

2013 Explanatory Notes
Rural Utilities Service

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RURAL UTILITIES SERVICE

Purpose Statement

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

Authorization and Program Descriptions

The RUS delivers electric and telecommunications programs authorized by the Rural Electrification Act of 1936, as amended, 7 U.S.C. 901 et seq., (RE Act). 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 may be used to finance improvements to electric distribution, transmission, and generation systems, including demand side management, energy efficiency and conservation programs, and renewable energy systems to serve rural areas. The new direct loan authority under the 2008 Farm Bill is intended to displace reliance on section 306 loan guarantees through the Treasury Department's Federal Financing Bank (FFB). Interest rates on these new loans will be set equal to the current cost of money to the Treasury for loans of similar maturity, plus one-eighth of 1 percent. Regulations and administrative procedures are being put in place to implement the new program in 2013.

Hardship rate direct loans under section 305 of the RE Act at a fixed rate of 5 percent are available to finance electric system improvements for qualified borrowers that meet thresholds for retail rate disparity and for customer per capita and household incomes, or that have suffered a severe, unavoidable hardship, such as a natural disaster.

Guaranteed loans are provided under authority of section 306 of the RE Act and may be used for financing of electric distribution, transmission, improvements on generation systems and headquarters facilities. The FFB has been 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. Funding for this program through FFB was requested in 2012 as the agency continues the transition to the new direct loan program for 2013. USDA guaranteed private loans issued through National Rural Utilities Cooperative Financing Corporation, Co Bank or other lenders carry an interest rate negotiated between the lender and the borrower.

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

Telecommunications Program

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

Hardship (direct loans) loans bear interest at a fixed rate of 5 percent per year. These loans are intended only for borrowers with extremely high investment costs in terms of per subscriber service. These borrowers also have a

very low number of subscribers for each mile of telecommunications line constructed. This low subscriber “density” inherently increases the cost to serve the most sparsely populated rural areas. Because of the high cost of the investment needed, these borrowers cannot typically afford higher interest rate loans.

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

Guaranteed loans are provided to borrowers of a non-government lender or from the 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. Rural Development staffs monitor loan repayments that are secured through covenants in loan contracts, and mortgage documents with Rural Development. The government holds a first lien position on all of the assets of the borrower.

Broadband loans were first authorized in the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) which established a new loan and loan guarantee program, “Access to Broadband Telecommunications Services in Rural Areas”, which was reauthorized and modified in the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). This program is designed to provide funding for the cost of constructing, improving, and acquiring facilities and equipment for broadband service in rural communities of 20,000 inhabitants or less. Direct loans are made at the cost of money to the Treasury for the life of the facilities financed. Loans may be made at four percent to rural communities where broadband service does not currently exist. Loan guarantees bear an interest rate set by the private lender consistent with the current applicable market rate for a loan of comparable maturity and are guaranteed for no more than 80 percent of the principal amount. The 2008 Farm Bill required changes to the loan program; an Interim Rule proposing changes to the program regulations was published in the *Federal Register* on March 14, 2011.

Distance learning and telemedicine (DLT) loans and grants are authorized by 7 U.S.C. 950aaa.

This program assists rural schools and learning centers gain access to improved educational resources, and assists rural hospitals and health care centers gain access to improved medical resources. Building on advanced telecommunications infrastructure, telemedicine projects are providing new and improved health care services and benefits to rural residents, many in medically underserved areas, by linking to urban medical centers for clinical interactive video consultation, distance training of rural health care providers, and access to medical expertise and library resources. Distance learning projects provide funding for Internet-based educational services in schools and libraries and promote confidence in, and understanding of, the world-wide-web and its benefits to students and young entrepreneurs. Loans, made at the Treasury rate of interest, and grants will encourage, improve, and make affordable the use of advanced telecommunications.

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.

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.

Special Evaluation Assistance for Rural Communities and Households Program (SEARCH) 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.

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 (TAT) 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, prepare loan and grant applications.

Geographic dispersion of offices and employees

Rural Development programs are administered by the three programs representing Rural Development: Housing and Community Facilities, Utilities, Business and Cooperative Development. Rural Development **headquarters is located in Washington, D.C.** As of September 30, 2011, there were 5,568 permanent full-time employees, including 1,576 in the headquarters and 3,992 in the field offices.

OIG Reports

All open audits related to the Broadband Loan and Grant Programs, including OIG Audit No. 09601-8-TE and Audit No. 09601-4-TE, were closed in FY 2011. (Closed)

09099-2-SF Rural Utilities Service Rural or Native Alaskan Village Grants

The OIG review of the Rural Alaskan Village Grant (RAVG) program found that funds had been reallocated between projects rather than deobligated; documentation was insufficient in a number of cases to support reimbursements; and timesheets in certain cases were processed without proper signatures.

RUS revised its RAVG process, improved program controls, directed the State of Alaska and ANTHC to implement improved accounting systems, deobligated funds from the State of Alaska not associated with active construction projects, and reclaimed more than \$83,000 in unsupported reimbursements.

Current Status:

Official draft audit was issued 9/9/2010.

Rural Development responded 11/24/2010.

Management agreement reached on all findings 3/31/2011.

Final actions accepted/audit closed July 27, 2011.

09601-1-At Rural Utilities Service Controls over the Water and Waste Disposal Loans and Grants

The OIG review found that the water and waste loan and grant program's internal controls are adequately designed and operating. The audit did identify findings related to loan processing in two states, Tennessee and Alabama. The concerns revolved around two key areas:

- Documentation for certain files to support a determination that a health and sanitary issue exists.
- The use of income surveys for certain projects.

In all cases identified in the report, it was ultimately determined that the applications were processed within the existing regulations, but that additional policy guidance to field staff could improve consistency across the program. In response to the report, Rural Utilities Service issued updated guidance to all staff in the national office and field regarding the appropriate use of income surveys and proper documentation related to health and sanitary issues.

Current Status:

Official draft audit was issued 9/30/2010.

Rural Development responded 11/22/2010.

Management agreement reached with OIG 2/24/2011.

Final actions accepted/audit closed 3/25/2011.

GAO Reports

GAO Report No. GAO-12-79, Nov. 2, 2011 - Federal Initiatives for the Nonfederal Sector Could Benefit from More Interagency Collaboration. Report surveyed availability of Federal programs that can support various “green building” efforts, including Rural Utilities Service electric loans and high energy cost grants. Rural Development concurs with report recommendations. (Closed).

| RURAL UTILITIES SERVICE | | | |
|---|---------------|--------------|---------------|
| | | | |
| <u>Analysis of Change in Appropriation</u> | | | |
| | | | |
| <u>RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT</u> | | | |
| (On basis of loan level, subsidy, and grants) | | | |
| | | | |
| | | | |
| | | | |
| | Loan Level | Subsidy | Grants |
| Appropriations Act, 2012..... | \$793,582,017 | \$71,000,000 | \$442,000,000 |
| Budget Estimate, 2013..... | 1,000,000,000 | 80,700,000 | 415,000,000 |
| Change from 2012 Appropriations..... | 206,417,983 | 9,700,000 | -27,000,000 |

| <u>Summary of Increases and Decreases</u> | | | | | | |
|---|----------|---------|----------|-----------|-----|-----------|
| (Dollars in thousands) | | | | | | |
| | 2010 | 2011 | 2012 | 2013 | | 2013 |
| | Actual | Change | Change | Change | | Estimated |
| Discretionary Appropriations: | | | | | | |
| Direct Water and Waste Disposal Loans | \$77,071 | -\$154 | -\$6,917 | +\$10,700 | | \$80,700 |
| Guaranteed loans | 0 | 0 | +1,000 | -1,000 | | 0 |
| Water and Waste Disposal Grants | 351,728 | -33,366 | -3,195 | +9,085 | (3) | 324,252 |
| Technical assistance grants for | | | | | | |
| rural waste systems | 19,500 | -39 | -461 | -4,129 | (4) | 14,871 |
| Circuit Rider-Technical Assistance grants for | | | | | | |
| rural water systems | 15,000 | -30 | +30 | -2,608 | (5) | 12,393 |
| WWD grants, Alaskan villages | 24,500 | -49 | -1,176 | -2,456 | (6) | 20,820 |
| WWD grants Native American Tribes | 16,000 | -32 | -768 | -1,519 | (6) | 13,681 |
| WWD grants Colonias | 24,500 | -49 | -1,176 | -2,456 | (6) | 20,820 |
| WWD grants, Hawaiian homelands | 5,000 | -10 | -240 | -586 | (6) | 4,164 |
| Water well system grants | 993 | -2 | +2 | -993 | (7) | 0 |
| Water and wastewater revolving funds | 497 | -1 | +1 | -497 | (8) | 0 |
| Solid waste management grants | 3,441 | -7 | -34 | +600 | (9) | 4,000 |
| Emergency and imminent community | | | | | | |
| water assistance grants | 13,000 | -1,523 | +466 | -11,943 | (6) | 0 |
| High energy cost grants* | 17,500 | -5,524 | -2,476 | -9,500 | | 0 |
| Total Appropriation or Change | 568,730 | -40,786 | -14,944 | -17,300 | | 495,700 |

Note: High Energy Cost Grants program information is show under the High Energy Cost Grant account.

RURAL UTILITIES SERVICE

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

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

1 For the cost of direct loans[, loan guarantees,] and grants for the rural water, waste water, waste disposal,
 2 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, [~~\$513,000,000~~]\$495,700,000, to remain available until expended[, of which not to
 exceed \$497,000 shall be available for the rural utilities program described in section 306(a)(2)(B) of such
 Act, and of which not to exceed \$993,000 shall be available for the rural utilities program described in
 section 306E of such Act]: *Provided*, That [~~\$66,500,000~~]not to exceed 12 percent of the amount
 3 appropriated under this heading shall be for loans and grants including water and waste disposal systems
 grants authorized by 306C(a)(2)(B) and 306D of the Consolidated Farm and Rural Development Act,
 Federally recognized Native American Tribes authorized by 306C(a)(1), and the Department of Hawaiian
 Home Lands (of the State of Hawaii): *Provided further*, That funding provided for section 306D of the
 Consolidated Farm and Rural Development Act may be provided to a consortium formed pursuant to
 section 325 of Public Law 105-83: *Provided further*, That not more than 2 percent of the funding provided
 for section 306D of the Consolidated Farm and Rural Development Act may be used by the State of Alaska
 for training and technical assistance programs and not more than 2 percent of the funding provided for the
 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: *Provided*
 4 *further*, That not to exceed [~~\$19,000,000~~]3 percent 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,
 5 unless the Secretary makes a determination of extreme need, of which [~~\$5,750,000~~]not more than 30
percent shall be made available for a grant to a qualified non-profit multi-state regional technical assistance
 organization, with experience in working with small communities on water and waste water problems, the
 principal purpose of such grant shall be to assist rural communities with populations of 3,300 or less, in
 improving the planning, financing, development, operation, and management of water and waste water
 systems, and of which not [~~less~~]more than [~~\$800,000~~]4 percent shall be for a qualified national Native
 6,7 American organization to provide technical assistance for rural water systems for tribal communities:
 8 *Provided further*, That not to exceed [~~\$15,000,000~~]2.5 percent 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 [~~\$3,400,000~~]\$4,000,000
 9 shall be for solid waste management grants[:*Provided further*, That of the amount appropriated under this
 heading, the amount equal to the amount of Rural Water and Waste Disposal Program Account funds
 allocated by the Secretary for Rural Economic Area Partnership Zones for the fiscal year 2011, shall be
 available through June 30, 2012, for communities designated by the Secretary of Agriculture as Rural
 Economic Area Partnership Zones for the rural utilities programs described in section 381E(d)(2) of the
 Consolidated Farm and Rural Development Act: *Provided further*, That \$9,500,000 of the amount
 appropriated under this heading shall be transferred to, and merged with, the Rural Utilities Service, High
 Energy Cost Grants Account to provide grants authorized under section 19 of the Rural Electrification Act
 of 1936 (7 U.S.C. 918a): *Provided further*, That any prior year balances for high cost energy grants
 authorized by section 19 of the Rural Electrification Act of 1936 (7 U.S.C.918a) shall be transferred to and
 merged with 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 removes the authority for water and waste guaranteed loans as no funding is proposed for the program.

The second change removes the language for the individually-owned water well systems grants and the grants for water and wastewater revolving funds. These programs can be funded under general heading.

The third change revises the set-aside for Native American, Colonias, Alaskan Villages, and Hawaiian Homelands from a dollar amount to a percentage of the overall budget authority. The reason to change the appropriation language to percentage is: The total amount appropriated under the rural water and waste disposal program account fluctuates from year to year however, the amount set-aside for special programs tends to remain the same. By tying the set-aside funds to not to exceed 12 percent of the amount appropriated under this heading, it will allow program funds to be more equitably distributed amongst the programs. An average was used to determine the percentages based upon historical dollar amounts appropriated for the set-aside. Over 98 percent of the agencies backlog of applications are for the regular water and waste disposal program, using percentages would allow for the funding to go where the greatest needs are. The set-asides are not governed by any criteria so percentages would at least help distribute the funds to the programs more fairly.

The fourth change revises the set-aside for technical assistance grants from a dollar amount to a percentage of the overall budget authority. The reason to change the appropriation language to percentage is: The total amount appropriated under the rural water and waste disposal program account fluctuates from year to year however, the amount set-aside for special programs tends to remain the same. By tying the set-aside funds to not to exceed 3 percent of the amount appropriated under this heading, it will allow program funds to be more equitably distributed amongst the programs. An average was used to determine the percentages based upon historical dollar amounts appropriated for the set-aside. Over 98 percent of the agencies backlog of applications are for the regular water and waste disposal program, using percentages would allow for the funding to go where the greatest needs are. The set-asides are not governed by any criteria so percentages would at least help distribute the funds to the programs more fairly.

The fifth change revises the set-aside within technical assistance grants for multi-State regional technical assistance organization from a dollar amount to a percentage of the overall budget authority. The reason to change the appropriation language to percentage is: The total amount appropriated under the rural water and waste disposal program account fluctuates from year to year however, the amount set-aside for special programs tends to remain the same. By tying the set-aside funds to not more than 30 percent of the amount appropriated for technical assistance grants, it will allow program funds to be more equitably distributed amongst the programs. An average was used to determine the percentages based upon historical dollar amounts appropriated for the set-aside. Over 98 percent of the agencies backlog of applications are for the regular water and waste disposal program, using percentages would allow for the funding to go where the greatest needs are. The set-asides are not governed by any criteria so percentages would at least help distribute the funds to the programs more fairly.

The sixth change revises the level of the set-aside within technical assistance grants for Native American organizations from a dollar amount to a limit on the percentage of the overall budget authority.

The seventh change revises the set-aside within technical assistance grants for Native American organizations from a dollar amount to a percentage of the overall budget authority. The reason to change the appropriation language to percentage is: The total amount appropriated under the rural water and waste disposal program account fluctuates from year to year however, the amount set-aside for special programs tends to remain the same. By tying the set-aside funds to not more than 4 percent of the amount appropriated for technical assistance grants, it will allow program funds to be more equitably distributed amongst the programs. An average was used to determine the percentages based upon historical dollar amounts appropriated for the set-aside. Over 98 percent of the agencies backlog of applications are for the regular water and waste disposal program, using percentages would allow for the funding to go where the greatest needs are. The set-asides are not governed by any criteria so percentages would at least help distribute the funds to the programs more fairly.

The eighth change revises the set-aside for circuit rider contracts from a dollar amount to a percentage of the overall budget authority. The reason to change the appropriation language to percentage is: The total amount appropriated under the rural water and waste disposal program account fluctuates from year to year however, the amount set-aside for special programs tends to remain the same. By tying the set-aside funds to not to exceed 2.5 percent of the amount appropriated under this heading, it will allow program funds to be more equitably distributed amongst the programs. An average was used to determine the percentages based upon historical dollar amounts appropriated for the set-aside. Over 98 percent of the agencies backlog of applications are for the regular water and waste disposal program, using percentages would allow for the funding to go where the greatest needs are. The set-asides are not governed by any criteria so percentages would at least help distribute the funds to the programs more fairly.

The ninth change reflects the removal of the set-aside for rural economic area partnership zones as the authorization for this program expired in 2012. These areas can be funded from the regular appropriation. Also, it removes the language for high energy cost grants for which no funding is proposed.

PROJECT STATEMENT

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

(In thousands of dollars)

| Item of Change | 2010 Actual | | 2011 Actual | | 2012 Estimated | | Increase or Decrease | | 2013 Estimated | |
|---|---------------|------------|---------------|------------|----------------|------------|----------------------|------------|----------------|------------|
| | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA |
| Rural Water and Waste Disposal Programs: | | | | | | | | | | |
| Direct loans..... | \$951,292 | \$71,727 | \$1,000,742 | \$85,864 | \$730,689 | \$70,000 | \$269,311 (1) | \$10,700 | \$1,000,000 | \$80,700 |
| Direct loans- ARRA <u>d</u> /..... | 1,274,013 | 96,061 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct loans- 2008 disasters em supp. <u>e</u> /..... | 3,625 | 273 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Guaranteed loans <u>a</u> /..... | 10,721 | 0 | 31,923 | 0 | 62,893 | 1,000 | -62,893 (2) | -1,000 | 0 | 0 |
| Grants..... | 549,071 | 549,071 | 378,698 | 378,698 | 315,167 | 315,167 | 9,085 (3) | 9,085 | 324,252 | 324,252 |
| Grants-ARRA <u>d</u> /..... | 544,434 | 544,434 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants-2008 disasters em. Supp. <u>e</u> /..... | 6,781 | 6,781 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Technical assistance grants for | | | | | | | | | | |
| rural waste systems..... | 19,500 | 19,500 | 19,554 | 19,554 | 19,000 | 19,000 | -4,129 (4) | -4,129 | 14,871 | 14,871 |
| Circuit rider - technical assistance | | | | | | | | | | |
| grants for rural water systems..... | 14,336 | 14,336 | 14,714 | 14,714 | 15,000 | 15,000 | -2,608 (5) | -2,608 | 12,393 | 12,393 |
| Circuit rider - technical assistance | | | | | | | | | | |
| grants for rural water systems-ARRA <u>d</u> /..... | 10,180 | 10,180 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| WWD grants, Alaskan villages..... | 66,606 | 66,606 | 46,048 | 46,048 | 23,275 | 23,275 | -2,456 (6) | -2,456 | 20,820 | 20,820 |
| WWD grants, native American tribes..... | 16,509 | 16,509 | 16,882 | 16,882 | 15,200 | 15,200 | -1,519 (6) | -1,519 | 13,681 | 13,681 |
| Water and waste disposal grants, colonias.. | 25,069 | 25,069 | 32,080 | 32,080 | 23,275 | 23,275 | -2,456 (6) | -2,456 | 20,820 | 20,820 |
| WWD grants, Hawaiian homelands..... | 0 | 0 | 1,513 | 1,513 | 4,750 | 4,750 | -586 (6) | -586 | 4,164 | 4,164 |
| Water well system grants..... | 993 | 993 | 1,050 | 1,050 | 993 | 993 | -993 (7) | -993 | 0 | 0 |
| Water and wastewater revolving funds..... | 497 | 497 | 496 | 496 | 497 | 497 | -497 (8) | -497 | 0 | 0 |
| Solid waste management grants..... | 3,405 | 3,405 | 3,381 | 3,381 | 3,400 | 3,400 | 600 (9) | 600 | 4,000 | 4,000 |
| Emergency and imminent community | | | | | | | | | | |
| water assistance grants..... | 2,648 | 2,648 | 1,384 | 1,384 | 11,943 | 11,943 | -11,943 (6) | -11,943 | 0 | 0 |
| High energy cost grants <u>b</u> /..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Available or Estimate..... | 3,499,680 | 1,428,091 | 1,548,466 | 601,664 | 1,226,082 | 503,500 | 188,918 | -7,800 | 1,415,000 | 495,700 |
| Transfer to high energy cost grants <u>b</u> /..... | 17,500 | 17,500 | 11,976 | 11,976 | 9,500 | 9,500 | -9,500 | -9,500 | 0 | 0 |
| Recovery of prior year obligations..... | -320,651 | -109,603 | -185,026 | -66,695 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance available, start of year..... | -2,041,309 | -894,614 | -222,716 | -127,356 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance expiring..... | 64,279 | 0 | 43,077 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance available, end of year..... | 369,322 | 127,356 | 206,686 | 88,324 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance rescinded <u>c</u> /..... | 0 | 0 | 20,031 | 20,031 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rescission <u>e</u> /..... | 0 | 0 | 2,700 | 1,058 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Appropriation..... | 1,588,821 | 568,730 | 1,425,194 | 529,002 | 1,235,582 | 513,000 | 179,418 | -17,300 | 1,415,000 | 495,700 |

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

PROJECT STATEMENT

(On basis of obligations under available funds)

(In thousands of dollars)

| Item of Change | 2010 Actual | | 2011 Actual | | 2012 Estimated | | Increase or Decrease | | 2013 Estimated | |
|---|---------------|------------|---------------|------------|----------------|------------|----------------------|------------|----------------|------------|
| | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA |
| Rural Water and Waste Disposal Programs: | | | | | | | | | | |
| Direct loans..... | \$951,292 | \$71,727 | \$1,000,742 | \$85,864 | \$845,511 | \$81,000 | \$269,731 | \$9,000 | \$1,115,242 | \$90,000 |
| Direct loans- ARRA <u>d</u> /..... | 1,274,013 | 96,061 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct loans- 2008 disasters em supp. <u>g</u> /..... | 3,625 | 273 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Guaranteed loans <u>a</u> /..... | 10,721 | 0 | 31,923 | 0 | 31,447 | 500 | 15,723 | 0 | 47,170 | 500 |
| Grants..... | 549,071 | 549,071 | 378,698 | 378,698 | 373,959 | 373,959 | -20,440 | -20,440 | 353,519 | 353,519 |
| Grants-ARRA <u>d</u> /..... | 544,434 | 544,434 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants-2008 disasters em. Supp. <u>g</u> /..... | 6,781 | 6,781 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Technical assistance grants for rural waste systems..... | 19,500 | 19,500 | 19,554 | 19,554 | 20,030 | 20,030 | -3,453 | -3,453 | 16,577 | 16,577 |
| Circuit rider - technical assistance grants for rural water systems..... | 14,336 | 14,336 | 14,714 | 14,714 | 14,101 | 14,101 | -2,680 | -2,680 | 11,421 | 11,421 |
| Circuit rider - technical assistance grants for rural water systems-ARRA <u>d</u> /..... | 10,180 | 10,180 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| WWD grants, Alaskan villages..... | 66,606 | 66,606 | 46,048 | 46,048 | 29,281 | 29,281 | -4,457 | -4,457 | 24,824 | 24,824 |
| WWD grants, native American tribes..... | 16,509 | 16,509 | 16,882 | 16,882 | 18,170 | 18,170 | -4,417 | -4,417 | 13,753 | 13,753 |
| Water and waste disposal grants, colonias.. | 25,069 | 25,069 | 32,080 | 32,080 | 26,190 | 26,190 | -4,959 | -4,959 | 21,231 | 21,231 |
| WWD grants, Hawaiian homelands..... | 0 | 0 | 1,513 | 1,513 | 8,759 | 8,759 | -127 | -127 | 8,632 | 8,632 |
| Water well system grants..... | 993 | 993 | 1,050 | 1,050 | 993 | 993 | -993 | -993 | 0 | 0 |
| Water and wastewater revolving funds..... | 497 | 497 | 496 | 496 | 497 | 497 | -497 | -497 | 0 | 0 |
| Solid waste management grants..... | 3,405 | 3,405 | 3,381 | 3,381 | 3,400 | 3,400 | 843 | 843 | 4,243 | 4,243 |
| Emergency and imminent community water assistance grants..... | 2,648 | 2,648 | 1,384 | 1,384 | 11,943 | 11,943 | -11,943 | -11,943 | 0 | 0 |
| High energy cost grants <u>b</u> /..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Available or Estimate..... | 3,499,680 | 1,428,091 | 1,548,466 | 601,664 | 1,384,282 | 588,824 | 232,330 | -44,124 | 1,616,612 | 544,700 |
| Transfer to high energy cost grants <u>b</u> /..... | 17,500 | 17,500 | 11,976 | 11,976 | 9,500 | 9,500 | -9,500 | -9,500 | 0 | 0 |
| Recovery of prior year obligations..... | -320,651 | -109,603 | -185,026 | -66,695 | -46,000 | -46,000 | 46,000 | 46,000 | 0 | 0 |
| Unobligated balance available, start of year..... | -2,041,309 | -894,614 | -222,716 | -127,356 | -193,172 | -88,324 | -8,440 | 39,324 | -201,612 | -49,000 |
| Unobligated balance expiring..... | 64,279 | 0 | 43,077 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance available, end of year..... | 369,322 | 127,356 | 206,686 | 88,324 | 80,972 | 49,000 | -80,972 | -49,000 | 0 | 0 |
| Unobligated balance rescinded <u>g</u> /..... | 0 | 0 | 20,031 | 20,031 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rescission <u>g</u> /..... | 0 | 0 | 2,700 | 1,058 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Appropriation..... | 1,588,821 | 568,730 | 1,425,194 | 529,002 | 1,235,582 | 513,000 | 179,418 | -17,300 | 1,415,000 | 495,700 |

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

| <u>Project Statement Footnotes</u> | | | |
|------------------------------------|---|--|--|
| <u>a/</u> | was calculated for 2011. Therefore, corresponding budget authority is not required to support the loan | | |
| <u>b/</u> | accordance with the Agriculture, Rural Development, Food and Drug Administration, and Related | | |
| <u>c/</u> | Natural disaster unobligated available as of August 10, 2010, rescinded in accordance with the Education Jobs and Medicaid Assistance Act, P.L. 111-226, signed on August 10, 2010. | | |
| <u>d/</u> | Provided by the American Recovery and Reinvestment Act (ARRA) of 2009 , P.L. 111-5, signed February | | |
| <u>e/</u> | and Full-Year Continuing Appropriations Act, 2011, P.L. 112-10. | | |

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$269,311,000 in direct water and waste disposal loans (\$730,689,000 available in 2012).

This program provides loan funds for water and waste projects serving the most financially needy communities. Water and waste disposal loans result in reasonable user costs for rural residence, rural businesses, and other rural users. A program level of \$730,689,000 in the direct water and waste disposal loan program can support 535 loans that assist approximately 2,418,000 rural residents to obtain decent, safe, and sanitary water and waste water services. Additional funding of \$269,311,000 will enhance currently-funded activities and allow the program to fund 179 more loans and provide an additional 351,000 rural residents with decent, safe and sanitary water and waste service.

The increase in loan level to \$1 billion is expected to provide an estimated total of 714 loans assisting 2,769,000 rural residents to obtain safe and sanitary water and wastewater services. The increase to \$1 billion puts the program closer to its historical lending level in a year where there is not expected to be an offset for reduced funding from any supplemental source. In addition, with no funding provided for the guarantee program, the increase direct loan program level could pick-up some of those guaranteed loan borrowers.

Based on a projected carryover program level for 2013 of \$115,242,000 the direct water and waste disposal loan program would support approximately 86 loans that assist approximately 431,000 rural residents obtain decent, safe, and sanitary water.

- (2) A decrease of \$62,893,000 in guaranteed water and waste disposal loans (\$62,893,000 available in 2012).

This program provides loan guarantees for the construction or improvement of water and waste disposal projects serving the financially needy communities in rural areas. The guarantee water and wastewater loan program performance has been such that the subsidy cost has risen from being negative to going positive, beginning in 2012. Meanwhile, the historical demand for this program has been minimal at best. Given the increase in cost and the low demand, coupled with an increase in the lending level for direct loans, the 2013 budget includes no funding for these loan guarantees.

However, based on a projected carryover program level for 2013 of \$47,170,000, the guaranteed water and waste disposal loan program would support 20 loans that assist approximately 137,900 rural residents obtain decent, safe, and sanitary water.

- (3) An increase of \$9,085,000 in water and waste disposal grants (\$315,167,000 available in 2012).

This program provides grant funds in conjunction with loans for water and waste projects serving the most financially needy communities. Water and waste grants provide reasonable user costs for rural residences, rural businesses, and other rural users.

The increase to \$324 million is expected to provide an estimated total of 386 grants assisting 1,540,000 rural residents to obtain safe and sanitary water and wastewater services. This increase in the funding level puts the program closer to its historical lending level in a year where there is not expected to be an offset for reduced funding from any supplemental source.

Based on a projected carryover program level for 2013 of \$29,267,000, the water and waste disposal grants program would support approximately 39 grants that assist approximately 160,000 rural residents obtain decent, safe, and sanitary water.

- (4) A decrease of \$4,129,000 in technical assistance grants for rural waste systems (\$19,000,000 available in 2012).

This program provides grant funds to private, non-profit organizations and public entities to provide technical assistance and/or training to small rural communities (under 10,000 in populations). The technical assistance provided by these grant funds is targeted towards the smaller rural communities (under 2,500 in population) and lower income rural communities with Median Household Income (MHI) under 80 percent of the State Non-

Metropolitan Median Household Income (SNMHI). The agency has large backlogs in the regular loan and grant program but not in this program. Therefore, hard choices had to be made to divert funds to where they are needed most. With that in mind, a small decrease in appropriate for 2013. The remaining funds will be sufficient to meet demand.

- (5) A decrease of \$2,608,000 in circuit rider –technical assistance grants for rural water systems (\$15,000,000 available in 2012).

This program provides grant funds for on-site technical assistance to Rural Development eligible systems. The program estimates that more than \$2 million will be carried over from 2012. The remaining funds will be sufficient to meet demand.

- (6) A decrease of \$18,960,000 in grant programs for Congressional set asides (\$78,443,000 available in 2012)

These programs provide grant funds for targeted groups to develop and construct water and waste systems in disadvantaged communities. Funds from the grants program level are set aside for these programs based on the funding priorities and goals established for the programs. Based on a project carryover program level for 2013 at \$68,440,000, funds may be diverted for the set-aside programs. Decreased funding will not materially affect the level of assistance to the communities. The remaining funds will be sufficient to meet demand.

- (7) A decrease of \$993,000 in individually-owned water well system grants (\$993,000 available in 2012).

This program provides grants for private non-profit organizations to establish lending programs that provide low-cost loans to individuals living in eligible rural areas for the construction of water wells. In addition, these grants are to individuals rather than communities, so the cost/benefit of this funding is not as great as funding for the other loan and grant program within the USDA's environmental programs. With that in mind, no funding is provided for this program in 2013. The remaining funds will be sufficient to meet demand.

- (8) A decrease of \$497,000 in grants for water and wastewater revolving funds (\$497,000 available in 2012).

This program provides grants to private non-profit organizations to establish a lending program for entities eligible under the water and waste disposal loans (direct and guaranteed). A decrease of \$497,000 would eliminate annual funding to revolving loan fund recipients. However, two prior year recipients have operating loan funds with funds available and payments being made and returned to the fund. Further, applications for small capital improvements and pre-planning activities are eligible for loans through the water and waste disposal loan and grant programs, and the newly implemented special evaluation assistance for rural communities grant program. Therefore, elimination of this program will not materially affect the potential grant recipients of this program. The remaining funds will be sufficient to meet demand.

- (9) An increase of \$600,000 in solid waste management grants (\$3,400,000 available in 2012).

This program provides grants to both public and private non-profit organizations to help communities identify threats to water resources and reduce the solid waste stream. 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. A program level of \$3,400,000 in the solid waste management grants program can support 38 technical assistance providers to help rural small communities manage their solid waste disposal and water resources. With the requested grant level of \$4,000,000 the program will be able to fund 40 grants and allow 41 technical assistance providers to assist rural small communities with managing their solid waste disposal needs. The small increase will allow USDA to maintain the historical assistance level for these grants.

Based on a projected carryover program level for 2013 of \$243,000, the solid waste management grants program would support 43 technical assistance providers to assist rural small communities with managing their solid waste disposal and water resources.

- (10) An increase of \$10,700,000 in the loan subsidy for direct water and waste disposal loans (\$70,000,000 available in 2012).

The subsidy for the direct water and wastewater loan increases primarily because the 2013 increased the requested loan level from \$731 million to \$1 billion. The \$1 billion loan level using the 2013 subsidy rate required an increase of \$10.7 million over enacted.

- (11) A decrease of \$1,000,000 in the loan subsidy for guaranteed water and waste disposal loans (\$1,000,000 available in 2012).

The elimination of funding for the loan program results in no subsidy budget authority needed for this program in 2013.

| RURAL UTILITIES SERVICE | | | | |
|---|--------------------|--------------------|----------------------|-----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | |
| (Dollars in thousands) | | | | |
| Rural Water and Waste Disposal Loan Program | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alabama | \$6,139 | \$27,059 | -- | -- |
| Alaska | -- | 1,716 | -- | -- |
| Arizona | 1,775 | 6,721 | -- | -- |
| Arkansas | 11,996 | 47,899 | -- | -- |
| California | 38,722 | 29,113 | -- | -- |
| Colorado | 19,225 | 9,951 | -- | -- |
| Connecticut | 4,819 | 7,867 | -- | -- |
| Delaware | 20,413 | 7,127 | -- | -- |
| Florida | 21,223 | 21,996 | -- | -- |
| Georgia | 8,151 | 20,566 | -- | -- |
| Hawaii | 3,286 | 2,188 | -- | -- |
| Idaho | 27,283 | 8,962 | -- | -- |
| Illinois | 30,853 | 32,516 | -- | -- |
| Indiana | 53,100 | 26,103 | -- | -- |
| Iowa | 29,479 | 14,970 | -- | -- |
| Kansas | 15,939 | 12,263 | -- | -- |
| Kentucky | 28,840 | 41,844 | -- | -- |
| Louisiana | 14,417 | 21,285 | -- | -- |
| Maine | 6,081 | 9,285 | -- | -- |
| Maryland | 8,995 | 14,269 | -- | -- |
| Massachusetts | 7,196 | 8,772 | -- | -- |
| Michigan | 41,975 | 55,035 | -- | -- |
| Minnesota | 12,749 | 22,966 | -- | -- |
| Mississippi | 16,867 | 31,950 | -- | -- |
| Missouri | 30,174 | 28,363 | -- | -- |
| Montana | 9,175 | 7,537 | -- | -- |
| Nebraska | 2,228 | 11,500 | -- | -- |
| Nevada | 1,305 | 8,330 | -- | -- |
| New Hampshire | 15,661 | 4,558 | -- | -- |
| New Jersey | 9,408 | 11,355 | -- | -- |
| New Mexico | 20,535 | 9,154 | -- | -- |
| New York | 22,208 | 23,789 | -- | -- |
| North Carolina | 79,183 | 36,671 | -- | -- |
| North Dakota | 6,056 | 2,750 | -- | -- |
| Ohio | 24,082 | 25,705 | -- | -- |
| Oklahoma | 17,173 | 33,334 | -- | -- |
| Oregon | 15,321 | 8,018 | -- | -- |
| Pennsylvania | 32,785 | 44,824 | -- | -- |
| Rhode Island | 1,615 | 2,131 | -- | -- |
| South Carolina | 27,817 | 32,424 | -- | -- |
| South Dakota | 14,303 | 20,632 | -- | -- |
| Tennessee | 19,412 | 34,678 | -- | -- |
| Texas | 36,942 | 44,382 | -- | -- |
| Utah | 3,407 | 2,282 | -- | -- |
| Vermont | 3,847 | 8,945 | -- | -- |
| Virginia | 39,490 | 42,990 | -- | -- |
| Washington | 37,251 | 17,481 | -- | -- |
| West Virginia | 27,096 | 15,943 | -- | -- |
| Wisconsin | 14,425 | 30,379 | -- | -- |
| Wyoming | 300 | 872 | -- | -- |
| Puerto Rico | 10,570 | 9,292 | -- | -- |
| Total Avail./Est. | <u>\$951,292</u> | <u>\$1,000,742</u> | <u>\$845,511</u> 1/ | <u>\$1,115,242</u> 1/ |

1/ Cannot be distributed by geographic area in advance.

| RURAL UTILITIES SERVICE | | | | | |
|--|--------------------|--------------------|----------------------|----------------------|-----------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | | |
| (Dollars in thousands) | | | | | |
| Rural Water and Waste Disposal Loan Program - Recovery Act | | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> | |
| Alabama | \$2,703 | -- | -- | -- | -- |
| Arizona | 5,116 | -- | -- | -- | -- |
| Arkansas | 34,249 | -- | -- | -- | -- |
| California | 105,052 | -- | -- | -- | -- |
| Colorado | 7,838 | -- | -- | -- | -- |
| Connecticut | 3,481 | -- | -- | -- | -- |
| Delaware | 22,457 | -- | -- | -- | -- |
| Florida | 26,918 | -- | -- | -- | -- |
| Georgia | 13,736 | -- | -- | -- | -- |
| Idaho | 15,160 | -- | -- | -- | -- |
| Illinois | 22,669 | -- | -- | -- | -- |
| Indiana | 17,092 | -- | -- | -- | -- |
| Iowa | 14,633 | -- | -- | -- | -- |
| Kansas | 20,572 | -- | -- | -- | -- |
| Kentucky | 39,577 | -- | -- | -- | -- |
| Louisiana | 9,081 | -- | -- | -- | -- |
| Maine | 6,425 | -- | -- | -- | -- |
| Maryland | 34,140 | -- | -- | -- | -- |
| Massachusetts | 32,617 | -- | -- | -- | -- |
| Michigan | 79,131 | -- | -- | -- | -- |
| Minnesota | 27,452 | -- | -- | -- | -- |
| Mississippi | 9,355 | -- | -- | -- | -- |
| Missouri | 26,049 | -- | -- | -- | -- |
| Montana | 7,903 | -- | -- | -- | -- |
| Nebraska | 9,423 | -- | -- | -- | -- |
| Nevada | 7,732 | -- | -- | -- | -- |
| New Hampshire | 8,882 | -- | -- | -- | -- |
| New Jersey | 13,699 | -- | -- | -- | -- |
| New Mexico | 1,230 | -- | -- | -- | -- |
| New York | 35,049 | -- | -- | -- | -- |
| North Carolina | 86,598 | -- | -- | -- | -- |
| North Dakota | 14,717 | -- | -- | -- | -- |
| Ohio | 17,175 | -- | -- | -- | -- |
| Oklahoma | 20,777 | -- | -- | -- | -- |
| Oregon | 17,634 | -- | -- | -- | -- |
| Pennsylvania | 139,896 | -- | -- | -- | -- |
| South Carolina | 62,309 | -- | -- | -- | -- |
| South Dakota | 10,775 | -- | -- | -- | -- |
| Tennessee | 23,529 | -- | -- | -- | -- |
| Texas | 48,305 | -- | -- | -- | -- |
| Utah | 4,613 | -- | -- | -- | -- |
| Vermont | 1,214 | -- | -- | -- | -- |
| Virginia | 68,847 | -- | -- | -- | -- |
| Washington | 46,029 | -- | -- | -- | -- |
| West Virginia | 11,671 | -- | -- | -- | -- |
| Wisconsin | 30,038 | -- | -- | -- | -- |
| Wyoming | 1,072 | -- | -- | -- | -- |
| Puerto Rico | 9,395 | -- | -- | -- | -- |
| Total Avail./Est. | <u>\$1,274,013</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |

| RURAL UTILITIES SERVICE | | | | | | | |
|--------------------------------------|--|--------------------|--------------------|----------------------|----------------------|--|--|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | | | | |
| (Dollars in thousands) | | | | | | | |
| Rural Water and Waste Disposal Loans | | | | | | | |
| 2008 Disasters | | | | | | | |
| | | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> | | |
| Maine | | \$1,980 | -- | -- | -- | | |
| Oklahoma | | 375 | -- | -- | -- | | |
| West Virginia | | 1,270 | -- | -- | -- | | |
| Total Avail./Est. | | <u>\$3,625</u> | <u>--</u> | <u>--</u> | <u>--</u> | | |

| RURAL UTILITIES SERVICE | | | | |
|--|--------------------|--------------------|-------------------------------|-------------------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | |
| (Dollars in thousands) | | | | |
| Rural Water and Waste Disposal Loan Program - Guaranteed | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alabama | \$1,261 | -- | -- | -- |
| Florida | 200 | -- | -- | -- |
| Idaho | 1,285 | -- | -- | -- |
| Iowa | 5,300 | -- | -- | -- |
| Kansas | 2,200 | -- | -- | -- |
| Montana | -- | \$423 | -- | -- |
| New Mexico | 84 | -- | -- | -- |
| North Carolina | -- | 4,500 | -- | -- |
| Ohio | -- | 11,000 | -- | -- |
| Oklahoma | 391 | -- | -- | -- |
| Washington | -- | 16,000 | -- | -- |
| West Virginia | -- | -- | -- | -- |
| Total Avail./Est. | <u>\$10,721</u> | <u>\$31,923</u> | <u>\$31,447</u> ^{1/} | <u>\$47,170</u> ^{1/} |

| RURAL UTILITIES SERVICE | | | | | |
|---------------------------------------|--------------------|--------------------|----------------------------|----------------------------|--|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | | |
| (Dollars in thousands) | | | | | |
| Rural Water and Waste Disposal Grants | | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> | |
| Alabama | \$4,140 | \$13,346 | -- | -- | |
| Alaska | 70,122 | 49,733 | -- | -- | |
| Arizona | 18,149 | 13,816 | -- | -- | |
| Arkansas | 15,839 | 5,220 | -- | -- | |
| California | 19,629 | 17,357 | -- | -- | |
| Colorado | 4,172 | 3,901 | -- | -- | |
| Connecticut | 5,445 | 2,906 | -- | -- | |
| Delaware | 6,383 | 2,246 | -- | -- | |
| Florida | 10,999 | 11,240 | -- | -- | |
| Georgia | 11,616 | 15,030 | -- | -- | |
| Hawaii | 733 | -- | | | |
| Idaho | 5,932 | 3,901 | -- | -- | |
| Illinois | 7,699 | 9,255 | -- | -- | |
| Indiana | 9,225 | 8,914 | -- | -- | |
| Iowa | 8,119 | 9,301 | -- | -- | |
| Kansas | 9,967 | 3,394 | -- | -- | |
| Kentucky | 12,204 | 13,729 | -- | -- | |
| Louisiana | 20,845 | 9,250 | -- | -- | |
| Maine | 6,003 | 5,459 | -- | -- | |
| Maryland | 14,740 | 10,594 | -- | -- | |
| Massachusetts | 4,235 | 2,745 | -- | -- | |
| Michigan | 14,678 | 11,239 | -- | -- | |
| Minnesota | 9,220 | 9,927 | -- | -- | |
| Mississippi | 15,064 | 18,439 | -- | -- | |
| Missouri | 18,700 | 9,317 | -- | -- | |
| Montana | 15,658 | 5,704 | -- | -- | |
| Nebraska | 5,278 | 5,280 | -- | -- | |
| Nevada | 1,848 | 3,007 | -- | -- | |
| New Hampshire | 3,628 | 3,161 | -- | -- | |
| New Jersey | 6,421 | 5,925 | -- | -- | |
| New Mexico | 30,664 | 18,630 | -- | -- | |
| New York | 11,146 | 16,836 | -- | -- | |
| North Carolina | 35,860 | 14,066 | -- | -- | |
| North Dakota | 6,287 | 4,195 | -- | -- | |
| Ohio | 21,233 | 11,015 | -- | -- | |
| Oklahoma | 31,038 | 30,237 | -- | -- | |
| Oregon | 5,242 | 2,024 | -- | -- | |
| Pennsylvania | 15,832 | 10,290 | -- | -- | |
| Rhode Island | 1,526 | 1,754 | -- | -- | |
| South Carolina | 29,654 | 12,353 | -- | -- | |
| South Dakota | 16,479 | 23,204 | -- | -- | |
| Tennessee | 10,974 | 12,860 | -- | -- | |
| Texas | 23,275 | 28,372 | -- | -- | |
| Utah | 5,685 | 2,546 | -- | -- | |
| Vermont | 6,296 | 3,677 | -- | -- | |
| Virginia | 26,817 | 10,763 | -- | -- | |
| Washington | 15,415 | 5,160 | -- | -- | |
| West Virginia | 26,463 | 5,619 | -- | -- | |
| Wisconsin | 10,923 | 6,569 | -- | -- | |
| Wyoming | -- | 1,165 | -- | -- | |
| Puerto Rico | 3,591 | 3,305 | -- | -- | |
| Total Avail./Est. | <u>\$691,091</u> | <u>\$507,976</u> | <u>\$481,732</u> <u>1/</u> | <u>\$441,325</u> <u>1/</u> | |

1/ Cannot be distributed by geographic are in advance.

| RURAL UTILITIES SERVICE | | | | |
|--|--------------------|--------------------|----------------------|----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | |
| (Dollars in thousands) | | | | |
| Rural Water and Waste Disposal Grants - Recovery Act | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alabama | \$3,512 | -- | -- | -- |
| Alaska | 2,000 | -- | -- | -- |
| Arizona | 3,627 | -- | -- | -- |
| Arkansas | 48,311 | -- | -- | -- |
| California | 12,048 | -- | -- | -- |
| Colorado | 6,465 | -- | -- | -- |
| Connecticut | 2,740 | -- | -- | -- |
| Delaware | 3,000 | -- | -- | -- |
| Florida | 11,389 | -- | -- | -- |
| Georgia | 18,431 | -- | -- | -- |
| Idaho | 7,046 | -- | -- | -- |
| Illinois | 6,772 | -- | -- | -- |
| Indiana | 9,382 | -- | -- | -- |
| Iowa | 14,779 | -- | -- | -- |
| Kansas | 5,537 | -- | -- | -- |
| Kentucky | 17,847 | -- | -- | -- |
| Louisiana | 3,635 | -- | -- | -- |
| Maine | 11,521 | -- | -- | -- |
| Maryland | 9,148 | -- | -- | -- |
| Massachusetts | 42,508 | -- | -- | -- |
| Michigan | 20,654 | -- | -- | -- |
| Minnesota | 10,773 | -- | -- | -- |
| Mississippi | 8,997 | -- | -- | -- |
| Missouri | 12,988 | -- | -- | -- |
| Montana | 7,320 | -- | -- | -- |
| Nebraska | 3,696 | -- | -- | -- |
| Nevada | 3,127 | -- | -- | -- |
| New Hampshire | 11,042 | -- | -- | -- |
| New Jersey | 3,377 | -- | -- | -- |
| New Mexico | 2,701 | -- | -- | -- |
| New York | 18,287 | -- | -- | -- |
| North Carolina | 35,889 | -- | -- | -- |
| North Dakota | 2,156 | -- | -- | -- |
| Ohio | 16,012 | -- | -- | -- |
| Oklahoma | 7,354 | -- | -- | -- |
| Oregon | 5,388 | -- | -- | -- |
| Pennsylvania | 19,831 | -- | -- | -- |
| South Carolina | 22,887 | -- | -- | -- |
| South Dakota | 4,692 | -- | -- | -- |
| Tennessee | 11,375 | -- | -- | -- |
| Texas | 18,080 | -- | -- | -- |
| Utah | 4,421 | -- | -- | -- |
| Vermont | 3,463 | -- | -- | -- |
| Virginia | 11,157 | -- | -- | -- |
| Washington | 6,046 | -- | -- | -- |
| West Virginia | 16,197 | -- | -- | -- |
| Wisconsin | 12,758 | -- | -- | -- |
| Wyoming | 340 | -- | -- | -- |
| Puerto Rico | 3,730 | -- | -- | -- |
| Total Avail./Est. | <u>\$544,434</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Circuit Rider Technical Assistance Grants for Rural Water Systems - Recovery Act | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Oklahoma | \$10,180 | -- | -- | -- |
| Total Avail./Est. | <u>\$10,180</u> | <u>--</u> | <u>--</u> | <u>--</u> |

| RURAL UTILITIES SERVICE | | | | |
|---|--------------------|--------------------|------------------------|----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | |
| (Dollars in thousands) | | | | |
| Rural Water and Waste Disposal Grants | | | | |
| 2008 Disasters | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Maine | \$2,739 | -- | -- | -- |
| West Virginia | 3,137 | -- | -- | -- |
| Wisconsin | 905 | -- | -- | -- |
| Total Avail./Est. | <u>\$6,781</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Rural Water and Waste Individually-Owned Water Well System Grants | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| California | \$85 | \$150 | -- | -- |
| Georgia | 80 | 100 | -- | -- |
| Illinois | -- | 50 | -- | -- |
| Michigan | 250 | -- | -- | -- |
| Minnesota | 50 | -- | -- | -- |
| Missouri | 300 | -- | -- | -- |
| Oregon | -- | 300 | -- | -- |
| Pennsylvania | 113 | -- | -- | -- |
| Texas | 115 | -- | -- | -- |
| Virginia | -- | 300 | -- | -- |
| Wisconsin | -- | 150 | -- | -- |
| Total Avail./Est. | <u>\$993</u> | <u>\$1,050</u> | <u>\$993</u> <u>1/</u> | <u>--</u> |
| Rural Water and Wastewater Revolving Fund Grants | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Arkansas | \$249 | \$248 | -- | -- |
| Oklahoma | 249 | 248 | -- | -- |
| Total Avail./Est. | <u>\$498</u> | <u>\$496</u> | <u>\$497</u> <u>1/</u> | <u>--</u> |
| <u>1/</u> Cannot be distributed by geographic area in advance. | | | | |

| RURAL UTILITIES SERVICE | | | | |
|--|--|----------------------|-------------------------------|------------------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | |
| (Dollars in thousands) | | | | |
| Solid Waste Management Grants | | | | |
| | <u>2010 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> | <u>2013 Estimate</u> |
| Alaska | \$752 | \$791 | -- | -- |
| Arizona | 206 | 187 | -- | -- |
| California | 230 | 209 | -- | -- |
| Colorado | 109 | -- | -- | -- |
| Florida | -- | 26 | -- | -- |
| Kansas | 90 | 64 | -- | -- |
| Maine | 271 | 245 | -- | -- |
| Massachusetts | 346 | 308 | -- | -- |
| Michigan | 87 | 89 | -- | -- |
| Mississippi | 65 | -- | -- | -- |
| Missouri | 263 | -- | -- | -- |
| Montana | 57 | 88 | -- | -- |
| Nebraska | -- | 191 | -- | -- |
| New Hampshire | 174 | 151 | -- | -- |
| New York | 216 | 296 | -- | -- |
| North Carolina | 104 | 96 | -- | -- |
| North Dakota | -- | 21 | -- | -- |
| Ohio | 66 | 92 | -- | -- |
| Oklahoma | 78 | -- | -- | -- |
| Pennsylvania | -- | 285 | -- | -- |
| South Carolina | -- | 98 | -- | -- |
| Utah | 93 | -- | -- | -- |
| Vermont | 158 | -- | -- | -- |
| West Virginia | 42 | 145 | -- | -- |
| Total Avail./Est. | <u>\$3,405</u> | <u>\$3,381</u> | <u>\$3,400</u> ^{1/} | <u>\$4,243</u> ^{1/} |
| Emergency and Imminent Community Water Assistance Grants | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alabama | \$135 | -- | -- | -- |
| Idaho | -- | \$631 | -- | -- |
| Illinois | 493 | -- | -- | -- |
| Missouri | 1,089 | 104 | -- | -- |
| Nebraska | 264 | -- | -- | -- |
| Oklahoma | 77 | 149 | -- | -- |
| Tennessee | 500 | 500 | -- | -- |
| West Virginia | 91 | -- | -- | -- |
| Total Avail./Est. | <u>\$2,648</u> | <u>\$1,384</u> | <u>\$11,943</u> ^{1/} | <u>--</u> |
| Rural Water and Waste Disposal Program | | | | |
| Hawaiian Homelands | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Hawaii | -- | \$1,513 | \$8,759 | \$8,632 |
| Total Avail./Est. | <u>--</u> | <u>\$1,513</u> | <u>\$8,759</u> | <u>\$8,632</u> |
| ^{1/} | Cannot be distributed by geographic area in advance. | | | |

| <u>Classification by Objects</u> | | | | | |
|----------------------------------|--|------------------|----------------|----------------|----------------|
| (Dollars in thousands) | | | | | |
| | | 2010 | 2011 | 2012 | 2013 |
| | | Actual | Actual | Estimated | Estimated |
| Other Objects: | | | | | |
| | | | | | |
| 41 | Grants, subsidies, and contributions ... | \$1,428,091 | \$601,664 | \$588,824 | \$544,700 |
| Total direct obligations | | <u>1,428,091</u> | <u>601,664</u> | <u>588,824</u> | <u>544,700</u> |

RURAL UTILITIES SERVICE

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

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

- 1,2 The principal amount of direct [and guaranteed]rural electric loans [as authorized by sections 305 and
3 306]made under section 4 of the Rural Electrification Act of 1936 (7 U.S.C. [935 and 936]904) shall
4 be [made as follows: 5 percent rural electrification loans, \$100,000,000; loans made pursuant to section 306 of
that Act, rural electric, \$6,500,000,000; guaranteed underwriting loans pursuant to section 313A,
\$424,286,000; 5 percent rural telecommunications loans, \$145,000,000; cost of money rural
telecommunications loans, \$250,000,000; and for loans made pursuant to section 306 of that Act, rural
telecommunications loans, \$295,000,000]\$6,100,000,000, and the principle amount of rural
telecommunications loans made under section 305 of such Act (7 U.S.C. 935) shall be \$690,000,000:
5 *Provided*, That [up to \$2,000,000,000] not less than \$4,000,000,000 shall be used for the construction,
6 acquisition, or improvement of renewable energy plants or for construction, acquisition or improvement of
7 fossil-fueled electric generating plants (whether new or existing) that utilize carbon sequestration systems;
Provided further, That funding may be made available for fossil-fuel electric generating peaking units (new or
existing) to the extent that the peaking unit operates in conjunction with an electric generating plant that
produces electricity from solar, wind, or other intermittent sources of energy: *Provided further*, That not more
than \$2,000,000,000 shall be available for environmental improvements to fossil-fuel electric generating plants
that would reduce emission of air pollution including greenhouse gases.
- 8 [For the cost of guaranteed loans, including the cost of modifying loans, as defined in section 502 of the
Congressional Budget Act of 1974, as follows: \$594,000 for guaranteed underwriting loans as authorized by
313A of the Rural Electrification Act of 1936 (7 U.S.C. 940c-1).]
- In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs,
9 [\$36,382,000]\$34,467,000, which shall be [transferred to and merged with]paid to the appropriation for “Rural
Development, Salaries and Expenses”.

The first change removes the guaranteed language and modifies it to be rural electric loans.

The second change removes the reference to the old section of the Rural Electrification Act of 1936.

The third change modifies the authorizing language by referencing the correct section of the Rural Electrification Act of 1936 (7 U.S.C. 904).

The fourth change eliminates the language for the individual electrification and telecommunication loan programs because the requested programs will be divided into two separate loan programs, one for electric Treasury plus program and one for telecommunications Treasury loan program; therefore, no appropriations are required for the programs as they currently exist.

The fifth change revises the set-aside limitation for a maximum amount to a minimum amount.

The sixth change adds language for making improvements related to renewable energy and greenhouse gasses.

The seventh change adds language to have a set-aside amount under the electric loans for fossil-fuel generating plants that reduce emission of air pollution.

The eighth change eliminates the language concerning positive subsidy for the guaranteed underwriting program for which no funding is proposed in 2013.

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

| | | | |
|--|---------------------|-----------------|-------------------------|
| <u>Analysis of Change in Appropriation</u> | | | |
| <u>RURAL ELECTRIFICATION AND TELECOMMUNICATIONS ACCOUNT</u> | | | |
| (On basis of loan level, subsidy, and administrative expenses) | | | |
| | Loan Level | Subsidy | Administrative Expenses |
| Appropriations Act, 2012..... | \$7,714,286,000 | \$594,000 | \$36,382,000 |
| Budget Estimate, 2013..... | 6,790,000,000 | 0 | 34,467,000 |
| Change from 2012 Appropriations | <u>-924,286,000</u> | <u>-594,000</u> | <u>-1,915,000</u> |

| RURAL UTILITIES SERVICE | | | | | |
|--|----------|-------------|-------------|-------------|-----------|
| RURAL ELECTRIFICATION AND TELECOMMUNICATIONS PROGRAM ACCOUNT | | | | | |
| <u>Summary of Increases and Decreases</u> | | | | | |
| (Dollars in thousands) | | | | | |
| | 2010 | 2011 | 2012 | 2013 | 2013 |
| Item of Change | Actual | Change | Change | Change | Estimated |
| Electric Underwriting Loans | \$0 | +699 | -\$105 | -\$594 (9) | \$0 |
| Total Appropriation or Change..... | <u>0</u> | <u>+699</u> | <u>-105</u> | <u>-594</u> | <u>0</u> |

PROJECT STATEMENT

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

(In thousands of dollars)

| Item of Change | 2010 Actual | | 2011 Actual | | 2012 Estimated | | Increase or Decrease | | 2013 Estimated | |
|---|---------------|------------|---------------|------------|----------------|------------|----------------------|------------|----------------|------------|
| | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA |
| Electric Loans: | | | | | | | | | | |
| Direct, 5% a/..... | \$100,000 | \$0 | \$39,610 | \$0 | \$100,000 | \$0 | -\$100,000 (1) | \$0 | \$0 | \$0 |
| Direct, Treasury Rate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct, Municipal..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct, FFB b/..... | 6,500,000 | 0 | 4,233,247 | 0 | 6,500,000 | 0 | -6,500,000 (2) | 0 | 0 | 0 |
| Direct, FFB, loan modifications - 2005 | | | | | | | | | | |
| Hurricane Supplemental f/..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct, FFB, loan modifications - 2008 | | | | | | | | | | |
| Disasters Supplemental g/..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Electric Underwriting Loans g/..... | 500,000 | 0 | 499,000 | 699 | 424,286 | 594 | -424,286 (3) | -594 (8) | 0 | 0 |
| Electric - Treasury rate plus loans j/..... | 0 | 0 | 0 | 0 | 0 | 0 | 6,100,000 (4) | 0 | 6,100,000 | 0 |
| Total Electric..... | 7,100,000 | 0 | 4,771,857 | 699 | 7,024,286 | 594 | -924,286 | -594 | 6,100,000 | 0 |
| Telecommunications Loans: | | | | | | | | | | |
| Direct, 5% d/..... | 145,000 | 0 | 31,835 | 0 | 145,000 | 0 | -145,000 (5) | 0 | 0 | 0 |
| Direct, Treasury Rate e/..... | 250,000 | 0 | 363,165 | 0 | 250,000 | 0 | 440,000 (6) | 0 | 690,000 | 0 |
| Direct, FFB f/..... | 295,000 | 0 | 249,999 | 0 | 295,000 | 0 | -295,000 (7) | 0 | 0 | 0 |
| Total Telecommunications..... | 690,000 | 0 | 644,999 | 0 | 690,000 | 0 | 0 | 0 | 690,000 | 0 |
| Total loans and subsidies..... | 7,790,000 | 0 | 5,416,856 | 699 | 7,714,286 | 594 | -924,286 | -594 | 6,790,000 | 0 |
| Total administrative expenses g/..... | 0 | 39,959 | 0 | 38,297 | 0 | 36,382 | 0 | -1,915 (9) | 0 | 34,467 |
| Unobligated balance available, start of year..... | 0 | 8,015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance expiring..... | 0 | 0 | 2,372,144 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance rescinded h/..... | 0 | -8,015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rescission i/..... | 0 | 0 | 1,000 | 78 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Appropriated loans and subsidies..... | 7,790,000 | 0 | 7,790,000 | 699 | 7,714,286 | 594 | -924,286 | -594 | 6,790,000 | 0 |
| Total Appropriated administrative expenses..... | 0 | 39,959 | 0 | 38,374 | 0 | 36,382 | 0 | -1,915 | 0 | 34,467 |

NOTE: Individual columns may not add due to rounding. Staff-years are reflected in the Salaries and Expenses Project Statement.

| (On basis of obligations under available funds) | | | | | | | | | | |
|--|------------------|---------------|------------------|---------------|------------------|---------------|----------------------|---------------|------------------|---------------|
| (In thousands of dollars) | | | | | | | | | | |
| Item of Change | 2010 Actual | | 2011 Actual | | 2012 Estimated | | Increase or Decrease | | 2013 Estimated | |
| | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA |
| Electric Loans: | | | | | | | | | | |
| Direct, 5% <u>a</u> /..... | \$100,000 | \$0 | \$39,610 | \$0 | \$100,000 | \$0 | -\$100,000 | \$0 | \$0 | \$0 |
| Direct, Treasury Rate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct, Municipal..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct, FFB <u>b</u> /..... | 6,500,000 | 0 | 4,233,247 | 0 | 6,500,000 | 0 | -6,500,000 | 0 | 0 | 0 |
| Direct, FFB, loan modifications - 2005 | | | | | | | | | | |
| Hurricane Supplemental <u>f</u> /..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct, FFB, loan modifications - 2008 | | | | | | | | | | |
| Disasters Supplemental <u>g</u> /..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Electric Underwriting Loans <u>c</u> /..... | 500,000 | 0 | 499,000 | 699 | 424,286 | 594 | -424,286 | -594 | 0 | 0 |
| Electric - Treasury rate plus loans <u>j</u> /..... | 0 | 0 | 0 | 0 | 0 | 0 | 6,100,000 | 0 | 6,100,000 | 0 |
| Total Electric..... | 7,100,000 | 0 | 4,771,857 | 699 | 7,024,286 | 594 | -924,286 | -594 | 6,100,000 | 0 |
| Telecommunications Loans: | | | | | | | | | | |
| Direct, 5% <u>d</u> /..... | 145,000 | 0 | 31,835 | 0 | 145,000 | 0 | -145,000 | 0 | 0 | 0 |
| Direct, Treasury Rate <u>e</u> /..... | 250,000 | 0 | 363,165 | 0 | 250,000 | 0 | 440,000 | 0 | 690,000 | 0 |
| Direct, FFB <u>f</u> /..... | 295,000 | 0 | 249,999 | 0 | 295,000 | 0 | -295,000 | 0 | 0 | 0 |
| Total Telecommunications..... | 690,000 | 0 | 644,999 | 0 | 690,000 | 0 | 0 | 0 | 690,000 | 0 |
| Total loans and subsidies..... | 7,790,000 | 0 | 5,416,856 | 699 | 7,714,286 | 594 | -924,286 | -594 | 6,790,000 | 0 |
| Total administrative expenses <u>g</u>/..... | 0 | 39,959 | 0 | 38,297 | 0 | 36,382 | 0 | -1,915 | 0 | 34,467 |
| Unobligated balance available, start of year..... | 0 | -8,015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance expiring..... | 0 | 0 | 2,372,144 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance rescinded <u>h</u>/..... | 0 | 8,015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rescission <u>i</u>/..... | 0 | 0 | 1,000 | 78 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Appropriated loans and subsidies..... | 7,790,000 | 0 | 7,790,000 | 700 | 7,714,286 | 594 | -924,286 | -594 | 6,790,000 | 0 |
| Total Appropriated administrative expenses..... | 0 | 39,959 | 0 | 38,374 | 0 | 36,382 | 0 | -1,915 | 0 | 34,467 |

NOTE: Individual columns may not add due to rounding. Staff-years are reflected in the Salaries and Expenses Project Statement.

| | |
|-----------|--|
| <u>a/</u> | Negative subsidy rates of 27.73% was calculated for 2010, 7.38% was calculated for 2011, and 14.40% was calculated for 2012. Therefore, corresponding budget authority is not required to support the program levels. |
| <u>b/</u> | Negative subsidy rates of 0.47% was calculated for 2010, 4.43% was calculated for 2011, and 4% was calculated for 2012. Therefore, corresponding budget authority is not required to support the program levels. |
| <u>c/</u> | Negative subsidy rates of 1.85% was calculated for 2010 and 6.32% was calculated for 2012. Therefore, corresponding budget authority is not required to support the program levels. However, the 2012 rate was calculated after the Consolidated and Continuing Appropriations Act 2012, P.L. 112-55 was signed, therefore a positive subsidy of \$594,000 is being presented for this negative subsidy program due to a positive placeholder subsidy rate being used to prepare the bill. |
| <u>d/</u> | Negative subsidy rates of 18.59% was calculated for 2010, 7.38% was calculated for 2011, and 14.40% was calculated for 2012. Therefore, corresponding budget authority is not required to support the program levels. |
| <u>e/</u> | Negative subsidy rates of 0.43% was calculated for 2010, 0.32% was calculated for 2011, 1.19% was calculated for 2012, and 1.14% was calculated for 2013. Therefore, corresponding budget authority is not required to support the program levels. |
| <u>f/</u> | Negative subsidy rates of 0.65% was calculated for 2010, 4.43% was calculated for 2011, and 3.64% was calculated for 2012. Therefore, corresponding budget authority is not required to support the program levels. |
| <u>g/</u> | In 2010 funding of \$39,959,000, in 2011 funding of \$38,297,252, and in 2012 \$36,382,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2013, funding of \$34,467,000, is requested and will be paid to the Rural Development Salaries and Expenses account. |

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A decrease of \$100,000,000 in direct electric loans (\$100,000,000 available in 2012).

For 2013, Rural Development is requesting no funding for the direct hardship loan program. This program provides financing at a statutory rate of 5 percent for electric system improvements for qualified borrowers that meet thresholds for retail rate disparity and for customer per capita and household income, or that have suffered a severe, unavoidable hardship, such as a natural disaster. The financial assistance helps electric borrowers provide reliable, affordable electric service for rural homes and businesses. Reducing funding by \$100,000,000 under the section 305 program will provide no lending authority under this program in 2013; however, all eligible borrowers will continue to be served through the new section 4 direct electric loan program and at a lower interest rate (at treasury rate plus 1/8). This shift is expected to have no negative impacts on the number of loan approved or the number of rural residents served.

- (2) A decrease of \$6,500,000,000 in electric Federal financing bank loans (\$6,500,000,000 available in 2012).

Guaranteed loans are provided under section 306 of the RE Act for financing of electric distribution, transmission, improvements on generating systems, headquarters facilities and demand side management and energy efficiency programs, and on-grid and off-grid renewable energy systems. The FFB has been the primary source of these loans in recent years. The financial assistance helps electric borrowers provide reliable, affordable electric service for rural homes and businesses. Reducing authorized lending for this program by \$6,500,000,000 will make these loans unavailable in 2013. However, this reduction in FFB funding provided for eligible electric loan purposes will be offset by the availability of \$6,100,000,000 under the new section 4 direct electric loan program (at treasury rate plus 1/8) for a net decrease of \$500,000,000 in available loan funds. The shift will not affect the number of eligible borrowers, as prior funding has exceeded demand.

- (3) A decrease of \$424,286,000 for electric underwriters for notes and bonds (\$424,286,000 available in 2012).

Bond and note guarantees for private, cooperative lenders are authorized under section 313A of the Rural Electrification Act. Rural Development may guarantee payments on certain bonds or notes issued by qualified cooperative or other non-profit lenders. The bond or note proceeds must be used for eligible rural electrification or telephone purposes (excluding electric generation) and must be investment grade. 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. The fee is deposited to the rural economic development subaccount and is available to fund the rural economic development loans and grant programs. All guarantees issued under this authority have been for loans made by Federal Financing Bank (FFB). Elimination of the program will not affect the availability of financing for rural electrification purposes.

- (4) An increase of \$6,100,000,000 in treasury electric plus loans (\$0 available in 2012).

For 2013, Rural Development is proposing to implement the new 2008 Farm Bill direct electric loan authority under section 4 of the Rural Electrification Act at a program level of \$6,100,000,000 in lieu of section 305 direct hardship loans and section 306 loan guarantees from the FFB. Section 4 loans may be used for electric distribution, and transmission; including system improvements and replacements of generating facilities required to provide and improve electric service in rural areas; and for demand side management, energy efficiency, and conservation programs, and on-grid and off-grid renewable energy systems. The new direct electric loan program carries a statutory interest rate of Treasury rate plus 1/8 percent. The direct loan program offers borrowers a lower interest rate than section 305 hardship loans and the additional flexibility of options now available under FFB loan guarantees. Also, offering all financing under the direct loan program will increase program flexibility and simplify and improve processing and accounting requirements while continuing to address the needs of electric borrowers.

A program level of \$6,100,000,000 will provide an opportunity for electric borrowers to finance new and improved electric facilities serving approximately 5,625,000 rural consumers.

- (5) A decrease of \$145,000,000 in direct telecommunications loans (\$145,000,000 available in 2012).

This program provides direct loans to finance the improvement or extension of telecommunications service in rural areas. All telecommunications facilities financed 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. This program currently costs borrowers more than Treasury rate programs, although it is supposed to be a “hardship” program. The currently-funded activities will continue through the Treasury rate loan program with no impact on loan levels or number of rural residents served.

- (6) An increase of \$440,000,000 in Treasury telecommunications loans (\$250,000,000 available in 2012).

This program provides treasury rate loans to finance the improvement or extension of telecommunications service in rural areas. All telecommunications facilities financed 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. Combining all telecommunications programs authority into a single direct loan program with a \$690,000,000 funding level will increase program flexibility and simplify and improve processing and accounting requirements while continuing to address the needs of the program’s borrowers.

- (7) A decrease of \$295,000,000 in Federal financing bank telecommunications loans (\$295,000,000 available in 2012).

This program provides FFB telecommunications loan guarantees to finance the improvement or extension of telecommunications service in rural areas. The program level will be included in the Treasury telecommunications loans, with no impact on loan levels or number of rural residents served.

- (8) A decrease of \$594,000 for electric underwriters for notes and bonds loan subsidy (\$594,000 available in 2012).

Bond and note guarantees for private, cooperative lenders are authorized under section 313A of the Rural Electrification Act. Rural Development may guarantee payments on certain bonds or notes issued by qualified cooperative or other non-profit lenders. The bond or note proceeds must be used for eligible rural electrification or telephone purposes (excluding electric generation) and must be investment grade. 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. The fee is deposited to the rural economic development subaccount and is available to fund the rural economic development loans and grant programs. All guarantees issued under this authority have been for loans made by FFB. Elimination of the program will not materially affect the availability of financing for rural electrification purposes as funds remain available for electric treasury plus loans. There is no funding for this program in 2013.

- (9) A decrease of \$1,915,000 in administrative expenses (\$38,297,000 available in 2012).

Justification for administrative expenses in the amount of \$34,467,000 and the associated staff-years are reflected in the Rural Development Salaries and Expenses exhibits.

| RURAL UTILITIES SERVICE | | | | |
|--|--------------------|--------------------|----------------------------|----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | |
| (Dollars in thousands) | | | | |
| Electric Loans - Direct 5% | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Kansas | \$9,303 | \$7,320 | -- | -- |
| Michigan | 5,000 | -- | -- | -- |
| New Mexico | -- | 2,456 | -- | -- |
| North Carolina | 6,500 | 25,000 | -- | -- |
| South Dakota | -- | 4,834 | -- | -- |
| Virginia | 79,197 | -- | -- | -- |
| Total Avail./Est. | <u>\$100,000</u> | <u>\$39,610</u> | <u>\$100,000</u> <u>1/</u> | <u>--</u> |
| <u>1/</u> Cannot be distributed by geographic area in advance. | | | | |

| RURAL UTILITIES SERVICE | | | | |
|-------------------------------------|--------------------|--------------------|-----------------------|-----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | |
| (Dollars in thousands) | | | | |
| Electric Loans - FFB | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alabama | \$75,942 | \$108,686 | -- | -- |
| Alaska | 10,600 | 150,000 | -- | -- |
| Arizona | 131,203 | 49,329 | -- | -- |
| Arkansas | 806,056 | 203,568 | -- | -- |
| Colorado | 417,265 | 218,524 | -- | -- |
| Delaware | -- | 28,300 | -- | -- |
| Florida | 142,758 | 132,264 | -- | -- |
| Georgia | 527,095 | 744,606 | -- | -- |
| Hawaii | 109,968 | -- | -- | -- |
| Illinois | 20,000 | 18,196 | -- | -- |
| Indiana | 40,700 | 530,226 | -- | -- |
| Iowa | 81,973 | 19,700 | -- | -- |
| Kansas | 28,021 | 88,960 | -- | -- |
| Kentucky | 178,313 | 43,992 | -- | -- |
| Louisiana | 55,050 | 44,577 | -- | -- |
| Maine | -- | 1,763 | -- | -- |
| Maryland | -- | 37,000 | -- | -- |
| Michigan | 88,000 | 42,912 | -- | -- |
| Minnesota | 205,748 | 117,168 | -- | -- |
| Mississippi | 329,081 | -- | -- | -- |
| Missouri | 641,022 | 205,480 | -- | -- |
| Montana | 16,419 | 31,583 | -- | -- |
| New Mexico | 135,120 | -- | -- | -- |
| New York | 6,170 | -- | -- | -- |
| North Carolina | 241,000 | 203,594 | -- | -- |
| North Dakota | 648,759 | 292,183 | -- | -- |
| Ohio | 153,550 | 36,115 | -- | -- |
| Oklahoma | 56,911 | 251,854 | -- | -- |
| Oregon | 10,000 | 21,244 | -- | -- |
| Pennsylvania | -- | 20,000 | -- | -- |
| South Carolina | 70,724 | 25,000 | -- | -- |
| South Dakota | 44,820 | 29,723 | -- | -- |
| Tennessee | 54,900 | 23,000 | -- | -- |
| Texas | 545,395 | 376,602 | -- | -- |
| Vermont | -- | 7,400 | -- | -- |
| Virginia | 550,411 | 94,400 | -- | -- |
| Washington | 17,377 | 10,167 | -- | -- |
| West Virginia | -- | 3,000 | -- | -- |
| Wisconsin | 33,000 | 11,200 | -- | -- |
| Wyoming | 26,649 | 10,931 | -- | -- |
| Total Avail./Est. | <u>\$6,500,000</u> | <u>\$4,233,247</u> | <u>\$6,500,000</u> 1/ | <u>--</u> |
| Guaranteed Underwriting Loans | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Virginia | \$500,000 | \$499,000 | -- | -- |
| Total Avail./Est. | <u>500,000</u> | <u>\$499,000</u> | <u>\$424,286</u> 1/ | <u>--</u> |
| Electric Treasury Plus Loans | | | | |
| | | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Total Avail./Est. | <u>--</u> | <u>--</u> | <u>--</u> | <u>\$6,100,000</u> 1/ |

1/ Cannot be distributed by geographic area in advance.

| RURAL UTILITIES SERVICE | | | | | |
|--|--|--------------------|----------------------------|----------------------------|--|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | | |
| (Dollars in thousands) | | | | | |
| Telecommunications Loans - Direct 5% and Treasury Rate | | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> | |
| Alabama | \$22,418 | -- | -- | -- | |
| Alaska | 13,150 | -- | -- | -- | |
| Arkansas | 28,297 | -- | -- | -- | |
| Colorado | -- | \$18,725 | -- | -- | |
| Idaho | 11,243 | -- | -- | -- | |
| Illinois | 11,426 | 67,395 | -- | -- | |
| Iowa | 17,184 | 48,974 | -- | -- | |
| Kansas | 10,215 | 31,347 | -- | -- | |
| Minnesota | 5,000 | -- | -- | -- | |
| Missouri | 2,273 | -- | -- | -- | |
| Montana | 9,000 | 70,000 | -- | -- | |
| Nebraska | 101,562 | 10,280 | -- | -- | |
| New Mexico | 54,401 | -- | -- | -- | |
| North Dakota | 8,972 | 86,810 | -- | -- | |
| Oregon | 12,277 | -- | -- | -- | |
| Oklahoma | -- | 9,091 | -- | -- | |
| South Dakota | 37,870 | -- | -- | -- | |
| Wisconsin | 29,726 | -- | -- | -- | |
| Texas | -- | 22,540 | -- | -- | |
| Wisconsin | -- | 24,143 | -- | -- | |
| Wyoming | 19,986 | 5,695 | -- | -- | |
| Total Avail./Est. | <u>\$395,000</u> | <u>\$395,000</u> | <u>\$395,000</u> <u>1/</u> | <u>\$690,000</u> <u>1/</u> | |
| Telecommunications Loans - FFB | | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> | |
| Alabama | \$26,027 | -- | -- | -- | |
| Arkansas | 2,910 | -- | -- | -- | |
| Georgia | -- | \$11,954 | -- | -- | |
| Idaho | -- | 17,075 | -- | -- | |
| Illinois | -- | 18,983 | -- | -- | |
| Indiana | -- | 29,139 | -- | -- | |
| Iowa | 5,317 | 23,139 | -- | -- | |
| Kansas | -- | 15,729 | -- | -- | |
| Minnesota | 85,552 | -- | -- | -- | |
| Missouri | 328 | -- | -- | -- | |
| Montana | 74,337 | -- | -- | -- | |
| Nebraska | 10,775 | -- | -- | -- | |
| New Mexico | -- | 12,358 | -- | -- | |
| North Dakota | 23,350 | -- | -- | -- | |
| Oregon | -- | 22,500 | -- | -- | |
| South Carolina | -- | 5,930 | -- | -- | |
| Tennessee | -- | 27,069 | -- | -- | |
| Washington | -- | 55,622 | -- | -- | |
| Wisconsin | 46,419 | 49,805 | -- | -- | |
| Wyoming | 19,985 | 5,696 | -- | -- | |
| Total Avail./Est. | <u>\$295,000</u> | <u>\$294,999</u> | <u>\$295,000</u> <u>1/</u> | <u>--</u> | |
| <u>1/</u> | Cannot be distributed by geographic area in advance. | | | | |

| RURAL UTILITIES SERVICE | | | | | |
|--|---|----------|----------|-----------|-----------|
| RURAL ELECTRIFICATION AND TELECOMMUNICATIONS PROGRAM | | | | | |
| <u>Classification by Objects</u> | | | | | |
| (Dollars in Thousands) | | | | | |
| | | 2010 | 2011 | 2012 | 2013 |
| | | Actual | Actual | Estimated | Estimated |
| Other Objects: | | | | | |
| 25 | Other purchases of goods and services | | | | |
| | from government accounts..... | \$39,959 | \$38,297 | \$36,382 | \$34,467 |
| 41 | Grants, subsidies, and contributions..... | 0 | 699 | 594 | 0 |
| Total direct obligations..... | | 39,959 | 38,996 | 36,976 | 34,467 |

RURAL UTILITIES SERVICE

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

Distance Learning, Telemedicine and Broadband Program

For the principal amount of broadband telecommunication loans, [~~\$212,014,000~~]\$94,139,000.

- 1 For grants for telemedicine and distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., [~~\$21,000,000~~]\$24,950,000, 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 of the eligibility criteria for a consortium as established by this section: *Provided further*, That \$3,000,000 shall be made available to those noncommercial educational television broadcast stations that serve rural areas and are qualified for Community Service Grants by the Corporation for Public Broadcasting under section 396(k) of the Communications Act of 1934, including associated translators and repeaters, regardless of the location of their main transmitter, studio-to-transmitter links, and equipment to allow local control over digital content and programming through the use of high-definition broadcast, multi-casting and datacasting technologies].

For the cost of broadband loans, as authorized by section 601 of the Rural Electrification Act, [~~\$6,000,000~~]\$8,915,000, to remain available until expended: *Provided*, That the cost of direct loans shall be as defined in section 502 Congressional Budget Act of 1974.

In addition, [~~\$10,372,000~~]\$13,379,000, 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.

This change eliminates language for the Delta healthcare grants and for the conversion analog to digital operation to allow local control over digital content and programming through the use of high definition broadcast, multi-casting and data-casting technologies as the conversion will be finalized by June 30, 2012. Funding is not needed for this purpose in 2013.

| RURAL UTILITIES SERVICE | | | | | |
|--|----------|----------|----------|------------|-----------|
| DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM ACCOUNT | | | | | |
| <u>Summary of Increases and Decreases</u> | | | | | |
| (Dollars in thousands) | | | | | |
| | 2010 | 2011 | 2012 | 2013 | 2013 |
| | Actual | Change | Change | Change | Estimated |
| Discretionary Appropriations: | | | | | |
| Distance learning and telemedicine grants..... | \$30,255 | -\$5,305 | -\$9,950 | +9,950 (1) | \$24,950 |
| Health care services grants..... | 3,000 | -6 | +6 | -3,000 (2) | 0 |
| Public broadcasting systems grants..... | 4,500 | -9 | -1,491 | -3,000 (3) | 0 |
| Direct broadband telecommunications Treasury | | | | | |
| rate loans..... | 28,960 | -6,684 | -16,276 | +2,915 (4) | 8,915 |
| Broadband grants..... | 17,976 | -4,597 | -3,007 | +3,007 (5) | 13,379 |
| Total Appropriation or Change..... | 84,691 | -16,601 | -30,718 | +9,872 | 47,244 |

| PROJECT STATEMENT | | | | | | | | | | | |
|---|---------------|------------|---------------|------------|----------------|------------|----------------------|------------|----------------|------------|--|
| (On basis of supportable loan levels and appropriated subsidies and grants) | | | | | | | | | | | |
| (In thousands of dollars) | | | | | | | | | | | |
| Item of Change | 2010 Actual | | 2011 Actual | | 2012 Estimated | | Increase or Decrease | | 2013 Estimated | | |
| | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | |
| Distance learning and telemedicine: | | | | | | | | | | | |
| Grants..... | \$0 | \$0 | \$64,894 | \$64,894 | \$15,000 | \$15,000 | \$9,950 (1) | \$9,950 | \$24,950 | \$24,950 | |
| Health care services grants..... | 0 | 0 | 5,994 | 5,994 | 3,000 | 3,000 | -3,000 (2) | -3,000 | 0 | 0 | |
| Public broadcasting systems grants..... | 4,627 | 4,627 | 4,751 | 4,751 | 3,000 | 3,000 | -3,000 (3) | -3,000 | 0 | 0 | |
| Broadband telecommunication: | | | | | | | | | | | |
| Direct, Treasury rate loans..... | 74,297 | 5,379 | 37,431 | 2,337 | 169,014 | 6,000 | -74,875 (4) | 2,915 (6) | 94,139 | 8,915 | |
| Direct, Treasury rate loans - ARRA a/..... | 1,191,844 | 86,290 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Grants..... | 0 | 0 | 13,527 | 13,527 | 10,372 | 10,372 | 3,007 (5) | 3,007 | 13,379 | 13,379 | |
| Grants - ARRA a/..... | 2,337,246 | 2,337,246 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Available or Estimate..... | 3,608,014 | 2,433,542 | 126,596 | 91,503 | 200,386 | 37,372 | -67,918 | 9,872 | 132,468 | 47,244 | |
| Recovery of prior year obligations..... | -5,215 | -5,215 | -8,495 | -8,495 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Unobligated balance available, start of year..... | -3,857,243 | -2,449,075 | -769,908 | -103,975 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Unobligated balance expiring..... | 10,426 | 1,464 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Unobligated balance available, end of year..... | 699,749 | 103,975 | 301,181 | 25,057 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Unobligated balance rescission b/..... | 0 | 0 | 722,103 | 64,000 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Rescission c/..... | 0 | 0 | 746 | 136 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Appropriation, Discretionary | 455,731 | 84,691 | 372,223 | 68,226 | 200,386 | 37,372 | -67,918 | 9,872 | 132,468 | 47,244 | |
| Mandatory: | | | | | | | | | | | |
| Broadband Direct, treasury rate loans: | | | | | | | | | | | |
| Recovery of prior year obligations..... | -626 | -45 | -1,386 | -78 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Unobligated balance available, start of year..... | 0 | 0 | -813 | -45 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Unobligated balance, end of year..... | 626 | 45 | 2,199 | 123 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Appropriation..... | 455,731 | 84,691 | 372,223 | 68,226 | 200,386 | 37,372 | -67,918 | 9,872 | 132,468 | 47,244 | |

NOTE: Individual columns may not add due to rounding. Staff-years are reflected in the Salaries and Expenses Project Statement.

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

b/ The amounts are rescinded pursuant to Division B, Title I, Sections 1290 and 1295 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, P.L. 112-10.

c/ The amounts are 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.

| PROJECT STATEMENT | | | | | | | | | | |
|---|----------------|---------------|----------------|---------------|----------------|---------------|----------------------|--------------|----------------|---------------|
| (On basis of obligations under available funds) | | | | | | | | | | |
| (In thousands of dollars) | | | | | | | | | | |
| Item of Change | 2010 Actual | | 2011 Actual | | 2012 Estimated | | Increase or Decrease | | 2013 Estimated | |
| | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA | Program Level | Subsidy/BA |
| Distance learning and telemedicine: | | | | | | | | | | |
| Grants..... | \$0 | \$0 | \$64,894 | \$64,894 | \$16,159 | \$16,159 | \$8,792 | \$8,792 | \$24,950 | \$24,950 |
| Health care services grants..... | 0 | 0 | 5,994 | 5,994 | 3,000 | 3,000 | -3,000 | -3,000 | 0 | 0 |
| Public broadcasting systems grants..... | 4,627 | 4,627 | 4,751 | 4,751 | 3,000 | 3,000 | -3,000 | -3,000 | 0 | 0 |
| Broadband telecommunication: | | | | | | | | | | |
| Direct, Treasury rate loans..... | 74,297 | 5,379 | 37,431 | 2,337 | 735,949 | 26,126 | -641,810 | -17,211 | 94,139 | 8,915 |
| Direct, Treasury rate loans - ARRA <u>a/</u> | 1,191,844 | 86,290 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants..... | 0 | 0 | 13,527 | 13,527 | 14,144 | 14,144 | -765 | -765 | 13,379 | 13,379 |
| Grants - ARRA <u>a/</u> | 2,337,246 | 2,337,246 | 0 | 0 | | | | | | |
| Total Available or Estimate..... | 3,608,014 | 2,433,542 | 126,596 | 91,503 | 772,251 | 62,428 | -639,783 | -15,184 | 132,468 | 47,244 |
| Recovery of prior year obligations..... | -5,215 | -5,215 | -8,495 | -8,495 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance available, start of year..... | -3,857,243 | -2,449,075 | -769,908 | -103,975 | -571,865 | -25,057 | 571,865 | 25,057 | 0 | 0 |
| Unobligated balance expiring..... | 10,426 | 1,464 | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance available, end of year..... | 699,749 | 103,975 | 301,181 | 25,057 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance rescission <u>b/</u> | 0 | 0 | 722,103 | 64,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rescission <u>a/</u> | 0 | 0 | 746 | 136 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Appropriation, Discretionary | 455,731 | 84,691 | 372,223 | 68,226 | 200,386 | 37,371 | -67,918 | 9,873 | 132,468 | 47,244 |
| Mandatory: | | | | | | | | | | |
| Broadband Direct, treasury rate loans: | 0 | 0 | 0 | 0 | 3,456 | 123 | -3,456 | -123 | 0 | 0 |
| Recovery of prior year obligations..... | -626 | -45 | -1,386 | -78 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unobligated balance available, start of year..... | 0 | 0 | -813 | -45 | -3,456 | -123 | 3,456 | 123 | 0 | 0 |
| Unobligated balance, end of year..... | 626 | 45 | 2,199 | 123 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Appropriation..... | 455,731 | 84,691 | 372,223 | 68,226 | 200,386 | 37,371 | -67,918 | 9,873 | 132,468 | 47,244 |
| NOTE: Individual columns may not add due to rounding. Staff-years are reflected in the Salaries and Expenses Project Statement. | | | | | | | | | | |
| <u>a/</u> Provided by the American Recovery and Reinvestment Act of 2009, P.L. 111-5, signed February 17, 2009, for the purpose of making supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization. The funds are available through the fiscal year ending September 30, 2010. | | | | | | | | | | |
| <u>b/</u> The amounts are rescinded pursuant to Division B, Title I, Sections 1290 and 1295 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, P.L. 112-10. | | | | | | | | | | |
| <u>c/</u> The amounts are 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. | | | | | | | | | | |

JUSTIFICATION OF INCREASES AND DECREASES

- (1) An increase of \$9,950,000 in distance learning and telemedicine grants (\$15,000,000 available in 2012).

This program is designed specifically to meet 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. The increase reflects the demand for the educational and health needs in rural areas and will fund up to 50 additional projects. Telemedicine and distance learning are critical services in rural America, where education performance lags and many residents live in medically underserved counties.

- (2) A decrease of \$3,000,000 in Delta healthcare services grants (\$3,000,000 available in 2012).

This program provides grant funds for developing health care services, health education programs, and public health-related facilities in the Delta Region. 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. Funding can be provided through the distance learning and telemedicine program

- (3) A decrease of \$3,000,000 in public broadcast system grants (\$3,000,000 available in 2012).

This program provides grant funds for assisting public television stations serving substantial rural populations in transitioning to digital broadcast television transmission. These grants are targeted to public television stations which serve rural areas. Funding for this program is not needed as the transition will be finished in 2012.

- (4) A decrease of \$74,875,000 in direct broadband telecommunication treasury rate loans (\$169,014,000 available in 2012).

This program provides loans for funding on a technology neutral basis (meaning any technology that meets the performance requirements can be funded and no technology is given preference over another), 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. In 2012, the program level of \$169 million will fund approximately 7 loans for the deployment of broadband infrastructure. The reduction of \$74,875,000 will provide a program level that is consistent with historical annual demand for this program.

- (5) An increase of \$3,007,000 in broadband telecommunications grants (\$10,372,000 available in 2012).

This program serves 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. The projects funded by these grants will be used in areas that will never have access if grant funds are not available. Targeting unserved communities is that lack traditional investment opportunities with grant funds is the only way to ensure this economically challenged rural communities are served. The increase in funding is needed to achieve this goal.

- (6) An increase of \$2,915,000 in loan subsidy for direct broadband telecommunications rate loans (\$6,000,000 available in 2012).

This program provides loans for funding on a technology neutral basis (meaning any technology that meets the performance requirements can be funded and no technology is given preference over another) 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. The increase in loan subsidy is necessary due to an increase in the program subsidy rate. The 2013 subsidy rate is higher due to an increase in actual defaults in the program.

| RURAL UTILITIES SERVICE | | | | |
|---|--------------------|--------------------|----------------------|----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | |
| (Dollars in thousands) | | | | |
| Distance Learning and Telemedicine Grants | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alabama | -- | \$2,227 | -- | -- |
| Alaska | -- | 3,998 | -- | -- |
| Arizona | -- | 1,117 | -- | -- |
| Arkansas | -- | 763 | -- | -- |
| California | -- | 418 | -- | -- |
| Colorado | -- | 878 | -- | -- |
| Florida | -- | 123 | -- | -- |
| Georgia | -- | 840 | -- | -- |
| Idaho | -- | 422 | -- | -- |
| Illinois | -- | 170 | -- | -- |
| Indiana | -- | 315 | -- | -- |
| Iowa | -- | 1,049 | -- | -- |
| Kentucky | -- | 1,557 | -- | -- |
| Louisiana | -- | 498 | -- | -- |
| Maine | -- | 7,251 | -- | -- |
| Massachusetts | -- | 500 | -- | -- |
| Michigan | -- | 93 | -- | -- |
| Minnesota | -- | 2,216 | -- | -- |
| Mississippi | -- | 1,016 | -- | -- |
| Missouri | -- | 3,156 | -- | -- |
| Montana | -- | 1,672 | -- | -- |
| Nebraska | -- | 2,025 | -- | -- |
| New Hampshire | -- | 720 | -- | -- |
| New Jersey | -- | 143 | -- | -- |
| New Mexico | -- | 975 | -- | -- |
| New York | -- | 3,715 | -- | -- |
| North Carolina | -- | 1,771 | -- | -- |
| North Dakota | -- | 694 | -- | -- |
| Ohio | -- | 1,073 | -- | -- |
| Oklahoma | -- | 4,486 | -- | -- |
| Oregon | -- | 1,444 | -- | -- |
| Pennsylvania | -- | 866 | -- | -- |
| South Carolina | -- | 451 | -- | -- |
| South Dakota | -- | 1,596 | -- | -- |
| Tennessee | -- | 3,461 | -- | -- |
| Texas | -- | 3,175 | -- | -- |
| Utah | -- | 1,751 | -- | -- |
| Vermont | -- | 1,068 | -- | -- |
| Virginia | -- | 345 | -- | -- |
| Washington | -- | 1,440 | -- | -- |
| West Virginia | -- | 110 | -- | -- |
| Wisconsin | -- | 1,717 | -- | -- |
| Wyoming | -- | 1,437 | -- | -- |
| W. Pacific Areas | -- | 148 | -- | -- |
| Total Avail./Est. | -- | \$64,894 | \$16,159 <u>1/</u> | \$24,950 <u>1/</u> |

1/ Cannot be distributed by geographic area in advance.

| RURAL UTILITIES SERVICE | | | | | |
|--|--|--------------------|--------------------|------------------------------|----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | | |
| (Dollars in thousands) | | | | | |
| Public Broadcasting Systems Grants | | | | | |
| | | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Arizona | | \$178 | 417 | -- | -- |
| California | | 550 | -- | -- | -- |
| Colorado | | -- | 417 | -- | -- |
| Idaho | | 142 | 73 | -- | -- |
| Illinois | | 749 | -- | | |
| Kentucky | | 678 | 577 | -- | -- |
| Maine | | -- | 289 | -- | -- |
| Minnesota | | -- | 512 | -- | -- |
| Mississippi | | -- | 145 | -- | -- |
| Missouri | | 277 | 682 | -- | -- |
| New Mexico | | 39 | 256 | -- | -- |
| New York | | 347 | -- | | |
| North Carolina | | -- | 357 | -- | -- |
| North Dakota | | 383 | -- | -- | -- |
| South Dakota | | -- | 750 | -- | -- |
| Tennessee | | 919 | 667 | -- | -- |
| Vermont | | -- | 26 | -- | -- |
| West Virginia | | 366 | -- | -- | -- |
| Total Avail./Est. | | <u>\$4,627</u> | <u>\$4,751</u> | <u>\$3,000</u> ^{1/} | <u>--</u> |
| Consolidated Farm and Rural Development Act, Section 379 G | | | | | |
| Delta Healthcare Services Grant | | | | | |
| | | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alabama | | -- | \$385 | -- | -- |
| Arkansas | | -- | 465 | -- | -- |
| Illinois | | -- | 520 | -- | -- |
| Kentucky | | -- | 233 | -- | -- |
| Louisiana | | -- | 698 | -- | -- |
| Mississippi | | -- | 3,693 | -- | -- |
| Total Avail./Est. | | <u>--</u> | <u>\$5,994</u> | <u>\$3,000</u> ^{1/} | <u>--</u> |
| ^{1/} Cannot be distributed by geographic area in advance. | | | | | |

| RURAL UTILITIES SERVICE | | | | |
|---|--------------------|--------------------|----------------------------|---------------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | |
| (Dollars in thousands) | | | | |
| Direct Broadband Telecommunications Loans - Treasury Rate | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alabama | \$73,187 | \$6,157 | -- | -- |
| Indiana | 769 | -- | -- | -- |
| Kansas | -- | -- | -- | -- |
| Minnesota | -- | 19,749 | -- | -- |
| Missouri | 24 | -- | -- | -- |
| New Mexico | 317 | 2,114 | -- | -- |
| South Carolina | -- | 9,411 | -- | -- |
| Total Avail./Est. | <u>\$74,297</u> | <u>\$37,431</u> | <u>\$735,949</u> <u>1/</u> | <u>\$94,139</u> <u>1/</u> |
| Broadband Telecommunications Grants | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| California | -- | \$1,142 | -- | -- |
| Illinois | -- | 2,873 | -- | -- |
| Kentucky | -- | 993 | -- | -- |
| Louisiana | -- | 2,233 | -- | -- |
| Nevada | -- | 1,047 | -- | -- |
| New Hampshire | -- | 1,142 | -- | -- |
| Oklahoma | -- | 1,455 | -- | -- |
| Texas | -- | 571 | -- | -- |
| Virginia | -- | 2,071 | -- | -- |
| Total Avail./Est. | <u>--</u> | <u>\$13,527</u> | <u>\$14,144</u> <u>1/</u> | <u>\$13,379</u> <u>1/</u> |
| Mandatory Direct Broadband Telecommunications Loans - Treasury Rate | | | | |
| | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Total Avail./Est. | <u>--</u> | <u>--</u> | <u>\$3,456</u> <u>1/</u> | <u>--</u> |
| <u>1/</u> Cannot be distributed by geographic area in advance. | | | | |

| RURAL UTILITIES SERVICE | | | | | |
|---|--|--------------------|--------------------|----------------------|----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | | |
| 2010 Actual and Estimated 2011 and 2012 | | | | | |
| Direct Broadband Telecommunications Loans - Treasury Rate | | | | | |
| Recovery Act | | | | | |
| | | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alaska | | \$48,520 | -- | -- | -- |
| Arizona | | 12,478 | -- | -- | -- |
| California | | 8,655 | -- | -- | -- |
| Colorado | | 13,417 | -- | -- | -- |
| Florida | | 13,061 | -- | -- | -- |
| Georgia | | 28,261 | -- | -- | -- |
| Hawaii | | 107 | -- | -- | -- |
| Idaho | | 8,231 | -- | -- | -- |
| Illinois | | 10,871 | -- | -- | -- |
| Indiana | | 9,006 | -- | -- | -- |
| Iowa | | 33,869 | -- | -- | -- |
| Kansas | | 63,770 | -- | -- | -- |
| Kentucky | | 117,912 | -- | -- | -- |
| Louisiana | | 24,818 | -- | -- | -- |
| Maryland | | 2,898 | -- | -- | -- |
| Michigan | | 45,487 | -- | -- | -- |
| Minnesota | | 109,410 | -- | -- | -- |
| Mississippi | | 422 | -- | -- | -- |
| Missouri | | 64,550 | -- | -- | -- |
| Montana | | 39,577 | -- | -- | -- |
| Nebraska | | 3,397 | -- | -- | -- |
| Nevada | | 5,332 | -- | -- | -- |
| New Mexico | | 29,789 | -- | -- | -- |
| New York | | 12,137 | -- | -- | -- |
| North Carolina | | 46,284 | -- | -- | -- |
| North Dakota | | 31,745 | -- | -- | -- |
| Ohio | | 13,055 | -- | -- | -- |
| Oklahoma | | 73,074 | -- | -- | -- |
| Oregon | | 6,715 | -- | -- | -- |
| South Carolina | | 5,663 | -- | -- | -- |
| South Dakota | | 9,047 | -- | -- | -- |
| Tennessee | | 66,465 | -- | -- | -- |
| Texas | | 117,906 | -- | -- | -- |
| Utah | | 621 | -- | -- | -- |
| Vermont | | 36,834 | -- | -- | -- |
| Virginia | | 17,031 | -- | -- | -- |
| Washington | | 12,575 | -- | -- | -- |
| West Virginia | | 10,970 | -- | -- | -- |
| Wisconsin | | 26,285 | -- | -- | -- |
| W. Pacific Areas | | 10,000 | -- | -- | -- |
| National Office | | 1,600 | -- | -- | -- |
| Total Avail./Est. | | <u>\$1,191,844</u> | <u>--</u> | <u>--</u> | <u>--</u> |

| RURAL UTILITIES SERVICE | | | | | |
|-------------------------------------|--|--------------------|--------------------|----------------------|----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | | |
| (Dollars in thousands) | | | | | |
| Broadband Telecommunications Grants | | | | | |
| Recovery Act | | | | | |
| | | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alabama | | \$22,994 | -- | -- | -- |
| Alaska | | 74,005 | -- | -- | -- |
| Arizona | | 25,304 | -- | -- | -- |
| Arkansas | | 166,497 | -- | -- | -- |
| California | | 15,812 | -- | -- | -- |
| Colorado | | 46,899 | -- | -- | -- |
| Florida | | 36,231 | -- | -- | -- |
| Georgia | | 53,193 | -- | -- | -- |
| Idaho | | 11,131 | -- | -- | -- |
| Illinois | | 11,278 | -- | -- | -- |
| Indiana | | 13,421 | -- | -- | -- |
| Iowa | | 61,847 | -- | -- | -- |
| Kansas | | 69,364 | -- | -- | -- |
| Kentucky | | 144,907 | -- | -- | -- |
| Louisiana | | 21,775 | -- | -- | -- |
| Maine | | 7,395 | -- | -- | -- |
| Maryland | | 67,472 | -- | -- | -- |
| Michigan | | 77,147 | -- | -- | -- |
| Minnesota | | 84,169 | -- | -- | -- |
| Mississippi | | 8,376 | -- | -- | -- |
| Missouri | | 130,651 | -- | -- | -- |
| Montana | | 69,945 | -- | -- | -- |
| Nebraska | | 7,888 | -- | -- | -- |
| Nevada | | 12,983 | -- | -- | -- |
| New Hampshire | | 985 | -- | -- | -- |
| New Mexico | | 59,927 | -- | -- | -- |
| New York | | 42,230 | -- | -- | -- |
| North Carolina | | 103,152 | -- | -- | -- |
| North Dakota | | 45,927 | -- | -- | -- |
| Ohio | | 17,386 | -- | -- | -- |
| Oklahoma | | 109,993 | -- | -- | -- |
| Oregon | | 13,522 | -- | -- | -- |
| South Carolina | | 17,167 | -- | -- | -- |
| South Dakota | | 17,984 | -- | -- | -- |
| Tennessee | | 103,020 | -- | -- | -- |
| Texas | | 123,611 | -- | -- | -- |
| Utah | | 11,249 | -- | -- | -- |
| Vermont | | 85,557 | -- | -- | -- |
| Virginia | | 75,061 | -- | -- | -- |
| Washington | | 49,760 | -- | -- | -- |
| West Virginia | | 32,101 | -- | -- | -- |
| Wisconsin | | 105,295 | -- | -- | -- |
| W. Pacific Areas | | 81,035 | -- | -- | -- |
| National Office | | 1,600 | -- | -- | -- |
| Total Avail./Est. | | <u>\$2,337,246</u> | <u>--</u> | <u>--</u> | <u>--</u> |

| RURAL UTILITIES SERVICE | | | | | |
|--|--|------------------|---------------|------------------|------------------|
| | | | | | |
| DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM ACCOUNT | | | | | |
| | | | | | |
| <u>Classification by Objects</u> | | | | | |
| (Dollars in Thousands) | | | | | |
| | | | | | |
| | | 2010 | 2011 | 2012 | 2013 |
| | | <u>Actual</u> | <u>Actual</u> | <u>Estimated</u> | <u>Estimated</u> |
| Other Objects: | | | | | |
| | | | | | |
| 41 | Grants, subsidies, and contributions | \$2,433,542 | \$91,503 | \$62,551 | \$47,244 |
| | | | | | |
| | Total direct obligations | <u>2,433,542</u> | <u>91,503</u> | <u>62,551</u> | <u>47,244</u> |

| RURAL UTILITIES SERVICE | | | | | |
|---|----------------|----------------|-------------------|-------------------------|-------------------|
| <u>HIGH ENERGY COST GRANTS</u> | | | | | |
| <u>PROJECT STATEMENT</u> | | | | | |
| (On basis of appropriation transfer) | | | | | |
| (In thousands of dollars) | | | | | |
| Item of Change | 2010 Actual | 2011 Actual | 2012 Estimated | Increase or Decrease | 2013 Estimated |
| High energy cost grants a/..... | \$17,954 | \$7,450 | \$9,500 | -\$9,500 | 0 |
| Total Available or Estimate..... | 17,954 | 7,450 | 9,500 | -\$9,500 | 0 |
| Transfer from Rural Water and Waste Disposal Program..... | -17,500 | -11,976 | -9,500 | 9,500 | 0 |
| Unobligated balance available, start of year... | -17,633 | -17,179 | 0 | 0 | 0 |
| Unobligated balance available, end of year.... | 17,179 | 21,705 | 0 | 0 | 0 |
| Total Appropriation..... | 0 | 0 | 0 | 0 | 0 |
| Staff years are reflected in the Salaries and Expenses Project Statement. | | | | | |
| a/ In 2010, \$17,500,000, in 2011 and 2012, \$11,976,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In 2013 no funds are proposed for this program. | | | | | |
| <u>PROJECT STATEMENT</u> | | | | | |
| (On basis of available funds) | | | | | |
| (In thousands of dollars) | | | | | |
| Item of Change | 2010 Actual | 2011 Actual | 2012 Estimated | Increase or Decrease | 2013 Estimated |
| High energy cost grants a/..... | \$17,954 | \$7,450 | \$31,205 | -\$31,205 | 0 |
| Total Available or Estimate..... | 17,954 | 7,450 | 31,205 | -31,205 | 0 |
| Transfer from Rural Water and Waste Disposal Program..... | -17,500 | -11,976 | -9,500 | 9,500 | 0 |
| Unobligated balance available, start of year... | -17,633 | -17,179 | -21,705 | 21,705 | 0 |
| Unobligated balance available, end of year.... | 17,179 | 21,705 | 0 | 0 | 0 |
| Total Appropriation..... | 0 | 0 | 0 | 0 | 0 |
| Staff years are reflected in the Salaries and Expenses Project Statement. | | | | | |
| a/ In 2010, \$17,500,000, in 2011 and 2012, \$11,976,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In 2013 no funds are proposed for this program. | | | | | |
| <u>JUSTIFICATION OF DECREASE</u> | | | | | |
| A decrease of \$9,500,000 in high energy cost grants (\$9,500,000 available in 2012). | | | | | |
| With limited funding available in the 2013 Budget, difficult choices had to be made. No funding is being requested during 2013. Some communities served by the program may qualify for assistance under other Federal programs, including some in USDA, Rural Development such as the proposed electric treasury plus loan program (currently the FFB guaranteed loan program) or the Rural Energy for America Program. | | | | | |

| RURAL UTILITIES SERVICE | | | | | |
|-------------------------------------|--|--------------------|--------------------|-------------------------------|----------------------|
| GEOGRAPHIC BREAKDOWN OF OBLIGATIONS | | | | | |
| (Dollars in thousands) | | | | | |
| High Energy Cost Grants | | | | | |
| | | <u>2010 Actual</u> | <u>2011 Actual</u> | <u>2012 Estimate</u> | <u>2013 Estimate</u> |
| Alaska | | \$13,221 | \$5,775 | -- | -- |
| California | | 750 | -- | -- | -- |
| Maine | | 99 | -- | -- | -- |
| Massachusetts | | 750 | -- | -- | -- |
| Washington | | -- | 1,675 | -- | -- |
| W. Pacific Areas | | 3,135 | -- | -- | -- |
| Total Avail./Est. | | <u>\$17,954</u> | <u>\$7,450</u> | <u>\$31,205</u> ^{1/} | <u>--</u> |
| | | | | | |
| | | | | | |
| ^{1/} | Cannot be distributed by geographic area in advance. | | | | |

| RURAL UTILITIES SERVICE | | | | | |
|----------------------------------|--|---------------|---------------|------------------|------------------|
| | | | | | |
| HIGH ENERGY COST GRANTS | | | | | |
| | | | | | |
| <u>Classification by Objects</u> | | | | | |
| (Dollars in thousands) | | | | | |
| | | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
| | | <u>Actual</u> | <u>Actual</u> | <u>Estimated</u> | <u>Estimated</u> |
| Other Objects: | | | | | |
| | | | | | |
| 41 | Grants, subsidies, and contributions | \$17,954 | \$7,450 | \$31,205 | \$0 |
| | | | | | |
| | Total direct obligations | <u>17,954</u> | <u>7,450</u> | <u>31,205</u> | <u>0</u> |

RURAL UTILITIES SERVICE

STATUS OF PROGRAMS

Rural Electrification and Telecommunications Loans Programs:

Current Activities: The Rural Utilities Service (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 the operation of electric generation, transmission, and distribution facilities. The telecommunications loan program provides direct loans for construction, expansion, and operation of telecommunications facilities.

Specific areas being addressed currently include:

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

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

Electric Programs:

The electric programs make direct loans and loan guarantees to finance electric generation, transmission, and distribution facilities, including system improvements and replacements required for electric service in rural areas, and for demand side management, energy efficiency and conservation programs, and on-grid/off-grid renewable energy systems. Loans are made to corporations, states, territories, subdivisions and agencies such as municipalities, utility districts, cooperatives, tribal utilities, nonprofits, limited-dividends, or mutual associations that provide retail electric service needs to rural areas or power supply needs of distribution borrowers in rural areas. The electric programs service 662 active electric borrowers in 46 States, plus the active territories of the Republic of the Marshall Islands and American Samoa.

In 2011, the electric programs approved 123 direct loans and loan guarantees totaling \$4.273 billion. USDA approved 103 FFB distribution loan guarantees totaling over \$1.98 billion, 14 power supply (generation and transmission) FFB loan guarantees totaling about \$2.253 billion, and five direct hardship distribution loans totaling \$39.6 million. In addition, USDA approved one non-profit lender bond and note guarantee of \$499 million for relending for eligible electric and telephone purposes. Rural electric infrastructure loans approved in 2011 provided over \$1.35 billion for new or improved distribution system facilities, over \$653 million for transmission facilities, and over \$1.9 billion for generation plant upgrades and additions, including environmental improvements. In 2011 electric program loans financed over \$150 million in smart grid investments and \$294 million for two renewable energy projects.

This \$4.77 billion in financing provided new or improved electric service to over 7.1 million retail customers in rural America. This USDA investment advances the Administration's grid modernization commitment with funding for over 11,700 miles of new and/or improved transmission and distribution facilities.

In 2011, the electric programs continued the commitment to finance renewable energy projects in support of USDA goals. For example, in 2011 USDA approved a \$90 million loan to the Northern Virginia Electric Cooperative (NOVEC) for a 49 mega-watt wood biomass generation facility in Halifax County, Virginia. Preliminary job estimates include a construction work force of up to 300-400 workers and up to 25-30 full time employees for plant

operation. The larger and longer term impact on the regional labor market will be the hundreds of persons involved in forestry, logging, and the provision of 600 tons of waste wood products and other services to support the operations of this facility. The plant is scheduled to begin commercial operations in late 2013.

USDA gives priority to processing completed loan applications that are requesting funds for renewable energy projects. From 2012 through 2013, the electric programs will continue efforts to support borrower investment in renewable electricity generation and energy efficiency programs.

Telecommunications Program:

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

In 2011, the telecommunications program approved \$690 million in infrastructure program loans. This funding allowed rural telecommunications providers to deploy new or improved service to 180,597 rural subscribers. For the last two years, 90 percent of the loans financed have been for Fiber-To-The-Home (FTTH) projects to provide fiber-optic service to rural homes and businesses. In North Dakota, Rural Development funds are being used to expand Polar Communications Mutual Aid Corporation's Fiber-To-The-Premises (FTTP) broadband system throughout eighteen exchanges. The upgraded system is helping meet current and future requirements for delivery of voice, video and high speed data to subscribers. Upon completion of this RUS-funded project, all of Polar's subscribers will be served with broadband via various technologies.

Distance Learning, Telemedicine and Broadband Program:

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

Specific areas being addressed currently include:

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

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

Distance Learning and Telemedicine Program:

The Distance Learning and Telemedicine Program did not obligate any funds in 2010. Awards for funding appropriated in 2010 and 2011 were obligated in 2011, for a total of \$63.8 million. For example, 2011 funding includes an award to the Maine Sea Coast Missionary Society to buy video equipment for a ship-based medical examining room. In Sac City, Iowa, Loring Hospital is receiving video conferencing equipment to connect the emergency room, outpatient and inpatient centers with local schools and area nursing homes. In Mississippi, a grant is linking the University of South Mississippi with 27 schools to provide a wide range of classes to students.

Broadband Program:

The 2008 Farm Bill required changes to the Rural Broadband Access loan and loan guarantee program, which was authorized under the 2002 Farm Bill. Interim regulations were published in March 2011, and RUS anticipates finalizing regulations in 2012. All applications received in 2009 and 2010 are being revised and resubmitted under the new proposed regulations. Broadband access is crucial to rural communities and the loan program provides funding for infrastructure in communities with populations of 20,000 or less. For example, in Minnesota, broadband loan program funds are being used to extend Paul Bunyan Rural Telephone Cooperative's existing FTTH network to serve rural communities in North Central Minnesota. This project offers advanced telecommunications services to over 45,710 households and businesses. Paul Bunyan has been operating since 1952 and has been a telecommunications borrower with the Rural Utilities Service since 1953.

Water and Environmental Programs:

The water and environmental programs have 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:

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

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

In 2011, Rural Development invested \$1.55 billion in direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities. For example, in 2011 water and environmental programs approved \$1.6 million in grants to replace 1,100 feet of deteriorating sewer lines with trenchless sewer lining technology in Meeteetse, Wyoming. The replacement of the waterlines has decreased the town's concern about the safety of drinking water and alleviated the risk associated with water line breaks.

Our goal to provide service to 1,390,000 borrowers/customers was exceeded for 2011 and the program served 4,468,329 borrowers/customers. Examples of loans and grants approved included:

- \$1.38 billion in WWD direct loans and grants made to develop 516 facilities,
- \$97.9 million assisted 82 projects in disadvantaged communities,
 - \$44.4 million for Alaskan natives and villages
 - \$1.54 million for 3 Alaskan Predevelopment Planning Grants
 - \$31.7 million for Colonias
 - \$1.51 million for Hawaiian Homelands
 - \$16.88 million for Native Americans
 - \$417,875 for Predevelopment Planning Grants to assist in preparing applications for WEP funds
 - \$1 million for Individually-Owned Water Well Systems Grants

- \$496,000 for 26 Water and Wastewater Revolving Fund Grants
 - \$1.4 million funded 5 projects in communities qualifying for emergency assistance,
 - \$37.6 million funded 57 grants to technical assistance providers,
 - 65,091 technical assistance calls completed by Drinking Water and Wastewater Circuit Riders,
 - \$31.9 million in WWD guaranteed loans,
 - 31 projects administered for partner organizations.

The Rural Development national and state offices regularly monitor the national and individual state performance goals to evaluate program delivery and services to customers. In 2011, the water program met or exceeded goals for two of its four annual measures:

1. Referrals to commercial credit—43.10 percent of the dollar amount of loans closed, and
2. Number of borrowers' customers receiving new or improved water or waste disposal service—4,468,329.

The loan to grant mix was set at 70/30, but the program ratio actually achieved was 73 percent loans and 27 percent grants. The program is designed to maximize and leverage the budget authority as it also balances the needs and affordability of the systems, and adjusts more grants to accommodate higher needs and affordability. The Rural Development national and state offices continue to coordinate their strategies to strengthen relationships with partner agencies and organizations.

RURAL UTILITIES PROGRAMS

Summary of Budget and Performance
Statement of Department Goals and Objectives

Rural Utilities Programs

Mission: USDA Rural Utilities Service (RUS) enhances the quality of life and improves economic opportunity in rural communities by providing the basic infrastructure of modern life. Electricity, telecommunications, 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 has one strategic goal and two strategic objectives that contribute to one of the Secretary's Strategic Goals and one Agency Priority Goal.

| USDA Strategic Goal | Agency Strategic Goal | Agency Objectives | Programs that Contribute | Key Outcome |
|--|--|--|--|--|
| USDA will assist rural communities to create prosperity so they are self sustaining, repopulating and economically thriving. | Improve the quality of life in Rural America | <p><u>1:</u> Enhance the ability of rural businesses to succeed by providing access to modern telecommunications</p> <p><u>2:</u> Develop community infrastructure</p> | <p><u>Telecommunications Program</u> Direct Telecommunications Loans Treasury Telecommunications Loans FFB Telecommunications Loans Distance Learning and Telemedicine Grants Broadband Loans and Grants</p> <p><u>Electric Program</u> Direct (Hardship) Electric Loans Direct Electric Loans</p> <p><u>Water and Environmental Programs</u> Direct Water and Waste Disposal Loans Guaranteed Water and Waste Disposal Loans Water and Waste Disposal Grants Solid Waste Management Grants Emergency & Imminent Community Water Assistance Grants</p> | <p><u>1:</u> Provide access to modern telecommunications</p> <p><u>2:</u> Modernize and improve community infrastructure</p> |

Key Outcome 1: Provide access to modern telecommunications

Key Performance Measure: To meet annual target for the number of telecommunication programs' borrowers' subscribers receiving new or improved service.

The Telecommunications Program: In order to meet the goal of increasing economic opportunity in rural America, RUS annually finances new construction and upgrades to telecommunications infrastructure. Access to high-speed Internet services and other quality telecommunications services increases educational opportunities, improved availability of health care, job creation, retention and growth of businesses and other economic growth and is crucial to the development of regional economies. The telecommunications program has developed specific annual short-

term performance measures which demonstrate progress towards the creation of strong rural broadband-based economies. The program tracks the number of borrowers' subscribers that have received new or improved service and determines the number of jobs created or saved by broadband-related enterprises. The program improves processes and meets challenges by maintaining detailed records of annual lending activity and applying the information collected towards expansion of services.

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

Long-term Performance Measures:

Measure: Percentage of rural households with broadband access.¹

| Year | Target |
|------|--------|
| 2013 | 92% |
| 2014 | 93% |
| 2015 | 94% |
| 2016 | 95% |

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

| Year | Target |
|------|--------|
| 2013 | 5.70% |
| 2014 | 5.70% |
| 2015 | 5.70% |
| 2016 | 5.70% |

¹. This measure was created and estimated before the development of the NTIA's National Broadband Map. These forecasts were based on FCC data which was not as complete or accurate as the Map is. The telecommunications program staff is analyzing the data in the National Broadband Map and other available data to determine a more accurate measure of current broadband access in rural households and to develop more refined long-term measures.

Selected Past Accomplishments toward Achievement of the Key Outcome:

Since 2001, RUS has provided more than \$12 billion in financing for improving telecommunications in rural America. All telecommunications facilities financed by RUS must be broadband capable. The development of the Internet-based economy provides unique opportunities for rural America. Broadband infrastructure greatly helps to mitigate the limitations on business development in rural areas caused by geographical distance and a limited customer base. RUS has provided capital to finance access to broadband service for rural communities. This access is critical to enable rural businesses to participate in the developing global economy.

Selected Accomplishments Expected at the 2013 Proposed Resource Level:

- 187,000 borrowers' subscribers will receive new or improved telecommunication services.

Efficiency Measures:

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

Key Outcome 2: Develop community infrastructure.

Key Performance Measure: To meet annual targets for 1) number of electric programs’ borrowers’ consumers receiving new or upgraded electric service; and 2) number of water programs’ borrowers’ subscribers (or customers) receiving new or improved water and/or improved waste disposal service.

The electric program makes loans and loan guarantees to provide and improve electric service in rural areas by financing electric generation, transmission, and distribution facilities including generation renewable energy sources and the implementation of energy efficiency and conservation measures. The program’s goal of improving the quality of life of rural residents is accomplished by promoting and providing access to capital and credit for the development and delivery of modern, affordable and reliable electric utility services. The program tracks the number of borrowers’ consumers that receive new or improved electric services and estimates the number of jobs created or saved by electric and renewable energy related investments.

Long-term Performance Measures:

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

| Year | Target |
|------|--------------------|
| 2013 | Continued increase |
| 2014 | Continued increase |
| 2015 | Continued increase |
| 2016 | Continued increase |

Selected Past Accomplishments toward Achievement of the Key Outcome:

Since 2009, the electric loan programs have approved over \$18.47 billion in financing for rural electric systems. In 2011, the program approved 123 loans totaling over \$4.77 billion. The funds were used by rural utilities to construct new or improved electric distribution, transmission and generation facilities to provide electric service in rural areas, supporting economic development and modernizing community infrastructure. The investment of the electric loan funds creates and maintains jobs in rural communities. Interest in financing renewable energy and energy efficiency programs through the electric programs is growing. In 2011, the program approved over \$294 million in loan guarantees for new renewable electric generation projects. The electric programs have adopted a progressive management approach by enhancing use of automated systems to support loan and grant management and innovating new products and procedures to support renewable energy initiatives. The program continues its commitment to, maintaining a workplace that values employees, and provides high-quality service to its customers.

Selected Accomplishments Expected at the 2013 Proposed Resource Level:

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

Water and Environmental Programs (WEP) provides loans, grants and loan guarantees for drinking water, sanitary sewer, solid waste and storm drainage facilities in rural areas and cities and towns of 10,000 or less. Public bodies, non-profit organizations and recognized Indian tribes may qualify for assistance. WEP also makes grants to nonprofit organizations to provide technical assistance and training to assist rural communities with their water, wastewater, and solid waste problems.

The water and environmental program has been addressing several areas to target resources to rural areas:

- Building leveraging partnerships to expand resources going to rural areas. Working groups have included regional planning commissions, regional councils of developments, and other State agencies to explore funding opportunities for projects in rural communities and areas;
- Directing resources to the neediest projects and communities;
- Working with local communities and other borrowers to ensure funds are invested wisely;
- Focusing on maintaining sustainable water systems in rural communities;

- Improving the loan to grant mix so that more loan dollars are used by systems that can afford maximum debt capacity; and
- Limiting grant funds to the most financially needy systems.

Long-term Performance Measures (WEP Program):

Measure: Percentage of the rural population that will be served by water facility projects that correct or eliminate water-related health and safety hazards such as waterborne illnesses, carcinogens, and potential security risks. The goal over a five-year period from 2011 to 2015 is to average 5 percent annually.

| Year | Target |
|------|--------|
| 2013 | 33% |
| 2014 | 38% |
| 2015 | 43% |
| 2016 | 48% |

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

| Year | Target |
|------|--------|
| 2013 | 90% |
| 2014 | 90% |
| 2015 | 90% |
| 2016 | 90% |

Efficiency Measures:

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

Selected Past Accomplishments toward Achievement of the Key Outcome:

In 2011 the program obligated \$1.5 billion in program level. Rural Development committed to target funding to smaller, more economically-challenged communities, investing \$304 million for 150 projects in persistent poverty counties in 25 States. Through the 2011 funding, RD delivered new and improved services to 4,468,329 rural residents.

Funding activities included:

- \$1.3 billion in WWD direct loans and grants were made to develop 695 projects.
- \$98 million assisted 80 projects in disadvantaged communities.
- \$1.3 million funded 5 projects in communities qualifying for emergency assistance.
- \$37.6 million funded 57 grants to technical assistance providers.
- 105,000 technical assistance calls were completed by Drinking Water and Wastewater Circuit Riders.
- \$31.9 million in guaranteed loans were made to fund 7 projects.
- 30 projects were administered for partner organizations.
- \$1 million in Individually-Owned Water Well Systems Grants was awarded to non-profit organizations.
- \$496,000 in Water and Wastewater Revolving Fund Grants was awarded.
- \$1.9 million for 29 Predevelopment Planning Grants was awarded to assist in preparing applications for WEP funds.
- 20 percent of funding helped projects located in persistent poverty counties.

Overall obligations for the water and waste loan and grant program for 2011 were 73 percent loan and 27 percent grant for regular funding. The 2013 obligations are expected to meet the goal of 70 percent loan and 30 percent grant (the annual efficiency measure goal for 2013).

As a result of Rural Development's investment in water and waste facilities, communities are able to save or create jobs; leverage funds with the private sector, local agencies, and State agencies; attract Federal funds from other agencies; and enlarge the economic and property tax base. Through September 2011, USDA had leveraged \$571.52 million from other sources with over \$1.5 billion of water program loan and grant funds.

The debt service ratio (DSR) and current ratio (CR) are used to indicate the feasibility and sustainability of facilities. The sustainability criteria are based on industry standards of a DSR of 1.10 percent or more and a CR of 1.50 percent or more. Of systems reporting, 97 percent were classified as sustainable.

Selected Accomplishments Expected at the 2013 Proposed Resource Level:

- Provide new or improved water and/or waste disposal service to 2.8 million rural residents with \$1.4 billion of program funds.
- Produce a loan to grant ratio of 70/30 so that more dollars are used by systems that can afford maximum debt capacity.
- Limit grant funds to the most financially needy systems.
- Increase leveraged funds to 30 percent of total project costs from non-agency sources for USDA funded projects.

| RURAL DEVELOPMENT UTILITIES PROGRAM | | | | | |
|--|----------------|----------------|------------------|----------|------------------|
| Strategic Goal Funding Matrix | | | | | |
| (Dollars in thousands) | | | | | |
| Program / Program Items | 2010 Actual | 2011 Actual | 2012 Estimate | Change | 2013 Estimate |
| Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving | | | | | |
| Direct Telecommunications, Treasury Telecommunication Loans, and FFB Telecommunications | \$690,000 | \$689,999 | \$690,000 | \$0 | \$690,000 |
| Staff Years..... | 81 | 83 | 76 | 0 | 76 |
| Treasury Distance Learning Loans, Distance Learning and Telemedicine Grants | 0 | 64,894 | 15,000 | 9,950 | 24,950 |
| Staff Years..... | 18 | 18 | 17 | 0 | 17 |
| Con Farm & RD Act, Sec 379G Health Care Services Grant | 0 | 5,994 | 3,000 | -3,000 | 0 |
| Staff Years..... | 0 | 0 | 0 | 0 | 0 |
| Broadband Telecommunication Loans and Grants, and Public Broadcasting System Grants | 78,924 | 18,277 | 172,014 | -77,875 | 94,139 |
| Staff Years..... | 71 | 73 | 66 | 0 | 66 |
| Direct Broadband Telecommunication Loans - Treas Rate - Stimulus, and Broadband Telecommunications Grants - Stimulus | 3,529,091 | 0 | 0 | 0 | 0 |
| Staff Years..... | 0 | 0 | 0 | 0 | 0 |
| Direct Electric Loans, Treasury Electric Loans, Municipal Electric Loans, FFB Electric Loans, Guaranteed Electric Loans and Electric Underwriting Loans for Bonds and Notes | 7,100,000 | 4,771,857 | 7,024,286 | -924,286 | 6,100,000 |
| Staff Years..... | 185 | 189 | 173 | 0 | 173 |
| Direct Water & Waste Disposal Loans, Guranteed Water & Waste Disposal Loans, Water & Disposal Grants, Individually-Owned Water Well System Grants, Grants for Water and Wastewater Revolving Funds, Solid Waste Management Grants, and Emergency & Imminent Community Water Asst. Grants | 1,660,645 | 1,548,466 | 1,235,582 | 179,418 | 1,415,000 |
| Staff Years..... | 551 | 565 | 517 | 0 | 517 |
| High Enery Cost Grants..... | 17,954 | 7,450 | 9,500 | -9,500 | 0 |
| Staff Years..... | 0 | 0 | 0 | 0 | 0 |

| Program/ Program Items | 2010 Actual | 2011 Actual | 2012 Estimate | Change | 2013 Estimate |
|--|----------------|----------------|------------------|----------|------------------|
| Direct Water and Waste Disposal Loan 2008 Disasters Emer. Supp., Water and Waste Disp. Grants May 6, 2007 Emer. Supp., Water and Waste Disp. Grants 2008 Disasters Emergency Supplemental, Water and Waste Disp. Grants 2003/2004 Hurricanes Emer. Supp., and Waste Disp. Grants 2005 Hurricanes Emer. Suppl., Emer. and Imminent Comm. Water Asst. Grants - Emer. Supp., Emer and Imminent Comm. Water Asst. Grants - 2005 Hurricanes | 10,406 | 0 | 0 | 0 | 0 |
| Staff Years..... | 0 | 0 | 0 | 0 | 0 |
| Direct Water and Waste Disposal Loans - Stimulus, Water and Waste Disposal Grants - Stimulus, Circuit Rider - Tech. Assist. Grants for Rural Water Systems - Stimulus | 1,828,627 | 0 | 0 | 0 | 0 |
| Staff Years..... | 0 | 0 | 0 | 0 | 0 |
| Total Costs, Strategic Goal..... | 14,915,647 | 7,106,937 | 9,149,382 | -825,293 | 8,324,089 |
| Total Staff Years, Strategic Goal..... | 906 | 928 | 849 | 0 | 849 |

RURAL UTILITIES PROGRAMS

Summary of Budget and Performance Key Performance Outcomes and Measures

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

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

Key Performance Measures:

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

Key Performance Targets:

| Performance Measure #1 | 2007 Actual | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Target | 2013 Target |
|---|-------------|----------------------|-------------|-------------|-------------|-------------|-------------|
| Telecommunications (including Broadband) | | | | | | | |
| a. Number of borrowers' subscribers receiving new or improved telecommunication services | 356,440 | 775,341 ⁱ | 187,399 | 136,694 | 180,597 | 220,000 | 187,000 |
| b. Program Dollars (in thousands) | \$642,988 | \$1,134,090 | \$714,514 | \$764,296 | \$745,708 | \$872,386 | \$797,518 |
| ARRA Broadband Loans and Grants | | | | | | | |
| a. Performance Measure to be determined | | | 0 | 847,239 | | | |
| b. Program Dollars (in thousands) | | | \$0 | \$3,529,091 | | | |
| i - One broadband loan for \$267 million accounted for 447,113 subscribers which was an anomaly in 2008 | | | | | | | |

| | 2007 Actual | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Target | 2013 Target |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Distance Learning and Telemedicine | | | | | | | |
| a. Number of counties served by entities receiving distance learning and telemedicine funding | 392 | 586 | 400 | 0 | 660 | 380 | 380 |
| b. Program Dollars (in thousands) | \$59,400 | \$43,242 | \$52,554 | \$0 | \$64,894 | \$15,000 | \$24,950 |
| Performance Measure #2 | | | | | | | |
| Direct Loans (Hardship, Municipal Rate and Treasury Rate Loans) | | | | | | | |
| a. Number of borrowers' consumers receiving new or improved electric service | 2,016,239 | 196,896 | 99,293 | 183,796 | 53,111 | 125,000 | 0 |
| b. Program Dollars (in thousands) | \$1,189,764 | \$99,300 | \$98,477 | \$100,000 | \$39,610 | \$100,000 | \$0 |
| FFB Electric Loans | | | | | | | |
| a. Number of borrowers' consumers receiving new or improved electric facilities | 3,810,212 | 7,905,741 | 9,660,124 | 9,237,036 | 7,020,317 | 6,000,000 | 0 |
| b. Program Dollars (in thousands) | \$2,700,000 | \$6,500,000 | \$6,500,000 | \$6,500,000 | \$4,233,247 | \$6,500,000 | \$0 |

| | 2007 Actual | 2008 Actual | 2009 Actual | 2010 Actual | 2011 Actual | 2012 Target | 2013 Target |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Treasury Rate plus 1/8 percent | | | | | | | |
| a. Number of borrowers' consumers receiving new or improved electric facilities | | | | | | | 5,625,000 |
| b. Program Dollars (in thousands) | | | | | | | \$6,100,000 |
| Performance Measure #3 | | | | | | | |
| Water and Environmental Programs | | | | | | | |
| a. Number of program borrowers' subscribers receiving new improved service from Agency's funded water facilities. | 1,332,063 | 4,361,872 | 3,388,089 | 3,961,166 | 4,468,329 | 2,418,000 | 2,769,000 |
| b. Program Dollars (in thousands) | \$1,579,948 | \$1,822,949 | \$886,872 | \$1,671,053 | \$1,548,466 | \$1,235,582 | \$1,415,000 |
| ARRA Water and Environmental Programs | | | | | | | |
| a. Number of program borrowers' subscribers receiving new or improved service | | | 769,559 | 949,646 | | | |
| b. Program Dollars (in thousands) | | | \$1,581,548 | \$1,828,627 | | | |

| UTILITIES PROGRAMS | | | | | |
|---|---|-------------|-------------|---------------|---------------|
| Full Cost by Department Strategic Goal | | | | | |
| (Dollars in Thousands) | | | | | |
| Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating and Economically Thriving. | | | | | |
| PROGRAM | PROGRAM ITEMS | 2010 ACTUAL | 2011 ACTUAL | 2012 ESTIMATE | 2013 ESTIMATE |
| Direct Telecommunications Loans, Treasury Telecommunications Loans, and FFB Telecommunications Loans, Telecommunications Treasury Plus Loans | | | | | |
| | Program Level | \$690,000 | \$689,999 | \$690,000 | \$690,000 |
| | Budget Authority | 0 | 0 | 0 | 0 |
| | Administrative Costs (Direct) | 2,679 | 6,195 | 5,885 | 6,271 |
| | Administrative Costs (Indirect) | 6,888 | 2,915 | 2,770 | 2,951 |
| | Total Costs | 9,567 | 9,110 | 8,655 | 9,222 |
| | FTEs | 81 | 83 | 76 | 76 |
| | Performance measure: | | | | |
| | Number of borrowers' subscribers receiving new/improved service | | | | |
| | Target: | 136,694 | 176,965 | 120,000 | 120,000 |
| | Cost per Measure (unit cost) | 0.07 | 0.05 | 0.07 | 0.08 |
| Treasury Distance Learning Loans, Distance Learning and Telemedicine Grants | | | | | |
| | Program Level | \$0 | \$64,894 | \$15,000 | \$24,950 |
| | Budget Authority | 0 | 64,894 | 15,000 | 24,950 |
| | Administrative Costs (Direct) | 595 | 1,376 | 1,308 | 1,393 |
| | Administrative Costs (Indirect) | 1,530 | 648 | 615 | 656 |
| | Total Costs | 2,125 | 66,918 | 16,923 | 26,999 |
| | FTEs | 18 | 18 | 17 | 17 |
| | Performance measure: | | | | |
| | Counties served | | | | |
| | Target: | 0 | 660 | 380 | 380 |
| | Cost per Measure (unit cost) | 0.00 | 101.39 | 44.53 | 71.05 |
| Con Farm & RD Act, Sec 379G Health Care Services Grant | | | | | |
| | Program Level | 0 | \$5,994 | \$3,000 | 0 |
| | Budget Authority | 0 | 5,994 | 3,000 | 0 |
| | Administrative Costs (Direct) | 0 | 0 | 0 | 0 |
| | Administrative Costs (Indirect) | 0 | 0 | 0 | 0 |
| | Total Costs | 0 | 5,994 | 3,000 | 0 |
| | FTEs | 0 | 0 | 0 | 0 |
| | Performance measure: | | | | |
| | Target: | 0 | 0 | 0 | 0 |
| | Cost per Measure (unit cost) | 0.00 | 0.00 | 0.00 | 0.00 |
| Broadband Telecommunication Loans and Grants, and Public Broadcasting System Grants | | | | | |
| | Program Level | \$78,924 | \$55,709 | \$182,386 | \$107,518 |
| | Budget Authority | 10,006 | 20,615 | 19,372 | 22,294 |
| | Administrative Costs (Direct) | 2,348 | 5,431 | 5,159 | 5,498 |
| | Administrative Costs (Indirect) | 6,039 | 2,556 | 2,428 | 2,587 |
| | Total Costs | 18,393 | 28,602 | 26,959 | 30,379 |
| | FTEs | 71 | 73 | 66 | 66 |
| | Performance measure: | | | | |
| | Number of borrowers' subscribers receiving new/improved service | | | | |
| | Target: | 0 | 3,632 | 100,000 | 67,000 |
| | Cost per Measure (unit cost) | 0.00 | 7.88 | 0.27 | 0.00 |

| PROGRAM | PROGRAM ITEMS | 2010 ACTUAL | 2011 ACTUAL | 2012 ESTIMATE | 2013 ESTIMATE |
|---|--|-------------|-------------|---------------|---------------|
| Direct Broadband Telecommunications Loans - Treas Rate - Stimulus, and Broadband Telecommunications Grants - Stimulus | | | | | |
| | Program Level | \$3,529,091 | 0 | 0 | 0 |
| | Budget Authority | 2,423,536 | 0 | 0 | 0 |
| | Administrative Costs (Direct) | 0 | 0 | 0 | 0 |
| | Administrative Costs (Indirect) | 0 | 0 | 0 | 0 |
| | Total Costs | 2,423,536 | 0 | 0 | 0 |
| | FTEs | 0 | 0 | 0 | 0 |
| | Performance measure: New/ Upgraded Subscribers | | | | |
| | Target: | 847,239 | 0 | 0 | 0 |
| | Cost per Measure (unit cost) | 0.00 | 0 | 0 | 0 |
| Direct Electric Loans, Treasury Electric Loans, Municipal Electric Loans, FFB Electric Loans, Guaranteed Electric Loans, Electric Underwriting Loans for Bonds and Notes and Electric Treasury Plus Loans | | | | | |
| | Program Level | \$7,100,000 | \$4,771,857 | \$7,024,286 | \$6,100,000 |
| | Budget Authority | 0 | 699 | 594 | 0 |
| | Administrative Costs (Direct) | 6,128 | 14,172 | 13,463 | 14,346 |
| | Administrative Costs (Indirect) | 15,758 | 6,669 | 6,336 | 6,751 |
| | Total Costs | 21,886 | 21,540 | 20,393 | 21,097 |
| | FTEs | 185 | 189 | 173 | 173 |
| | Performance measure: Subscribers served | | | | |
| | Target: | 9,420,832 | 7,073,428 | 6,125,000 | 5,625,000 |
| | Cost per Measure (unit cost) | 0.00 | 0.00 | 0.00 | 0.00 |
| Direct Water & Waste Disposal Loans, Guaranteed Water & Waste Disposal Loans, Water & Disposal Grants, Individually-Owned Water Well System Grants, Grants for Water and Wastewater Revolving Funds, Solid Waste Management Grants, and Emergency & Imminent Community Water Asst. Grants. | | | | | |
| | Program Level | \$1,660,647 | \$1,548,466 | \$1,235,582 | \$1,415,000 |
| | Budget Authority | 770,362 | 601,664 | 513,000 | 495,700 |
| | Administrative Costs (Direct) | 18,290 | 42,298 | 40,183 | 42,817 |
| | Administrative Costs (Indirect) | 47,032 | 19,905 | 18,909 | 20,149 |
| | Total Costs | 835,684 | 663,867 | 572,092 | 558,666 |
| | FTEs | 551 | 565 | 517 | 517 |
| | Performance measure: # of subscribers receiving new and/or improved water and/or waste disposal service | | | | |
| | Target: | 3,961,166 | 4,468,329 | 2,418,000 | 2,769,000 |
| | Cost per Measure (unit cost) | 0.21 | 0.15 | 0.24 | 0.20 |
| High Energy Cost Grants | | | | | |
| | Program Level | \$17,954 | 7,450 | 0 | 0 |
| | Budget Authority | 17,954 | 7,450 | 0 | 0 |
| | Administrative Costs (Direct) | 0 | 0 | 0 | 0 |
| | Administrative Costs (Indirect) | 0 | 0 | 0 | 0 |
| | Total Costs | 17,954 | 7,450 | 0 | 0 |
| | FTEs | 0 | 0 | 0 | 0 |
| | Performance measure: New/ Upgraded Subscribers | | | | |
| | Target: | 0 | 0 | 0 | 0 |
| | Cost per Measure (unit cost) | 0.00 | 0.00 | 0.00 | 0.00 |

| PROGRAM | PROGRAM ITEMS | 2010 ACTUAL | 2011 ACTUAL | 2012 ESTIMATE | 2013 ESTIMATE |
|--|---------------------------------|--------------|-------------|---------------|---------------|
| Direct Water and Waste Disposal Loan 2008 Disaster's Emer. Supp., Water and Waste Disp. Grants May 6, 2007 Emer. Supp., Water and Waste Disp. Grants 2008 Disaster's Emergency Supplemental, Water and Waste Disp. Grants 2003/2004 Hurricanes Emer. Supp., Water and Waste Disp. Grants 2005 Hurricanes Emer. Suppl., Emer. and Imminent Comm. Water Asst. Grants - Emer. Supp., Emer. and Imminent Comm. Water Asst. Grants - 2005 Hurricanes | | | | | |
| | Program Level | \$10,406 | 0 | 0 | 0 |
| | Budget Authority | 7,054 | 0 | 0 | 0 |
| | Administrative Costs (Direct) | 0 | 0 | 0 | 0 |
| | Administrative Costs (Indirect) | 0 | 0 | 0 | 0 |
| | Total Costs | 7,054 | 0 | 0 | 0 |
| | FTEs | 0 | 0 | 0 | 0 |
| | Performance measure: New/ | | | | |
| | Upgraded Subscribers | | | | |
| | Target: | N/A | N/A | N/A | N/A |
| | Cost per Measure (unit cost) | N/A | N/A | N/A | N/A |
| Tech. Assist. Grants for Rural Water Systems - Stimulus | | | | | |
| | Program Level | \$1,828,627 | 0 | 0 | 0 |
| | Budget Authority | 650,675 | 0 | 0 | 0 |
| | Administrative Costs (Direct) | 0 | 0 | 0 | 0 |
| | Administrative Costs (Indirect) | 0 | 0 | 0 | 0 |
| | Total Costs | 650,675 | 0 | 0 | 0 |
| | FTEs | 0 | 0 | 0 | 0 |
| | Performance measure: New/ | | | | |
| | Upgraded Subscribers | | | | |
| | Target: | 949,646 | N/A | N/A | N/A |
| | Cost per Measure (unit cost) | N/A | N/A | N/A | N/A |
| Total for Secretary's Priorities | | | | | |
| | Program Level | \$14,915,649 | \$7,144,369 | \$9,150,254 | \$8,337,468 |
| | Budget Authority | 3,879,587 | 701,316 | 550,966 | 542,944 |
| | Administrative Costs (Direct) | 30,040 | 69,472 | 65,998 | 70,325 |
| | Administrative Costs (Indirect) | 77,247 | 32,693 | 31,058 | 33,094 |
| | Total Costs | 3,986,874 | 803,481 | 648,022 | 646,363 |
| | FTEs | 906 | 928 | 849 | 849 |
| | Performance measure: | | | | |
| | Target: | N/A | N/A | N/A | N/A |
| | Cost per Measure (unit cost) | N/A | N/A | N/A | N/A |
| * S&E and FTE figures for each program are estimates. Actual staff time by program is not available at this time. | | | | | |
| ** FY 11 targets are based on appropriation. | | | | | |
| Totals may not balance due to rounding. | | | | | |