaho.....	6,851	69	6,200	57	6,240	51	6,275	51
Illinois.....	10,892	119	10,164	106	10,225	98	10,282	98
Indiana.....	9,027	96	8,105	83	8,158	78	8,204	78
Iowa.....	11,308	118	10,399	103	10,466	94	10,524	94
Kansas.....	6,457	69	5,795	60	5,835	54	5,867	54
Kentucky.....	11,313	120	10,337	99	10,400	88	10,458	88
Louisiana.....	9,757	104	8,579	87	8,631	76	8,679	76
Maine.....	7,362	79	6,607	69	6,646	62	6,683	62
Maryland.....	1,398	18	1,495	15	1,504	15	1,512	15
Massachusetts.....	4,280	39	3,832	36	3,854	30	3,876	30
Michigan.....	12,020	123	11,532	115	11,605	108	11,670	108
Minnesota.....	10,341	108	9,137	89	9,195	84	9,247	84
Mississippi.....	15,145	163	13,478	132	13,563	121	13,638	121
Missouri.....	13,309	143	12,474	130	12,552	119	12,622	119
Montana.....	4,761	47	4,883	48	4,916	43	4,943	43
Nebraska.....	6,546	66	5,650	55	5,688	51	5,719	51
Nevada.....	3,109	30	2,819	26	2,838	25	2,855	25
New Hampshire.....	1,963	22	2,049	18	2,061	18	2,073	18
New Jersey.....	4,449	45	4,060	39	4,085	38	4,108	38
New Mexico.....	4,520	50	4,493	47	4,524	43	4,550	43
New York.....	10,227	114	10,041	109	10,104	102	10,160	102
North Carolina.....	15,737	172	14,590	154	14,676	143	14,758	143
North Dakota.....	5,300	53	4,857	48	4,891	43	4,918	43
Ohio.....	10,468	108	9,599	94	9,661	91	9,715	91
Oklahoma.....	8,306	84	7,485	75	7,535	66	7,577	66
Oregon.....	6,980	70	5,978	59	6,019	52	6,053	52
Pennsylvania.....	10,571	109	9,275	89	9,335	85	9,387	85
Puerto Rico.....	7,315	82	6,873	72	6,913	62	6,951	62
Rhode Island.....	373	5	312	3	314	3	316	3
South Carolina.....	10,519	105	9,590	94	9,647	84	9,701	84
South Dakota.....	6,706	70	6,309	64	6,352	60	6,387	60
Tennessee.....	12,498	134	11,514	117	11,585	106	11,650	106
Texas.....	15,858	174	14,233	148	14,317	143	14,397	143
Utah.....	4,828	48	4,196	40	4,221	37	4,244	37
Vermont.....	4,091	38	3,725	34	3,750	29	3,771	29
Virginia.....	9,964	103	8,827	82	8,885	74	8,934	74
Washington.....	7,585	76	7,222	72	7,269	69	7,310	69
West Virginia.....	6,825	71	6,451	65	6,494	58	6,530	58
Wisconsin.....	8,489	95	8,209	89	8,262	83	8,308	83
Wyoming.....	3,589	37	3,336	33	3,362	30	3,380	30
Western Pacific Areas.....	1,623	18	1,679	13	1,689	13	1,698	13
Virgin Islands.....	260	3	404	4	406	4	409	4
Obligations.....	684,510	5,849	652,682	5,193	657,891	5,000	661,548	5,000
Lapsing Balances.....	21	-	1	-	-	-	-	-
Balance Available, EOY	3,774	-	1,206	-	-	-	-	-
Total, Available or Estimate.....	\$688,305	5,849	\$653,889	5,193	657,891	5,000	661,548	5,000

**RURAL DEVELOPMENT
SALARIES AND EXPENSES**
Classification by Objects
(Dollars in thousands)

	2011	2012	2013	2014
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington, D.C.	\$127,855	\$120,469	\$113,600	\$112,842
Field	284,365	252,675	241,400	239,790
11.0 Total personnel compensation.....	<u>412,220</u>	<u>373,144</u>	<u>355,000</u>	<u>352,632</u>
12.0 Personnel benefits.....	120,320	116,587	114,740	114,691
13.0 Benefits for former personnel.....	21	15,081	3,260	0
Total, personnel comp. and benefits.....	<u>532,561</u>	<u>504,812</u>	<u>473,000</u>	<u>467,323</u>
Other Objects:				
21.0 Travel and transportation of persons.....	\$14,374	\$9,588	\$11,000	\$11,000
22.0 Transportation of things.....	258	215	200	200
23.1 Rental payments to GSA.....	163	247	0	0
23.2 Rental payments to Non-GSA.....	15,907	14,938	16,000	16,000
23.3 Communications, utilities, and miscellaneous charges.....	2,263	2,516	3,000	3,000
24.0 Printing and reproduction.....	1,758	2,898	3,000	3,000
25.1 Advisory and assistance services.....	483	660	22,000	32,000
25.2 Other services from non-Federal sources.....	19,597	32,575	33,000	33,000
25.3 Other purchases of goods and services from Federal sources.....	46,525	58,083	58,691	58,691
25.4 Operation and maintenance of facilities.....	6,530	4,613	6,000	5,334
25.5 Research and development contracts.....	36,338	15,529	26,000	26,000
25.7 Operation and maintenance of equipment.....	1,432	1,006	1,000	1,000
26.0 Supplies and materials.....	4,426	3,231	4,000	4,000
31.0 Equipment.....	1,797	1,333	1,000	1,000
33.0 Investments and Loans.....	1	26	0	0
41.0 Grants, subsidies, and contributions	0	141	0	0
42.0 Insurance claims & indemnities.....	313	201	0	0
43.0 Interest and dividends.....	55	70	0	0
Total, Other Objects.....	<u>\$152,220</u>	<u>\$147,870</u>	<u>\$184,891</u>	<u>\$194,225</u>
Total, New Obligations.....	<u>\$684,781</u>	<u>\$652,682</u>	<u>\$657,891</u>	<u>\$661,548</u>
<u>Position Data:</u>				
Average Salary, ES positions	\$154,325	\$154,325	\$154,325	\$161,088
Average Salary, GS positions	\$56,453	\$53,407	\$53,407	\$55,917
Average Grade, GS positions	10.8	10.6	10.6	10.8